



NEWS RELEASE

Hologic Announces Financial Results for First Quarter of Fiscal 2024

2/1/2024

- Revenue of \$1,013.1 Million, GAAP Diluted EPS of \$1.03, and Non-GAAP Diluted EPS of \$0.98; All Exceed Guidance

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- Total Company Organic Revenue Growth Excluding COVID-19 of 5.2% in Constant Currency Against Four Fewer Selling Days Compared to the Prior Year Period -

- Company Increases Full-Year Revenue and EPS Guidance -

MARLBOROUGH, Mass.--(BUSINESS WIRE)-- Hologic, Inc. (Nasdaq: HOLX) announced today the Company's financial results for the fiscal first quarter ended December 30, 2023.

"We delivered strong revenue and profitability to start fiscal 2024, exceeding the high-end of our guidance for both the top-line and the bottom-line. Adjusting for the four fewer selling days in the quarter, we estimate our organic growth rate ex. COVID-19 was in the high single digits, highlighting the bigger, faster, stronger Hologic we are today," said Stephen P. MacMillan, the Company's Chairman, President and Chief Executive Officer. "Each one of our divisions delivered solid results setting the stage for another strong fiscal year. We are excited to continue our durable and dependable performance as we progress through fiscal 2024."

Recent Highlights

- Revenue of \$1,013.1 million decreased (5.7%) for the quarter, or (6.4%) in constant currency, primarily driven by lower sales of COVID-19 assays compared to the prior year period, as expected.
 - Excluding COVID-19 revenues, total organic revenue grew 6.1%, or 5.2% on a constant currency basis despite the prior year period including four extra selling days.



- Diagnostics revenue decreased (19.9%), or (20.6%) in constant currency, primarily driven by lower sales of COVID-19 assays compared to the prior year period.
 - Excluding COVID-19 revenues, Diagnostics revenue declined (0.9%) on an organic, constant currency basis.
 - Molecular Diagnostics revenue declined (24.8%), or (25.4%) in constant currency, primarily driven by lower sales of COVID-19 assays compared to the prior year period.
 - Excluding COVID-19 revenues, Molecular Diagnostics revenue grew 1.9% on an organic, constant currency basis.
- Breast Health revenue increased 13.0%, or 12.2% in constant currency, primarily due to higher capital equipment revenue compared to the prior year period as supply chain headwinds impacted our ability to manufacture sufficient units to meet demand in fiscal Q1 2023.
- Surgical revenue grew 5.3%, or 4.6% in constant currency, primarily driven by strong results from MyoSure, Fluent Fluid Management, and Laparoscopy.
- Cash flow from operations remained strong in the first quarter at \$220.0 million. In addition, during the current quarter the Company executed a \$500 million accelerated share repurchase agreement (ASR), repurchased 2.2 million shares of its stock in open market trades for \$150 million, and paid down \$250 million of outstanding floating rate debt under its credit agreement.

Key financial results for the fiscal first quarter are shown in the table below.

	GAAP			Non-GAAP		
	Q1'24	Q1'23	Change Increase (Decrease)	Q1'24	Q1'23	Change Increase (Decrease)
Revenues	\$1,013.1	\$1,074.2	(5.7%)	\$1,013.1	\$1,074.2	(5.7%)
Gross Margin	56.0%	57.5%	(150 bps)	60.8%	62.7%	(190 bps)
Operating Expenses	\$369.3	\$355.5	3.9%	\$327.3	\$339.4	(3.6%)
Operating Margin	19.6%	24.4%	(480 bps)	28.5%	31.1%	(260 bps)
Net Margin	24.3%	17.4%	690 bps	23.3%	24.9%	(160 bps)
Diluted EPS	\$1.03	\$0.75	37.3%	\$0.98	\$1.07	(8.4%)

Throughout this press release, all dollar figures are in millions, except EPS, unless otherwise noted. Some totals may not foot due to rounding. Unless otherwise noted, all results are compared to the corresponding prior year period. Non-GAAP results exclude certain cash and non-cash items as discussed under "Use of Non-GAAP Financial Measures." Constant currency percentage changes show current period revenue results as if the foreign exchange rates were the same as those in the prior year period. Our fiscal first quarter organic revenue results exclude the divested Blood Screening and SSI ultrasound imaging businesses. Revenue from acquired businesses is generally included in organic revenue starting a year after the acquisition.

