

## Myriad Genetics

# 4Q23 results inline; FY24 sales guide gets a modest raise; Steady progress

Reiterate Rating: UNDERPERFORM | PO: 22.00 USD | Price: 23.50 USD

## 4Q sales in line with preannouncement; Adj. EPS 2c ahead

Myriad Genetics (MYGN) reported 4Q23 sales of \$196.6mn (+11% y/y), in line with the topline preannouncement given on 1/10 (vs BofAe/Street \$196.5/194mn). Hereditary Cancer Testing (HCT) saw sales of \$89mn, Prenatal \$40mn, and Pharmacogenomics (GeneSight) \$36mn, respectively in line with BofAe, while Tumor Profiling was \$32mn vs BofAe \$31mn. Adj GM compressed -110bps y/y to 69.0%, below BofAe 70.8%, but Adj EPS was positive 4c (vs. preannouncement of 2-3c and BofAe/Street 2c).

## FY24 guide sees 10% topline growth with profitability

MYGN updated its FY24 guide, now expecting sales to be in the range of \$820-840mn (+\$5mn at midpt from prior guide; 9-11% y/y growth) vs BofAe/Street \$825/819mn, as test volume growth offsets pricing headwinds (down ~3% y/y). After achieving adj. profit and cashflow positivity in 4Q23, Mgmt. sees this trend to continue in 2024. Specifically, GM is expected to expand +100bps at midpt y/y, and Mgmt. introduced an adj. EBITDA metric, which is expected to be positive \$20-30mn (vs Street est of \$21mn) despite the higher level of OpEx in FY24. Adj. EPS are also expected to be positive with 0-5c vs BofAe/Street 8c/2c. Given the seasonality, MYGN sees 1Q to grow mid-to-high single digits in sales (from an unusually strong 1Q'23) with the lowest margins for the year but expects both sales growth and margins to sequentially improve throughout FY24.

## Tweak estimates and PO (to \$22) but shares fully valued

Overall, MYGN ended 2023 on a strong note as efforts to rationalize the product offering and go-to-market strategy made progress. We raise our estimates, and as a result, PO goes to \$22 (was \$20), still based on ~3x our updated FY24 EV/Sales estimate, in-line with MYGN's diagnostic peer group. However, we reiterate our Underperform rating. While MYGN's execution has improved, it remains to be seen if the growth trends are sustainable and given the uncertainty over pending FDA regulation for lab develop tests (LDTs).

| Estimates (Dec) (US\$)    | 2022A  | 2023A  | 2024E  | 2025E  | 2026E |
|---------------------------|--------|--------|--------|--------|-------|
| EPS                       | (0.30) | (0.28) | 0.04   | 0.33   | 0.65  |
| EPS Change (YoY)          | NM     | 6.7%   | NM     | 725.0% | 97.0% |
| Consensus EPS (Bloomberg) |        |        | 0.02   | 0.25   | 0.52  |
| DPS                       | 0      | 0      | 0      | 0      | 0     |
| Valuation (Dec)           |        |        |        |        |       |
| P/E                       | NM     | NM     | 587.5x | 71.2x  | 36.2x |
| EV / EBITDA*              | 85.2x  | 53.3x  | 25.2x  | 16.4x  | 11.7x |
| Free Cash Flow Yield*     | -9.1%  | -3.5%  | 0.2%   | 1.8%   | 3.8%  |

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

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27 February 2024

### Equity

#### Key Changes

| (US\$)        | Previous | Current |
|---------------|----------|---------|
| Price Obj.    | 20.00    | 22.00   |
| 2024E Rev (m) | 825.0    | 830.0   |
| 2025E Rev (m) | 900.0    | 905.0   |
| 2026E Rev (m) | NA       | 985.0   |
| 2024E EPS     | 0.08     | 0.04    |
| 2025E EPS     | 0.37     | 0.33    |
| 2026E EPS     | NA       | 0.65    |

