Your Independent Source for Business & Financial News

LABORATORY INDUSTRY REPORT®

Stephanie Murg, Managing Editor, smurg@ioma.com

Vol. XI, No. 9/September 2007

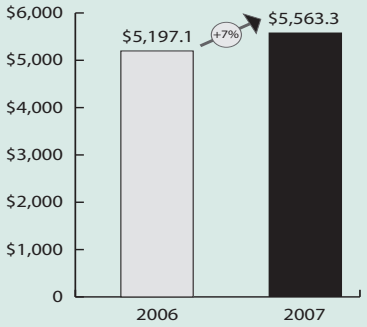
HIGHLIGHTS

Largest Labs Boost Revenue 7% In First Half Of 2007

Sizable acquisitions, new contracts, and the continued growth of molecular testing combined to boost revenue for many leading independent clinical laboratories during the first six months of 2007. A review of the 10 largest publicly traded independent laboratories, which together represent approximately one-quarter of the $51.7 billion laboratory industry, reveals healthy revenue gains for most of the companies, even in the face of pricing pressure, declining reimbursement, and the specter of Medicare competitive bidding for lab services.

Quest Diagnostics, now bolstered by its second-quarter acquisition of anatomic pathology powerhouse Ameripath, saw revenues for the first two quarters rise 1% compared to the previous year, while LabCorp posted a 15% revenue boost in the first two quarters of its contract with United Healthcare. For an in-depth look at the six-month financials of 10 publicly traded laboratory companies, see *Inside the Laboratory Industry*, pp. 5-8.

Six-Month Revenue From Top 10 Labs, 2007 vs. 2006 (in millions)



Source: Company reports

Bill Introduced To Repeal Lab Competitive Bidding Demo

Newly introduced legislation would repeal the Medicare competitive bidding demonstration project for clinical laboratory services on the grounds that it is a threat to market competition, patient access to quality laboratory services, and the nearly 5,000 independent laboratories that are classified as small business concerns by the Small Business Administration.

On August 4, Representative Nydia Velazquez (D-NY), chairwoman of the U.S. House of Representatives Committee on Small Business, introduced H.R. 3453, a bill that would repeal the demonstration immediately and require the Centers for Medicare and Medicaid Services (CMS) to submit a report to the committee on the impact of competitive bidding on small clinical laboratories. The bill was referred to the Committee on Energy and Commerce, as well as the Committee on Ways and Means, Judiciary, and Small Business.

"Competitive bidding would reduce the number of lab service providers in the market, lessening the diversity *Continued on page 2*

Lab Competitive Bidding Demo, *from page 2*

"Allowing the marketplace, rather than the federal government, to drive competition will spur innovation and safeguard patient access to lab services."

of the labs currently competing by forcing smaller labs out of business, and ultimately creating monopolies," states section two of the legislation. "The current diversity of clinical laboratories has fostered price competition and ensured patient access to lab services. Allowing the marketplace, rather than the federal government, to drive competition will spur innovation and safeguard patient access to lab services."

Also included in section two of H.R. 3453 is the estimate of CMS that there are approximately 5,200 independent clinical laboratories in the United States and that these laboratories provide $16.3 billion in Medicare services to many of the country's 40 million-plus Medicare beneficiaries. The bill also notes that most small independent clinical laboratories receive 40% of their revenue from Medicare.

Introduction of the legislation, also known as the Community Clinical Laboratory Fairness in Competition Act of 2007, comes on the heels of a July 25 Small Business Committee hearing on the competitive bidding demonstration project. During the hearing, witnesses testified that the project would put a number of small laboratories out of business.

Industry groups praised the congresswoman for introducing the bill and urged Congress to adopt the repeal legislation before the demonstration progresses any further.

"[The American Clinical Laboratory Association] applauds Chairwoman Velazquez for introducing this important legislation because it's time that Congress pulls the plug on this unworkable and unfixable project," said Alan Mertz, president of the American Clinical Laboratory Association. "As the recent House Small Business Committee hearing revealed, the demonstration will both disrupt beneficiaries' access to critically important laboratory services, as well as seriously disrupt the intricate network of laboratory service providers."

Those sentiments were echoed by Mark Birenbaum, Ph.D., administrator for the American Association of Bioanalysts and the National Independent Laboratory Association. "The so-called demonstration project would be nothing but a program to put small labs out of business and lessen the competition for the largest publicly traded labs," he said. "The two largest publicly traded labs that control over 65% of all independent laboratory testing would be the most likely winners under the current law due to their ability to discount bids in the demonstration zone and make up that cost in other markets across the country."

