

Exact Sciences

Preliminary 4Q23 sales ahead; initial FY24 guide inline; CFO transition announced

Maintain Rating: BUY | PO: 88.00 USD | Price: 73.20 USD

4Q sales 2% ahead of Street, driven by Cologuard & PO

Ahead of a conference presentation on 1/8, Exact Sciences (EXAS) announced preliminary 4Q'23 results on Sunday (1/7) afternoon. Total revenues of \$645.5-647.5mn were ahead of our/Street ests of \$629/631mn and guidance of \$623-633mn. Both Screening and Precision Oncology (PO) (e.g., GHDX) drove the beat. Screening sales were \$486-487mn (vs BofAe/Street \$475/476mn), up +21% y/y. Implied Cologuard (CG) test volumes (CG contributes the lion's share of Screening segment sales) were ~989k (vs. our/Street (Visible Alpha) ests of 965/966K), assuming stable blended pricing and inline PreventionGenetics results. PO sales were \$159.5-160.5mn vs. BofAe/Street \$154/156mn.

Initial FY'24 sales guide inline with Street, above BofAe

EXAS also provided an initial look at FY'24 sales. Mgmt. sees total company sales growing ~13% yoy to \$2.83bn from \$2.5bn, which compares to BofAe/Street \$2.75/2.83bn. The company did not break out contributions between the Screening and PO segments. The initial FY24 guide was ahead of our more conservative est. as we assumed a larger headwind from the uptick in respiratory infections during 4Q and January. EXAS will release its full 4Q'23 results and provide more detailed comments on FY'24 in February.

CFO transition announced; maintain Buy rating

Alongside the preliminary 4Q'23 results, EXAS also announced a CFO transition. EXAS's current, CFO, Jeff Elliott, will step down in 2024 for personal reasons and, once a successor is appointed, serve as a special advisor to the CEO. While this news was unexpected, we don't see it as a reason for worry as EXAS enters 2024 in a very strong position ([see our 2024 Year Ahead report here](#)) despite rumblings on the competitive front. Overall, 4Q'23 results were better than expected, initial FY'24 guidance was solid, and EXAS continues to expand its footprint across the cancer testing spectrum. We maintain our Buy rating given several upcoming key clinical data releases, improving profitability, and an attractive valuation.

Exhibit 1: EXAS 4Q'23 preliminary results

4Q showed outperformance by both Screening and Precision Oncology sales

	Preliminary	BofA est	Street est
Revenues (\$mn)	\$645.5-647.5	\$629	\$631
Reported growth	~17%	~14%	~14%
Screening revenue	~\$486-487	\$475	\$476
Precision Oncology revenue	\$159.5-160.5	\$154	\$156

Company presentation, Visible Alpha, BofA Global Research

BofA GLOBAL RESEARCH

07 January 2024

Equity

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Stock Data

Price	73.20 USD
Price Objective	88.00 USD
Date Established	20-Oct-2023
Investment Opinion	C-1-9
52-Week Range	53.89 USD - 100.77 USD
Mrkt Val (mn) / Shares Out (mn)	13,238 USD / 180.8
Free Float	99.0%
Average Daily Value (mn)	120.18 USD
BofA Ticker / Exchange	EXAS / NAS
Bloomberg / Reuters	EXAS US / EXAS.OQ
ROE (2023E)	-8.9%
Net Dbt to Eqty (Dec-2022A)	65.5%
ESGMeter™	Medium

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Timestamp: 07 January 2024 09:34PM EST

Price objective basis & risk

Exact Sciences (EXAS)

Our \$88 PO is based on a discounted cash flow (DCF) analysis that assumes a 3% terminal growth rate and a 11% WACC.

Upside risks to our estimates are better than expected Cologuard and Oncotype DX products ramp, higher reimbursement levels, and successful pipeline developments.

Downside risks are real or perceived slowdown in the Cologuard ramp, weakness related to COVID-19, declining compliance rates, pricing erosion, and competitive threats from liquid biopsy screening tests.

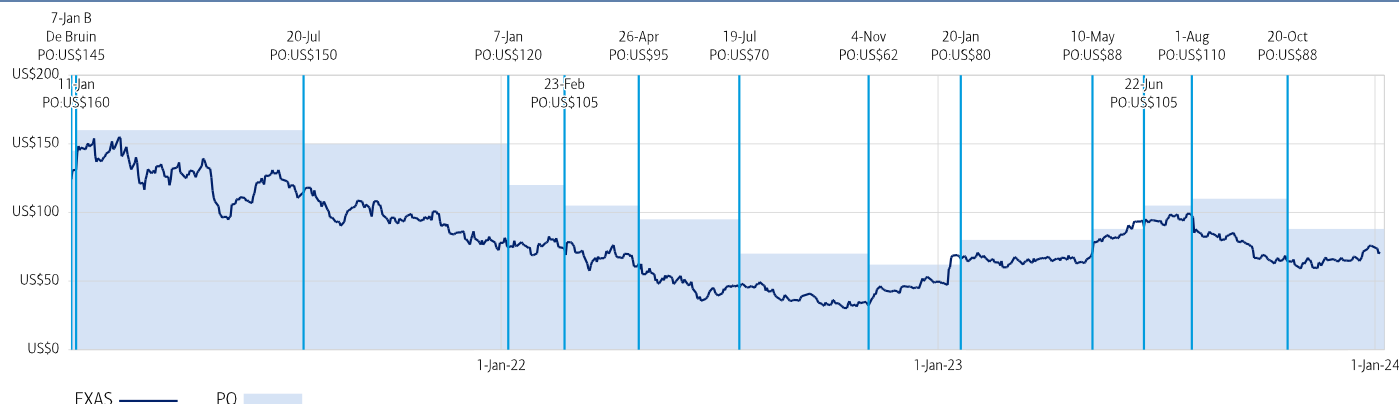
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Exact Sciences (EXAS) Price Chart



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

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Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
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Buy	≥ 10%	≤ 70%
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Underperform	N/A	≥ 20%

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