



Diagnostic Testing and Technology Report

Competitive Intelligence & Analysis for an Expanding Global Market

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Established 1979

U.S. Money Manager Asks Bayer To Split Up Units

Tweedy, Browne Co. (New York City), an investment management firm with \$7 billion under management, has sent a letter to Manfred Schneider, chairman of Bayer (Leverkusen, Germany), seeking a vote on a split-up proposal at Bayer's next shareholder meeting on April 27. Tweedy, Browne currently holds approximately one million Bayer shares in its Global Value Fund and private accounts, according to Thomas Shrager, a managing director at the New York firm.

Shrager tells *Diagnostic Testing & Technology Report* that Tweedy, Browne has proposed that Bayer divide its operations into three separate and distinct entities: 1) healthcare (including pharmaceuticals, consumer healthcare products, diagnostics); 2) chemicals and polymers; and 3) agricultural chemicals.

Continued on p. 3

Sysmex, International Reagents Corp. Heading Toward Full Merger

Sysmex Corp. (Kobe, Japan), the world's second largest maker of blood cell counting equipment, and International Reagents Corp. (IRC, also headquartered in Kobe), which has a strong coagulation reagent business in Japan, have agreed to form a comprehensive business alliance that could result in a full merger within two years. A full merger, if completed, would create a company with annual revenue of about \$425 million (US), placing it among the top 10 IVD manufacturers.

Terms call for Sysmex to purchase eight million shares of IRC (a 33.3% stake) from pharmaceutical maker Welfide Corp. (Osaka, Japan) for ¥4.955 billion (US \$41.9 million). As a result, Sysmex would become the largest shareholder in IRC; Welfide's stake would fall from 50.7% to 17.5%. *Continued on p. 2*

Top 10 IVD Manufacturers

Company	Sales (\$MM) Calendar 2000E
Roche	\$3,900
Abbott	2,924
Johnson & Johnson	1,925
Bayer	1,800
Becton Dickinson	1,676
Beckman Coulter	1,475
Dade Behring	1,250
bioMerieux	525
Sysmex/IRC	425
Bio-Rad	375

Source: DTTR from company reports and Merrill Lynch, SG Cowen estimates

▲ **Sysmex, International Reagents Corp.,** from page 1

IRC reported net income of Y305.4 million (US \$2.6 million) for the fiscal year ended March 31, 2000 vs. a net loss of Y608 million (US \$5.1 million) in fiscal 1999; revenue

increased to Y10.135 billion (US \$85.5 million) from Y10.01 billion (US \$84.5 million). IRC currently has 332 employees, indicating sales of about US \$258,000 per employee. At a purchase price of US \$41.9 million for a one-third stake of IRC, Sysmex is paying approximately 1.5 times annual revenue.

As part of the agreement, Sysmex and IRC will supply products to each other and market their testing equipment and reagents as a set. They will also jointly develop genetic testing systems.

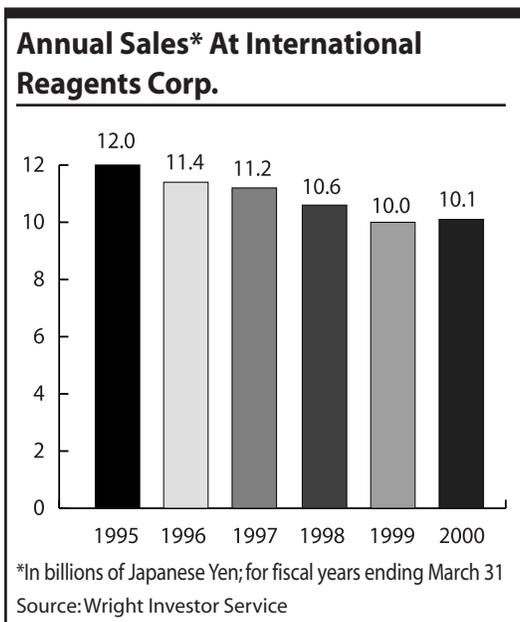
“Despite its name, International Reagents Corp. has never been very international,” says Michael Farmer of Asiatic Research (San Francisco, CA). He notes that IRC has a significant presence in Japanese coagulation, routine chemistry, and immunoassay reagent markets, but its presence overseas is modest. “This looks like a smart deal for

Sysmex...They can plug IRC’s products into their distribution channels overseas.”

Sysmex management has stated that it expects to report net income of approximately Y1.85 billion (US \$15.6 million) for the fiscal year ended March 31, 2001 vs. Y1.838 billion (US \$15.5 million) in fiscal 2000; revenue is expected to increase 7% to Y40 billion (US \$338.1 million). Sysmex currently has about 1,000 employees,

indicating sales of about US \$338,100 per employee.

