

# Dx IPO Window Widens in 2021 as COVID-19 Testing Provides Jumping Off Point

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NEW YORK – Sustained investor interest in the diagnostics industry in light of the continuing COVID-19 pandemic drove initial public offerings in the Dx space in 2021, leading to more than three times as many IPOs in the space last year as in 2020.

Nineteen companies went public or filed for an initial public offering in 2021 compared to [six in 2020](#). In addition to the growing volume, the proceeds from IPOs in 2021 rose. While Adaptive raised the most money from its public offering in 2020 with \$300 million, 2021 saw two deals total above \$1 billion: Ortho Clinical Diagnostics' [\\$1.29 billion offering](#) in January and Ginkgo Bioworks' [\\$1.63 billion IPO](#) through a special purpose acquisition company in September.



Ortho Clinical is [in the process](#) of being acquired by Quidel for \$6 billion.

Other major IPOs the past year included SomaLogic's \$630 million [offering via the SPAC route](#) that closed in September; Sema4's [\\$500 million IPO](#) that closed in July; Talis Biomedical's [\\$254 million deal](#) in February; and [Sophia Genetics'](#) \$234 million raise, also in July.

Other firms that went public include LumiraDx, Lucira Health, Prometheus Biosciences, Sera Prognostics, Cue Health, Genetic Analysis, Lucid Diagnostics, Mainz Biomed, and Bluejay Diagnostics. Lumos Diagnostics, NGeneBio, and New Horizon Health went public in Australia, South Korea, and Hong Kong, respectively. MDxHealth filed for an IPO of American Depositary Shares for listing on the Nasdaq, but has been trading on the Euronext Brussels stock exchange since 2006.

Many of the biggest IPOs have come from companies with at least one foot in the COVID-19 testing market: [Ortho currently offers](#) four SARS-CoV-2 antibody tests and one antigen test, while Talis and LumiraDx both offer point-of-care COVID-19 tests. Ginkgo Bioworks, meantime, has become a big player in [school testing](#) and [next-generation sequencing tests](#) for COVID-19 through its Concentric by Ginkgo biosecurity and public health effort, despite being a synthetic biology business primarily focused on cell programming.

The pandemic "has allowed for several direct-to-consumer companies to launch an Emergency Use Authorization COVID test and gain some commercial traction," making those companies more welcoming to the public markets, said Craig Steger, senior VP of life sciences at Outcome Capital, a life sciences and healthcare investment bank.

However, companies can't rely solely on COVID-19 testing if they want to be successful post-IPO, cautioned Jon Norris, managing director at Silicon Valley Bank, adding it's important for these companies to have a platform "with a wide range of possibilities." Investors are particularly interested in

point-of-care platforms, such as those from Talis, LumiraDx, Cue Health, and Lumos Diagnostics, and at-home testing, similar to what Lucira Health and Cue Health offer, he said.

For "pure COVID companies," or companies that are focused entirely or almost entirely on COVID-19 testing, Norris emphasized that the question will be how the pandemic will proceed. In a scenario in which demand for COVID-19 testing wanes, as it has throughout 2021 and will likely do again, those companies should consider pivoting to a platform with broader applications, he said.

Steger echoed Norris' comments, saying that companies with a small core business unrelated to COVID-19 must consider "what else they can offer to these customers" to keep them as clients, whether that's expanded respiratory pathogen testing, sexually transmitted disease tests, or broader infectious disease menus.

As for companies offering at-home testing, which has seen a big jump during the pandemic, Steger noted that the jury's still out on whether some of those companies will be "long-term survivors" once the pandemic ebbs and demand for at-home testing possibly declines, but that they do offer something different than most big diagnostic companies.

Not all of the large deals have come from COVID-19-focused businesses. Two out of the four companies with the largest IPOs, Sema4 and SomaLogic, have very little skin in the game of COVID-19 testing. While Sema4 offers SARS-CoV-2 PCR-based testing, most of its revenues have come from genetic testing in reproductive health and oncology, and its long-term focus is on using artificial intelligence and machine learning to predict, diagnose, and treat diseases.

Norris noted that artificial intelligence and machine learning have also been key areas of interest for investors. Companies that are "leveraging big data for treatment" in a "marriage of technology and life sciences," such as Sema4 with its Centrellis health information platform, are catching investors' eyes and leading to big payouts, Norris said.

Meantime, SomaLogic is mainly a proteomics company, offering its [SomaScan platform](#), which uses aptamer-based affinity reagents to measure proteins in patient samples. SomaLogic has released data on how its technology could be used to detect COVID-19-associated proteins, but so far that's been the extent of its reach into the pandemic space. The company has also laid out how its tech could be used in drug discovery applications, another sector that has seen continued interest in 2021, Norris said.

