

Grabbing hold of the COVID-19 pandemic as a diagnostic company

Outcome Capital sat down and spoke with Chuck Morrison to get his thoughts on the effects of the current COVID-19 pandemic on diagnostic transactional activity in 2020 and how best to weather the economic environment.



Chuck Morrison, MBA

Chuck is a business development executive with over 30 years of life science, biotechnology and diagnostic expertise, including a track record in successfully structuring, negotiating and executing acquisitions, licensing, partnerships, and distribution transactions. Chuck is currently a non-executive Board Member for XCR Diagnostics and Avisa Pharma. He is also Head of Business Development at Proteomics International, a company that has developed a proprietary mass spectrometry biomarker discovery platform and recently discovered biomarkers for the diagnosis of diabetic kidney disease. Previously, Chuck held various managerial positions at PerkinElmer, NEN Life Sciences and DuPont Medical Products. Chuck serves as a Senior Advisor for Outcome Capital's diagnostics and biotechnology practices.

Q: How do you think the financial markets will view diagnostic companies emerging from the COVID economy?

A: I think there will be a fresh view of Dx companies. This crisis has shown the need for more coordination, if you will, between the key constituents: Physicians – Labs – IVD Manufacturers – Therapeutic companies – and finally Payors for reimbursement. We may finally see personalized medicine become key in therapeutic intervention and the need to expedite FDA approval and gain positive reimbursements. One of the key risks for investors in early stage IVD companies is reimbursement, which has become more important than FDA approval.

Q: Do you think all diagnostic companies will be viewed more positively in light of the role diagnostics has played during the COVID pandemic?

A: Overall, yes. But being in the spotlight is both good and bad. I believe that Dx will be seen as critical to help prevent or diminish the impact of new outbreaks, being more proactive in terms of investing in new technologies and complimentary Dx to therapeutics. We are now realizing that molecular tests do not give us the total perspective and antibody tests will play a key role as well. Therefore, I believe that antibody tests will start to receive the attention that they deserve.

On the other hand, we will be reviewing the impact of approving tests too quickly without the proper validation & verification. I am sure there will be much discussion on how to expedite the approval process but ensure assay accuracy. We need to have confidence in our tests but they need to be readily available to the public while at the same time providing a viable business model to invest and commercialize.

“remember to stay committed to your original strategy - continue to focus on achieving your milestones”

Q: Do you think other life science segments will be affected similarly?

A: I think that life sciences in general will see an uptick in interest. Many products we see in the Dx laboratory came from life science tools providers that were optimized and thoroughly tested to become reliable Dx assays and platforms. There will always be a need to quickly produce antigens and antibodies for immunoassay and we will most likely see an accelerated shift to Point-of-Care (POC) testing. I believe that this POC shift will be important as we learn to better diagnose and treat patients via telehealth platforms and monitor patients and illness around the globe. Hopefully staying ahead of the next potential pandemic.

Q: If you were the CEO of an early-stage company in today's COVID-19 economy, where would you focus your efforts to emerge in a healthy position?

A: My focus would be on “staying the course” and not get too distracted. While you may have to shift some efforts to immediate survival, like securing PPP loans, remember to stay committed to your original strategy. Continue to focus on achieving the milestones that you have set: development, clinical trials, proof of principle studies. Also, remember to keep your stakeholders engaged and up-to-date on progress. Come out of this ahead of the game and ready to charge forward.

“being prepared to market your company when the crisis lifts is key”

Q: How would you advise small to mid-size diagnostic companies planning for transactions (M&A or capital raise) in 2020 in response to COVID-19?

A: Acquisitive companies will be looking to transact and molecular diagnostics companies will be attractive. Given the attention that COVID testing is receiving, being prepared to market the company when the “crisis” lifts is key. We know that key transaction drivers are regulatory clearance and commercial traction, so focusing on these de-risking milestones will be critical to your success. I would not wait to engage an investment banker – actually engage earlier to develop an action plan to hit the M&A market running.



OUTCOME
CAPITAL

About Outcome Capital

Outcome Capital is a specialized life science and technology advisory and investment banking firm with a global reach, providing middle market innovative companies with a value-added approach to mergers and acquisitions and corporate finance. The firm uses its proven ‘strategy-led execution’ approach to value enhancement by assisting boards and management teams in navigating both the financial and strategic markets and in implementing the best path for success. Outcome Capital’s strength stems from its unique ability to draw on its wide range of operational, strategic and investment experience, its expertise across the value chain, and its broad industry relationships.

Boston
99 High St.
Suite 2900
Boston, MA 02110
(617) 431-4886

Washington, D.C.
11921 Freedom Dr.
Suite 730
Reston, VA 20190
(703) 225-1500

New York
555 Fifth Ave.
19th Floor
New York, NY 10017
(212) 350-8213