Revenue Detail

\$ in millions	Q1'24	Q1'23	Increase/(Decrease)				
			Global Reported Change	Global Constant Currency Change	U.S. Reported Change	International Reported Change	International Constant Currency Change
Diagnosics							
Cytology and Perinatal	\$120.0	\$126.8	(5.4%)	(6.5%)	(10.7%)	3.3%	0.4%
Molecular Diagnostics	\$319.8	\$425.2	(24.8%)	(25.4%)	(24.6%)	(25.5%)	(28.1%)
Blood Screening	\$8.0	\$7.3	9.6%	9.6%	9.6%	N/A	N/A
Total Diagnostics	\$447.8	\$559.3	(19.9%)	(20.6%)	(21.4%)	(15.9%)	(18.6%)
Organic Diagnostics ex. COVID-19	\$388.1	\$387.7	0.1%	(0.9%)	(1.1%)	3.3%	(0.2%)
Breast Health							
Breast Imaging	\$301.4	\$264.4	14.0%	13.2%	7.6%	40.0%	35.8%
Interventional Breast Solutions	\$76.3	\$69.8	9.3%	8.7%	5.9%	26.3%	22.3%
Total Breast Health	\$377.7	\$334.2	13.0%	12.2%	7.2%	37.4%	33.3%
GYN Surgical	\$162.2	\$154.1	5.3%	4.6%	1.7%	19.3%	15.9%
Skeletal Health	\$25.4	\$26.6	(4.5%)	(5.6%)	(18.6%)	19.2%	16.8%
Total	\$1,013.1	\$1,074.2	(5.7%)	(6.4%)	(8.5%)	3.5%	0.3%
Organic Revenue (definition above)	\$1,004.4	\$1,062.4	(5.5%)	(6.2%)	(8.5%)	4.4%	1.2%
Organic Revenue excluding COVID-19	\$952.7	\$898.0	6.1%	5.2%	2.5%	17.9%	14.2%

Other Financial Highlights

- U.S. revenue of \$753.7 million decreased (8.5%). International revenue of \$259.4 million increased 3.5% and 0.3% in constant currency.
- GAAP gross margin of 56.0% decreased (150) basis points primarily due to the decline in COVID-19 assay sales compared to the prior year period. Non-GAAP gross margin of 60.8% decreased (190) basis points, also primarily due to the decline in COVID-19 assay sales compared to the prior year period.
- GAAP operating margin of 19.6% decreased (480) basis points primarily due to the decline in COVID-19 assay sales compared to the prior year period. Non-GAAP operating margin of 28.5% decreased (260) basis points, also primarily due to lower COVID-19 assay revenue.
- GAAP net income of \$246.5 million increased 31.5% and Non-GAAP net income of \$236.4 million decreased (11.8%). Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$277.8 million, a decrease of (16.5%). Adjusted EBITDA was \$315.0 million, a decrease of (12.7%).
- COVID-19 revenues, which consist of COVID-19 assay revenue of \$26.8 million, and other COVID-19 related revenue plus revenue from discontinued products of \$24.6 million, decreased (68.5%) and (68.7%) in constant currency.
- Total principal debt outstanding at the end of the first quarter was \$2.58 billion. The Company ended the quarter with cash and equivalents of \$1.93 billion, and a net leverage ratio (net debt over EBITDA) of 0.7 times. The Company's adjusted net leverage ratio in the first quarter was 0.5 times.
- On a trailing 12-month basis, Return on Invested Capital (ROIC) was 9.2%. Adjusted ROIC was 13.6%, a decrease of (420) basis points compared to the prior year period.

Financial Guidance for the Second Quarter and Full-Year Fiscal 2024

"Hologic delivered another strong financial performance in our fiscal first quarter of 2024, beating our estimates on both revenue and earnings" said Karleen Oberton, Hologic's Chief Financial Officer. "We continue to operate from a position of strength, entering our second quarter with momentum and confidence to deliver on our financial commitments for fiscal 2024."

