

Hologic Announces Financial Results for Second Quarter Fiscal 2015

- Revenues of \$655.5 Million Grow 4.9% on a Reported Basis, 7.2% in Constant Currency -
- Company Records GAAP EPS of \$0.17, Non-GAAP EPS of \$0.41 -
- Company Raises Full-Year Revenue and Earnings Guidance -

BEDFORD, Mass., /PRNewswire/ -- Hologic, Inc. (NASDAQ: HOLX) announced today the Company's financial results for the second fiscal quarter ended March 28, 2015. Quarterly revenues of \$655.5 million increased 4.9% on a reported basis, and 7.2% on a constant currency basis. Non-GAAP earnings per share (EPS) increased 10.8%, to \$0.41.

"We posted strong organic revenue growth across the board for a second straight quarter, while profitability increased at an even faster rate," said Steve MacMillan, Hologic's President and Chief Executive Officer. "As a Company, we have come a long way in a short period of time. While we focus on continuing to improve our performance, we are increasingly confident in our people and products, and are therefore further raising our financial outlook for the year."

Key financial results for the second fiscal quarter are shown below. Throughout this press release, all dollar figures except EPS are in millions. Unless otherwise noted, all results are for the second quarter of fiscal 2015, are on a reported basis, and are compared to the prior year period.

	GAAP				Non-GAAP		
	Q2'15	Q2'14	Change (Reported)		Q2'15	Q2'14	Change (Reported)
Revenues	\$655.5	\$625.0	4.9%		\$655.5	\$625.0	4.9%
Gross Margin	51.3%	45.1%	620 bps		63.4%	62.5%	90 bps
Operating Expenses	\$226.2	\$231.9	(2.5%)		\$195.9	\$187.9	4.3%
Operating Margin	16.8%	8.0%	880 bps		33.5%	32.4%	110 bps
Net Income (Loss)	\$47.8	(\$16.8)	N/M		\$118.9	\$103.1	15.3%
Diluted EPS	\$0.17	(\$0.06)	N/M		\$0.41	\$0.37	10.8%

Revenue Detail

Revenues grew in all four business segments in the second fiscal quarter, and increased 7.2% on a constant currency basis.

\$s in millions	Q2'15	Q2'14	Change (Reported)	Change (Constant Currency)
Diagnostics	\$296.7	\$290.8	2.0%	4.1%
Breast Health	\$255.5	\$238.7	7.0%	9.4%
GYN Surgical	\$79.1	\$72.0	9.8%	11.9%
Skeletal Health	\$24.2	\$23.5	3.3%	8.1%
Total	\$655.5	\$625.0	4.9%	7.2%

Other revenue highlights from the second quarter of fiscal 2015 include:

- U.S. revenues of \$495.2 million increased 6.8%, while international revenues of \$160.3 million declined (0.7%). On a constant currency basis, international revenues increased 8.0%.
- In Diagnostics:
 - In Breast Health, revenue from breast imaging products and related service increased 11.4% on a reported basis, and 13.8% on a constant currency basis, as customers continued to adopt Hologic's Genius 3D mammography.
 - Molecular diagnostics sales increased 6.4% on a reported basis, and 7.9% on a constant currency basis, driven mainly by Aptima women's health products on the fully automated Panther and Tigris platforms.
 - Cytology and perinatal sales declined (5.2%) on a reported basis, and (1.5%) on a constant currency basis, as declines in ThinPrep sales continued to moderate.
 - Blood screening revenue from our partner Grifols increased 8.3%, mainly due to new business with the Japanese Red Cross.
- In GYN Surgical, MyoSure system sales increased by 33.9% on a reported basis and 35.2% on a constant currency basis. NovaSure system sales declined by (0.1%) on a reported basis and increased by 2.5% on a constant currency basis.
- Approximately 61% of total revenues were from disposables, 22% were from capital equipment, and 17% were from service and other.

Expense Detail

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Gross margin was 51.3% on a GAAP basis, and 63.4% on a non-GAAP basis. On a non-GAAP basis, gross margin improved mainly due to strong sales growth in the U.S. market, and favorable product mix in the Breast Health division.

