Orasure bets big on future products

Bethlehem company invests in HIV test and other new lines.

By Spencer Soper
OF THE MORNING CALL

Orasure Technologies continues to bet big on broadening the reach of its products, which can quickly test blood and oral fluid for HIV infection or drug use, by investing heavily in research and development.

By spending so much on getting new products to federal government approval, the Bethlehem company is sacrificing profits today in hopes of bigger returns in the future.

The company on Wednesday reported a first quarter loss of $1.6 million, or 4 cents per share, on total sales of $17.3 million. It spent nearly $3.4 million to develop new products, including an over-the-counter test for HIV, which was one of the factors that kept it from ending the quarter in the black.

The company's leading product is the OraQuick HIV test, which is sold to hospitals and clinics and can test blood or fluid on gums for HIV indicators with results in 20 minutes.

The company's three biggest pending products are:

■ An over-the-counter rapid HIV test, which would let people determine in 20 minutes if they may have the virus without having to visit a clinic or mail blood samples to a lab. The technology is the same as Orasure's OraQuick already sold to clinics and hospitals. To get permission to sell it over-the-counter, the company has to convince the federal Food and Drug Administration that consumers not trained in lab testing could buy the product and use it correctly. Those studies are underway.

■ A rapid Hepatitis C test, which is similar to its rapid OraQuick HIV test. Hepatitis C is five times more prevalent than HIV worldwide. Orasure's Hepatitis C test, which also tests blood or oral fluids, was submitted to the Food and Drug Administration for review in October.

■ A new line of drug testing products sold to employers and criminal justice agencies that determine drug use through oral fluid samples instead of urine. Orasure already sells such products, but is working on a new line that it could produce them for less money and provide faster results, which would make the products more appealing to labs. It expects to submit those products to the Food and Drug Administration for review later this year.

Orasure officials express confidence the products will make it to the marketplace and produce big returns. Douglas Michael, Orasure's president and chief executive officer, expects the annual market for an over-the-counter HIV test in the United States to exceed $500 million and the market for a rapid Hepatitis C test to exceed $250 million.

The first quarter was a success because the company continued to advance the two products, he said.

Orasure employs about 300 people worldwide, with most at its operations in Bethlehem. The company also has a plant in Thailand, and its wart-removal products are made in the Netherlands.

Sales of the OraQuick HIV test for the quarter were $9.8 million, up 10 percent from the same quarter a year ago. But sales of its drug testing products dropped 14 percent to $2.1 million, due largely to fewer pre-employment screenings tied to the soft labor market. And sales of its products used to remove warts and other skin abnormalities, dropped 36 percent to $2.1 million.

Orasure stock closed at $3.76 Wednesday on the Nasdaq, up about 5 percent for the day.

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