Hologic's financial guidance for the second quarter and full year 2024 is shown in the table below. The guidance is based on a full year non-GAAP tax rate of approximately 19.75%, and diluted shares outstanding of approximately 239 million for the full year. Constant currency guidance assumes that foreign exchange rates are the same in fiscal 2024 as in fiscal 2023. Organic revenue guidance for fiscal 2024 is in constant currency and excludes the divested Blood Screening and SSI ultrasound imaging businesses. Revenue from acquired businesses is generally included in organic revenue guidance starting a year after the acquisition. In fiscal 2024, all prior transactions are part of Hologic's organic revenue base. Organic revenue excluding COVID-19 is in constant currency and is organic revenue excluding COVID-19 assay revenue, COVID-19 related revenue, and discontinued product sales in Diagnostics.

	Current Guidance*				Previous Guidance
		Reported	Constant	Organic	
	Guidance \$	% Increase (Decrease)	Currency % Increase (Decrease)	excluding COVID-19 % Increase (Decrease)	Guidance \$
<u>Fiscal 2024</u>					
Revenue	\$3,990 - \$4,065	(1.0%) to 0.9%	(1.3%) to 0.6%	4.7% to 6.8%	\$3,920 - \$4,020
GAAP EPS	\$3.52 - \$3.67	92.3% to 100.5%			\$3.19 - \$3.39
Non-GAAP EPS	\$3.97 - \$4.12	0.3% to 4.0%			\$3.90 - \$4.10
<u>Q2 2024</u>					
Revenue	\$990 - \$1,010	(3.6%) to (1.6%)	(3.7%) to (1.8%)	2.3% to 4.5%	
GAAP EPS	\$0.77 - \$0.82	(11.5%) to (5.7%)			
Non-GAAP EPS	\$0.95 - \$1.00	(10.4%) to (5.7%)			

*Fiscal 2024 has four fewer selling days compared to fiscal 2023. Factored into our guidance, we estimate the impact of the four fewer selling days to be a headwind of more than 100 bps for the full year.

Use of Non-GAAP Financial Measures

The Company has presented the following non-GAAP financial measures in this press release: constant currency revenues; organic revenues; organic revenues excluding COVID-19, non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating margin; non-GAAP effective tax rate; non-GAAP net income; non-GAAP net margin; non-GAAP EPS; adjusted EBITDA; net leverage ratio and adjusted ROIC. Organic revenue for the fiscal first quarter of 2024 excludes the divested Blood Screening and SSI ultrasound imaging businesses. Revenue from acquired businesses is generally included in organic revenue starting a year after the acquisition. Organic revenue excluding COVID-19 revenues is organic revenue less COVID-19 assay revenue, COVID-19 related sales of instruments, collection kits and ancillaries, COVID-19 related revenue from Diagenode and Mobidiag, as well as COVID-19 related license revenue, and revenues from discontinued products. 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; (ii) the impairment of goodwill and intangible assets and equipment and the loss to record assets held-for-sale to fair value less costs to sell; (iii) adjustments to record contingent consideration at fair value; (iv) charges to write-off inventory for a product line discontinuance; (v) restructuring charges, facility closure and consolidation charges (including accelerated depreciation), and costs incurred to integrate acquisitions (including retention, transaction bonuses, legal and professional consulting services); (vi) transaction related expenses for acquisitions; (vii) third-party expenses incurred related to the implementation of the European MDR/IVDR requirements and obtaining the appropriate approvals for its existing products; (viii) debt extinguishment losses and related transaction costs; (ix) the unrealized (gains) losses on the mark-to-market of foreign currency contracts to hedge operating results for which the Company has not elected hedge accounting; (x) litigation settlement charges (benefits) and non-income tax related charges (benefits); (xi) other-than-temporary impairment losses on investments and realized gains and losses resulting from the sale of investments; (xii) the impacts related to internal restructurings and non-operational items; (xiii) 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 (xiv) income taxes related to such adjustments. The Company defines adjusted EBITDA as its non-GAAP net income plus net interest income/expense, income taxes, and depreciation and amortization expense included in its non-GAAP net income. The Company defines its net leverage ratio as the principal amount of its debt net of cash and cash equivalents, divided by its EBITDA for the last four quarters. The Company defines its adjusted ROIC as its non-GAAP operating income tax effected by its non-GAAP effective tax rate divided by the sum of its average net debt and stockholders' equity, which is adjusted to exclude the effects of goodwill and intangible assets and equipment impairment charges.