From the U.S. market, Sysmex generates annual revenue of roughly US \$50 million. Roche Diagnostics is the exclusive U.S. distributor of Sysmex hematology and coagulation products. Sysmex Corp. of America is headquartered in Long Grove, IL. ▲



Financial Highlights at Sysmex*

	1997	1998	1999	2000	2001
Revenue	33,991	35,576	38,337	37,243	40,000
Oper. Income	3,334	2,798	3,400	3,617	NA
Net income	1,642	1,555	913	1,838	1,850

*Figures in millions of Japanese Yen; for fiscal years ending March 31
Source: Sysmex Corp.

ChromaVision Signs Pathology Service Associates

ChromaVision (San Juan Capistrano, CA) and Pathology Service Associates (PSA—Florence, SC) have agreed to jointly market ChromaVision’s ACIS product to PSA members. ACIS is an automated cellular imaging system that aids pathologists in detecting cancer and infectious diseases. PSA is a national network of 80 independent pathology groups. To date, five laboratories in the PSA network have begun using ACIS or have signed contracts to do so. ▲

▲ **Bayer Asked To Split Up Units**, from page 1

A Bayer spokesman says the company has received the letter, dated Dec. 13, 2000, and Bayer's lawyers are determining whether the request is admissible. Shrager says he sent the letter after Bayer announced that it had hired Deutsche Bank and Credit Suisse First Boston to work out a "strategic corporate development concept." In a press release dated Dec. 8, Bayer said that its objective is to "grow primarily from within, thereby assuring continuous increase of sustainable corporate value. To this end, concepts and options for a broad range of possible scenarios are being assessed." Bayer also said that the investment bankers were helping with plans for a listing of the company's shares on the New York Stock Exchange by late second-quarter 2001.

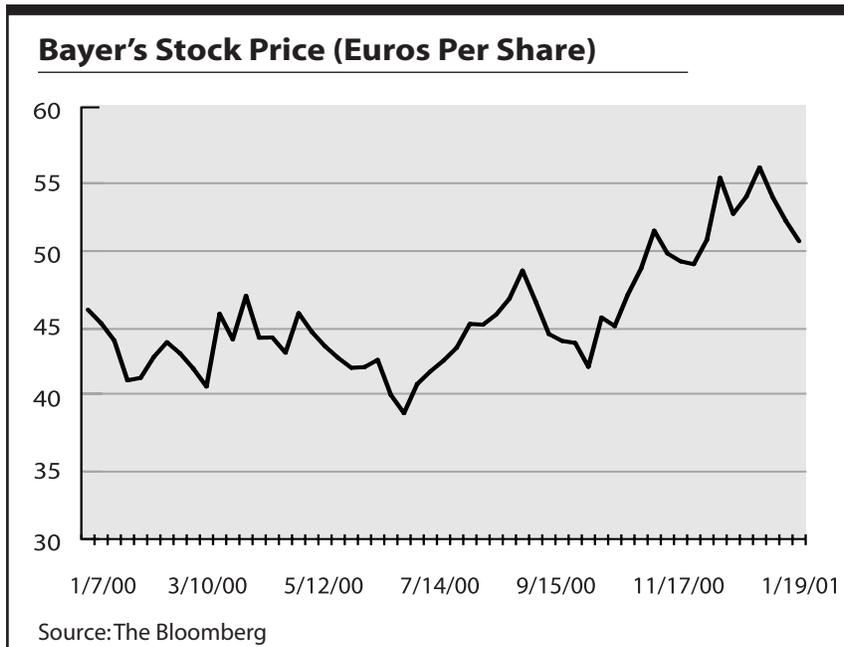
Shares of Bayer have risen 21% to 50.7 euros per share in the past three months on investor speculation that Bayer will split up. Despite such speculation, Schneider repeatedly has stated that Bayer will keep its "four-pillar" strategy. Last September,

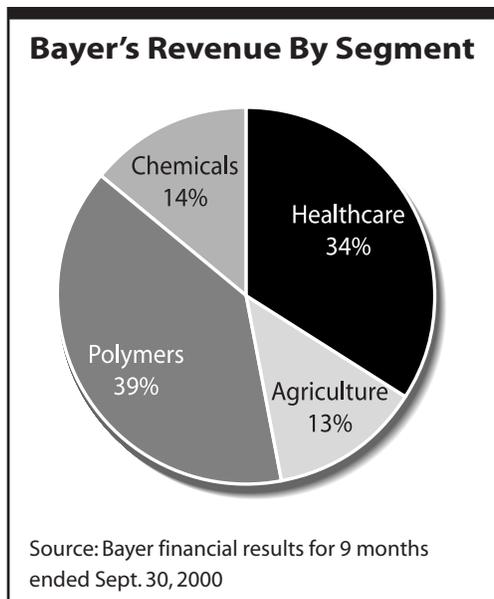
for example, Bayer's supervisory board dismissed a proposal to create a holding company with four independent businesses for pharmaceuticals (including consumer care and diagnostics), chemicals, polymers, and agricultural chemicals.

