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LabCorp takes Sequenom for \$300m



[Elizabeth Cairns](#)

Even Sequenom bulls have had to admit that the past year has not been a good one for the lab testing company. Now LabCorp is to put it out of its misery. But Sequenom's stock has sunk so far in the past 12 months that the 182% premium that LabCorp is offering values the company at roughly the same amount as it was worth a year ago.

LabCorp says the acquisition will make it the market leader in NIPT – non-invasive prenatal testing, which diagnoses foetal abnormalities using the mother's blood and is forecast to see impressive growth in the coming years. But Sequenom has run into trouble here thanks to a patent dispute with Roche. LabCorp might have got a bargain, but it is not a straightforward one.

LabCorp has offered \$2.40 for each Sequenom share, valuing the target at \$302m. Including Sequenom's net debt, this represents an enterprise value of approximately \$371m.

NIPT slip

Sequenom was the first company to offer a clinically validated NIPT test, MaterniT21, which it sells for a list price of \$2,700 as a lab-developed or home-brew test via its Clia-certified laboratories. This allows it to sidestep regulation by the FDA ([Vantage point – Prenatal blood test market pregnant with possibility, February 13, 2015](#)).

From a regulatory perspective Sequenom is in a similar position to Ariosa before this group was bought by Roche in 2014: selling in the US, but not approved there ([Roche seeks Harmony with Ariosa buy, December 2, 2014](#)). True, it is selling more tests: Sequenom reported 2015 revenues of \$128m, whereas Ariosa had sales of around \$53m when Roche swooped.

But Sequenom's sales are declining. In the first quarter of 2016 the company accessioned roughly 36,700 MaterniT21 Plus tests, according to analysts from Ladenberg Thalmann, compared with 37,300 the previous quarter and 44,700 a year earlier.

First-quarter revenues from diagnostic testing services decreased 27% to \$25.6m and were below analysts' estimates. This is particularly poor considering that NIPT as a market [has been forecast](#) to grow at an annualised 18% over 2015-20.

In any case, another NIPT developer, Natera, reported \$142m in 2015 sales of its NIPT product Panorama, calling into question the claims by both Sequenom and LabCorp of being market leader.

Patent

And then there is the patent spat with Roche that went almost, but not quite, all the way to the US Supreme Court. Last month the Supremes declined to hear Sequenom's appeal against a Federal Circuit court's June 2015 ruling that Sequenom's NIPT product was not entitled to patent protection because the presence of prenatal DNA in a maternal sample is a natural phenomenon.

The patent in question had already been the subject of much litigation involving Sequenom, Ariosa and Natera. Its final invalidation was a blow to Sequenom's attempts to keep competitors off its patch.

This is now LabCorp's problem, and perhaps the vastly larger company will have more success selling MaterniT21 and Sequenom's other tests in the area of women's health and reproductive genetics.

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