



ANALYST QUICK NOTES

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Hologic Inc. (NGS: HOLX: BUY)

Target Price: \$52

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Overview

- We think this is a good time to talk about the company as it will soon have \$1.8 billion from the sale of its blood-screening business to Grifols. This divestiture, which will close in first quarter, will take out \$0.34 from EPS and \$240 million in revenue in 2017 -- but from a business with slow growth.
 - Along with cash on hand, Hologic will have nearly \$2.4 billion of cash post-deal. Now Hologic has the financial resources to make a bigger M&A deal. It could add something substantial to its molecular diagnostics or women's surgical businesses. We are confident that management will make moves to offset the earnings dilution, either through stock buybacks, retiring convertible debt to reduce interest expense or M&A.
 - After the sale, Hologic will have stronger revenue and EPS growth.
 - Hologic also just received FDA approval of its HIV viral load-monitoring assay that would be used on its Panther diagnostic platform. This assay can assess the quantity of the HIV virus in a patient, advancing from prior assays that could only detect the presence of the virus. The viral load assay can be particularly useful in assessing the effectiveness of drugs and therapies in reducing the virus quantity in patients.
 - Hologic's viral-load assays for HIV (and hepatitis C and hepatitis B monitoring) are already on the market outside the U.S. We see approvals for viral load assays for hepatitis C and for HPV later in 2017.
 - Hologic's widening menu of assays on the Panther system is a driver of commercial acceptance of this diagnostic platform and is enabling it to gain share over rivals.
 - Of course, Hologic's 3D mammography business continues to be the strong driver for earnings growth. Hologic has leading technology for 3-D breast mammography. It continues to grow its installed base despite competition from GE and Siemens.
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