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.

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 first quarter of fiscal 2024. Interested participants may listen to the call by dialing 888-394-8218 (in the U.S. and Canada) or 773-305-6853 (for international callers) and referencing access code 5909239. Participants may also **click to join**. Participants should dial in 5-10 minutes before the call begins. The Company will also provide a live and replay webcast of the call at **[hologic.com/investors](https://www.hologic.com/investors)**. The replay of the call will be available approximately two hours after the call ends through Friday, March 1, 2024.

About Hologic, Inc.

Hologic, Inc. is an innovative medical technology company primarily focused on improving women's health and well-being through early detection and treatment. For more information on Hologic, visit **www.hologic.com**.

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Forward-Looking Statements

This news release contains forward-looking information that involves risks and uncertainties, including statements about the Company's plans, objectives, expectations and intentions. Such statements include, without limitation: financial or other information based upon or otherwise incorporating judgments or estimates relating to future performance, events or expectations; the Company's strategies, positioning, resources, capabilities, and expectations for future performance; and the Company's outlook and financial and other guidance. These forward-looking statements are based upon assumptions made by the Company as of the date hereof and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those anticipated.

Risks and uncertainties that could adversely affect the Company's business and prospects, and otherwise cause actual results to differ materially from those anticipated, include, without limitation: the ongoing and possible future effects of global challenges, including macroeconomic uncertainties, such as inflation, bank failures, rising interest rates and availability of capital markets, geopolitical conflicts, wars, other economic disruptions and U.S. and global recession concerns, on the Company's customers and suppliers and on the Company's business, financial condition, results of operations and cash flows and the Company's ability to draw down its revolver; the effect of the worldwide political and social uncertainty and divisions, including the impact on trade regulation and tariffs, that may adversely impact the cost and sale of the Company's products in certain countries, or increase the costs the Company may incur to purchase materials, parts and equipment from its suppliers; the ability to execute acquisitions and the impact and anticipated benefits of completed acquisitions and acquisitions the Company may complete in the future; the development of new competitive technologies and products and competition; the Company's ability to predict accurately the demand for its products, and products under development and to develop strategies to address markets successfully; continued demand for the Company's COVID-19 assays; potential cybersecurity threats and targeted computer crime; the ongoing and possible future effects of supply chain constraints, including the availability of critical raw materials and components, including semiconductor chips, as well as cost inflation in materials, packaging and transportation; the possibility of interruptions or delays at the Company's manufacturing facilities, or the failure to secure alternative suppliers if any of the Company's sole source third-party manufacturers fail to supply the Company; the ability to consolidate certain of the Company's manufacturing and other operations on a timely basis and within budget, without disrupting its business and to achieve anticipated cost synergies related to such actions; the ability of the Company to successfully manage leadership and organizational changes, including the ability of the Company to attract, motivate and retain key employees and maintain engagement and efficiency in remote work environments; the ability to obtain regulatory approvals and clearances for the Company's products, including the implementation of the European Union Medical Device Regulations, and to maintain compliance with complex and evolving regulations; the Company's reliance on third-party reimbursement policies to support the sales and market acceptance of its products, including the possible adverse impact of government regulation and changes in the availability and amount of reimbursement and uncertainties for new products or product enhancements; changes to applicable laws and regulations, including tax laws, global health care reform, and import/export trade laws; changes in guidelines, recommendations and studies published by various organizations that could affect the use of the Company's products; uncertainties inherent in the development of new products and the enhancement of existing products, including FDA approval and/or clearance and other regulatory risks, technical risks, cost overruns and delays; the risk that products may contain undetected errors or defects or otherwise not perform as anticipated; risks associated with strategic alliances and the ability of the Company to realize anticipated benefits of those alliances; the risks of conducting business internationally; the risk of adverse exchange rate fluctuations on the Company's international activities and businesses; the early stage of market development for certain of the Company's products; the Company's leverage risks, including the Company's obligation to meet payment obligations and

financial covenants associated with its debt; the effect of any future public health crises, including the timing, scope and effect of U.S. and international governmental, regulatory, fiscal, monetary and public health responses to such crises; risks related to the use and protection of intellectual property; expenses, uncertainties and potential liabilities relating to litigation, including, without limitation, commercial, intellectual property, employment and product liability litigation; and technical innovations that could render products marketed or under development by the Company obsolete.