Still, Shrager says, Bayer's healthcare unit is significantly undervalued. Based on annualized results for the nine months ended Sept. 30, 2000, the unit generates yearly revenue of approximately 9.687 billion euros (US \$9.049 billion). According to Shrager, the typical pharmaceutical business sells for about four to six times revenue. Using this benchmark, he estimates that Bayer's healthcare business alone could be worth more than 38 billion euros (*i.e.*, 9.687 billion euros x 4=38.7 billion euros). He notes that Bayer as a whole currently trades for only 37 billion euros (US \$34 billion).

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Ajay Bansal, partner at Mehta Partners (New York City), a pharmaceutical/biotech research firm, believes Bayer's healthcare unit should be merged with another pharmaceutical company. He notes that Bayer's unit has an operating margin of 14.6%, compared to 25-30% at companies like Abbott Labs and Pfizer. Bansal believes that combining Bayer's healthcare sales representatives with those at another pharmaceutical company could significantly improve Bayer's margins. He estimates that Bayer's healthcare unit could fetch 35-50 billion euros from a strategic acquirer. However, he adds, "My impression is [Bayer] management won't do anything."





In the nine months ended last Sept. 30, Bayer's healthcare unit posted an operating profit of 1.024 billion euros vs. 651 million euros in the comparable previous period; revenue rose 21% to 7.265 billion euros. The principal contribution came from the pharmaceuticals business group, where sales moved ahead 23% to an estimated 4.465 billion euros. The consumer care unit (*i.e.*, over-the-counter drugs) generated revenue totaling an estimated 1.41 billion euros; the diagnostics unit, an estimated 1.39 billion euros. At Bayer's financial news conference last November, chief financial officer Werner Wenning said that in the nine months ended Sept. 30, 2000, the diagnostics unit, which buys raw materials in dollars and yen but sells in euros, lost 70 million euros due to the weak euro exchange rate.

Overall, Bayer reported net income of 1.567 billion euros in the nine months ended Sept. 30, 2000, down from 2.15 billion in the same period a year earlier; revenue from continuing operations was up 22% to 22.183 billion euros. 🏠

Bayer's Healthcare Unit (in millions of euros)

	First Three Quarters		%Chg	Full Year
	2000	1999		1999
Revenue	7,265	6,024	21%	8,367
—Pharmaceuticals	4,465E	3,615E	23%	5,003
—Consumer Care	1,410E	1,209E	17%	1,683
—Diagnostics	1,390E	1,200E	16%	1,681
Operating income before exceptional items	1,060	757	40%	1,095

E=estimated.
Source: Bayer and DTTR estimates

U.S. Issues Final Patent Guidelines For Genes

The final guidelines put to rest any question about whether genes can be patented at all—making it clear that companies may indeed patent genes or even pieces of genes

On Jan. 5, 2001, the U.S. Patent & Trademark Office released final patent utility guidelines. The guidelines essentially act as instructions for patent examiners and cover a range of technologies, but gene-based inventions are the most clearly affected. The final utility guidelines have one major difference from those established in 1995: "substantial" utility. Previously, to show utility, an applicant had to prove that the discovery had credible and specific uses. Now, an applicant must also show that the use is substantial.

"This, in effect, means that inventions must have a real-world use and cannot be a throw-away product," notes Charles Duncan, analyst at Prudential Securities. For example, genetic tests that determine a patient's predisposition to specific diseases remain patentable. However, assays for identifying compounds that do not have a demonstrated specific and substantial utility are not. 🏠

inside the diagnostics industry

OTC Test Sales Gaining Ground Against Traditional Labs

Sales of over-the-counter diagnostic test kits and collection devices to U.S. consumers have been growing by 5-10% per year and reached \$1.14 billion in 2000, according to estimates by *Diagnostic Testing & Technology Report*. Blood glucose monitoring remains by far the largest segment of the OTC market for home testing, representing 77% or \$880 million in annual sales. The next largest segment is pregnancy/fertility testing, which currently represents nearly \$200 million in annual sales.

OTC sales of both blood glucose monitoring and pregnancy/fertility testing are maturing in the U.S.—over the next five years, each is expected to grow by 5-10% per year, according to Joseph Dooley, PhD, president of Biotechnology Associates (Waterford, CT) and author of *The U.S. Market for Over-The-Counter Diagnostics* (Theta Reports, New York City). However, Dooley notes, a number of companies are seeking approval from the U.S. Food & Drug Administration for whole new categories of OTC tests.

Hemoglobin A1c is one example. In December 1999, BioSafe Laboratories (Lincolnshire, IL) received FDA clearance for its HbA1c home collection kit. The kit allows patients to place blood samples on a card that is mailed to BioSafe Labs for testing, then returned to the patient with results. HbA1c gives patients an average glucose measurement over a three-month period; this testing, now done primarily at physician offices and independent labs, represents \$300 million in annual test revenue. In addition, Metrika (Sunnyvale, CA) received FDA clearance and a CLIA waiver for its Digital Response DRx test for HbA1c last October. The company is now seeking approval for OTC sale of the product. If approved, it would become the first HbA1c test available for home testing.