**Derik de Bruin**  
Research Analyst  
BofAS  
+1 646 855 3100  
[derik.de\\_bruin@bofa.com](mailto:derik.de_bruin@bofa.com)

**Michael Ryskin**  
Research Analyst  
BofAS  
+1 646 855 4373  
[michael.ryskin@bofa.com](mailto:michael.ryskin@bofa.com)

**John Kim**  
Research Analyst  
BofAS  
+1 646 855 3874  
[john.kim4@bofa.com](mailto:john.kim4@bofa.com)

**Wolf Chanoff**  
Research Analyst  
BofAS  
+1 646 954 8482  
[wolf.chanoff@bofa.com](mailto:wolf.chanoff@bofa.com)

**Avantika Dhabaria**  
Research Analyst  
BofAS  
+1 646 743 0170  
[avantika.dhabaria@bofa.com](mailto:avantika.dhabaria@bofa.com)

### Stock Data

|                                 |                       |
|---------------------------------|-----------------------|
| Price                           | 23.50 USD             |
| Price Objective                 | 22.00 USD             |
| Date Established                | 27-Feb-2024           |
| Investment Opinion              | C-3-9                 |
| 52-Week Range                   | 13.82 USD - 24.21 USD |
| Mrkt Val (mn) / Shares Out (mn) | 1,672 USD / 71.2      |
| Free Float                      | 96.0%                 |
| Average Daily Value (mn)        | 13.37 USD             |
| BofA Ticker / Exchange          | MYGN / NAS            |
| Bloomberg / Reuters             | MYGN US / MYGN.OQ     |
| ROE (2024E)                     | 0.4%                  |
| Net Dbt to Eqty (Dec-2023A)     | -14.8%                |
| ESGMeter <sup>TM</sup>          | High                  |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating.

# iQprofile<sup>SM</sup> Myriad Genetics

## iQmethod<sup>SM</sup> – Bus Performance\*

| (US\$ Millions)            | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | -2.2% | -1.8% | 0.4%  | 2.3%  | 4.1%  |
| Return on Equity           | -2.6% | -2.8% | 0.4%  | 2.7%  | 4.7%  |
| Operating Margin           | -4.8% | -3.3% | 0.7%  | 4.3%  | 7.8%  |
| Free Cash Flow             | (152) | (58)  | 3     | 31    | 64    |

## iQmethod<sup>SM</sup> – Quality of Earnings\*

| (US\$ Millions)          | 2022A | 2023A  | 2024E  | 2025E  | 2026E  |
|--------------------------|-------|--------|--------|--------|--------|
| Cash Realization Ratio   | NM    | NM     | 8.0x   | 2.0x   | 1.6x   |
| Asset Replacement Ratio  | 0.9x  | 1.0x   | 0.4x   | 0.4x   | 0.4x   |
| Tax Rate                 | 26.4% | 23.9%  | 22.0%  | 22.0%  | 22.0%  |
| Net Debt-to-Equity Ratio | -4.8% | -14.8% | -15.3% | -18.2% | -21.7% |
| Interest Cover           | NM    | -22.9x | 6.1x   | 38.8x  | NM     |

## Income Statement Data (Dec)

| (US\$ Millions)              | 2022A       | 2023A       | 2024E     | 2025E         | 2026E        |
|------------------------------|-------------|-------------|-----------|---------------|--------------|
| Sales                        | 678         | 753         | 830       | 905           | 985          |
| % Change                     | -1.8%       | 11.0%       | 10.2%     | 9.0%          | 8.8%         |
| Gross Profit                 | 478         | 520         | 579       | 638           | 699          |
| % Change                     | -3.6%       | 8.8%        | 11.4%     | 10.1%         | 9.6%         |
| EBITDA                       | 20          | 32          | 67        | 104           | 145          |
| % Change                     | -72.2%      | 59.8%       | 111.5%    | 54.1%         | 40.2%        |
| Net Interest & Other Income  | 0           | (5)         | (1)       | (1)           | (1)          |
| <b>Net Income (Adjusted)</b> | <b>(24)</b> | <b>(23)</b> | <b>4</b>  | <b>30</b>     | <b>59</b>    |
| <b>% Change</b>              | <b>NM</b>   | <b>3.8%</b> | <b>NM</b> | <b>739.5%</b> | <b>98.9%</b> |