The risks included above are not exhaustive. Other factors that could adversely affect the Company's business and prospects are described in the filings made by the Company with the SEC, including its most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any such statements presented herein to reflect any change in expectations or any change in events, conditions or circumstances on which any such statements are based.

SOURCE: Hologic, Inc.

HOLOGIC, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In millions, except number of shares, which are reflected in thousands, and per share data)

	Three Months Ended	
	December 30, 2023	December 31, 2022
Revenues :		
Product	\$ 828.1	\$ 886.3
Service and other	185.0	187.9
Total revenues	1,013.1	1,074.2
Cost of revenues:		
Product	307.2	296.2
Amortization of acquired intangible assets	45.5	55.6
Service and other	92.9	104.5
Gross profit	567.5	617.9
Operating expenses:		
Research and development	66.8	74.8
Selling and marketing	148.9	163.5
General and administrative	111.8	108.5
Amortization of acquired intangible assets	13.3	7.6
Impairment of intangible asset	4.3	—
Contingent consideration - fair value adjustment	1.7	—
Restructuring charges	22.5	1.1
Total operating expenses	369.3	355.5
Income from operations:	198.2	262.4
Interest income	27.9	20.6
Interest expense	(26.0)	(28.1)
Other expense, net	(8.8)	(15.8)
Income before income taxes:	191.3	239.1
Provision (benefit) for income taxes	(55.2)	51.7
Net income	\$ 246.5	\$ 187.4
Net income per common share:		
Basic	\$ 1.03	\$ 0.76
Diluted	\$ 1.03	\$ 0.75
Weighted average number of shares outstanding:		
Basic	238,627	247,319
Diluted	240,214	249,281

HOLOGIC, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions)

	December 30, 2023	September 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,932.1	\$ 2,722.5
Accounts receivable, net	670.9	625.6
Inventory	633.6	617.6
Other current assets	257.6	206.9
Assets held-for-sale - current assets	—	11.9
Total current assets	3,494.2	4,184.5
Property, plant and equipment, net	527.0	517.0
Goodwill and intangible assets	4,138.6	4,169.9
Other assets	309.7	267.9
Total assets	\$ 8,469.5	\$ 9,139.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 37.4	\$ 287.0
Accounts payable and accrued liabilities	671.0	712.9
Deferred revenue	190.6	199.2
Assets held-for-sale - current liabilities	—	8.2
Total current liabilities	899.0	1,207.3
Long-term debt, net of current portion	2,522.7	2,531.2
Deferred income taxes	19.8	20.2
Other long-term liabilities	374.2	363.7
Total stockholders' equity	4,653.8	5,016.9
Total liabilities and stockholders' equity	\$ 8,469.5	\$ 9,139.3

