

McIntire Investment Institute

At the University of Virginia



Buy Pitch: Myriad Genetics (NASDAQ: MYGN)



MYRIAD®

Prepared by Matt Robertson | February 23, 2012



Outline

- Company Overview
- Stock Analysis
- Thesis Points
- Valuation
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Myriad Genetic Description

Company Overview

- Myriad Genetics, Inc. is a molecular diagnostic company founded in 1991 and headquartered in Salt Lake City, Utah.
- Myriad employs various proprietary technologies that allow doctors and patients to understand the genetic structure of human diseases and the role that genes play in the onset, progression and treatment of disease.
- Most well known for their BRACAnalysis® testing, which assesses a woman's risk of developing hereditary breast or ovarian cancer.
- The company also markets COLARIS molecular testing for hereditary colorectal and uterine cancer.
- Myriad's portfolio of nine molecular diagnostic tests are based on an understanding of the role genes play in human disease.

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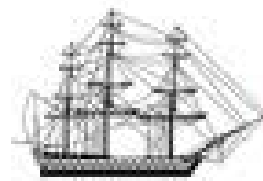
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Myriad Genetics Major Shareholders

Royce & Associates	10,036,546
RS Investment Management	5,266,198
Vanguard Group, Inc.	4,137,550
M&G Investment Management	3,430,300
BlackRock Institutional Trust	2,373,478



Vanguard®



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Cancer Background

- Colorectal cancer also is one of the most commonly diagnosed cancers in the United States. Testing is recommended for those older than 50.
- 22 million people are still not up-to-date with colorectal cancer screening..
- Breast cancer is the most common cancer among American women after skin cancer.
 - 1 in 8 women will develop breast cancer at some point in their lifetime. Breast cancer is the second-leading cause of cancer death in women.



Pipeline has led to new testing services.

- COLARIS AP® testing assesses a person's risk of developing hereditary colorectal polyps and cancer.
- MELARIS® testing determines a person's risk of developing hereditary melanoma.
- PANEXIA™ testing assesses a person's risk of developing hereditary pancreatic cancer.
- OnDose™ testing evaluates 5-FU exposure for patients undergoing continuous infusion of 5-FU chemotherapy.
- Prolaris™ testing evaluates the prostate cancer aggressiveness in conjunction with other clinical parameters.

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Financial Performance

- **Share Price:** \$23.80
- **EPS:** 1.22
- **P/E Ratio:** 19.46
- **Revenue (2011):** \$402,084,000
- **Net Income (2011):** \$100,710,000
- **Long Term Debt:** 0
- **Quick Ratio:** 12.34



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Thesis Points

- Positioned to take advantage of the healthcare industry's transition to “Personalized Medicine (PM)”
- Proven business model
- Large International Growth Opportunities
- Strong Financial Track Record

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Trend Toward Personalized Medicine

