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Lab Expands From Diagnosis To Outcomes

By Philip Michaels

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Dr. Anu Saad isn't ready for IMPATH Inc. to rest on its laurels just yet.

The company is already a recognized leader in diagnosing cancer and providing prognostic data to doctors and oncologists. And it's enjoyed strong growth since its founding a decade ago. Revenue has jumped from \$355,000 in '89 to \$37.1 million last year. Earnings have risen 59% a year since 1995.

But Saad, IMPATH's president and CEO, says two challenges remain if IMPATH is to reach its goal of becoming the country's top cancer analysis company. First, it has to maintain its strong growth, she says.

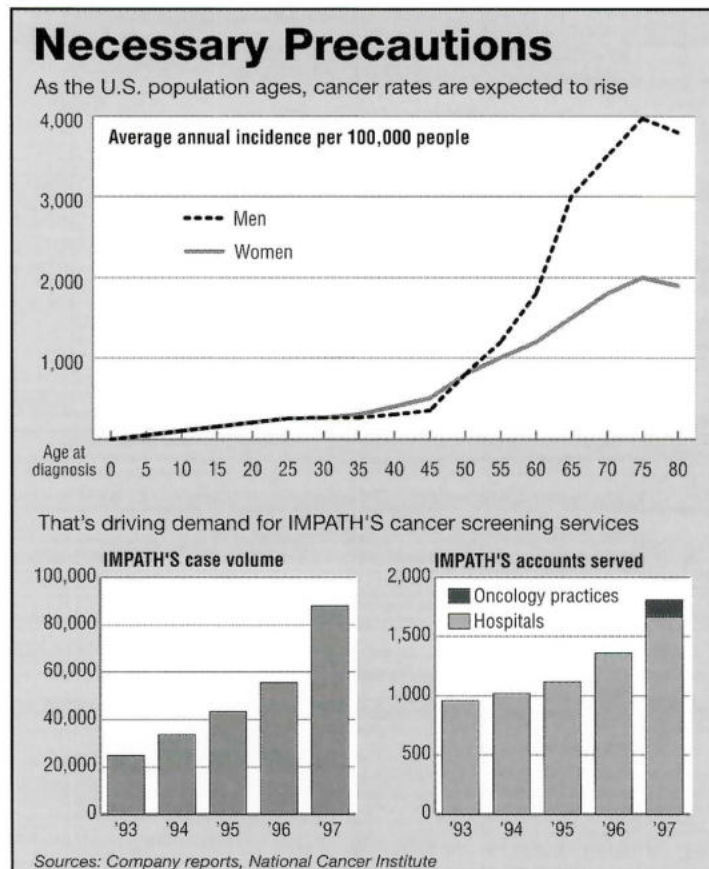
"The other part of the challenge will be to leverage our core business into an expanded presence in health-care information and, more importantly, biopharmaceutical services," she said. These areas involve tracking later-stage data on treatments and outcomes.

Analysts believe IMPATH is up to that challenge. Three recent acquisitions have bolstered the company's core diagnostic business. At the same time, they will make it easier for IMPATH to expand its range of services.

"Those have been three terrific deals for the company," said analyst David Francis of Volpe Brown Whelan & Co. "The deals . . . make the company the hands-down leader in cancer management services and patient information services."

Doctors turn to IMPATH for help in analyzing hard-to-diagnose tumors. They send in tissue samples, which the company tests to determine the type of cancer and how it might behave.

IMPATH also draws on its database of more than 400,000 cancer cases to predict how a cancer might react to certain treatments. It can then give a specific prognosis to physicians.



The result? Cancers are diagnosed earlier and more accurately. That helps doctors choose the most effective treatment and save costs.

"Our core business is to use a broad range of advanced technologies and play a major role in the way cancer patients are managed," Saad said.

Demand for that business is growing. Diagnosed cancer cases reached 1.4 million in '97. Plus, pathologists in hospitals and oncology practices are turning to outside firms such as IMPATH to help keep costs down.

IMPATH's third-quarter operating earnings rose 100% to 26 cents a share. Revenue rose 51% to \$15.2 million.

The company's recent deals will further boost its business. In August, it bought Medical Registry Services Inc. for \$13 million. Medical Registry makes software that tracks cancer patients' progress following treatment. The software is used by 400 hospitals.

"The practice of medicine is an information business. The more data doctors have, the better they're able to treat a patient," Francis said.

The deal adds data on patient outcomes. "That kind of incremental information is of tremendous value to a physician," Francis added.

What's more, Medical Registry gives IMPATH a direct link to hospi-

tals. That will aid IMPATH's efforts to develop interactive software for clients to improve information flow and data collection, Saad says.

"We can leverage our sales force to increase the sale of their software since our sales force is going into the hospital setting anyhow," she said. "It's also a nice tie-in from a data point of view."

In September, IMPATH bought Physician Choice Inc., which provides post-clinical, pre-marketing and cost-benefit analysis to drug makers developing cancer treatments.

"It adds a critical building block to the services we provide to the biopharmaceutical industry," Saad said.

In its third deal, IMPATH bought Biologic & Immunologic Science Laboratories Inc., which analyzes cancer in lymph nodes and bone marrow.

Its focus on late-stage cancers complements IMPATH's expertise in the early stages of the disease, Saad says. The deal also adds to IMPATH's database.

"It largely continues the company's planned expansion by rolling up smaller, less sophisticated players," Francis said.

Analysts expect IMPATH to enjoy strong profit growth over the next few years. Earnings should climb 52% to 96 cents a share in '98, First Call says. The company trades as IMPH near 33.

Besides strengthening its core business, IMPATH has focused on expanding its client base. Historically, it has served small to midsize hospitals. But stand-alone oncology practices now treat a greater number of cancer patients.

"In the last year and a half, they've had great success at marketing to that segment," Francis said. "Their coverage of the market is pretty much complete at this point."

IMPATH could also extend its reach overseas. Saad hopes to establish a presence in Europe by late '99, perhaps through a joint venture.