Sonic Expands In Europe, Buys German Lab Business For $260M

After a round of acquisitions in the United States clinical laboratory market, Sonic Healthcare (Sydney, Australia) is expanding its presence in Europe. The international laboratory and pathology services provider has doubled its presence in the German laboratory market with the August 13 purchase of 100% of the Bioscentia Healthcare Group (Ingelheim, Germany) for $260 million.

The purchase includes 21 laboratories (15 regional laboratories and 6 hospital laboratories) throughout Germany and is expected to make possible money-saving synergies with the Schottdorf Group, in which Sonic acquired a majority (55.9%) share in 2004 for $46 million.

Ownership of both Bioscientia and Schottdorf will make Sonic the second-largest player in the German laboratory market, trailing only Limbach Laboratories in revenue and market share. Bioscientia has annual revenues of $170 million, about the same as that of Schottdorf, while Limbach has annual revenues of approximately $410 million. For purposes of comparison to the U.S. laboratory market, Bio-Reference Laboratories has annual revenues of approximately $200 million. Meanwhile, Quest Diagnostics expects to earn about $6.6 billion in revenue this year.

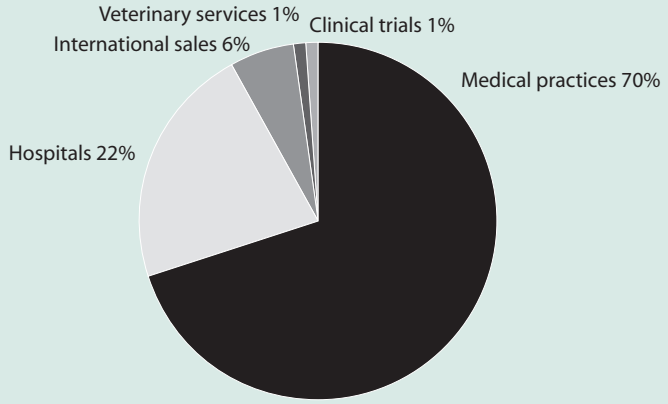
Bioscentia Presence in Germany

Source: Bioscentia

Founded in 1970, Bioscientia has approximately 900 employees. The company's test menu ranges from clinical chemistry to molecular genetics, an area that they continue to expand. Bioscentia has an extensive molecular cytogenetic division and a large laboratory specializing in PCR-based testing for hepatitis and HIV. They also offer molecular testing for Chlamydia, HLA typing, and mycobacteria tuberculosis. Among Bioscentia's professional services is offering specialized and second-opinion reports in a variety of disciplines, using a team of resident and consultant pathologists.

It has been a busy summer for Sonic. In July, the company announced its agreement to acquire 100% of Sunrise Medical Laboratories (Hauppauge, NY) for $148 million, plus up to $20 million under an earn-out arrangement based on growth and EBITDA benchmarks.

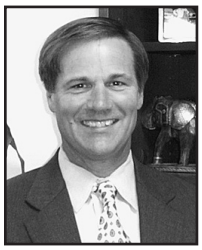
Bioscentia's Revenue Sources



Source: Bioscentia

Other recent acquisitions for the Australian lab giant include American Esoteric Laboratories (recently relocated to Austin, TX), the Medica Laboratory Group (Zurich, Switzerland), and Mullins Pathology & Cytology (Augusta, GA). Sonic also owns Muskogee Clinical Laboratory (Muskogee, OK), Cognoscenti Health Institute (East Orlando, FL), and Lookadoo Skyline Laboratories (Port St. Lucie, FL).

MED3000's Purchase Of PSA Called A Strategic Acquisition



PSA President Al Sirmon

MED3000 announced on August 1 that it has acquired Pathology Service Associates (PSA; Florence, SC). PSA's main focus is to provide billing and collection for pathology practices. Founded in 1995 by five pathology groups in South Carolina, PSA has grown to 70 pathology practices in 27 states with annual revenue of approximately $20 million.

MED3000 is a national healthcare management and technology company with 1,100 employees, servicing 9,000 physicians, hospitals, and health-system clients. PSA brings in 350 more employees.

"We also provide other administrative and management-type services," says Al Sirmon, president of PSA. These services include a group purchasing program, a marketing support program for hiring, training, monitoring, and supporting clients' customer service representatives; and a large compliance program.

Sirmon notes that PSA earns revenue based on a percentage of their clients' revenue. "The problem is, in our business we saw a decline in reimbursement," he says. "In the billing business, over half of your revenue goes for your labor costs. If you have a graph with two lines, you get declining revenues and increasing expenses—you do get squeezed after a while."