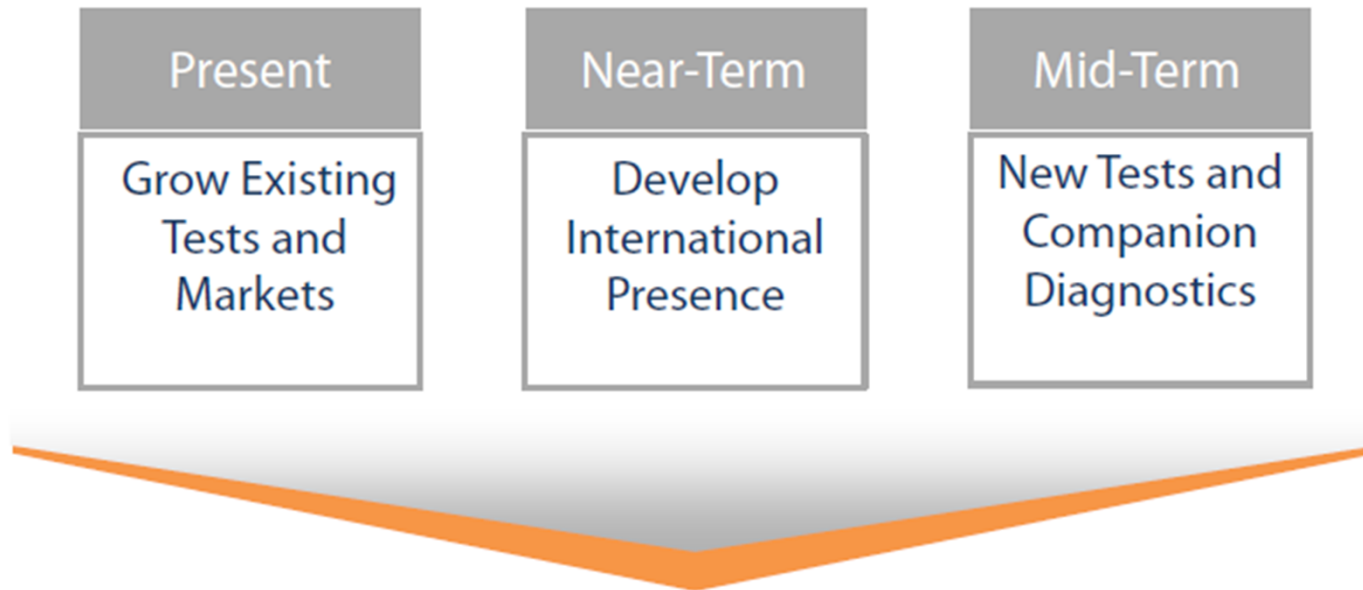
- Personalized medicine is a medical model that utilizes genetic information to completely customize healthcare decisions and practices to any individual patient.
- Oncology is considered one of the areas in the medical field that has been successful at developing personalized treatments to test a person's predisposition to certain cancers.

Trend Toward Personalized Medicine

- Certain drivers will impact Healthcare's transition to a Personalized Medicine-based healthcare system and diagnostic tools using DNA are a catalyst.
- Diagnostics make 80% of the therapeutic decisions, but only represent 2% of the costs, according to one study. Due to the increased importance of diagnostics to the health care system, reimbursement will shift from therapeutics to diagnostics.

Proven Business Model

Strategic Directives



Strategic directives fuel strong long-term top line growth



Fast Growing Segments & New Opportunities

Current Test Portfolio



Future Test Portfolio



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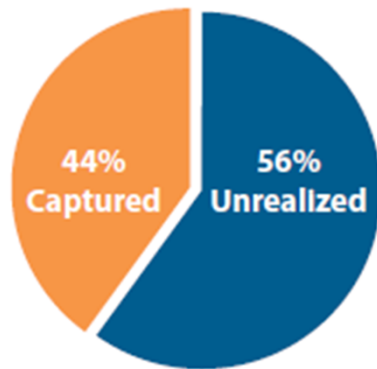
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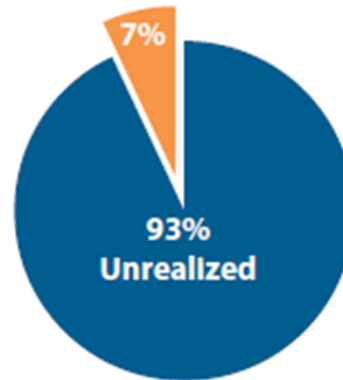
Double Digit Growth in Leading Products

BRACAnalysis Penetration

Oncology

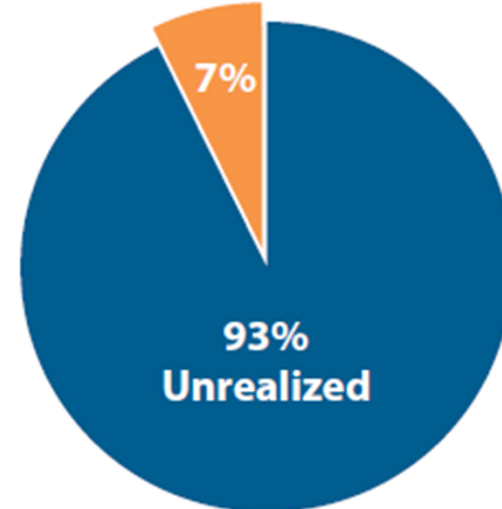


Women's Health



Annual market opportunity of >\$1B

COLARIS Penetration



Annual market opportunity of >\$450M

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International Opportunities

- Country lab opened in Munich
- Country managers hired.
- European trials begin
- Approved for reimbursement BRACAnalysis and Colaris
- Other countries planned for Global Roadmap
- Poised to become global leader in Women's health testing and Cancer