Operating expenses were \$226.2 million on a GAAP basis, and \$195.9 million on a non-GAAP basis. The 4.3% increase in non-GAAP operating expenses resulted mainly from higher research and development investment in the Diagnostics business, and increased marketing spending in the Breast Health division. These increases were offset by lower general and administrative expenses.

Adjusted non-GAAP earnings before interest, taxes, depreciation and amortization (EBITDA) were \$238.6 million in the second quarter, an increase of 7.3%.

Balance Sheet and Cash Flows

Hologic continues to focus on reducing its debt. Total debt outstanding at the end of the second fiscal quarter was \$3,939.8 million, a \$327.9 million decrease from the end of fiscal 2014. The Company ended the quarter with cash and equivalents of \$675.1 million.

Operating cash flow was \$157.8 million, while free cash flow, defined as operating cash flow less capital expenditures, was \$139.2 million.

Updated Financial Guidance

Based on its strong performance in the second quarter of fiscal 2015, Hologic is raising its full year 2015 revenue and non-GAAP EPS guidance, as shown in the table below. The guidance for reported results is based on recent foreign exchange rates. Percentage changes from the prior year exclude the one-time benefit associated with amending the Roka license agreement, which added \$20.1 million of revenue and \$0.05 of EPS to the fourth quarter of fiscal 2014.

	New Guidance	Last Guidance From 1/28/15	New Guidance vs. Prior Year (As Reported)	New Guidance vs. Prior Year (Constant Currency)
Revenues	\$2,600 to \$2,620 million	\$2,570 to \$2,600 million	3.6% to 4.4%	5.8% to 6.6%
Non-GAAP EPS	\$1.57 to \$1.59	\$1.54 to \$1.57	7.5% to 8.9%	11.6% to 13.0%

Since Hologic last provided financial guidance on January 28, 2015, the US dollar has continued to strengthen. If the dollar were at the same level today as it was in January, the Company's new revenue guidance would have been approximately \$9 million higher, and its new EPS guidance would have been about \$0.01 higher.

For the third quarter of fiscal 2015, Hologic now expects:

	Guidance	Change vs. Prior Year Period (As Reported)	Change vs. Prior Year Period (Constant Currency)
Revenues	\$645 to \$655 million	2.0% to 3.5%	4.7% to 6.3%
Non-GAAP EPS	\$0.38 to \$0.39	2.7% to 5.4%	8.1% to 10.8%

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; and adjusted EBITDA. 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) acquisition-related charges and effects, such as charges for contingent consideration, transaction costs, integration costs including retention, and credits and/or charges associated with the write-up of acquired inventory and fixed assets to fair value; (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; (v) debt extinguishment losses and related transaction costs; (vi) litigation settlement charges (benefits); (vii) other-than-temporary impairment losses on investments; (viii) 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 (ix) 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 believes the use of non-GAAP financial measures is useful to investors by eliminating certain of the more significant effects of its acquisitions and related activities, non-cash charges resulting from the application of GAAP to convertible debt instruments with cash settlement features, charges related to debt extinguishment losses, investment impairments, litigation settlements, and restructuring and divestiture initiatives. These non-GAAP measures also reflect how Hologic manages its businesses internally. In addition to the adjustments set forth in the calculation of the Company's non-GAAP net income and EPS, its adjusted EBITDA eliminates the effects of financing, income taxes and the accounting effects of capital spending. As with the items eliminated in its calculation of non-GAAP net income, these items may vary for different companies for reasons unrelated to the overall operating performance of a company's business. When analyzing the Company's operating performance, investors should not consider these non-GAAP financial measures as a substitute for net income prepared in accordance with GAAP.

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 second quarter fiscal 2015 operating results. Approximately 10 minutes before the call, dial 1-877-675-4751 (US and Canada) or 1-719-325-4802 (international) and enter access code 1755131. A replay will be available starting two hours after the call ends through May 29, 2015, at 1-888-203-1112 FREE or 1-719-457-0820 for international callers, access code 1755131. The Company will also provide a live webcast of the call at www.investors.hologic.com/investors-overview. A PowerPoint presentation related to the conference call will be posted to the same site.

Source credit: Hologic, Inc.