## Free Cash Flow Data (Dec)

| (US\$ Millions)                        | 2022A       | 2023A        | 2024E     | 2025E         | 2026E         |
|--|-------------|--------------|-----------|---------------|---------------|
| Net Income from Cont Operations (GAAP) | (24)        | (23)         | 4         | 29            | 59            |
| Depreciation & Amortization            | 53          | 57           | 61        | 65            | 69            |
| Change in Working Capital              | (102)       | (90)         | (91)      | (91)          | (89)          |
| Deferred Taxation Charge               | NA          | NA           | NA        | NA            | NA            |
| Other Adjustments, Net                 | (33)        | 55           | 55        | 55            | 55            |
| Capital Expenditure                    | (45)        | (56)         | (25)      | (27)          | (30)          |
| <b>Free Cash Flow</b>                  | <b>-152</b> | <b>-58</b>   | <b>3</b>  | <b>31</b>     | <b>64</b>     |
| <b>% Change</b>                        | <b>NM</b>   | <b>61.8%</b> | <b>NM</b> | <b>886.4%</b> | <b>106.1%</b> |
| Share / Issue Repurchase               | (4)         | 5            | 5         | 5             | 5             |
| Cost of Dividends Paid                 | 0           | 0            | 0         | 0             | 0             |
| Change in Debt                         | (1)         | 0            | 0         | 0             | 0             |

## Balance Sheet Data (Dec)

| (US\$ Millions)                       | 2022A        | 2023A        | 2024E        | 2025E        | 2026E        |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Equivalents                    | 57           | 132          | 170          | 226          | 305          |
| Trade Receivables                     | 102          | 114          | 125          | 136          | 148          |
| Other Current Assets                  | 116          | 67           | 85           | 89           | 93           |
| Property, Plant & Equipment           | 83           | 119          | 144          | 171          | 201          |
| Other Non-Current Assets              | 841          | 714          | 795          | 850          | 908          |
| <b>Total Assets</b>                   | <b>1,199</b> | <b>1,147</b> | <b>1,319</b> | <b>1,472</b> | <b>1,655</b> |
| Short-Term Debt                       | 14           | 16           | 16           | 16           | 16           |
| Other Current Liabilities             | 123          | 140          | 89           | 96           | 103          |
| Long-Term Debt                        | 0            | 0            | 0            | 0            | 0            |
| Other Non-Current Liabilities         | 176          | 207          | 207          | 207          | 207          |
| <b>Total Liabilities</b>              | <b>313</b>   | <b>363</b>   | <b>312</b>   | <b>319</b>   | <b>327</b>   |
| <b>Total Equity</b>                   | <b>886</b>   | <b>783</b>   | <b>1,007</b> | <b>1,153</b> | <b>1,328</b> |
| <b>Total Equity &amp; Liabilities</b> | <b>1,199</b> | <b>1,147</b> | <b>1,319</b> | <b>1,472</b> | <b>1,655</b> |

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Biotechnology

## Company Description

Headquartered in Salt Lake City, Utah, Myriad Genetics is a leading molecular diagnostic company that develops and markets novel diagnostic products to help physicians determine an individual's risk of disease development later in life, guide drug-therapy treatment, and evaluate a patient's risk of disease progression and recurrence.

## Investment Rationale

Although Myriad has diversified its business beyond Hereditary Cancer Testing over the last five years, this market still faces price erosion and increasing competition. In addition, while commercial reimbursement for GeneSight has improved, we see downside risk given increased FDA scrutiny of the pharmacogenomics testing market. Moreover, we think Myriad's other key products (e.g., Prolaris, EndoPredict) may continue to lag in the near-term given mixed clinical data and competition.