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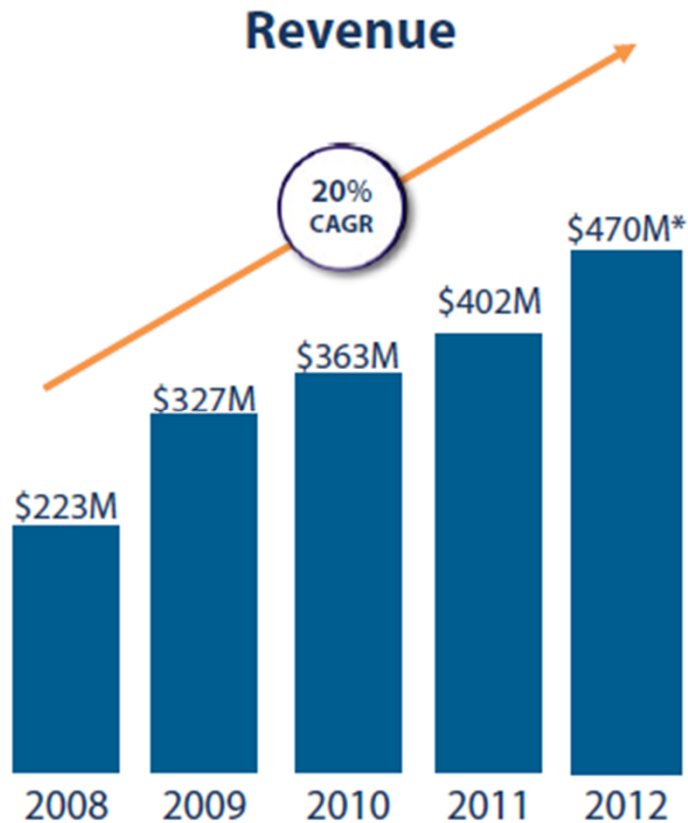
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Strong Financial Track Record



Record Financial Results

Q2'12 Results:

- Revenue of \$122.8 Million
 - 22% YoY growth
- Operating Income of \$45.5 Million
 - 18% YoY growth
- EPS of \$0.33
 - 27% YoY growth

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Financial Performance

(\$ millions)	YTD 2012	YoY Growth	YTD 2011
Revenue	\$233.3	21%	\$192.3
Gross Profit	\$202.8	20%	\$169.2
SG&A	\$97.1	17%	\$83.2
R&D	\$18.8	58%	\$11.9
Operating Income	\$86.9	17%	\$74.2
Diluted Earnings Per Share	\$0.62	24%	\$0.50

