

## Hologic Announces Financial Results for Second Quarter of Fiscal 2016



**- GAAP Diluted EPS of \$0.24 Increases 41.2%, Non-GAAP Diluted EPS of \$0.47 Increases 14.6% -**

**- Revenue of \$693.3 Million Grows 5.8% on a Reported Basis, 6.3% in Constant Currency -**

**- Company Redeploys \$460.2 Million of Capital to Reduce Convertible Debt, and Repurchase Shares -**

Hologic, Inc. has announced the Company's financial results for the fiscal second quarter ended March 26, 2016. GAAP diluted earnings per share (EPS) of \$0.24 increased 41.2%, and non-GAAP diluted EPS of \$0.47 increased 14.6%. Revenue of \$693.3 million increased 5.8% on a reported basis, and 6.3% on a constant currency basis.

"We posted another good quarter, highlighted by 14.6% growth in non-GAAP EPS," said Steve MacMillan, the Company's Chairman, President and Chief Executive Officer. "The strength of our business model was evident at multiple levels in the quarter. Our U.S. businesses grew revenue at a double-digit rate, we improved both gross and operating margins while making significant investments in our future, and we aggressively redeployed capital, leading to EPS growth more than double the rate of sales."

Key financial results for the fiscal second quarter are shown below. Throughout this press release, all dollar figures are in millions, except EPS. Unless otherwise noted, all results are on a reported basis, and are compared to the prior year period.

		GAAP			Non-GAAP	
	Q2'16	Q2'15	Change	Q2'16	Q2'15	Change
Revenues	\$693.3	\$655.5	5.8%	\$693.3	\$655.5	5.8%
Gross Margin	55.5%	51.3%	420 bps	65.8%	63.4%	240 bps
Operating Expenses	\$248.9	\$226.2	10.1%	\$221.2	\$195.9	12.9%
Operating Margin	19.6%	16.8%	280 bps	33.9%	33.5%	40 bps
Net Income	\$68.9	\$47.8	44.1%	\$135.7	\$118.9	14.1%
Diluted EPS	\$0.24	\$0.17	41.2%	\$0.47	\$0.41	14.6%

### Revenue Detail

Revenues grew in three of four business segments globally, with the highest growth rate in the GYN Surgical division:

\$s in millions	Q2'16	Q2'15	Change (Reported)	Change (Constant Currency)

<i>Cytology &amp; Perinatal</i>	\$116.1	\$113.3	2.5%	3.5%
<i>Molecular Diagnostics</i>	126.1	119.7	5.4%	5.8%
<i>Blood Screening</i>	62.2	63.7	(2.4%)	(2.4%)
Total Diagnostics	\$304.4	\$296.7	2.6%	3.2%
<i>Breast Imaging</i>	232.3	211.0	10.1%	10.5%
<i>Interventional Breast Solutions</i>	41.5	42.7	(2.7%)	(2.4%)
<i>Other</i>	2.0	1.8	9.3%	13.4%
Total Breast Health	\$275.8	\$255.5	8.0%	8.4%
GYN Surgical	\$90.9	\$79.1	14.9%	15.9%
Skeletal Health	\$22.2	\$24.2	(8.5%)	(8.2%)
Total	\$693.3	\$655.5	5.8%	6.3%

Other revenue highlights:

- U.S. sales of \$547.9 million increased 10.6%, continuing strong recent trends.
- International sales of \$145.4 million decreased (9.3%) on a reported basis, or (7.0%) in constant currency, driven by inventory fluctuations in blood screening and discontinued products in Breast Health. Excluding these two factors, international sales increased slightly in the quarter on a constant currency basis.
- Breast Health revenue totaled \$275.8 million, an increase of 8.0% on a reported basis, or 8.4% in constant currency. In the United States, revenue increased 11.2%, as adoption of Hologic's Genius™ 3D Mammography™ systems continued to grow. Internationally, revenue declined (5.5%) on a reported basis, or (3.3%) in constant currency. However, excluding sales of discontinued products from the prior year period, international revenues increased at a low-single-digit rate.
- In Diagnostics:
  - Molecular diagnostics sales of \$126.1 million increased 5.4% on a reported basis, or 5.8% in constant currency. Growth was primarily driven by continued strength across Aptima® women's health products on the fully automated Panther® and Tigris® platforms, particularly in the United States.
  - Cytology and perinatal sales of \$116.1 million increased 2.5% on a reported basis, or 3.5% in constant currency. Of note, U.S. sales increased at a mid-single-digit rate.
  - Blood screening revenue totaled \$62.2 million, a decrease of (2.4%) on both a reported and constant currency basis that was driven primarily by ordering patterns by Hologic's partner Grifols.
- In GYN Surgical, MyoSure® sales of \$35.4 million increased 29.2% on a reported basis, or 29.8% in constant currency. NovaSure® sales of \$55.2 million increased 8.1% on a reported basis, or 9.3% in constant currency.
- In Skeletal Health, revenue of \$22.2 million declined (8.5%) on a reported basis, or (8.2%) in constant currency, due primarily to distributor ordering patterns internationally.

Segment revenue highlights by geography are shown below:

	U.S. Change	International Change (Reported)	International Change (Constant Currency)
Diagnostics	9.4%	(13.2%)	(11.2%)
Breast Health	11.2%	(5.5%)	(3.3%)
GYN Surgical	14.3%	18.5%	25.4%
Skeletal Health	3.3%	(25.1%)	(24.3%)

Total Revenues	10.6%	(9.3%)	(7.0%)
----------------	-------	--------	--------

#### **Expense Detail**

Gross margin was 55.5% on a GAAP basis, and 65.8% on a non-GAAP basis. Compared to the prior year period, non-GAAP gross margin improved 240 basis points, mainly due to strong domestic sales growth, favorable product mix, and operational improvements.