To respond to that trend—one that is affecting all healthcare services—PSA focuses on investing in technology in order to do more work with fewer personnel. "That takes money and that was our incentive to link up with MED3000 because they offered several things," says Sirmon. "One, they have a very large IT department and a lot of experience in IT. Two, they have the same hardware and software that we use. And three, they also have access to capital, we don't have."

In addition—and this is a benefit for both companies—the two companies' geographic markets do not overlap, nor do their client specialties. Sirmon sees this as the source of many strategic advantages. "From MED3000's standpoint, they are primarily in office-based billing areas, that is, large multi-specialty groups," he says. "They're not doing anything hospital-based. Hospital-based is usually what we think of as radiology, pathology, emergency rooms, and anesthesia. MED3000 is not doing any of the hospital-based specialties, and they wanted to get into that market. We are the largest single specialty provider of pathology in the country, and it gave them good entrance into that market."

"We are the largest single specialty provider of pathology in the country, and it gave them good entrance into that market," says PSA's Al Sirmon.

Sirmon remains PSA's president and expects the company will continue to operate independently and keep their name. PSA's founder, Louis D. Wright, Jr., M.D., will stay on in an advisory role. Patrick Hampson is chairman and CEO of MED3000.

"I would classify this as a strategic acquisition for both sides," concludes Sirmon. "The main benefit is that it allows PSA to continue to grow and be competitive going forward. We plan to continue to offer our clients the same level of service going forward and even expand some of those services. There are challenges in all of medicine, and I think this will give us the heft to meet those challenges."

A Look At The Six-Month Financials Of 10 Top Independent Labs

Business is booming for 10 of the top independent laboratories in the United States. Taking a look at the six-month financial statements of the top 10 companies, 9 of them show an increase in revenue. The only company to show a loss in revenue from the six-month 2006 report to the six-month 2007 report was Monogram Biosciences (South San Francisco, CA). Monogram reported a -28.2% drop in revenue, reporting $26.6 million in 2006 and $19.1 million in 2007.

Quest Diagnostics (Lyndhurst, NJ), hit hard by the loss of UnitedHealthcare contracts, reported reduced consolidated revenues by approximately 4.6% in the first six months of 2006. However, the second quarter acquisition of AmeriPath increased consolidated revenues by 2.2%. Looking only at the 2006 six-month figures and the 2007 six-month figures, Quest has shown a 1% increase in revenues. The additional revenue brought in by AmeriPath will likely bring up Quest's overall revenue by the end of the year. Quest has predicted annual 2007 revenue of between $6.6 billion and $6.7 billion, with AmeriPath responsible for about $500 million of that.

The most explosive growth comes from Genomic Health (Redwood City, CA). A relatively young company that went public in 2005, Genomic Health reported $13.4 million in revenue at the six-month mark in 2006. In 2007 they reported $28.8 million in revenue at the six-month mark, a whopping 114.9% increase. "Product revenue in the second quarter was stronger than our expectations, and we made important reimbursement progress," said Genomic Health Chairman and CEO Randy Scott, Ph.D., in a press release announcing the six-month results. "We continued to expand and integrate our sales force for Oncotype DX, and we moved our clinical programs forward, which we believe will provide increasingly valuable individualized information to patients with breast cancer and other cancers."

Six-Month Revenue Comparison for 10 Independent Labs, 2006 vs. 2007

Company	*6-Month Revenue 2007 (millions)*	*6-Month Revenue 2006* (millions)*	*% Change*
Quest Diagnostics	$3,167.4	$3,136.2	1.0%
LabCorp	2,041.8	1,782.2	14.6
Bio-Reference	114.7	90.1	27.3
Myriad Genetics[1]	78.1	57.1	36.8
Medtox Scientific[2]	39.8	33.7	18.1
Orchid Cellmark	29.8	26.2	13.7
Genomic Health	28.8	13.4	114.9
Enzo Biochem[3]	24.6	19.7	24.9
Clarient	19.2	11.9	61.3
Monogram Biosciences	19.1	26.6	-28.2
Total	$5,563.3	$5,197.1	7.0%

[1]Myriad Genetics' fiscal year runs from July through June. These numbers reflect Q2 and Q3 financial data. Revenue figures reflect combined molecular diagnostic revenue and research revenue. Costs and expenses data reflect combined costs of molecular diagnostics revenue, as well as research and development expense and selling, general and administrative expense.

[2]Includes both laboratory services and diagnostic sales.

[d]Enzo's fiscal year runs from August through July. These numbers reflect Q2 and Q3 financial data.

*Reflects revenue data for same six-month period in 2006.