Since approving the first home pregnancy test in 1977, FDA's Division of Clinical Laboratory Devices has cleared 421 test kits for OTC sale (through Aug. 21, 2000). This choice ranking allows a test to be sold directly to consumers at drug stores or through online distributors. Another choice aspect of this ranking is that once an assay obtains OTC status, it is automatically considered to be a CLIA waived test.

Gaining FDA approval for OTC sale opens up distribution opportunities at more than 33,000 pharmacies in the U.S. that are operated by traditional chain pharmacy companies, supermarkets, and mass merchants. There are another 20,000 independent pharmacies, according to the National Association of Chain Drug Stores. Together, these pharmacies provide practice settings for 128,000 pharmacists and place virtually every American within five miles of a community pharmacy.

U.S. Home Testing Market, 2000

Segment	Sales (in \$MM)
Blood glucose monitoring	\$880
Pregnancy	150
Fertility	40
Occult blood	35
Urinary tract infection	20
Cholesterol	5
HIV, hepatitis	5
Drugs of abuse	5
Total	\$1,140

Source: DTTR based on data from manufacturers and Biotechnology Associates

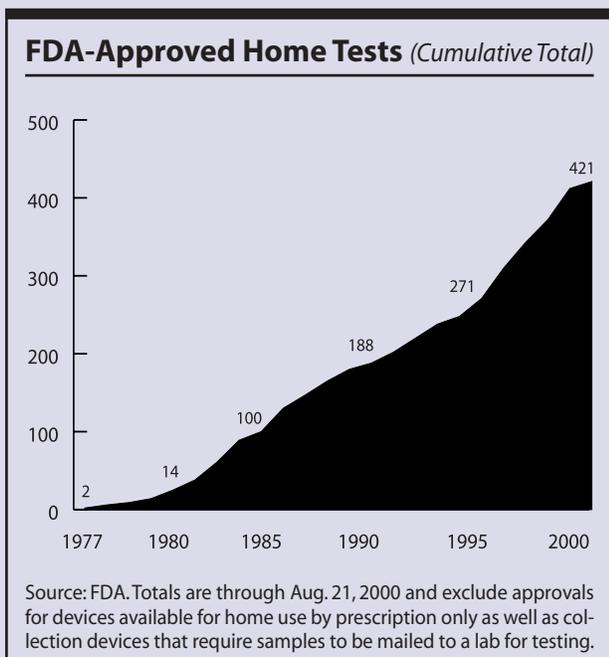
Benjamin Bluml, RPh, vice president of research for the American Pharmaceutical Association (Washington, DC), says that more pharmacies are seeking to go beyond dispensing medications and counseling customers on drug interactions. Since patients typically visit their pharmacy every 1-3 months to refill prescriptions, he notes, pharmacists are in an ideal position to provide diagnostic testing services to them as well.

Many pharmacies have been certified to perform CLIA waived tests and have begun providing cholesterol testing to walk-in customers, Bluml says. He also sees opportunities for pharmacies to provide testing to customers on anti-coagulant drugs (such as Coumadin), which are used to prevent blood clots and, thereby, strokes.

Patients on Coumadin are advised to monitor their dosage with a Prothrombin Time (PT) blood test once per week. This frequency of testing helps physicians maintain appropriate dosage levels, which can reduce the risk of stroke from 12-14% per year to less than 2%. But the testing typically requires the patient to travel to a physician office or laboratory to have blood drawn. This inconvenience causes many patients to miss tests, and many doctors end up not prescribing anti-coagulants, which are extremely powerful drugs that require consistent monitoring to avoid potentially fatal effects.

The potential market for an OTC PT test includes nearly three million people in the U.S. who are on long-term oral anti-coagulation medicine and are currently tested on average only once every 4-6 weeks. Based on Medicare's fee cap of \$5.43 per PT test, the market for an OTC test for PT could potentially reach \$847 million annually (*i.e.*, three million patients tested once per week x \$5.43 x 52 weeks=\$847 million.). The Health Care Financing Administration has initiated a national coverage review of home testing for PT, but has not yet decided

whether to call on the Medicare Coverage Advisory Committee for a recommendation.



In December 1999, Avocet Medical (San Jose, CA) received FDA clearance to market its AvoSure PT System for consumer PT self-testing with a physician's prescription. The company is aiming to get full OTC approval by the end of this year. As Avocet moves forward with plans for OTC sale of its PT testing kit, Roche is backing away. In September 2000, Roche said it would no longer fill prescriptions to new patients for its CoaguChek PT system. Apparently, Roche has gotten tired of waiting for Medicare to establish a related reimbursement policy. But the company will continue to market the PT testing product for physician office testing.