HOLOGIC, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	Three Months Ended	
	December 30, 2023	December 31, 2022
OPERATING ACTIVITIES		
Net income	\$ 246.5	\$ 187.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	29.6	22.7
Amortization of acquired intangible assets	58.8	63.2
Stock-based compensation expense	28.7	20.5
Deferred income taxes	(17.6)	(26.2)
Intangible asset impairment charge	4.3	—
Other adjustments and non-cash items	27.5	29.1
Changes in operating assets and liabilities, excluding the effect of acquisitions and dispositions:		
Accounts receivable	(38.2)	(45.0)
Inventories	(13.0)	(47.0)
Prepaid income taxes	(70.1)	17.9
Prepaid expenses and other assets	2.6	26.2
Accounts payable	7.2	1.5
Accrued expenses and other liabilities	(35.7)	0.8
Deferred revenue	(10.6)	2.3
Net cash provided by operating activities	<u>220.0</u>	<u>253.4</u>
INVESTING ACTIVITIES		
Sale of business, net of cash disposed	(31.3)	—
Capital expenditures	(22.7)	(15.8)
Increase in equipment under customer usage agreements	(15.3)	(13.3)
Purchase of strategic equity investments	(34.5)	(10.0)
Other activity	(0.4)	(1.9)
Net cash used in investing activities	<u>(104.2)</u>	<u>(41.0)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(259.4)	(3.8)
Payment of deferred acquisition consideration	—	(0.8)
Repurchases of common stock	(676.8)	(100.0)
Proceeds from issuance of common stock pursuant to employee stock plans	9.5	15.1
Payment of minimum tax withholdings on net share settlements of equity awards	(16.2)	(23.0)
Payments under finance lease obligations	(0.9)	(1.0)
Net cash used in financing activities	<u>(943.8)</u>	<u>(113.5)</u>
Effect of exchange rate changes on cash and cash equivalents	4.4	2.9
Net (decrease) increase in cash and cash equivalents	<u>(823.6)</u>	<u>101.8</u>
Cash and cash equivalents, beginning of period*	2,755.7	2,339.5
Cash and cash equivalents, end of period	<u>\$ 1,932.1</u>	<u>\$ 2,441.3</u>

*Includes \$33.2 million of cash recorded within assets held-for-sale - current assets as of September 30, 2023.

HOLOGIC, INC.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(Unaudited)
(In millions, except earnings per share)

Reconciliation of GAAP Revenue to Organic Revenue excluding COVID-19

	Three Months Ended	
	December 30, 2023	December 31, 2022
Consolidated GAAP Revenue	\$ 1,013.1	\$ 1,074.2
Less: Blood Screening revenue	(8.0)	(7.3)
Less: SSI revenue	(0.7)	(4.5)
Organic Revenue	\$ 1,004.4	\$ 1,062.4
Less: COVID-19 Assays	(26.8)	(126.9)
Less: COVID-19 Related Revenue*	(24.6)	(36.3)
Less: Discontinued Product Revenue	(0.3)	(1.2)
Organic Revenue excluding COVID-19	\$ 952.7	\$ 898.0

*Revenues estimated to be related to COVID assay sales for instruments, collection kits and ancillaries.

	Three Months Ended	
	December 30, 2023	December 31, 2022
Gross Profit:		
GAAP gross profit	\$ 567.5	\$ 617.9
Adjustments:		
Amortization of acquired intangible assets (1)	45.5	55.6
Product line discontinuance (13)	2.8	—
Non-GAAP gross profit	\$ 615.8	\$ 673.5
Gross Margin Percentage:		
GAAP gross margin percentage	56.0%	57.5%
Impact of adjustments above	4.8%	5.2%
Non-GAAP gross margin percentage	60.8%	62.7%
Operating Expenses:		
GAAP operating expenses	\$ 369.3	\$ 355.5
Adjustments:		
Amortization of acquired intangible assets (1)	(13.3)	(7.6)
Impairment of intangible asset (14)	(4.3)	—
Transaction expenses (4)	(0.2)	—
Contingent consideration adjustment (7)	(1.7)	—
Integration/consolidation costs (3)	—	(0.3)
MDR expenses (2)	—	(0.8)
Legal related settlements (11)	—	(1.5)
Restructuring charges (3)	(22.5)	(1.1)
Non-income tax charge (5)	—	(4.8)
Non-GAAP operating expenses	\$ 327.3	\$ 339.4
Operating Margin:		
GAAP income from operations	\$ 198.2	\$ 262.4
Adjustments to gross profit as detailed above	48.3	55.6
Adjustments to operating expenses as detailed above	42.0	16.1
Non-GAAP income from operations	\$ 288.5	\$ 334.1
Operating Margin Percentage:		
GAAP income from operations margin percentage	19.6%	24.4%
Impact of adjustments above	8.9%	6.7%
Non-GAAP operating margin percentage	28.5%	31.1%

Pre-Tax Income:

GAAP pre-tax earnings	\$	191.3	\$	239.1
Adjustments to pre-tax earnings as detailed above		90.3		71.7
Debt extinguishment loss (6)		0.4		—
Unrealized losses on forward foreign currency contracts (8)		12.5		20.0
Non-GAAP pre-tax income	\$	<u>294.5</u>	\$	<u>330.8</u>