## Stock Data

Average Daily Volume 568,836

## Quarterly Earnings Estimates

|    | 2023   | 2024   |
|----|--------|--------|
| Q1 | -0.21A | -0.13E |
| Q2 | -0.08A | -0.01E |
| Q3 | -0.03A | 0.05E  |
| Q4 | 0.04A  | 0.13E  |

## Price objective basis & risk

### Myriad Genetics (MYGN)

Our \$22 PO is based on about 3x our FY24 EV/Sales estimate, in-line with MYGN's lower growth diagnostic peer group median, but at a discount to the company's genomics-based diagnostic peers that are growing faster.

Upside risks are: Longer-term stabilization of Hereditary Cancer Testing (HCT) pricing and higher HCT volume growth, better-than-expected adoption and commercial reimbursement coverage for Myriad's GeneSight test and other products (e.g., Prolaris, Counsyl, EndoPredict).

Downside risks are: Larger than expected pricing compression or market share loss in Myriad's HCT business, lower-than-expected sales or reimbursement coverage for Myriad's products (Prolaris, GeneSight, Counsyl, EndoPredict), market challenges related to COVID-19, FDA regulatory risk, execution risks, and more significant margin pressure due to downward pricing adjustments.

## Analyst Certification

I, Derik de Bruin, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster

| Investment rating   | Company                      | BofA Ticker | Bloomberg symbol | Analyst        |
|---------------------|------------------------------|-------------|------------------|----------------|
| <b>BUY</b>          |                              |             |                  |                |
|                     | Avantor, Inc.                | AVTR        | AVTR US          | Michael Ryskin |
|                     | Bruker Corporation           | BRKR        | BRKR US          | Derik de Bruin |
|                     | Certara                      | CERT        | CERT US          | Michael Ryskin |
|                     | Charles River Laboratories   | CRL         | CRL US           | Derik de Bruin |
|                     | Elanco Animal Health         | ELAN        | ELAN US          | Michael Ryskin |
|                     | Exact Sciences               | EXAS        | EXAS US          | Derik de Bruin |
|                     | Guardant Health              | GH          | GH US            | Derik de Bruin |
|                     | ICON plc                     | ICLR        | ICLR US          | Derik de Bruin |
|                     | IQVIA Holdings Inc           | IQV         | IQV US           | Derik de Bruin |
|                     | LabCorp                      | LH          | LH US            | Derik de Bruin |
|                     | Maravai                      | MRVI        | MRVI US          | Michael Ryskin |
|                     | Qiagen                       | QGEN        | QGEN US          | Derik de Bruin |
|                     | Qiagen N.V.                  | XQGNF       | QIA GY           | Derik de Bruin |
|                     | Quest Diagnostics            | DGX         | DGX US           | Derik de Bruin |
|                     | Stevanato Group S.p.A.       | STVN        | STVN US          | Derik de Bruin |
|                     | Thermo Fisher Scientific     | TMO         | TMO US           | Derik de Bruin |
|                     | West Pharmaceutical Services | WST         | WST US           | Derik de Bruin |
|                     | Zoetis Inc.                  | ZTS         | ZTS US           | Michael Ryskin |
| <b>NEUTRAL</b>      |                              |             |                  |                |
|                     | 10x Genomics, Inc.           | TXG         | TXG US           | Michael Ryskin |
|                     | Agilent Technologies         | A           | A US             | Derik de Bruin |
|                     | Danaher Corporation          | DHR         | DHR US           | Michael Ryskin |
|                     | Evotec SE                    | EVO         | EVO US           | Michael Ryskin |
|                     | Hologic, Inc.                | HOLX        | HOLX US          | Derik de Bruin |
|                     | IDEXX Laboratories           | IDXX        | IDXX US          | Michael Ryskin |
|                     | Mettler-Toledo               | MTD         | MTD US           | Derik de Bruin |
|                     | NeoGenomics Inc.             | NEO         | NEO US           | Derik de Bruin |
|                     | Revvity Inc                  | RVTY        | RVTY US          | Derik de Bruin |
|                     | Schrodinger, Inc.            | SDGR        | SDGR US          | Michael Ryskin |
|                     | Waters Corp.                 | WAT         | WAT US           | Derik de Bruin |
| <b>UNDERPERFORM</b> |                              |             |                  |                |
|                     | Align Technology             | ALGN        | ALGN US          | Michael Ryskin |



