

IVD Merger and Acquisition Activity on the Rise

Multibillion-dollar deals during the first seven months of 2011 more than tripled the merger and acquisition deal value from 2010 to more than \$15 billion and investor interest in the global IVD market is expected to grow in 2012-2014, following a surge in merger and acquisition deal values, an acceleration of companion diagnostics partnerships, and the emergence of new prospects for early detection testing.

Interest in the IVD market is coming from not only existing players but also new entrants such as financial investors, life sciences research groups, clinical laboratories, and medical technology players. The competitive landscape in the IVD industry will be redefined by new market leaders and larger deals as players bulk up on market share. However, sustained momentum of companion diagnostics partnerships with pharmaceutical companies will depend on actions taken by governments, regulators, payers, and industry to support diagnostics innovation.

The following themes will likely shape future merger and acquisition activity in the IVD industry until 2015:

- New entrants continue to add IVD businesses. For some newer IVD entrants, recent deal activity may represent only a beginning. Such companies could pursue additional acquisitions to maintain the momentum that is required to achieve critical mass quickly.
- Historical major IVD companies responding in kind. If current IVD industry leaders do not respond with significant acquisitions, they may lose market share in key segments. Making deals might be challenging because of increasing competition for the most compelling new technologies.
- Private equity companies searching for opportunities. An increase in bigger private equity-backed deals is likely to crystallize, provided capital markets do not slump.
- Major pharmaceutical companies buying molecular or tissue diagnostics businesses. Though this kind of deal activity has been slow in recent years, some major pharmaceutical companies will be increasingly motivated by the confirmation of the drug-diagnostic co-development model. Those drug firms that are not part of a company with a significant IVD division have started building business development teams with diagnostics expertise to support better licensing decisions. Some of these companies will also consider buying a diagnostics business to deepen their expertise, increase technology options, and provide direct commercial access.
- Significant players moving into early detection. Several companies are driving the development of a wave of new tests for early detection of major cancers. Only time will tell whether the market adopts the concept of using noninvasive IVDs for early detection. If it does, a major diagnostics or pharmaceutical company could move to acquire one or several of the promising new ventures in this field.