Operating expenses were \$248.9 million on a GAAP basis, and \$221.2 million on a non-GAAP basis. Operating expenses increased mainly due to planned investments in Breast Health and Diagnostics marketing, and research and development.

#### **Other Key Financial Results**

Adjusted non-GAAP earnings before interest, taxes, depreciation and amortization (EBITDA) were \$253.8 million in the fiscal second quarter, an increase of 6.4% compared to the prior year period.

Total debt outstanding at the end of the quarter was \$3.4 billion, a decrease of (\$0.5) billion compared to the prior year period.

The combination of lower debt and EBITDA growth has helped improve Hologic's leverage ratio (net debt over EBITDA) to 3.1 times.

Strong profit growth and lower debt have improved Hologic's return on invested capital (ROIC), which was 11.7% on a trailing 12 months basis, a 170 basis point increase compared to the prior year period.

Hologic redeployed cash aggressively in the quarter to continue improving its capital structure and enhance future earnings power. The Company repurchased \$90 million of its 2010 Convertible Notes for \$140.1 million, and \$136.6 million of its 2012 Convertible Notes for \$171.3 million. In addition, the Company repurchased 4.3 million shares of its common stock for \$148.8 million.

#### **Financial Guidance for Fiscal 2016**

The guidance below is based on recent foreign exchange rates, a full-year tax rate of approximately 33%, and diluted shares outstanding of approximately 292 million for the full year.

	<b>Current Guidance</b>	<b>Previous Guidance</b>	<b>Current Guidance vs. Prior Year (As Reported)</b>	<b>Current Guidance vs. Prior Year (Constant Currency)</b>
Revenues	\$2,810 to \$2,830 million	\$2,800 to \$2,830 million	3.9% to 4.6%	4.6% to 5.4%
Non-GAAP EPS	\$1.89 to \$1.91	\$1.86 to \$1.90	13.2% to 14.4%	14.6% to 15.8%

For the third quarter of fiscal 2016, Hologic expects:

	<b>Current Guidance</b>	<b>Current Guidance vs. Prior Year Period (As Reported)</b>	<b>Current Guidance vs. Prior Year Period (Constant Currency)</b>
Revenues	\$695 to \$705 million	0.2% to 1.6%	0.6% to 2.0%
Non-GAAP EPS	\$0.47 to \$0.48	9.3% to 11.6%	10.1% to 12.4%

#### **Use of Non-GAAP Financial Measures**

The Company has presented the following non-GAAP financial measures in this press release: constant currency revenues; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating margin; non-GAAP net income; non-GAAP EPS; adjusted EBITDA; and return on invested capital (ROIC). The Company defines its non-GAAP net income, EPS, and other non-GAAP financial measures to exclude, as applicable: (i) the amortization of intangible assets and impairment of goodwill and intangible assets; (ii) additional depreciation expense from acquired fixed assets and accelerated depreciation related to consolidation and closure of facilities; (iii) non-cash interest expense related to amortization of the debt discount from the equity conversion option of the convertible notes; (iv) restructuring and divestiture charges and facility and consolidation charges; (v) debt extinguishment losses and related transaction costs; (vi) unrealized gains/losses attributable to recording forward foreign currency contracts to fair value for which the company has not elected hedge accounting; (vii) litigation settlement charges (benefits); (viii) other-than-temporary impairment losses on investments and realized gains resulting from the sale of investments; (ix) other one-time, non-recurring, unusual or infrequent charges, expenses or gains that may not be indicative of the Company's core business results; and (x) income taxes related to such adjustments. The Company defines adjusted EBITDA as its non-GAAP net income plus net interest expense, income taxes, and depreciation and amortization expense included in its non-GAAP net income. The Company defines ROIC as its net operating profit after tax on a trailing twelve month basis divided by average net debt plus average stockholders' equity.

These non-GAAP financial measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP. The company's definition of these non-GAAP measures may differ from similarly titled measures used by others.

The non-GAAP financial measures used in this press release adjust for specified items that can be highly variable or difficult to predict. The company generally uses these non-GAAP financial measures to facilitate management's financial and operational decision-making, including

evaluation of Hologic's historical operating results, comparison to competitors' operating results and determination of management incentive compensation. These non-GAAP financial measures reflect an additional way of viewing aspects of the company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting Hologic's business.

Because non-GAAP financial measures exclude the effect of items that will increase or decrease the company's reported results of operations, management strongly encourages investors to review the company's consolidated financial statements and publicly filed reports in their entirety. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures is included in the tables accompanying this release.

#### **Future Non-GAAP Adjustments**

Future GAAP EPS may be affected by changes in ongoing assumptions and judgments, and may also be affected by non-recurring, unusual or unanticipated charges, expenses or gains, which are excluded in the calculation of the Company's non-GAAP EPS guidance as described in this press release. It is therefore not practicable to reconcile non-GAAP EPS guidance to the most comparable GAAP measure.

#### **Conference Call and Webcast**

Hologic's management will host a conference call at 4:30 p.m. ET today to discuss its financial results for the second quarter of fiscal 2016. Approximately 10 minutes before the call, dial 888-455-2271 (U.S. and Canada) or 719-325-2444 (international) and enter access code 2794619. A replay will be available starting two hours after the call ends through May 27, 2016 at 888-203-1112 (U.S. and Canada) or 719-457-0820 (international), access code 2794619. The Company will also provide a live webcast of the call at <http://investors.hologic.com>.

Published on : Thu, 28 Apr 2016