**US - Life Science, Diagnostic Tools and Animal Health Coverage Cluster**

| Investment rating | Company                       | BofA Ticker | Bloomberg symbol | Analyst        |
|-------------------|-------------------------------|-------------|------------------|----------------|
|                   | Fortrea                       | FTRE        | FTRE US          | Derik de Bruin |
|                   | Ginkgo Bioworks Holdings, Inc | DNA         | DNA US           | Derik de Bruin |
|                   | Illumina, Inc.                | ILMN        | ILMN US          | Michael Ryskin |
|                   | Myriad Genetics               | MYGN        | MYGN US          | Derik de Bruin |
|                   | Phibro Animal Health          | PAHC        | PAHC US          | Michael Ryskin |

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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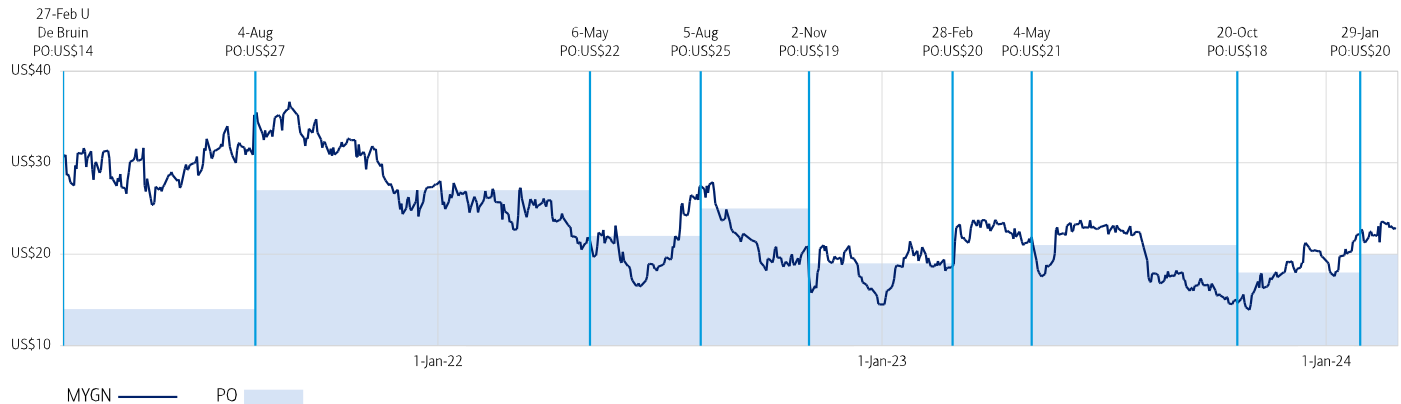
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### Myriad Genetics (MYGN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 234   | 60.94%  | Buy                                      | 115   | 49.15%  |
| Hold              | 80    | 20.83%  | Hold                                     | 36    | 45.00%  |
| Sell              | 70    | 18.23%  | Sell                                     | 29    | 41.43%  |

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships <sup>R1</sup> | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy               | 1895  | 53.62%  | Buy                                      | 1083  | 57.15%  |
| Hold              | 832   | 23.54%  | Hold                                     | 454   | 54.57%  |
| Sell              | 807   | 22.84%  | Sell                                     | 383   | 47.46%  |

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster <sup>R2</sup> |
|-------------------|---|--|
| Buy               | ≥ 10%   | ≤ 70%  |
| Neutral           | ≥ 0%  | ≤ 30%  |
| Underperform      | N/A   | ≥ 20%  |

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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