



Diagnostics M&A Deals Skyrocket in 2021 as Companies Have COVID-19 Cash to Burn

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NEW YORK – As many diagnostics companies continued to benefit from high volumes of COVID-19 testing, cash burned a hole in the pockets of many in the industry, and major players and smaller newbies alike picked up new businesses.

Seventy-two mergers and acquisitions occurred in 2021, up from 54 deals in 2020 and topping the most recent high of 58 deals in 2017. Four of those deals each totaled more than \$1 billion, excluding Illumina's [completed \\$8 billion acquisition](#) of Grail, which was announced in 2020 but closed in 2021 despite [regulatory pushback](#).

Included in the analysis are deals in the molecular and non-molecular in vitro diagnostic spaces that were announced or completed last year. Only acquisitions of an entire company were included.

Although many smaller deals totaled less than \$50 million, there were four major acquisitions in the diagnostics space: Quidel's recently announced [\\$6 billion acquisition](#) of Ortho Clinical Diagnostics; PerkinElmer's [\\$5.25 billion deal](#) to acquire BioLegend; Roche's [acquisition](#) of GenMark for \$1.8 billion; and DiaSorin's acquisition of Luminex, [also for \\$1.8 billion](#).

In 2021, different types of firms, big, mid-sized, and small, added to their portfolios with acquisitions, helped along by the war chests they built with COVID-19-related cash. Hologic had three deals totaling more than \$150 million, and PerkinElmer had four deals above \$150 million, including the second-highest deal by price overall. Quidel also decided to use its money from the pandemic on the largest, and possibly most unexpected, deal of the year, paying \$6 billion to acquire Ortho Clinical Diagnostics.

In an analyst note, Craig-Hallum's Alex Nowak said the deal, which he called an "initial surprise," would have been "impossible" pre-pandemic. He noted that there were a "handful of synergies" that come with the deal and would help build Quidel's strategic position, including the "cross-selling opportunity within an expanded geographic footprint," the "channel overlap across small to mid-sized hospital labs," and the potential to augment Quidel's pipeline menu with Ortho's capabilities and "expand point-of-care diagnostics beyond infectious disease."

William Blair's Brian Weinstein wrote in an analyst note that the deal "will bring necessary scale to the company" and that Quidel has taken the plunge to "execute a scale transaction to broaden the company's product offering and global presence."

Cowen analyst Dan Brennan said in an interview that because there's been "so much dynamic growth" in the diagnostics industry in recent years, the field has widened for a variety of companies to become acquirers. There's been "a bevy of smaller companies exploring new technology" and the innovation in the space, partially as a result of the pandemic, "lends itself to M&A," he said.

And the big players either "want to expand their capabilities" or enter new markets, which has led to some of the larger deals in the industry, Brennan said. Roche's purchase of Genmark, for example, was indicative of the Swiss firm's interest in multi-syndromic panel testing, a market Brennan said has been on the up-and-up and which has the potential to grow further post-COVID. Roche possibly saw the Genmark deal as an opportunity to enter the market, he said, without having to start from scratch on a new platform or technology.

In the past few years, Roche has been building out its diagnostic channel, with its acquisitions of [Foundation Medicine](#) and [Flatiron Health](#), and the Genmark deal is another feather in its cap. Brennan said Roche's strategy has been to "look for where they don't have good tech yet" and acquire companies that can offer that tech, allowing Roche to introduce the technology through its global distribution channels. In another diagnostic deal, Roche purchased infectious disease molecular test developer [TIB Molbiol](#) in 2021 for an undisclosed amount.

The COVID-19 pandemic has sparked interest in infectious disease companies, such as Genmark and Luminex, but there are other areas of interest for acquirers as well, Brennan noted. Some of those areas include liquid biopsy, proteomics, sequencing, and bioprocessing. Liquid biopsy, in particular, has seen a lot of interest, specifically when it comes to therapy selection, minimal residual disease, and cancer screening, Brennan said. Minimal residual disease testing has been getting the most attention, he said, but cancer screening is likely the next big potential market, he said. As an example, Agilent made a big move into the liquid biopsy market [by purchasing](#) Resolution Biosciences last year.