Source: Company reports

LabCorp (Burlington, NC), which was set at the beginning of 2007 to benefit from its new contract with UnitedHealthcare, showed a 2006 to 2007 six-month increase of 14.6%, from $1.8 billion in 2006 to $2 billion in 2007.

Combined, the 10 companies reported $5.6 billion in revenue at their six-month marks, up 7% from the 2006 combined revenue report of $5.2 billion.

Going Beyond Revenue

Revenue is a nice reflection of how much money a company is making, but it doesn't address how much money a company spends trying to create that revenue. *LIR* also tabulated the 10 independent lab companies' six-month figures for revenue, operating expenses, operating income (revenue – operating expenses = operating income), and reported net income, which takes into account interest expenses, income taxes, and depreciation.

This look behind the curtain isn't quite as happy a picture as the revenue figures suggest. Of the 10 companies, only four showed a positive net income: Quest Diagnostics, LabCorp, Bio-Reference, and Medtox Scientific. These figures can, however, provide a very interesting picture. Although Quest Diagnostics reports almost a third higher revenue than closest competitor LabCorp, $3.2 billion and $2 billion respectively for the 2007 six-month mark, Quest reports very high operating expenses of $2.7 billion versus LabCorp's $1.6 billion. What this results in is operating income (and resulting net income) that are closer than would be expected given their revenue differences. Quest reports a 2007 six-month operating income of $473.3 million, and LabCorp reports $415.9 million.

Again, Monogram Biosciences shows a significant loss of operating and net income. Their six-month revenue for 2007 was $19.1 million, but their six-month reported operating expenses were $37.5 million, resulting in a loss of -$18.4 million at their six-month mark.

It's worth noting, however, that Monogram has been gearing up for the major

2007 Six-Month Financial Benchmarks at 10 Independent Labs

Company	*Revenue (millions)*	*Operating Expenses*	*Operating Income*	*Net Income*
Quest Diagnostics	$3,167.4	$2,694.1	$473.3	$247.2
LabCorp	2,041.8	1,625.9	415.9	251.2
Bio-Reference	114.7	105.3	9.4	5.1
Myriad Genetics[1]	78.1	98.6	-20.5	-14.8
Medtox Scientific[2]	39.8	21.5	18.3	5.1
Orchid Cellmark	29.8	32.1	-2.3	-2.4
Genomic Health	28.8	43.6	-14.8	-14.0
Enzo Biochem[3]	24.6	33.2	-8.6	-8.7
Clarient	19.2	24.7	-5.5	-1.5
Monogram Biosciences	19.1	37.5	-18.4	-17.7
Total	$5,563.3	$4,716.5	$846.8	$449.5

[1]Myriad Genetics' fiscal year runs from July through June. These numbers reflect Q2 and Q3 financial data. Revenue figures reflect combined molecular diagnostic revenue and research revenue. Costs and expenses data reflect combined costs of molecular diagnostics revenue, as well as research and development expense and selling, general and administrative expense.

[2]Includes both laboratory services and diagnostic sales.

[3]Enzo's fiscal year runs from August through July. These numbers reflect Q2 and Q3 financial data.

Source: Company reports

launch of their Trofile assay, which has been used for patient selection in clinical trials of Pfizer's CCR5 antagonist, maraviroc, an HIV/AIDS drug. On July 26, Monogram announced that the assay "is ready for independent introduction and is expected to contribute to revenue growth for Monogram after maraviroc is approved by the FDA." The FDA approved maraviroc, which Pfizer will sell under the trade-name Selzentry, on August 6.

Only Myriad Genetics shows a larger negative operating income at the six-month mark of -$20.5 million. The majority of this loss comes from research and development costs. Of their $37.1 million in total revenue, $34.2 million comes from molecular diagnostics. On the other hand, of the total costs and expenses of $48.5 million, $24.8 million of it comes from research and development, $16.2 comes from selling, general, and administrative expenses. Only $7.5 million comes from molecular diagnostic costs. Myriad reports that their molecular diagnostic revenues were $65 million in the first six months of fiscal 2007, up 45% from the $44.9 million of the first six months of fiscal 2006.

Combined, the 10 companies reported $5.6 billion in revenue in the first six months of fiscal year 2007. The combined operating expenses in the same period were $4.7 billion, resulting in a combined operating income of $846.8 million. The combined net income for the six-month mark was $449.5 million.

