

## Luminex fights for Nanosphere



[Elizabeth Cairns](#)

An unprofitable debt-burdened nanocap molecular diagnostics company becoming the subject of a bidding war is perhaps not the likeliest scenario, but growth predictions for Nanosphere are stellar, and even though Luminex has been forced to raise its offer it could still be on to a winner.

At \$77m – barring any more counterbids – this deal is far from the megamergers that have swept the medtech sector over the last couple of years. But its technology focus could be very smart: it has been suggested that the kind of disease-based testing panels Nanosphere makes will see high demand in future. But, for this to happen, smart manoeuvring will be necessary when it comes to getting payers onside.

### 118% premium

Made on May 16, Luminex's initial bid of \$1.35 per share – \$58m in total – plus paying off \$25m of Nanosphere's debt, seemed reasonable. But a counter-offer from an unknown company at \$1.50 per share seems to have been tabled over the weekend, prompting Luminex to up its bid yesterday to \$1.70 per share, or \$77m.

Luminex's current offer represents a 118% premium over Nanosphere's share price on May 13 – not bad for a company that posted a net loss of \$31m at the end of 2015.

But its revenues are forecast to grow rapidly, with *EvaluateMedTech's* consensus data putting Nanosphere's annual growth rate at 24%, with its sales reaching \$80m in 2022.

Key here is the potential growth in popularity of so-called "syndromic" microbial testing panels. Nanosphere makes multiplexed molecular testing products, each focused on a particular disease, most notably respiratory pathogen panels, gastrointestinal pathogen panels, and blood culture identification panels.

And these panels offer more flexible testing than many of its rivals' products. Nanosphere's respiratory panel, for example, the Verigene RP Flex, uses nucleic acid testing to identify the bacterium or virus causing a patient's respiratory infection.

Each RP Flex cartridge can test for 16 viral and bacterial targets, and unlike standard panel tests, a single sample can be tested for any combination of targets. This enables the doctor to bypass tests for pathogens that have already been ruled out, thereby saving money.

Nanosphere is planning to launch a gastrointestinal pathogen panel that will work along similar lines.

### Flexibility

According to analysts from Leerink, panels of this nature are having a bit of a moment, with syndromic testing being "one of the most important things going in the microbiology/virology field right now".

Thanks to the faster turnaround times and higher diagnostic yields offered by syndromic testing, the market for these products could be worth around \$1bn, the analysts say.

Luminex is already active here, having launched the first molecular syndromic panel in 2008. It is the third player in the market for respiratory pathogen panels, following bioMerieux and GenMark Diagnostics. Nanosphere is fourth placed.

The flexibility of Nanosphere's technology could give it an advantage over rival syndromic panels. Data on cost-effectiveness of many syndromic panels are lacking, and though they tend to cost labs between \$80 and \$150 they are billed to insurance at much higher rates, the Leerink analysts write.

If Nanosphere's more selective panels can win payers over this could more than justify the company's growth forecasts.

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