

**3rd Quarterly report, FY 2014, for Myriad Genetics**

**Date: May 13, 2014 (by Gladys Henrikson)**

Percentage change in Sales from year ago quarter 17%

Percentage change in Earnings per Share from year ago quarter 4%

Is company meeting our target sales & earnings estimates? Yes for sales, No for earnings.

Pre-tax Profit on sales trend? (up, even, down) Even

Return on equity trends? (up, even, down) Up

Debt? (up, even, down) Even – no debt

Current PE is 15.3.

Where does it fall in my estimated High/low range of PE's? Near the high end, est. 16

Signature PE = 16.05

Club cost basis for this stock is \$24.7133.  
(from latest valuation)

Current price is \$35.70

Current fair value: Morningstar: \$35.00 S&P: \$45.00

My SSG Total Return is 10% Projected Average Return is 7.8%

**What will drive future growth?**

In the recent 3<sup>rd</sup> Quarter FY 2014 (ending Mar 31, 2014) 10-Q, Myriad management revealed that 65% of its estimated \$740M revenue in FY 2014 is generated by its BRACAnalysis. MGYN patent licenses for this diagnostic product have been challenged in court by Ambry Genetics and other firms. The lower court upheld the challenge and MYGN is appealing the decision to a higher court, scheduled for June. In addition, some of these patents are soon expiring.

To counteract these threats, Myriad will use 2014-2015 to convert its hereditary cancer testing market into a pan-cancer panel. To do this, Myriad is expanding its current product into new markets -Canada and Europe -and it is acquiring and developing new products. In February, Myriad acquired the privately held Crescendo Bioscience, Inc for its protein-based diagnostics for autoimmune conditions and rheumatoid arthritis. The new, non-BRAC, products currently generate 35% of revenue.

The acquisition used cash so earnings per share this quarter are down. Profit margins have also fallen due to Medicare price reductions in January 2014. However, Medicare has restored some reductions. Myriad's conversion to new products and new markets will continue to reduce earnings per share through the next few years as successful legacy products are replaced and sales and marketing staff increase.

**Additional comments:**

This is likely to be a volatile stock. The accompanying quarterly SSG reflects 5 year sales and EPS growth in line with analysts' forecasts, and with the corporate changes underway at MYGN.

Recommend: Buy More     , **Hold** **X**, Challenge with a better investment     , Sell