Growth And Revenue Predictions

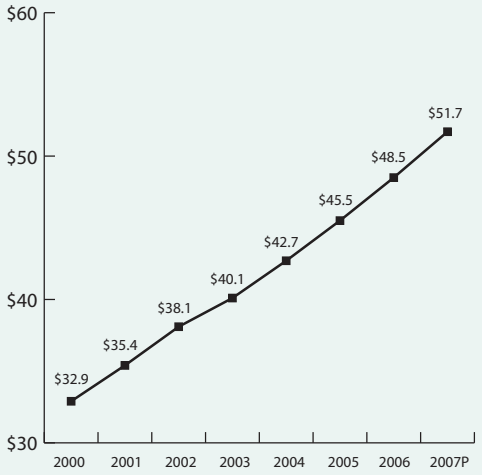
Despite the occasional bump in the road, the lab business seems to be racing right along based on the six-month figures from 10 independent laboratory companies. The companies posted combined annual revenues in 2006 of $10.4 billion. *LIR* estimated the 10 companies' 2007 annual revenue based on the percent change the companies displayed between their 2006 and 2007 six-month revenue reports. The exceptions to that are Quest Diagnostics, which, because of its Q2 acquisition of AmeriPath, is likely to be higher for 2007, approximately $6.7 billion, and Monogram Biosciences.

Monogram Biosciences, if it continued at its current trajectory, would show a dismal $13.7 million in total revenue in 2007, which seems unlikely. With the recent approval of maraviroc, their revenues are likely to take a healthy jump. Whether that will be enough to give them a boost at the end of 2007 is difficult to predict, but the products that they have in the pipeline are promising.

LIR predicts that the 10 companies analyzed for this article will have combined revenue of $12.1 billion in 2007, up 16.1% from 2006. By going back to 2003 records, we tracked the 10 companies' revenue reports and calculated their five-year combined annual growth rate (CAGR). Genomic Health's records were only available to 2004, so their calculation was for four years. Nonetheless, Genomic Health showed a staggering 278.9% four-year CAGR from 2004 to 2007. The only company to report a nega-

tive five-year CAGR (-5.5%) was Enzo Biochem. Clarient, meanwhile, showed a very strong five-year CAGR of 35.4%, as did Myriad Genetics with 19.5%. Even Monogram Biosciences, which has been suffering lately, showed a 5.9% five-year CAGR, very close to Quest Diagnostics' five-year CAGR of 6.0%. Combined, the 10 companies showed a five-year CAGR of 8.5%.

Laboratory Industry Revenue Trends
(in billions)



Source: *LIR*

A Chunk Of The Industry

LIR projects that the clinical laboratory industry will report combined revenue in 2007 of $51.7 billion. From 2000 to 2007, the clinical lab industry has provided a 5.8% CAGR. Over the last five years these 10 companies have exceeded that with a combined CAGR of 8.5%, in some cases wildly exceeding it. Even Quest Diagnostics and LabCorp, the two dominant players in the field, are slightly above the eight-year CAGR with five-year CAGRs of 6% and 7%, respectively.

Because these 10 companies are such a large part of the industry, responsible for approximately 23% of the entire industry's annual revenue, their respective good health bodes well for the industry as a whole.

Annual Revenue History of 10 Independent Laboratory Companies

Company	*2007P++*	*2006*	*2005*	*2004*	*2003*	*5-Year CAGR*
Quest Diagnostics	$6,665.0*	$6,268.7	$5,503.7	$5,126.6	$4,738.0	6.0%*
LabCorp	4,115.1	3,590.8	3,327.6	3,084.8	2,939.4	7.0%
Bio-Reference	245.8	193.1	163.9	136.2	109.0	17.7%
Myriad Genetics	156.4	114.3	82.4	56.6	64.3	19.5%
Medtox Scientific	63.8	54.0	63.0	56.7	51.5	4.4%
Orchid Cellmark	64.7	56.9	61.6	50.6	50.4	5.1%
Genomic Health+	61.8	29.2	5.2	0.3	--	278.9%
Enzo Biochem	39.8	31.9	43.4	41.6	52.8	-5.5%
Clarient	54.2	33.6	20.1	9.8	11.9	35.4%
Monogram Biosciences**	45.0**	48.0	48.3	36.8	33.8	5.9%
Total	$12,093.9	$10,420.5	$9,319.2	$8,600.0	$8,051.1	8.5%

* Revenues from Quest's second quarter include monies accrued via the Q2 acquisition of AmeriPath. As a result, the $6.6 billion number is higher than a straightforward calculation would provide, which was $6.3314 billion.

**Monogram Biosciences has seen a significant drop in revenue in the past year. If the 2007 projection was based entirely on a continued drop in revenue at that rate, which LIR believes is unlikely, Monogram Biosciences' 2007 revenue would hover around $13.7 million. A more probable 2007 revenue projection is $45 million.