Meanwhile, among the fastest-growing areas of

FDA approval for the OTC sale of tests allows direct marketing to consumers via the Internet as well

OTC sales are HIV and hepatitis C at-home sample collection devices. Home Access Health Company (Hoffman Estates, IL) is the only company that has FDA approval to market these devices directly to the consumer, and these sales generated an estimated \$3-5 million last year, up 25+% (*DTTR, Nov. '00, p. 8*).

Home Access markets its tests on the Internet via its Website, HomeAccess.com, as well as through distribution agreements with online vendors, including PlanetRx.com and DrugStore.com. Rich Quattrochi, president of Home Access, says demand has been so strong that the company has run out of stock several times over the past year. Along with offering the Home Access HIV specimen collection kit, PlanetRx.com and DrugStore.com each offer online shoppers a full assortment of home tests for blood glucose monitoring, pregnancy, urinary tract infection, drugs of abuse, etc.

The success of OTC tests for blood glucose monitoring indicates that patients who need regular and frequent testing will take advantage of the convenience of buying their testing supplies at a drug store and doing their testing at home. Moreover, the strong sales of OTC pregnancy tests and at-home HIV and hepatitis C sample collection kits show that products which address conditions that create a compelling motivation to test and take action based on test results have the best chance to score big in the OTC market.

As a result, *DTTR* believes that tests such as PT testing are likely to shift to the OTC market (assuming FDA approval and Medicare coverage). Potential new OTC tests for infectious diseases, such as a rapid influenza or strep test, could also become big winners. Looking ahead, Steve Gutman, MD, director of FDA's Division of Clinical Laboratory Devices, tells *DTTR* that although most of the products cleared in the past 12 months were for traditional home tests like glucose monitoring and pregnancy, "one would expect the number of novel testing devices to grow along with technological advances." 🏠

Some OTC Test Kits On The Market Today

Test Kit Name	Manufacturer	Retail Price
Glucometer Dex/100 strips	Johnson & Johnson	\$70.99
Accu-Check Comfort Curve/100 strips	Roche Diagnostics	73.99
Precision Xtra Blood Glucose/100 Strips	Abbott Labs	75.99
BioSafe Cholesterol Test	BioSafe Labs	39.95
QuickScreen Pro Drug Test Card/5 tests	Pharmatech	25.00
ClearPlan Easy Ovulation/5 tests	Unipath	19.99
EZ Detect Colorectal Test	Biomerica Inc.	11.00
HealthCheck Pregnancy Test	TCPI Inc.	9.99

OTC Specimen Collection Devices

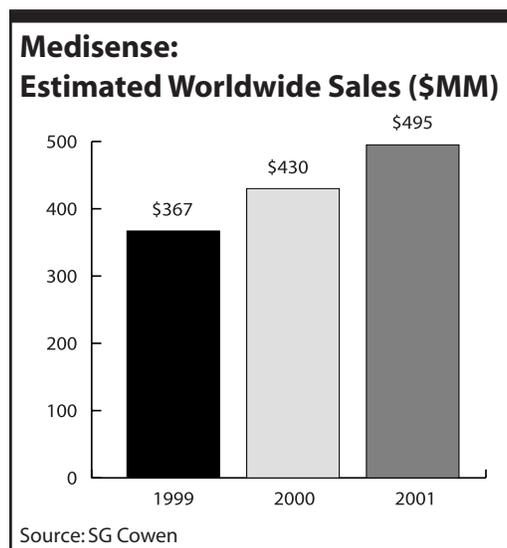
BioSafe Hemoglobin A1c	BioSafe Labs	29.95
Cholestak Home Cholesterol/2 tests	Accutech	19.95
Express HIV Test	Home Access	55.00
Hepatitis C Check	Home Access	69.95

Source: *DTTR* from companies

Worldwide Sales For Abbott Diagnostics Fell 3% In 2000

Worldwide diagnostics sales at Abbott Laboratories (Abbott Park, IL) fell 2.9% last year to \$2.924 billion, including a 6.4% drop in the fourth quarter to \$752 million. In the U.S. the company's diagnostic sales fell 6% in 2000 to \$1.2 billion; fourth-quarter sales were down 7% to \$304 million. Results for Abbott's diagnostics division would have been worse if not for its Medisense glucose monitoring unit, which generated \$430 million in worldwide sales in 2000, up 17% from \$367 million in 1999, according to estimates from Sara Michelmores, analyst at SG Cowen.

Abbott's diagnostics unit has been hamstrung by its November 1999 consent decree with the U.S. Food & Drug Administration which required Abbott to pay a staggering \$100 million penalty to the Federal Government. In addition, Abbott was required to stop selling 64 types of test kits in the U.S. until it corrected manufacturing flaws at its diagnostics manufacturing plant in Lake County, IL. Abbott took a \$168.1 million pretax charge in the third quarter of 1999 to cover the cost of the FDA consent decree.