Strong first half financial results

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5 Yr. Stock Movement

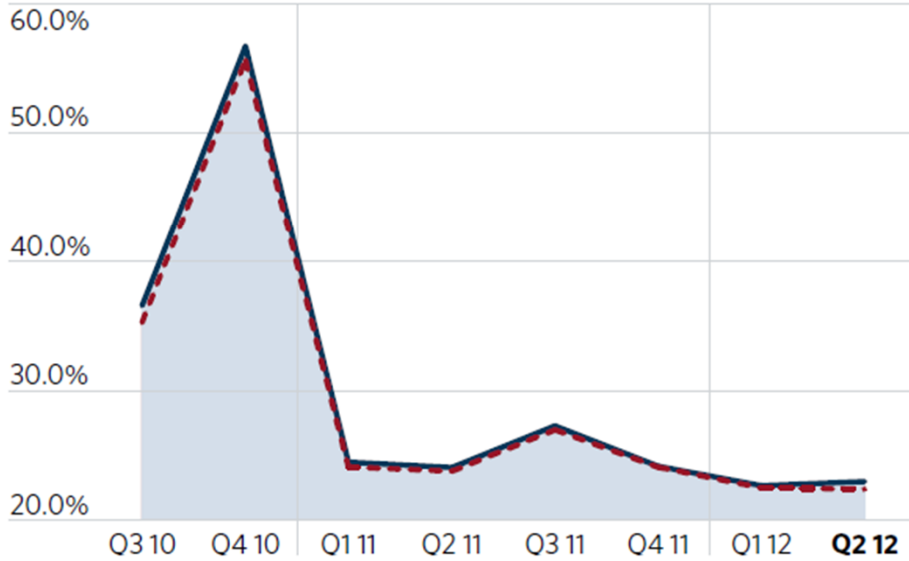


Operating Efficiency

NET MARGIN

--- Adjusted Net Margin

Change from previous quarter: **UP▲**



SG&A AS A PERCENTAGE OF SALES

Change from previous quarter: **UP▲**



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Financial Performance

	Range	Growth
FY 2012 Revenue:	\$465M - \$475M	16 – 18%
Molecular Dx Revenue:	\$440M - \$450M	10 – 13%
Companion Dx Revenue:	\$24M - \$26M	N/A
FY 2012 Diluted EPS:	\$1.24 - \$1.28	13 – 16%

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Competition

Direct Competitor Comparison

	MYGN	ABT	Industry
Market Cap:	2.01B	87.80B	244.59M
Employees:	1,057	91,000	251.00
Qtrly Rev Growth (yoy):	22.30%	4.10%	16.90%
Revenue (ttm):	443.05M	38.85B	72.54M
Gross Margin (ttm):	88.02%	60.00%	61.74%
EBITDA (ttm):	179.73M	11.12B	15.04M
Operating Margin (ttm):	38.74%	20.40%	13.97%
Net Income (ttm):	107.38M	4.73B	N/A
EPS (ttm):	1.22	3.01	0.40
P/E (ttm):	19.46	18.72	41.11
PEG (5 yr expected):	1.62	1.31	1.63
P/S (ttm):	4.55	2.24	4.39

Other competitors within industry include:

- Dendreon Corp
- Seattle Genetics
- Inhibitex
- Human Genome
- Theravalance Inc

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Value Added Research

- Spoke with Dr. David Randolph, an oncologist in Richmond, Virginia.
- David said several of Myriad's cancer tests are extremely popular.
- He continues to see them as a cash cow that will generate strong profits in the future.
- His only concern would be if another company wrapped several tests together that could impact their specialized tests.
- He is not aware of a larger type of test at this time.



Value Added Research

- Dr. Lisa Evans, a leading radiation oncologist in Winston-Salem, NC.
- **“Myriad is by far the leader in this field.”**
- “They teach the teachers – providing feedback and training tools to ensure genetic councilors are doing it well. They pay for physicians to come around and update [her] as well as survivors of these diseases also traveling with lectures.”
- Expects that “the number of patients referred for this will keep rising at least for the next 10 years as many smaller communities don’t have this ability yet.”
- Myriad “has squelched some start ups from getting into the market and out-competed the ones that had been alive.”
- **“I guess there are other companies still - but I could not name one.”**

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Risks

- New testing based on DNA discoveries may replace existing service offerings.
- Molecular Diagnostic tests (MDx) are currently managed by FDA under the subheading IVD. With the complexity of MDx, a new branch of the FDA may be formed in the future that could enforce more rigid standards. A change in the FDA process could offer both a risk and expansion to Myriad's service offering.
- Big pharmaceutical companies may use political clout and R&D to ratchet competition in this growing and highly profitable sector.
- MYRD ran into problems in the US involving the patenting of genes. This could be a problem in Europe or other international markets at some point in the future.

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Recommendation

- MYGN's products and services are clearly aimed at a growing market that is poised to explode as we make the transition to a more personalized medical experience for patients.
- Their track record for constructing testing services based on DNA positions them to be a leader both domestically and globally.
- The world of medical diagnostic medicine will explode in the coming years as more effective breakthroughs may lead to new biomarkers. Tomorrows discoveries will be built around much the IP created and patented by the public diagnostic companies of today.
- MII should engage in a long weighted at 3% of the portfolio.

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Questions?



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