+Genomic Health became a public company in 2005. The 278% CAGR is for four years, not five.

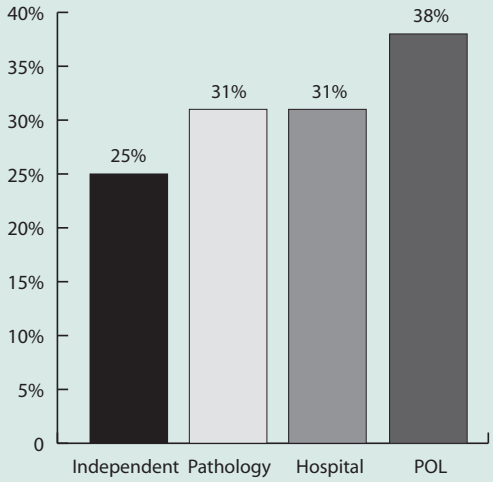
++2007 revenue projections were calculated by taking the percent-change value from the companies' 2006 to 2007 six-month revenue reports, then applied to their 2006 reported annual revenue. The exceptions to this were Quest Diagnostics and Monogram Biosciences.

Source: Company reports and *LIR*

Reagents Account For About 30% Of Lab Budgets, G-2 Survey Finds

Clinical laboratories spend an average of 31% of their budgets on reagents, a new survey by Washington G-2 Reports finds. Reagent expenditures vary, however, by type of laboratory. According to the survey's 178 respondents from 41 states, 38% of the budgets of physician office laboratories (POLs) is spent on reagents, while hospital and pathology groups both reported 31% of their budgets was for reagents. Independent laboratories reported 25% of their budgets was spent on reagents.

Percentage of Lab Budget Spent on Reagents, by Lab Type

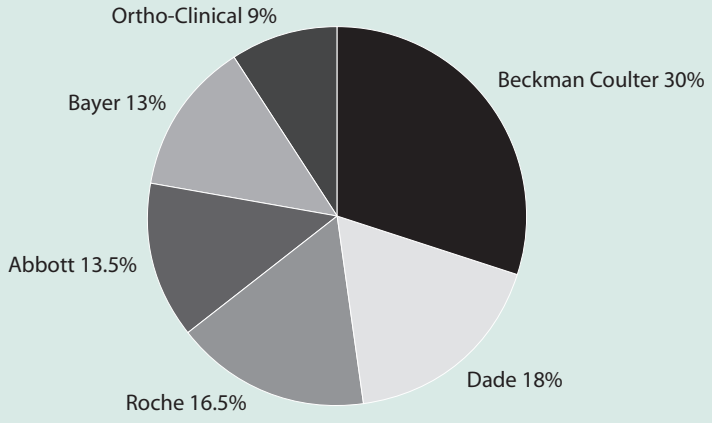


Source: Washington G-2 Reports' *Second National Reagent Vendor Survey* (2007), n=178

Extra-large laboratories, defined as those that perform more than five million tests annually, spend an average 29% of their budgets on reagents, the lowest of all the categories, probably because they get better deals on reagents due to buying in large quantities. Large laboratories, defined as those performing 1 million to 4.9 million annual tests, spent 30%; medium labs (those that perform 500,000 to 999,999 tests annually) also reported an average of 30% of their budgets was spent on reagents; and small laboratories (those that perform 0 to 499,999 annual tests) spent an average of 34% of their budgets on reagents.

Of the 178 respondents, 76% were hospital and health-system laboratories, 13% were independent (commercial) laboratories, and 6% were POLS. The remaining respondents were evenly split between pathology groups and "other." The average overall annual test volume was 1.7 million and the median was 1 million.

Which major reagent vendor offers the best value?



Source: Washington G-2 Reports' *Second National Reagent Vendor Survey* (2007), n=178

Reagent Vendors By Value, Price, and Service

The survey also provides a glimpse into how laboratories perceive major reagent vendors. When asked which of the major reagent vendors offered the best value (i.e., service plus price), 30% of the 178 respondents pointed to Beckman Coulter. Dade Behring was

second with 18%. Roche ranked third with 16.5% and Abbott fourth with 13.5%. Bayer was very close to Abbott, with 13%, and Ortho-Clinical Diagnostics ranked sixth, with 9%.