In a conference call on Jan. 16, John Thomas, division vice president/investor relations for Abbott, said, "Our top priority in diagnostics continues to be the completion of our quality and compliance work. We've dedicated extraordinary resources in an effort to thoroughly comply with our agreement with the FDA." Abbott continues to project that it will begin re-introducing its banned products by mid-2001, he added. Thomas also said that worldwide diagnostics sales at Abbott should grow in the "mid-to-high" single-digit percentage range in 2001. According to Thomas, growth will be

led by the Medisense unit, accelerated penetration of the company's Architect immunoassay system, and the full rollout of the Prism, a highly automated immunoassay system for blood banking.

Overall, Abbott reported fourth-quarter net income of \$753.4 million, up 14% from \$664 million in fourth-quarter 1999; revenue rose 7% to \$3.705 billion. For full-year 2000, Abbott reported net income of \$2.786 billion, up 14% from \$2.446 billion in 1999; revenue increased by 4% to \$13.746 billion. ▲

Third-Quarter Revenue Up 16% To \$7.6 Million At Abaxis

Abaxis Inc. (Union City, CA), which makes portable chemistry and hematology analyzers, reported revenue of \$7.554 million for its fiscal third quarter ended Dec. 31, 2000, up 16% from \$6.493 million in the same quarter a year earlier; net loss was \$561,000 compared to net income of \$172,000. The company shipped 315,000 reagent discs vs. 277,000 a year earlier. Abaxis incurred a one-time charge of \$1.033 million in the latest quarter in connection with its move to a new 90,000 square-foot manufacturing facility in Union City. The old facility—a 38,000 square-foot building in Sunnyvale, CA—had been operating at full capacity. ▲

Bio-Rad Ships 120,000 "Mad Cow" Tests To Europe

In the past three months, Bio-Rad Laboratories (Hercules, CA) has shipped more than 120,000 of its Platelia BSE diagnostic tests for detecting Bovine Spongiform Encephalopathy (BSE, commonly known as "Mad Cow Disease") to Europe. This constitutes more than \$2 million in revenue to Bio-Rad. The company also says it has received orders for another 1+ million BSE tests from European customers. On Jan. 1, 2001, all countries in the European Union began mandatory testing of all beef livestock over the age of 30 months, indicating the need to test seven million cattle this year. 🏠

Trinity Biotech Acquires Bartels Inc. For \$9.3 Million

Over the past four years, Trinity has acquired nine different companies/ product lines at a total cost of \$45.3 million

Trinity Biotech (Dublin, Ireland), which manufactures more than 175 diagnostic products for the point-of-care, self-testing, and clinical laboratory markets, has acquired Bartels Inc. (Issaquah, WA), a division of Intracel Corp. (Rockville, MD), for \$9.3 million, including \$6.1 million in cash and \$3.2 million in Trinity stock.

Founded in 1978, Bartels is a leader in the development and manufacture of diagnostic products to identify infectious agents which are cell-dependent; products include antigen detection kits for Herpes Simplex Virus and respiratory viruses such as Influenza A and B, Parainfluenza Viruses 1, 2 and Respiratory Syncytial Virus. Bartels also manufactures infectious disease confirmatory reagents. The company employs 72 manufacturing and sales people at its 42,000 square-foot leased facility in the Seattle area. 🏠

Trinity's Acquisition History, 1997 to Jan. 2001

Acquired Company/Product	Key Tests	Purchase Price	Transaction Date
Clark Laboratories (Jamestown, NY)	infectious disease, auto-immune	\$6.2M	Feb. 1997
Centocor Holdings Ltd (Guilford, England)	infectious disease, auto-immune	\$5.5M	June 1997
Microzyme products from Diatech Inc. (Boston, MA)	hormones, drugs of abuse	\$1.5M	July 1998
Macra Lp test from Strategic Diagnostics (Newark, DE)	coronary heart disease	\$1.3M	Sept. 1998
HIV tests from Inverness (Waltham, MA)	infectious disease	\$4.2M	Sept. 1998
Syva Microtrak from Dade Behring (Deerfield, IL)	Chlamydia trachomatis	\$12.0M	Sept. 1998
MarDx Diagnostics Inc. (Carlsbad, CA)	Western Blot test for Lyme disease	\$4.0M	Feb. 2000
33.3% of HiberGen Ltd. (Dublin, Ireland)	molecular testing	\$1.3M	Oct. 2000
Bartels Inc. from Intracel Corp. (Rockville, MD)	infectious disease	\$9.3M	Jan. 2001

Source: DTTR from Trinity Biotech

DNA Sciences Seeks Up To \$125 Million From IPO

The company has launched an Internet site for the public named DNA.com in order to attract volunteer patients for its research studies

DNA Sciences (Fremont, CA) wants to raise up to \$125 million from an initial public offering, according to documents filed with the Securities & Exchange Commission on Jan. 5. The filing didn't specify how many shares the company plans to sell or what price it would seek. Lehman Brothers, CIBC World Markets Corp., and Dain Rauscher are managing the IPO.

