

Hologic (HOLX) – Long PT: \$86.57



Today's Price: \$73.31
 Dividend Yield: 0%
 Market Cap: \$18.58
 Industry: Healthcare
 Headquarters: Marlborough, MA

A health company positioning itself to be the household name when it comes to women's health.

Business Overview

Hologic is a healthcare company with a focus in women's health. They operate in five different segments including diagnostics, breast health, medical aesthetics, GYN surgical, and skeletal health.

Revenue Segmentation: 57% Diagnostics, 33% Breast and Skeletal, 10% Surgical. 2020 Total revenue: \$3776M

Thesis Points

- 1. Addressing an emerging market:** Hologic is starting initiatives to ensure that women's healthcare is available to all populations. Through the Project Health Equality and their partnerships with influencers such as Oprah and Ciara Hologic is targeting an oftentimes neglected market.
- 2. Reinvesting in Growth through M&A:** Hologic's profits greatly increased due to their Covid testing initiatives. They used the majority of those profits to acquire several companies including Somatex, Bio Theranostics, Diagenode, and Bolder Surgical. Hologic is planning to continue their M&A efforts in the coming years and continue their expansion.
- 3. Increase in Diagnostic Imaging:** Due to Covid, there has been a large decrease in the number of outpatient visits in the past several months. This means that many women have not been able to get their yearly breast cancer exams which is a major portion of Hologic's business. They are the leaders when it comes to 3D mammogram technology as well as AI breast cancer detection technology. With regulations beginning to loosen up and women going back to regular examinations we expect this portion of Hologic's business to greatly increase.

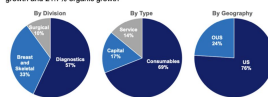


Industry Overview

Hologic is a large player in women's healthcare space. The 2020 annual revenue of this sector is \$30.5 Billion, which is expected to rise to \$50 Billion by 2025. Around 20% of this revenue comes from cancer work which is Hologic's specialty. They have a first mover advantage when it comes to 3D mammogram technology as well as AI breast cancer detection technology which is where the industry is heading. They are also a dominant player in the medical devices space. The medical devices sector is highly segmented with high barriers to entry. Around 15% of revenue in this sector comes from diagnostics which comprises 57% of Hologic's revenue. Recently, the Healthcare industry as a whole has seen a boom due to COVID-19. Many companies, including Hologic began working on diagnostics as well as vaccine development which added an additional revenue stream for them.

Fig 2. Hologic overview

* Revenue of \$3,776 million in fiscal 2020, representing 12.1% constant currency growth and 21.7% organic growth



Source: Hologic, Hyundai Motor Securities



Graphics: left product segmentation, right Hologic machines

Additional Commentary – Valuation/Risks/News

Valuation: Due to expansion through M&A, and increase in diagnostic imaging we valued the company at \$85.87, an implied upside of 19%. Their revenue increased 103% this past quarter despite the decline in revenue from their Covid screening tests.

Risks: Hologic's revenue from Covid testing is beginning to decline, however, that allows them to focus on the other core parts of their business.

News: Hologic has been in the news recently for their various partnerships including their partnership with Oprah and Google.