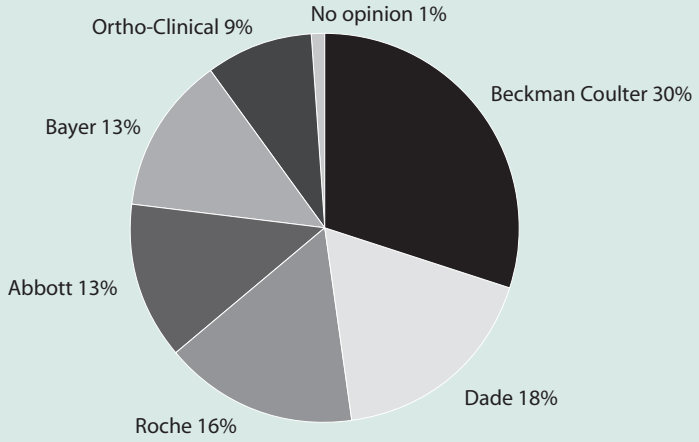
Beckman Coulter also emerged as the leader when it comes to price. The company was cited by 30% of survey respondents as offering the lowest prices. Dade Behring came in second, with 18%, and Roche was a close third, with 17%. Abbott and Bayer tied at 13%, and 8% of respondents indicated Ortho-Clinical Diagnostics offered the lowest prices. A small portion, 1%, indicated they had no opinion.

Beckman Coulter was also chosen by 30% of respondents to be the most responsive to answering questions and fixing problems. From that position, response rates dropped off significantly, with Dade Behring cited 18% of the time and Roche 16.5%. After that, Abbott was cited 13.5% of the time, Bayer Diagnostics 13% of the time, and Ortho-Clinical Diagnostics, 9%.

Reagent Vendors By Service, Reliability, and Technology

When asked to choose the major vendor that sells the most reliable instruments and reagents, Beckman Coulter was cited by 30% of survey respondents. Dade Behring was second, cited by 18%; Roche Diagnostics followed, cited by 16% of survey participant; Abbott Diagnostics and Bayer were cited by 13%. Ortho-Clinical Diagnostics was cited 9% of the time.

Which major reagent vendor sells the most reliable instruments and reagents?



Source: Washington G-2 Reports' *Second National Reagent Vendor Survey* (2007), n=178

Finally, Beckman Coulter was cited by 30% of all survey participants as the major reagent vendor that has the most technologically advanced instrument systems. Dade Behring ranked next, with 18%. Roche Diagnostics was cited by 17%. Abbott Diagnostics was cited by 14%, and Bayer ranked similarly, cited by 13%. Ortho-Clinical Diagnostics was cited by 8% of survey participants.

For in-depth analysis of Washington G-2 Reports' *Second National Reagent Vendor Survey*, see the new research report *Quality Counts*, available this month from Washington G-2 Reports. To order, go to www.g2reports.com or call 1-800-522-7347.

Lab Stocks Fall 2%; Medtox and Psychemedics Tumble

The G-2 Laboratory Stock Index fell 2% in the five weeks ended August 17, 2007, with six stocks down in price, four up, and one unchanged. So far this year, the G-2 index is up a healthy 20%, while the Nasdaq has gained 4% and the S&P 500 Index is up 2%

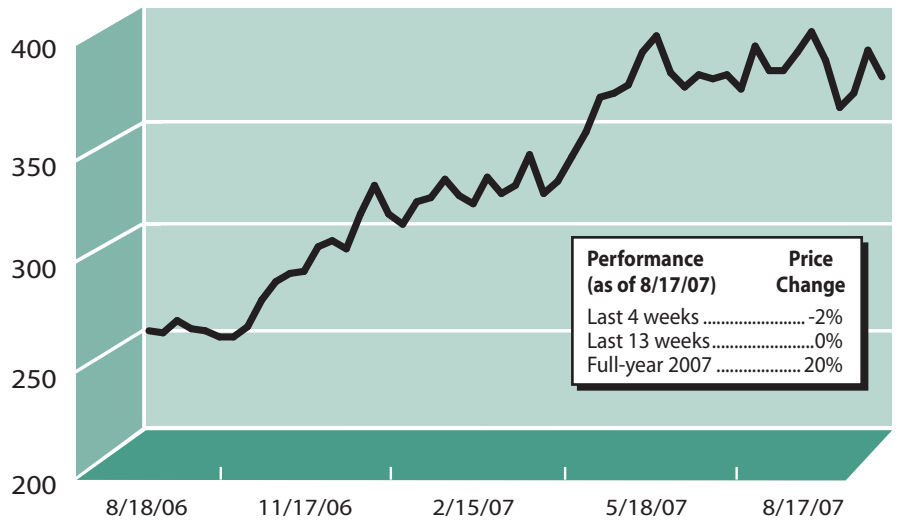
Drug-testing laboratory **Psychemedics** (Acton, MA) dropped 14% to $17.62 per share for a market cap of $94 million. The company recently announced its second-quarter results, which included record quarterly revenue of $6.5 million, up 5% as compared to $6.2 million in the second quarter of 2006.