DNA Sciences is a development-stage firm that plans to manufacture genetic tests to identify gene variants associated with congenital diseases. The company's most advanced progress is in the study of Sudden Infant Death Syndrome (SIDS), which is suspected of having a genetic basis. DNA Sciences is currently searching for gene variations in 120 post-mortem samples from infants with a confirmed diagnosis of SIDS.

In addition, DNA Sciences is working to identify genetic mutations associated with diseases like colon and breast cancer, asthma, osteoporosis, and Type 2 diabetes. Many of these diseases are associated with gene variants that are difficult to find, most likely because they are only partially penetrant. This means that the gene variants do not always cause the disease in the person who inherits them. DNA Sciences believes that it is the only company focused on the discovery of partially penetrant gene variations.

From its inception in May 1998 through Sept. 30, 2000, DNA Sciences has accumulated net losses of \$31.642 million on revenue of \$579,000.

Last December, DNA Sciences acquired PPGx Inc.—which operates laboratories in La Jolla, CA; Research Triangle Park, NC; and Cambridge, England—for \$36.5 million in stock. PPGx provides genetic testing services to pharmaceutical companies, with a focus on gene variants that influence drug metabolism. In the nine months ended Sept. 30, 2000, PPGx recorded a net loss of \$1.2 million on revenue of \$6.4 million.

The chairman and chief executive of DNA Sciences is Hugh Rienhoff, Jr., MD, 48, who earned salary and other compensation of \$317,386 plus 530,000 stock options last year. Prior to founding the company in 1998, Rienhoff was a director of Abingworth Management Ltd. (London, England), where he ran the U.S. operation of the venture capital firm. His most recent academic appointment was at the Department of Molecular Biology and Genetics at the Johns Hopkins University School of Medicine.

Rienhoff holds a 5.3% stake in DNA Sciences before the IPO. Company director James Clark, PhD, owns a 15.6% stake. Clark founded Healtheon Corp., now named WebMD, in 1995 as well as Netscape in 1994 and Silicon Graphics in 1981.

Other large shareholders include Pharmaceutical Product Development Inc. (Wilmington, NC), with a 11.3% stake; Brentwood Venture Capital (Los Angeles, CA), 11.3%; and Apple Tree Partners (New York City), 10.3%. In addition, international financier George Soros' Quantum Partners funds own 9% and WebMD owns 7.6%. 🏠

IVD Stocks Up 66% In 2000; Inverness Leads All With 1,122% Gain

Although shares of IVD manufacturers rose an average 66% in 2000, laboratory testing service companies did even better. Quest Diagnostics, for example, leaped 365% to reach \$142 per share last year, and LabCorp jumped 377% to \$176 per share

While the Nasdaq Composite Index plunged 39% and the S&P 500 sank 10%, the stocks of IVD manufacturers soared 66% in 2000, according to the G-2 Diagnostic Stock Index. Eleven stocks in our index rose last year, while eight fell.

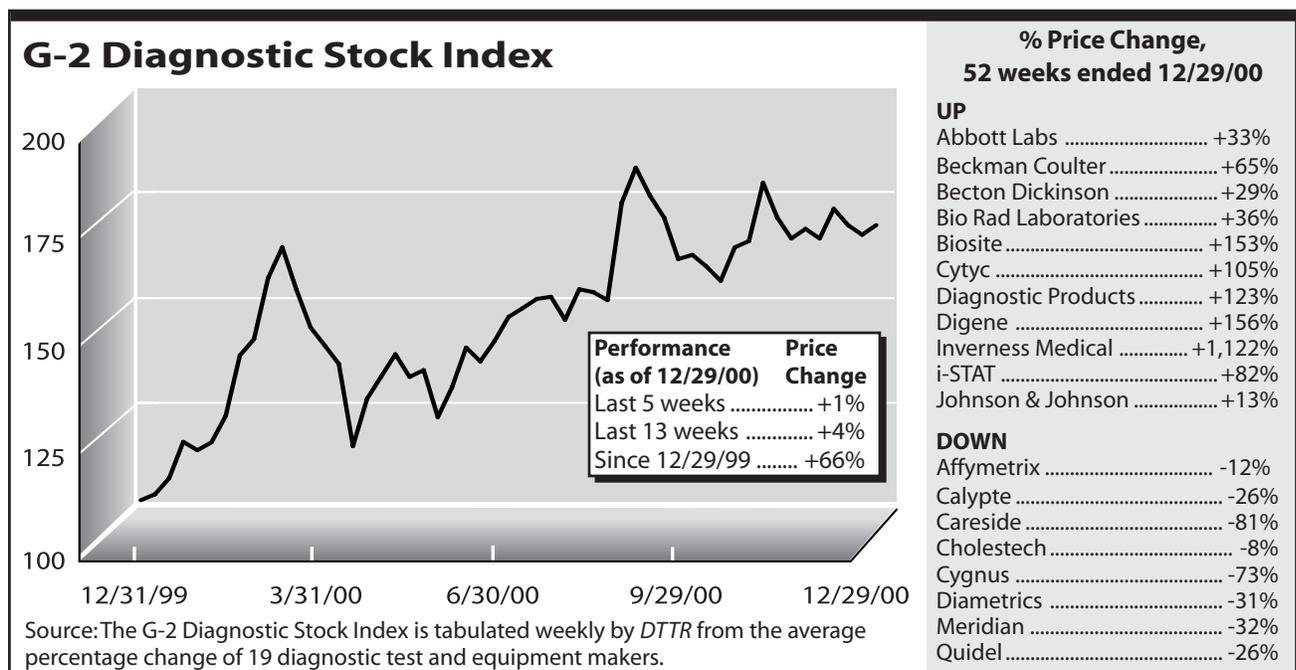
Inverness Medical Technology (Waltham, MA) posted the biggest gain in 2000 of any and all stocks on the NYSE, Nasdaq, and AMEX. Inverness vaulted 1,122% to \$38.94 per share from \$3.19, giving it a market capitalization of \$1.126 billion. In the latest reported 12 months (ended Sept. 30, 2000), Inverness generated net income of \$7.333 million on revenue of \$157.545 million.

