



Executive summary

1. Background

Lab21 is a rapidly growing healthcare diagnostics business, providing state-of-the-art diagnostic products and services to a wide range of healthcare organisations, clinical laboratories, pharmaceutical companies and consumers worldwide.

The Company was established with the vision of providing personalised diagnostic testing for disease identification, disease predisposition and personalised medicine to protect people from the health problems of tomorrow.

The main trading business is focused on two areas:

- Proprietary molecular diagnostic **testing services** for patients needing diagnosis and optimised treatment in areas such as cancer and virology. Also providing state of the art molecular testing to pharmaceutical companies needing specialised clinical trial services using state-of-the-art biomarker and molecular diagnostic technologies
- Proprietary **manufactured** antibody and antigen-based products, for infectious diseases such as syphilis, CMV, TB and malaria which are sold into worldwide blood banking markets. The current portfolio is continually expanding with a range of proprietary new and improved immunodiagnostic products

Lab21 specialises in the provision of gold standard diagnostic procedures for clinical management and has established exclusive partnerships with global Dx manufacturers to offer a unique portfolio of market-leading services. These include personalised medicine testing in the growing areas of pharmacogenetics and companion diagnostics. This unique combination adds value to early-stage drug development, clinical trials and regulatory processes in the pharmaceutical industry – and directly to clinicians or healthcare providers as they treat and monitor patients.

LAB21 also owns a growing IP portfolio from which it will generate considerable licensing revenues.

Lab21 is one of the few full-service diagnostics companies which offers clinical services as well as the complete range of diagnostic product services from R&D through to manufacturing, regulatory approval and global commercialisation.

2. Current Operations

Lab21 operates from extensive, state-of-the-art laboratories, at five UK based locations which service Europe, Asian and Middle Eastern markets:

- Three specialised manufacturing sites, manufacturing diagnostic kits and reagents; and
- Two specialist clinical testing facilities in Liverpool and Cambridge, including a Category 3 containment suite, CPA, GCLP and CLIA accreditations.

Lab21 has invested in the latest laboratory information management system to ensure that external regulatory requirements for public health, pharmaceutical and environmental industries are met. The Company also has a US headquarters, based in South Carolina and new CLIA lab which will be ready by mid 2010.

3. The Global Diagnostics Market

The worldwide diagnostics market is a fast growing and developing market, worth in excess of \$40bn in 2008. The market is set to grow to \$60bn by 2014 ¹. The market is experiencing rapid growth in new segments including oncology, molecular diagnostics, point of care and new sectors such as companion diagnostics. Estimated worldwide in vitro diagnostic revenues for 2009 are ²:

- US \$15.4bn (39%, CAGR 6%)
- Japan \$3.6bn (9%, CAGR 5%)
- UK, France, Germany and Italy \$9.5bn (24%, CAGR 6-10%)

The largest market sector is the immunodiagnosics segment which is valued at \$11.2bn but the overall molecular diagnostics market is valued at \$3bn and continues to be the fastest growing sector. Within this sector some of the fastest growing areas include infectious disease, cardiovascular, oncology and pharmacogenetics. Lab21 operates in both of the immunodiagnostic and molecular diagnostic sectors.

Lab21 is well placed to exploit growth in both of these major product categories and will leverage its relationships with some of the sectors biggest players, such as BIO-RAD and Inverness Medical, to distribute its products via their distribution channels.

The worldwide and UK healthcare diagnostics market is highly fragmented, with a small number of large companies (turnover >\$250m) and thousands of small firms (turnover <\$10m). This represents a considerable opportunity for consolidation to take place within the market. Lab21 intends to be an agent of consolidation and become a major international diagnostics business by 2011.

4. Corporate Strategy

Lab21 was founded with a view to building a major international diagnostics business through a buy and build strategy.

The Company's focus is on creating an extensive portfolio of clinical services and product-based IP in the oncology, cardiovascular and infectious disease markets including syphilis, malaria, TB, HIV, Hepatitis.

Lab21 has already completed the first phase of the roll up strategy and has targeted a number of companies in the UK, successfully acquiring NPTEch Services in 2008, Biotec Laboratories, Plasmatec Laboratory Products, Delphic Diagnostics and Selah Technologies in 2009. The Company has identified a large number of further targets that fit with its strategic direction.

The next phase of Lab21's strategy is to acquire larger companies to strengthen the distribution capability and product/service offering. The acquisition of these businesses would create a large international diagnostic company with profitable revenues and significant technology. Revenues of £50m and an £8m of EBITDA are projected within 3 years. A conservative valuation of the enlarged business would be in the order of £150m including the assembled IP.

International expansion into the US market is a key growth area for the Company. An operation in South Carolina was established at the end of 2009 through Selah Technologies LLP.

Lab 21 has all the key ingredients to be a major player in the consolidation of the diagnostics sector:

- **Management:** Strong management team with a history of successfully introducing innovative healthcare products and building global brands;
- **Established Platform:** Some £20m has already been invested to create the Lab21 platform;
- **Intellectual Property:** Unique and enabling intellectual property in a number of key healthcare disease areas;
- **Industry Partnerships:** Multiple, high profile partnerships with companies such as Amgen, Pfizer, Roche & Myriad;
- **Global Distribution Channels:** Internationally recognised distribution channels and product quality;
- **Corporate Strategy:** Distinct and coherent strategy of corporate and product branding; and
- **Unique Business:** Combines own manufactured diagnostic products and clinical diagnostic services being able to take advantage of development opportunities across established distribution channels.

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¹In Vitro Diagnostics: Market Analysis 2009-2024
²Clinica Diagnostics: Complete Guide to the Diagnostics Market 2007-2012