

BIOTECH AND PHARMA

ILLUMINA WILL BE FINE DESPITE RECENT CONCERNS, SAYS CEO

BY BILL ALPERT

The gene-sequencing leader Illumina has had it even worse than most stocks in recent days, but its chief executive says long-term prospects remain strong.

Thursday, investors were discomfited by news that Illumina's chief financial officer will move to another firm. Friday, a news article raised questions about the cancer blood tests that are one of Illumina's big bets.

Illumina stock (ticker: ILMN) closed Monday at \$194.31, down 4%. The stock has lost 15.7% since Thursday morning, compared to a 10% slide for the Nasdaq Composite Index.

None of last week's news should concern investors, Illumina chief executive Francis deSouza told Barron's. The markets for the company's genomics tools and tests are important and growing, said deSouza. "In the next five or 10 years," he said, "genomics is going to make a dent in nearly all the top 10 causes of death for humankind."

The company said CFO Sam Samad will leave on July 8, to become the financial chief at Quest Diagnostics (DGX), a clinical lab chain whose revenues exceed Illumina's, but whose market capitalization is less.

Samad had spent five years at Illumina. Some analysts said that the departing CFO might be worried about Illumina, which awaits several regulatory rulings on its \$8 billion buyout of Grail — a lab that's marketing the first blood test that can screen for many types of cancer.

Samad has no inside knowledge of unannounced antitrust decisions on the Grail deal, said CEO deSouza. "The reality is that nobody knows," deSouza said.

Two European antitrust decisions are expected in July, said the Illumina CEO. Closing arguments took place last week in the U.S. Federal Trade Commission's challenge to the merger.



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T. Narayan/Bloomberg

Samad is leaving for family reasons, said deSouza, and Quest's East Coast headquarters are closer to the family than Illumina's San Diego location. The change had been in the works for a while, said deSouza, and Illumina is conducting a careful search for its next CFO.

Friday, the New York Times wrote about the multi-cancer early detection blood test offered by Grail, and under development by genomic rivals like Guardant Health (GH). The article cited concerns that the \$1,000 tests would add burdensome spending for the health care system, and that some test-takers could get false positive findings of cancer.

DeSouza pushed back, noting that Grail's test has an unusually low rate of false positive readings, compared to other tests under development, as well as existing

screening procedures like mammograms or CT scans of the lungs. He also said that the Grail blood test should far outperform those existing screening methods in the predictive value of its positive test results. The Grail test should shorten the ensuing hunt for the tumor whose DNA traces were found in the blood, since the test indicates what kind of tissue the DNA comes from.

And Illumina has shown an ability to bring down costs, deSouza noted. In the past decade, the company has brought the cost of sequencing a person's genome down from \$1,000 to \$300, and those costs are falling still.

Grail already has a line of sight to cost-reduce its multi-cancer test to \$600, said deSouza, and as volumes rise, costs should drop.