Net Income:

GAAP net income	\$	246.5	\$	187.4
Adjustments:				
Amortization of acquired intangible assets (1)		58.8		63.2
Impairment of intangible asset (14)		4.3		—
Restructuring and integration/consolidation costs (3)		22.5		1.4
Product line discontinuance (13)		2.8		—
MDR expenses (2)		—		0.8
Debt extinguishment loss (6)		0.4		—
Legal related settlements (11)		—		1.5
Acquisition related expenses and adjustments (4)		0.2		—
Contingent consideration adjustment (7)		1.7		—
Unrealized losses on forward foreign currency contracts (8)		12.5		20.0
Non-income tax charge (5)		—		4.8
Worthless stock deduction (15)		(107.2)		—
Income tax related items (9)		9.4		9.8
Income tax effect of reconciling items (12)		(15.5)		(21.0)
Non-GAAP net income	\$	<u>236.4</u>	\$	<u>267.9</u>

Net Income Percentage:

GAAP net income percentage		24.3%		17.4%
Impact of adjustments above		(1.0)%		7.5%
Non-GAAP net income percentage		<u>23.3%</u>		<u>24.9%</u>

Earnings per Share:

GAAP income per share - Diluted	\$	1.03	\$	0.75
Adjustment to net income (as detailed above)		(0.05)		0.32
Non-GAAP earnings per share - diluted (10)	\$	<u>0.98</u>	\$	<u>1.07</u>

EBITDA:

GAAP net income	\$	246.5	\$	187.4
Interest (income) expense, net		(1.9)		7.5
Provision (benefit) for income taxes		(55.2)		51.7
Depreciation expense		29.6		22.7
Amortization expense		58.8		63.2
EBITDA	\$	<u>277.8</u>	\$	<u>332.5</u>
Adjustments to net income, detailed above except amortization expense and accelerated depreciation		37.2		28.5
Adjusted EBITDA	\$	<u>315.0</u>	\$	<u>361.0</u>

Explanatory Notes to Reconciliations:

- (1) To reflect non-cash expenses attributable to the amortization of acquired intangible assets.
- (2) To reflect the exclusion of third-party expenses incurred to obtain compliance with the European Medical Device Regulation requirement for the Company's existing products for which it already has FDA approval and/or CE mark.
- (3) To reflect restructuring charges, and certain costs associated with the Company's integration and facility consolidation plans, which primarily include severance, retention and transfer costs, as well as costs incurred to integrate acquisitions, including consulting, legal and tax fees. In addition, this category includes additional expenses, primarily accelerated depreciation and an impairment on a lease asset incurred in fiscal 2024 related to closing certain facilities in the Diagnostics business.
- (4) To reflect expenses with third parties related to acquisitions prior to when such transactions are completed. These expenses primarily comprise legal, consulting and due diligence fees.
- (5) To reflect the net impact of establishing a non-income tax loss contingency related to prior years and the settlement of a prior year non-income tax audit.
- (6) To reflect a debt extinguishment loss on a prepayment of debt on the Credit Agreement in first quarter of fiscal 2024.
- (7) To reflect an adjustment to the estimated contingent consideration liability related to the Accessa Health acquisition, which is payable upon meeting defined revenue growth metrics.
- (8) To reflect non-cash unrealized gains and losses on the mark-to market on outstanding forward foreign currency contracts, which have not been designated for hedge accounting.
- (9) To reflect the net impact of income tax reserves from the statute of limitations expiration, non-recurring income tax charges and benefits, and interest related to prior years' income tax reserves.
- (10) Non-GAAP earnings per share was calculated based on 240,214 and 249,281 weighted average diluted shares outstanding for the three months ended December 30, 2023 and December 31, 2022, respectively.
- (11) To reflect net charges and benefits from legal related settlements.
- (12) To reflect the tax effects of Non-GAAP reconciling items, excluding specific income tax related items separately stated in Note 9 and the worthless stock deduction in Note 15. Amounts are calculated using the effective tax rate in the jurisdiction to which the adjustment relates.
- (13) To reflect the write-off of inventory related to a product line discontinuance in the Diagnostics division.
- (14) To reflect an impairment charge for an in process research and development intangible asset acquired in the Mobidiag acquisition.
- (15) To reflect the discrete tax benefit related to a worthless stock deduction on the investment in one of the Company's international subsidiaries.