Shares of **Digene** (Gaithersburg, MD) jumped 156% to \$44.69 per share, giving it a market cap of \$726.3 million. In the latest reported 12 months (ended last Sept. 30), Digene recorded a net loss of \$7.555 million on revenue of \$24.998 million.

Biosite (San Diego, CA) ended the year with a market cap of \$694.2 million after its stock jumped 153% to reach \$40.44 per share. In the latest reported 12 months which ended last Sept. 30, Biosite generated net income of \$5.925 million on revenue of \$52.39 billion.

Shares of **Diagnostic Products** (Los Angeles, CA) gained 123% to \$54.63 per share in 2000, giving the company a market cap of \$778.1 million. In the latest reported 12 months (ended last Sept. 30), DP recorded net income of \$25.802 million on revenue of \$240.849 million.

Careside (Culver City, CA) posted the steepest decline in 2000, dropping 81% to \$1.81 per share for a market cap of \$16.3 million. In the latest reported 12 months (ended last Sept. 30), the company recorded a net loss of \$15.625 million on revenue of \$697,100. 🏠



G-2 Insider

On Dec. 20, 2000, shareholders of the French companies Pierre Fabre (Castres) and bioMerieux (Marcy l'Etoile) approved their merger to form bioMerieux-Pierre Fabre (*DTTR*, Oct. '00, p. 9). With this transaction nearing final completion, several reliable sources tell *DTTR* that bioMerieux is now negotiating to acquire Organon Teknika (Boxtel, The Netherlands), a subsidiary of pharmaceutical and chemicals giant Akzo Nobel (Arnhem, The Netherlands).

Come across interesting lab news? Let us know at: labreporter@aol.com

Organon generates roughly US \$240 million in annual sales. The company has a line of coagulation instrumentation, automated blood culturing products, and immunoassays for infectious diseases and pregnancy. Growth prospects are centered on the company's nucleic acid probe product line, which is currently limited to tests for HIV-1 and cytomegalovirus.

The bioMerieux-Pierre Fabre combination generates roughly US \$1.7 billion in annual revenue, including \$1.2 billion from pharmaceuticals and cosmetic products and about \$525 million from diagnostics. Its main shareholder will be Pierre Fabre, the founder and owner of the company bearing his name. Including a stake held via a holding company (Carla), he will own more than 50% of the combined companies.

Executives at bioMerieux were not available for comment at press time. But Alain Merieux, chairman of bioMerieux-Pierre Fabre, recently told the French newspaper *La Tribune* that the newly merged company is looking to "consolidate its strategic positions through alliances, partnerships, and acquisitions." The company "needs to strengthen in the USA, Germany, and Japan and also consolidate its positions in Brazil, Mexico, China, and India," he added. 🏠

Company References

Abaxis 510-675-6500
 Abbott Labs 847-937-6100
 Asiatic Research 415-885-6662
 Avocet Medical 408-574-7855
 Bayer Diagnostics 914-631-8000
 bioMerieux (St. Louis, MO) 314-731-8500
 Bio-Rad Labs 510-724-7000
 BioSafe Labs 847-821-7300
 Biotechnology Associates 860-447-2112
 ChromaVision 888-443-3310
 DNA Sciences 510-494-4000
 Home Access Health 847-781-2500
 International Reagents Corp. 81-78-231-4151
 Inverness Medical Tech 781-647-3900
 Metrika 408-524-2255
 Organon Teknika (Durham, NC) 919-620-2000
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