Cancer has thus far been at the forefront of liquid biopsy offerings, but Brennan said that will certainly broaden out in the next five years, expanding beyond oncology to autoimmune disorders and infectious diseases. But cancer testing does continue to be a focus for M&A, with Veracyte [buying](#) Decipher Biosciences for \$600 million, Laboratory Corporation of America spending [up to \\$575 million](#) to acquire cancer genomics firm Personal Genome Diagnostics, and Hologic [purchasing](#) Biotheranostics for \$230 million.

As a broader channel, molecular diagnostics companies are the hot ticket item for acquirers. Many of the previously mentioned deals – Roche and Genmark, Roche and TIB Molbiol, and DiaSorin and Luminex – as well as some others, including Hologic's [\\$159 million purchase](#) of Diagenode announced in March and [its acquisition](#) of Mobidiag for \$759 million, as well as Co-Diagnostics' purchase of Idaho Molecular and Advanced Conceptions for [up to \\$50 million](#), involved molecular diagnostic companies.

In 2022, according to Oded Ben-Joseph, cofounder and managing director at life sciences investment bank Outcome Capital, the need for "better, cheaper, faster" molecular tests will continue. He foresees a push for cheaper and more accurate rapid testing, especially if the COVID-19 pandemic continues. It's "the only way besides the vaccine" to slow down the pandemic, and companies with new technologies that can deliver on the promise of lower-cost molecular tests will be ripe for acquisitions, he said.

Large labs are also making moves to expand their businesses off the back of COVID-19 cash, Ben-Joseph said. Lab services companies experienced a bump as a result of COVID-19, but since that bump likely isn't sustainable, and the time frame for how long COVID-19 cash will keep flowing is unclear, Ben-Joseph said many of these companies need to "widen their offerings." And some of them are doing just that.

Beyond Labcorp's PGDx deal, Quest Laboratories bought [National Laboratory Services](#) and [LabTech Diagnostics](#), two companies that are intended to expand Quest's reach into other parts of North America. Mesa Laboratories, meantime, [acquired](#) genetic analysis company Agena Bioscience for \$300 million in an attempt to add both genomic testing revenues and further expand its COVID-19-related

revenues, thanks to Agena's five-test SARS-CoV-2 panel. Also, EKF Diagnostics acquired Advanced Diagnostic Laboratory, a PCR-focused testing lab, for [up to \\$70 million](#) in September.

For companies with new and innovative technologies, the benefits of getting acquired are myriad, Cowen's Brennan said, such as the access to more resources that comes with joining a larger company. And in comparison to [the IPO market](#), which has been booming but accompanied by downturns in performance post-IPO, getting acquired may be the better choice.

"What was an attractive public market eight months ago is less attractive now," Brennan said. It's "still going to be attractive" in 2022, but there's been "a step down in the past eight months" in performance for IPOs, he said.

For 2022, Brennan said he has his eye on Qiagen as a company that could be acquired, considering Thermo Fisher Scientific's [previous buyout attempt](#). In the life sciences tools arena, he also emphasized the growing interest in proteomics and sequencing, especially if companies in the sequencing space can offer technology with different features than Illumina's products.

There are a variety of areas of interest in the diagnostics industry that could lead to further M&A, Brennan said. Ultimately, "any area with a large end market that's under-penetrated with a lot of private companies but no leader" is open for acquisitions, he added.

Top M&A Deals in 2021

Buyer	Seller	Price
Quidel	Ortho Clinical Diagnostics	\$6B
PerkinElmer	BioLegend	\$5.25B
Roche	Genmark Diagnostics	\$1.8B
DiaSorin	Luminex	\$1.8B
Hologic	Mobidiag	\$759M

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