Reconciliation of GAAP to non-GAAP EPS Guidance:

	Guidance Range		Guidance Range	
	Quarter Ending March 30, 2024		Year Ending September 28, 2024	
	Low	High	Low	High
GAAP Net Income Per Share	\$0.77	\$0.82	\$3.52	\$3.67
Amortization of acquired intangible assets	0.21	0.21	0.88	0.88
Impairment of intangible assets	—	—	0.02	0.02
Restructuring, Integration and Other charges	0.01	0.01	0.16	0.16
Non-operating charges	—	—	0.05	0.05
Worthless stock deduction	—	—	(0.45)	(0.45)
Tax Impact of exclusions	(0.04)	(0.04)	(0.21)	(0.21)
Non-GAAP Net Income Per Share	\$0.95	\$1.00	\$3.97	\$4.12

	Trailing Twelve Months Ended December 30, 2023		
Return on Invested Capital:	ROIC	Adjustments	Adjusted ROIC
Adjusted Net Operating Profit After Tax			
Net Income	\$ 515.1	\$ 437.6	\$ 952.7
Plus:			
Provision for income taxes	113.2	124.4	237.6
Interest expense	109.0	—	109.0
Other income	(133.1)	(4.3)	(137.4)
Adjusted net operating profit before tax	\$ 604.2	\$ 557.7	\$ 1,161.9
Effective tax rate (1)	18.0%	22.1%	20.0%
Adjusted net operating profit after tax	\$ 495.4	\$ 434.5	\$ 929.9
Average Net Debt plus Average Stockholders' Equity (2)			
Average total debt	\$ 2,693.5	\$ —	\$ 2,693.5
Less: Average cash and cash equivalents	(2,186.7)	—	(2,186.7)
Average net debt	\$ 506.8	\$ —	\$ 506.8
Average stockholders' equity (3)	4,873.2	1,477.2	6,350.4
Average net debt plus average stockholders' equity	\$ 5,380.0	\$ 1,477.2	\$ 6,857.2
Return on Invested Capital	9.2%		13.6%

(1) ROIC is presented on a TTM basis; non-GAAP effective tax rate for the three months ended April 1, 2023 was 19.0%, the three months ended July 1, 2023 was 21.43%, the three months ended September 30, 2023 was 19.75% and the three months ended December 30, 2023 was 19.75%.

(2) Calculated using the average of the balances as of December 30, 2023 and December 31, 2022.

(3) For Adjusted ROIC, stockholder's equity is adjusted (increased) to eliminate the effect of the impairment of intangible assets of \$32.2 million in fiscal 2014, the impairment of goodwill of \$685.7 million and an IPR&D asset of \$46.0 million in fiscal 2018, the impairment of intangible assets and equipment of \$685.4 million in fiscal 2019, the impairment of intangible assets and equipment of \$30.2 million in fiscal 2020, the impairment of intangible assets of \$45.1 million in fiscal 2022, the impairment of intangible assets and equipment of \$223.8 million in fiscal 2023 and the impairment of an intangible asset of \$4.3 million in the first quarter of fiscal 2024. The impact of the intangible asset impairment charges is reflected net of tax.

As of December 30, 2023	
Net Leverage Ratio:	Adjusted Net Leverage Ratio:
Total principal debt	\$ 2,575.6
Total cash and cash equivalents	(1,932.1)
Net principal debt	\$ 643.5
EBITDA for the last four quarters	\$ 1,260.6
Net Leverage Ratio	0.51

Total principal debt
Total cash and cash equivalents
Net principal debt
EBITDA for the last four quarters
Net Leverage Ratio

Other Supplemental Information:

Geographic Revenues
U.S.
Europe
Asia-Pacific
All Others
Total Revenues

Three Months Ended	
December 30, 2023	December 31, 2022
74.4%	76.7%
14.1%	13.7%
6.3%	5.9%
5.2%	3.7%
100.0%	100.0%

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