The revenue increase, however, was below historical trends, which Psychemedics chairman and CEO Raymond Kubacki attributed to a decline in the company's base business that was "influenced by two major auto-related clients who were off from their spike in hiring in last year's second quarter."

Meanwhile, **Bio-Reference Laboratories** (Elmwood Park, NJ) is chugging along. Shares in the laboratory were up 7% to $28.15 per share for a market cap of $388 million. In another bit of fallout from United Healthcare's deal with LabCorp, Bio-Reference has signed a new long-term agreement with Phadia (Uppsala, Sweden) to supply its ImmunoCAP IgE blood tests to clients in the northeast.

ImmonoCAP, a quantitative allergy test, is offered by Quest Diagnostics, one of Phadia's largest customers, but not by LabCorp. The nation's second-largest laboratory does, however, perform quantitative IgE testing, using a radioallergosorbent (RAST) test. According to a study published in the July issue of the *Annals of Allergy, Asthma & Immunology*, ImmunoCAP is superior to other allergy tests, including LabCorp's HYTEC Turbo-RAST test, although the matter remains somewhat controversial.

G-2 Laboratory Stock Index



Source: The G-2 Laboratory Stock Index is tabulated weekly by *Laboratory Industry Report* from the average percentage change in the price of 11 laboratory testing service stocks.

% price change, 5 weeks ended 8/17/07

UP	Price	% Chg
Bio-Reference	$28.15	7%
Enzo Biochem	16.40	15
Myriad	41.78	7
Orchid	5.62	9
UNCHANGED		
Quest	54.12	0
DOWN		
Clarient	1.77	-12
Genomic Health	19.46	-6
LabCorp	75.25	-6
Medtox	17.00	-18
Psychemedics	17.62	-14
Monogram	1.62	-6

INDUSTRY buzz

The incredible shrinking European laboratory market . . .

A wave of mergers and acquisitions is shrinking the European laboratory market. **Capio Diagnostics** (Gothenburg, Sweden) has agreed to purchase a majority stake in European laboratory giant **Unilabs** (Geneva, Switzerland) for $238 million and will make a cash offer for the remaining shares at a premium of 30%. The deal, which is expected to close by the end of the year, would create a combined group with pro forma sales of approximately $410 million and about 2,800 employees.

"The combined group will become a strong force in the European laboratory services market that will be able to play an active role in the expected further consolidation of the industry," said Paul Hokfelt, president and CEO of Capio. "The companies are a perfect fit with over 100 laboratories and testing facilities across Europe." According to Hokfelt, the combined group will be known as Unilabs and headquartered in Geneva.

With approximately 1,600 employees, Unilabs performs over 20 million tests per year. The company operates clinical laboratories mainly in Switzerland (20 labs), Spain (17), and France (9). Unilabs also has facilities in Portugal, Italy, and Russia.

Established in 1932, Capio is Scandinavia's largest provider of radiology and laboratory services within clinical chemistry. The company performs 8 million tests per year in 13 cities throughout Sweden, Norway, Denmark, Finland, and the United Kingdom.

References in this issue

Bio-Reference 201-791-2600

Bioscentia 49-6132-781203

Capio Diagnostics 46-31-732-40-00

Clarient 949-425-5700

CMS 877-267-2323

Enzo Biochem 631-755-5500

Genomic Health 650-556-9300

LabCorp 336-584-5171

MED3000 412 937-8887

Medtox 651-636-7466

Monogram Biosciences 650-635-1100

Myriad Genetics 801-584-3600

Orchid Cellmark 609-750-2200

PSA 800-832-5270

Psychemedics 978-206-8220

Quest Diagnostics 800-222-0446

Sonic Healthcare 61-2-9855-5222

Unilabs 41-22-9097777

Laboratory Industry Report (ISSN 1060-5118) is published by Washington G-2 Reports, 3 Park Avenue, 30th Floor, New York, NY 10016-5902. Tel: 212-244-0360. Fax: 212-564-0465. Order line: 212-629-3679. Web site: www.g2reports.com.

Stephanie Murg, Managing Editor; Dennis Weissman, Executive Editor; Janice Prescott, Sr. Production Editor; Perry Patterson, Vice President and Publisher; Joe Bremner, President.

Receiving duplicate issues? Have a billing question? Need to have your renewal dates coordinated? We'd be glad to help you. Call customer service at 212-244-0360, ext. 2.