

# Analysts Tout Quality Systems' Growing Power in '09

## Medical Research Companies Gain Investor Interest; Tustin Co. Launches Colon Cancer Test

**Quality Systems Inc.**, an Irvine healthcare software company that's been a Wall Street darling during much of this decade, recently got another love note from the Motley Fool investing Web site.

Quality is a stock that's "gone gangbusters" in recent weeks, said Morgan Housel in an article posted in December.

Quality was one of just a few stocks that "actually managed to eke out a gain in 2008," Housel wrote in a section titled "Recession? What recession?"

For the year, Quality did more than "eke" out a gain, closing up about 40% with a recent market value of \$1.2 billion.

Quality makes software that doctors and dentists use to manage their practices.

Quality's surge is due to it being in a "blooming industry," and that it is a leader in the budding electronic medical records segment, Housel said.

"That's a rare combination that serves as one of the very, very few bright spots in a glum economy," Housel said.

Housel also cited something that Quality Chief Executive Steven Plochocki has waxed optimistic about in earlier interviews: that President-elect Barack Obama's economic stimulus package is expected to include a sizable chunk of money to update medical technology.

Such a surge in business should be lucrative for Quality, which tends to keep customers once it attracts them because it is so expensive to switch technologies, according to Housel.

"Once a medical office digitizes its records, there's little incentive and a huge

cost to switch to rival products," Housel said.

### Beckman Called Good Investment

Medical and biomedical research equipment companies, such as Fullerton-based **Beckman Coulter Inc.**, may be good bets within the healthcare industry, according to a recent article on TheStreet.com.

Beckman and other medical equipment and supply companies, including Waters Corp. of Milford, Mass., and St. Louis-based Sigma-Aldrich Corp., could be better investments than big drug makers because of what author Robert Loest called a shift in priorities by the federal government.

Federal officials will start bargaining down the prices of drugs and healthcare insurance costs, according to Loest.

"Boomer geezers will demand it," Loest said.

New progress in healthcare will be expensive, but is likely to be spread across a larger, more unpredictable variety of institutions, according to the article. That creates a lot of opportunities for research and development, or "picks and shovels" types of companies.

"Everyone needs equipment and consumables to do their research and routine tests for patients," Loest said. "I expect a higher rate of growth and profitability for 'picks and shovels' companies than I do for the drug makers and marketers."

Beckman has said it expects its profit in

2009 to grow 10% on cost controls and a shift toward more profitable products. The company also said it expects its existing customers to yield solid growth from supplies sold.

Beckman gets recurring revenue from supplies sold to customers who use its testing instruments.

Analysts on average expect the company to make \$246.3 million on \$3.93 billion in revenue in 2009.

### Colon Cancer Test

**Exiqon Diagnostics**, a Tustin-based unit of Danish medical testing company Exiqon AS, is set to introduce a colon cancer test based on microRNA, a form of genetic material ribonucleic acid, early in 2009.

Exiqon Diagnostics was previously known as Oncotech Inc. Exiqon, a privately held company, acquired Oncotech last February for \$45 million.

Exiqon was supposed to launch the test before the end of 2008, but Chief Executive Lars Kongsback said the launch would be delayed pending regulatory approval.

Exiqon is seeking clearance from the New York State Department of Health, although the commercialization will take place in Orange County.

The company said it wanted New York regulators to look at the test because that state has the most sophisticated and advanced systems to assess products and is considered the most complicated approval to obtain.

### Bits and Pieces:

**Nihon Kohden Corp.**, a Japanese med-

ical device maker with U.S. headquarters in Irvine, recently bought Neurotronics Inc. of Gainesville, Fla., for an undisclosed price. Neurotronics develops sleep analysis devices and software ... Irvine-based **Sun Healthcare Group Inc.**'s Rick Matros, chief executive, and L. Bryan Shaul, chief financial officer, are making a presentation at the J.P. Morgan healthcare conference in San Francisco this week ... **B. Braun Medical Inc.**, a unit of Germany's B. Braun Melsungen AG that has operations in Irvine, was named a finalist in the Eastern Technology Council's Enterprise Awards contest. The awards recognize technology and life science companies and entrepreneurs in the Philadelphia region. B. Braun Medical's U.S. headquarters is in a Philadelphia suburb ... **BioLase Technology Inc.**, an Irvine maker of lasers used in dental surgeries, has been removed from the Standard & Poor's SmallCap 600 index. BioLase's market value was below the \$200 million minimum needed to be on the index. BioLase's market value was some \$25 million last week ... **CombiMatrix Corp.** said its Irvine laboratory is going to offer the ProScan, an array-based diagnostic test for prostate cancer. CombiMatrix, which is based in Mukilteo, Wash., and is part of Newport Beach-based **Acacia Research Corp.**, says the ProScan is the first genome-based test for prostate cancer.



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