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This was published 7 months ago

Need for speed: rapid testing startups eye Australian opportunity



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October 17, 2020 – 12.00am

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The COVID-19 pandemic has put the pharmaceuticals sector firmly on the radar of markets and outfits offering rapid diagnostics tests are starting to soak up plenty of attention from investors.

While economic recovery from the pandemic hinges on the creation of a vaccine, mass testing-through the use of readily available diagnostics kits - could be crucial in reinforcing the health system and helping reopen parts of the economy.

The 'point-of-care' testing market is expected to be worth as much as \$US24 billion by 2026, according to market data firm Statista, and biotechs are rushing to develop quick-fire testing kits as capital flows into the sector.



Rapid testing will be crucial in reinforcing the health system and helping to reopen parts of the economy.
BLOOMBERG

The latest beneficiary of that trend is California-based startup, Cue Health, which this week received a whopping \$US481 million (\$678 million) in funding from the Department of Defence to scale up rapid test production. Meanwhile, Australian startups are also getting into the act and hoping to use the investor interest to boost the local biotech industry.

Lumos Diagnostics, which is based in Australia but runs many of its operations out of the US, recently closed a \$25 million pre-IPO funding round with backers, including Ellerston Capital and Australian Unity.

The business offers manufacturing services for diagnostic tests and also has a diagnostic tool called FebriDx, a finger-prick blood test which lets doctors know if a patient has a viral or bacterial respiratory infection in around 10 minutes. FebriDx is not a test designed to detect COVID-19, but the company sees it as a tool which can help healthcare providers throughout the pandemic.

It has been trialled in the UK as a triage tool for patients presenting with respiratory illness, to test whether they have a viral infection or an illness with another cause. FebriDx is TGA registered in Australia and working its way towards approval in the US.



Lumos Diagnostics' Sam Lanyon with one of its finger prick test devices. EAMON GALLAGHER

According to Lumos' executive chairman Sam Lanyon, the funding dollars could over time see the technology built in Australia rather than overseas.

"We're not out for handouts. But the really cool thing is if we can build commercial demand here, we could bring manufacturing here to Australia."

Mr Lanyon added that the Australian healthcare sector was now focused on tools to help the society beyond the pandemic, including quickly diagnosing illnesses aside from coronavirus.

"Healthcare professionals are starting to think about what does the future look like? And managing people who don't have COVID."

For investors like Australian Unity and Ellerston, companies like Lumos offer a long-term opportunity as the healthcare industry looks beyond the pandemic.

According to Victor Windeyer, who will oversee Australian Unity's new \$200 million Future of Healthcare Fund, Lumos' flagship product has the potential to "reduce the inappropriate use of antibiotics" by distinguishing between viral and bacterial infections.

"This should benefit the whole world, but also Australia," he said.

Ellerston Capital portfolio manager David Keelan is also upbeat about the value in the rapid-testing market, much of which remains untapped.

"Rapid diagnostics is a developing sector internationally, and a business like Lumos - which has a really strong and growing service business, complemented by a product business with huge potential - was too good an investment to pass up."

Lumos is considering an ASX tilt in 2021, and could follow in the footsteps of medtech [Atomo Diagnostics](#), which has shown the investor appetite for rapid testing this year. Having listed earlier this year, its 33c share price remains 65 per cent above its 20c IPO price.

Atomo, which has a HIV self-test as its flagship product, has turned its focus to COVID and has a TGA-approved rapid antibody test. The Sydney-based company, backed by billionaire property developer Lang Walker and former Macquarie Bank chief exec Allan Moss, also has the distribution rights for a rapid antigen test made by Korean-listed company Access Bio.



Atomo Diagnostics founder John Kelly, left, shows investor Lang Walker the self-testing blood kit that is already being used for HIV, and which is being pursued for testing COVID-19. KATE GERAGHTY

Atomo co-founder and managing director John Kelly said the company had seen "significant growth mainly overseas", but highlighted Australia lags behind other markets when it comes to fast point-of-care tests for a range of diseases.

"Australia is the slow moving elephant at the back of the herd," he said.

Mr Kelly said Atomo was also considering local manufacturing of its products, but engaging with governments have proved difficult.

"We think the ability to build a high-tech onshore manufacturing capability here is a no-brainer."

The accuracy of rapid tests, and in particular COVID-19 antigen tests, has been in the spotlight in recent months, however. Manufacturers acknowledge that rapid tests trade some of the accuracy of lab-processed PCR tests, though argue they deliver cost benefits and the chance to test citizens en-masse in public settings, like airports or concerts.

The Doherty Institute's deputy director of the microbiological diagnostic unit public health laboratory, Professor Deborah Williamson, said work is still ongoing to determine what role rapid COVID-19 tests should play in Australia.

"At present, there is very limited published data on the clinical performance of these tests. We do know we need to do due diligence to evaluate these. We know they are less sensitive than the PCR testing we are using at the moment."

Meanwhile, some of the world's largest diagnostic providers are also considering the role of rapid testing in a world opening up post-pandemic.

Managing director of Roche Diagnostics Australia, Allison Rossiter, said the company is eyeing the role of rapid tests to add to the company's portfolio.

Roche has been one of the major importers of COVID-19 tests since the start of the pandemic in Australia, with the demand exceeding the company's expectations as Victoria hit its stage 4 lockdown.

"By introducing rapid COVID tests with a result in approximately 15 minutes, there is more opportunity to open up testing in a variety of settings, such as at state and international borders, where travellers can wait in a separate area until their results are determined," Ms Rossiter said.

"We do not see rapid antigen tests replacing PCR, but being another option in the testing arsenal to allow us to get on with our life in the safest way."

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