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## News release

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Contact	Gill Carson, PwC media relations Tel: 020 7212 1391/07715 487553 e-mail: gill.carson@uk.pwc.com
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### **M&A surges, companion diagnostics accelerates, and early detection offers new prospects, says PwC**

- *Multi-billion dollar IVD deals in first seven months of 2011 more than triple total M&A deal value from 2010 to over \$15 billion*

**London, 6 Dec 2011** -- Investor interest in the global *in vitro* diagnostics (IVD) market is expected to grow in 2012-2014 following a surge in M&A deal values, increasing companion diagnostics partnerships and the emergence of new prospects for early detection testing, according to *Diagnostics 2011*, PwC's new biennial review of the IVD sector.

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

The report identifies five themes that will likely shape future M&A activity in the sector:

- New entrants continue to add IVD businesses: for some newer IVD entrants, recent deal activity may represent only a beginning.
- Historical majors responding in kind: if current industry leaders do not respond with significant acquisitions, they may lose market share in key segments.
- Private equity houses search for opportunities: an increase in bigger private equity-backed deals are likely to crystallise – provided capital markets do not slump.
- Major pharmaceutical companies buy 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.
- A significant player 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 non-invasive IVD 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.



Simon Friend, global pharmaceutical and life sciences leader, PwC , said:

“We are increasingly seeing successful advances in both new science and technologies but with growing demand for directed medical solutions, the expanded IVD offering gives much promise. Pharmaceutical companies can’t ignore the role of diagnostics in their future strategies. The key question is whether it is best to build, buy, partner or spin-off.

“The surge in deal activity and the diversity of buyers supports real belief in the growth prospects of selected IVD market segments as well as the potential for cross-industry synergies.”

### **Pharma Weighing Options for Accessing Diagnostics Innovation**

As pharmaceutical companies pursue external partnerships to access diagnostic innovation, four business models have emerged in regards to their in-house diagnostics capability, according to PwC: (1) development of a standalone diagnostics business; (2) creation of a business unit within the pharma division to develop in-house diagnostics; (3) establishment of a business development group focused on licensing diagnostic technology; and (4) creation of a standalone life sciences research products division to adapt research technology for clinical use.

Loïc Kubitzka, director, pharmaceutical and life sciences, PwC Luxembourg, and author of the report, said:

“The IVD sector has attracted exceptional levels of interest, especially reflected in the acceleration of companion diagnostics partnerships with pharmaceutical companies. This momentum will continue as long as innovation and growth prospects in key market segments, such as molecular and tissue diagnostics, remain strong and rapid action is taken by stakeholders to create a favourable environment for sustaining such innovation. This includes pricing, regulatory pathways, clinical trial design, reimbursement and drug-diagnostics value-sharing.”

### **Notes to Editors:**

PwC’s *Diagnostics 2011* provides an overview of M&A deal activity during the past two years and the factors driving it, the development of new prospects for early detection testing and a review of significant events for the development of personalised medicine. The report also includes an in-depth discussion about trends in companion diagnostics and business model considerations for pharmaceutical companies. A full copy of the report is available for download at [www.pwc.com/diagnostics2011](http://www.pwc.com/diagnostics2011).

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