Gentris and CGI Join to Empower Personalized Medicine

Empowering Personalized Cancer Treatment

June 23, 2014
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Q1. Why is Cancer Genetics acquiring Gentris Corporation?

A1: Gentris is a leader in pharmacogenomics, the science of how an individual’s DNA affects their response to drugs. Pharmacogenomics is particularly important in cancer care, where patients are known to react differently to therapies and develop vastly different toxicity profiles based on the underlying genetic differences in both the DNA of the tumor and of the individual. This acquisition complements Cancer Genetics’ world-class expertise on specific cancer tumors/subtypes, and improves its ability to realize its mission of personalizing cancer care and improving success rates of cancer treatments.

Q2. Who is Gentris?

A2: Gentris was founded in 2001 and is an established market leader in providing pharmacogenomics testing. Gentris has provided pharmacogenomics study support services domestically and internationally for over 1,000 Phase I-IV clinical trials.
Q3. How will the acquisition improve the value proposition of CGI in the marketplace?

A3: Cancer Genetics provides world-class expertise on understanding the genomics of specific cancer tumor systems and Gentris provides world-class expertise on understanding how drugs will react with a particular individual due to the genomics of the person's germline DNA. Pharmaceutical and biopharma companies have seen increased success using targeted therapies. Additionally, there are currently 53 U.S. FDA approved oncology drugs that include pharmacogenomic biomarkers. While both approaches have worked well on their own, when used together, they provide a more comprehensive genomic picture. The combined entity will provide critical information to pharmaceutical and biopharma companies that will increase efficacy and improve safety in clinical trials, ultimately leading to higher clinical trial success rates and lower drug development costs.
Q4. How will the acquisition improve revenue?

A4: Gentris is currently expected to contribute an additional $5 to $6 million to CGI in revenue over the next 12 months. Cancer Genetics’ and Gentris’ expertise are complementary, and combining both companies will allow for higher value, higher revenue-generating contracts. The company anticipates joint selling the combined services in 4Q14, and believes that higher value contracts will begin being sold in 1H15.
Q5. Is there a market need for improved clinical trial services in oncology?

A5: Yes, using genomic information in drug development and clinical trials allows pharmaceutical and biopharma companies to select a group of patients who are most likely to benefit from the drug and are least likely to experience severe side effects.

Chemotherapeutics often display greater toxicity than other drugs and consistently have among the lowest success rates in clinical trials - approximately 10 to 20%. Today, the average cost to market for each new drugs is estimated at $1.2 billion, though costs can reach as high as $5 billion.12 This is up significantly from the late 1990’s, when cost to market was approximately $800 million per drug. Soaring drug development costs and low success rates make Cancer Genetics’ and Gentris’ services more crucial than ever.

Q6. Is Cancer Genetics obtaining any new clients?

A6: Yes. Through the acquisition, Cancer Genetics will establish relationships with Gentris’ clients including seven of the top twelve biopharma companies. These clients add to Cancer Genetics’ existing client base, which includes Gilead Sciences, Roche and AstraZeneca.

Q7. Is Cancer Genetics obtaining any new facilities?

A7: Gentris has a 24,000 sq. ft. CLIA-certified, CAP-accredited, and GLP-compliant laboratory located in Research Triangle Park, North Carolina. Cancer Genetics plans to develop this facility into a center of excellence in pharmacogenomics. This complements Cancer Genetics’ CLIA-certified clinical laboratory in Rutherford, New Jersey.
How is Cancer Genetics’ management team strengthened?

This acquisition will bring industry leaders from Gentris to the Cancer Genetics’ management team, including the addition of Michael Murphy, Dr. Howard McLeod, and Dr. Scott Clark.

Gentris co-founder Michael Murphy is an industry pioneer in pharmacogenomics, with more than 30 years of scientific and business experience. Mr. Murphy will serve as a general manager, overseeing integration of the companies. Dr. Scott Clark, who is currently the VP of scientific operations at Gentris, will manage day to day operations and delivery. Dr. Howard McLeod, a leading pharmacogenomics expert, will be joining the CGI team as a special scientific advisor to the company and will serve on the scientific advisory board.
Q9. Will this acquisition help Cancer Genetics expand internationally?

A9: Yes. Gentris has a U.S. FDA-compliant satellite laboratory in Zhangjiang Hi-Tech Park, Shanghai, China. Cancer Genetics will help Gentris expand internationally as well with its strong sales force throughout the United States and foothold in the India market.

Q10. Who are Gentris’ key competitors? How does the acquisition affect the competitive landscape?

A10: Gentris’ primary competitors include Myriad-Rules Based Medicine, Covance, Expression Analysis and LabCorp. By combining the capabilities of Cancer Genetics and Gentris, the company will improve its competitive position and continue to develop revenue and operational scale and be a better positioned provider of Dx-Rx development and testing services.
Frequently Asked Questions

Q11. Does this acquisition expand Cancer Genetics’ sales and marketing team?
   A11: Yes. Cancer Genetics will add three members to its sales team through the acquisition.

Q12. What is the immediate impact of the acquisition on Cancer Genetics’ financial statements?
   A12: Gentris currently generates approximately $5 million to $6 million in annual sales revenue and $1.5 million to $1.8 million in net losses.
Q13. What is the acquisition price?

A13: Cancer Genetics will purchase Gentris for approximately $4.75 million which will include $3.25 million in cash to be used toward liabilities, and $1.5 million in CGI common stock. The transaction will also include an earn-out through which Gentris shareholders may achieve an additional $1.5 million in either CGI stock or cash based on meeting further revenue and contract milestones.

Q14. How many employees does Gentris have?

A14: Gentris currently has approximately 45 employees.
Frequently Asked Questions

Q15. When is the acquisition expected to close?

A15: The acquisition is expected to close on or about June 30, 2014.

Q16. Will there be additional information available on Gentris?

A16: Cancer Genetics will provide additional information on Gentris, the capabilities, and the types of technologies and projects during the analyst and investor update day being planned for late summer in NYC.
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Thank you