Both Norris and Steger noted the continued prevalence of oncology diagnostics and liquid biopsy as areas of interest, as well. "The use of precision medicine for oncology is always going to have a lot of interest," Steger said. And as precision medicine expands beyond oncology into broader use to measure patients' response to therapies and treatments, diagnostics that can detect early-stage disease will see even more interest, he added.

While completing an IPO is a big step for any company — and was possible for more companies in the diagnostic space in 2021 than in years past — Norris said the IPO is only the first step. The numbers may be higher than in previous years, but post-IPO performance has been "fairly mixed," although he said that it's "still a pretty good market" for diagnostic companies.

Although IPOs allow companies to raise a lot of capital and expand their operations, operating as a public company means that a business is "on the clock for providing news flow," meaning that it has to provide consistent updates on where its technology is going and what's up next, he said. That can be "a lot of pressure," and "expectations can be difficult," Norris added. "It's a double-edged sword," he said.

One such example Norris mentioned is Cue Health, which [went public](#) in September in a \$200 million offering. Since its debut, its share price has declined to as low as \$8.92 compared to its IPO price of \$16 per share, although the recent uptick in COVID-19 testing demand due to the Omicron variant has raised its price to \$11.81 as of Wednesday afternoon.

Sema4 has also seen a downturn in its stock price since going public. It debuted in July at \$11.86 but has declined steadily ever since, reaching a low of \$4.23 Wednesday afternoon. Its future may be brighter this year, though, according to one analyst. In a note from November after the firm's Q3 revenues were announced, Jefferies' Brandon Couillard said that he expects the company's "optics will improve moving into '22 as it solidifies reimbursement, leverages investments in lab and commercial teams, and drives further uptake in health systems."

Steger of Outcome Capital also noted the bumpiness some direct-to-consumer companies, such as Cue Health, have experienced post-IPO, saying that "if we look at the market cap for each of these companies, most of them have gone up, but have had a bit of a roller-coaster ride for the time they have been publicly traded."

There's room for optimism, as evidenced by the high volume and prices of IPOs in 2021, but Norris also warned that the strong run of diagnostic IPOs may not last. The COVID-19 pandemic has resulted in "such generalist excitement" about the health sector overall, and diagnostics in particular, but as other sectors that were put on pause during the peaks of the pandemic — such as travel and transportation — open back up, investor interest may be diverted away from the Dx market. "Generalists are getting back into the market," Norris said, which makes post-IPO performance all the more important to ensure investors continue putting their capital into these firms.

Regardless, Norris said he's "feeling pretty good" about where the market is and where it's headed, and he has his eye on a handful of companies that have attracted significant investments in the private market and could be eyeing IPOs in 2022. They include Paige, an [artificial intelligence-based](#) digital pathology firm that [raised \\$125 million](#) in a Series C financing round early in 2021 and [received](#) *de novo* authorization from the US Food and Drug Administration for its software in September; cancer diagnostic firm C2i Genomics, which raised [\\$100 million](#) in April; Nightingale Health, a Finnish company that offers a direct-to-consumer [blood testing service](#) and closed an €8.8 million (US\$10.7 million) [funding round](#) last January; and population health company Color Health, which offers genetic testing and analysis, health program and data management, and patient outreach services and [raised \\$100 million](#) in November, giving it a total valuation of \$4.6 billion.

As investors continue to look toward diagnostics, there's a "focus on really unique companies" driving demand in the space, Norris said.

## 2021 IPOs

Company	Total Proceeds
Ginkgo Bioworks	\$1.63B
Ortho Clinical Diagnostics*	\$1.29B
SomaLogic	\$630M
	\$500M

**Sema4**

<b>New Health Horizons**</b>	\$263M
<b>Talis Biomedical</b>	\$254M
<b>Sophia Genetics</b>	\$234M
<b>Prometheus Biosciences</b>	\$219M
<b>Cue Health</b>	\$200M
<b>Lucira Health</b>	\$176M
<b>Sera Prognostics</b>	\$75M
<b>Lucid Diagnostics</b>	\$70M
<b>Lumos Diagnostics***</b>	\$47M
<b>MDxHealth****</b>	\$45M
<b>LumiraDx</b>	\$38M
<b>NGeneBio*****</b>	\$32M
<b>Bluejay Diagnostics</b>	\$22M
<b>Mainz Biomed</b>	\$10M
<b>Genetic Analysis</b>	\$7M

\*Ortho Clinical Diagnostics was acquired by Quidel in December.

\*\*New Health Horizons went public on the Stock Exchange of Hong Kong.

\*\*\*Lumos Diagnostics went public on the Australian Securities Exchange.

\*\*\*\*MDxHealth also trades on the Euronext Brussels stock exchange.

\*\*\*\*\*NGeneBio went public on the Korea Exchange.

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[+](#) [Ortho Clinical Diagnostics](#) [+](#) [Somalogic](#) [+](#) [Sema4](#)

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