

# HOLOGIC<sup>®</sup>



## Building a Track Record of Sustainable Growth

November 2018

# Safe Harbor Statement

This presentation contains forward-looking information that involves risks and uncertainties, including statements about the Company's plans, objectives, expectations and intentions. Such statements include, without limitation: financial or other information based upon or otherwise incorporating judgments or estimates relating to future performance, events or expectations; the Company's strategies, positioning, resources, capabilities and expectations for future performance; and the Company's outlook and financial and other guidance. These statements are based upon assumptions made by the Company as of the date hereof and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from expectations.

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# Non-GAAP Financial Measures

Hologic has presented the following non-GAAP financial measures in this presentation: constant currency revenues; non-GAAP gross profit; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP income from operations; non-GAAP operating margin; non-GAAP interest expense; non-GAAP pre-tax income; non-GAAP net margin; non-GAAP net income; non-GAAP diluted EPS; and adjusted EBITDA. Constant currency presentations show reported revenues as if the foreign exchange rates remain the same as those in effect in the comparable prior year period. The Company defines its non-GAAP net income, EPS, and other non-GAAP financial measures to exclude, as applicable: (i) the amortization of intangible assets and impairment of goodwill and intangible assets; (ii) additional depreciation expense from acquired fixed assets and accelerated depreciation related to consolidation and closure of facilities ; (iii) non-cash interest expense related to amortization of the debt discount from the equity conversion option of the convertible notes; (iv) restructuring and divestiture charges and facility closure and consolidation charges; (v) debt extinguishment losses and related transaction costs; (vi) the unrealized (gains) losses on the mark-to-market of forward foreign currency contracts for which the Company has not elected hedge accounting; (vii) litigation settlement charges (benefits); (viii) other-than-temporary impairment losses on investments and realized gains and (losses) resulting from the sale of investments; (ix) other one-time, non-recurring, unusual or infrequent charges, expenses or gains that may not be indicative of the Company's core business results as detailed in our reconciliations of such adjustments; and (x) income taxes related to such adjustments. The Company defines adjusted EBITDA as its non-GAAP net income excluding the impact of net interest expense, income taxes, and depreciation and amortization expense included in its non-GAAP net income. The Company defines ROIC as its non-GAAP net operating profit after tax on a trailing twelve month basis divided by the sum of average net debt and average stockholders' equity as of the beginning and end of the period.

These non-GAAP financial measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP. The company's definition of these non-GAAP measures may differ from similarly titled measures used by others.

The non-GAAP financial measures used in this presentation adjust for specified items that can be highly variable or difficult to predict. The Company generally uses these non-GAAP financial measures to facilitate management's financial and operational decision-making, including evaluation of Hologic's historical operating results, comparison to competitors' operating results and determination of management incentive compensation. These non-GAAP financial measures reflect an additional way of viewing aspects of the company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting Hologic's business.

Because non-GAAP financial measures exclude the effect of items that will increase or decrease the company's reported results of operations, management strongly encourages investors to review the company's consolidated financial statements and publicly filed reports in their entirety. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures is included in the tables accompanying this presentation.

# Presentation Outline

## Hologic overview

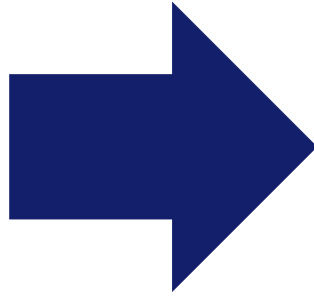
Divisional highlights

Key products

Financials and conclusion

# Hologic Investment Thesis

- Unique leadership positions across range of women's health businesses
  - Mammography
  - Molecular diagnostics
  - Cytology
  - GYN surgical
  - Medical aesthetics
- Significant opportunity for international expansion
- Improving R&D pipeline

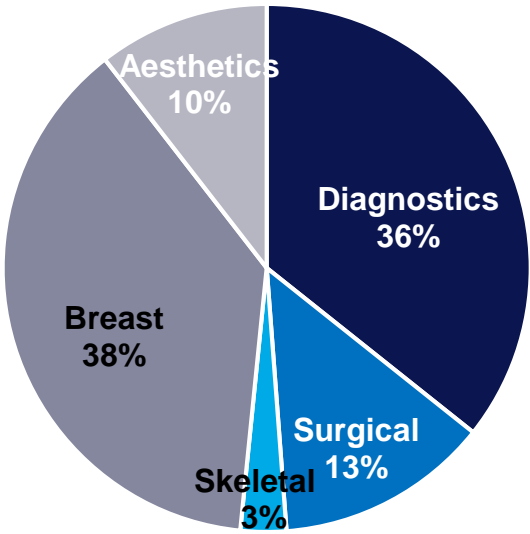


- Building track record of sustainable top- and bottom-line growth
- Strong profit margins
- Strong cash flows, healthy balance sheet and improving ROIC

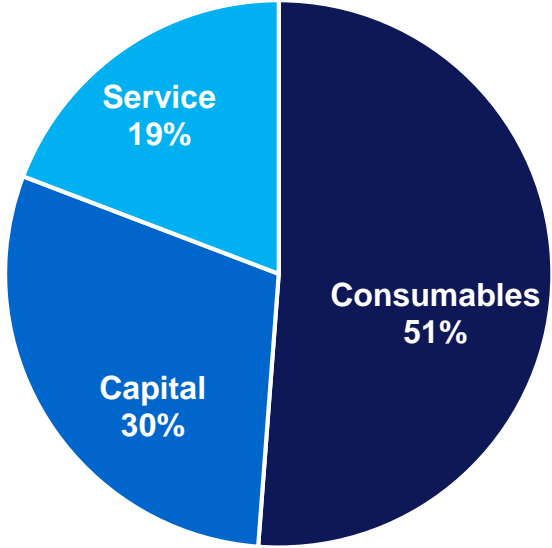
# Hologic Today

- An innovative medical technology company primarily focused on improving women’s health and well-being through early detection and treatment
  - FY18 revenue of \$3.218 billion, up 4.3% in constant currency
  - FY18 non-GAAP EPS of \$2.23, up 9.9%

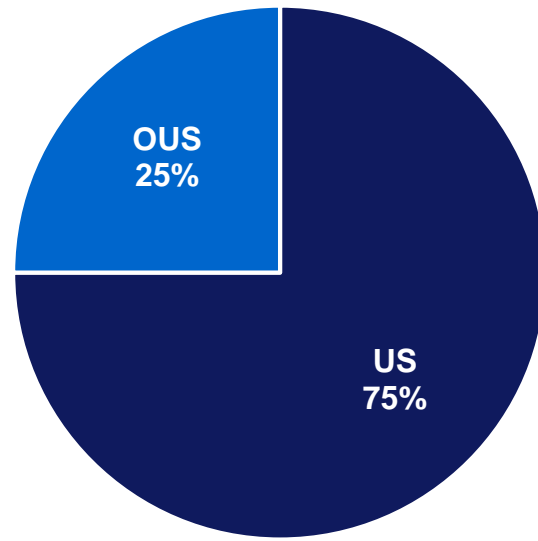
By Division



By Type

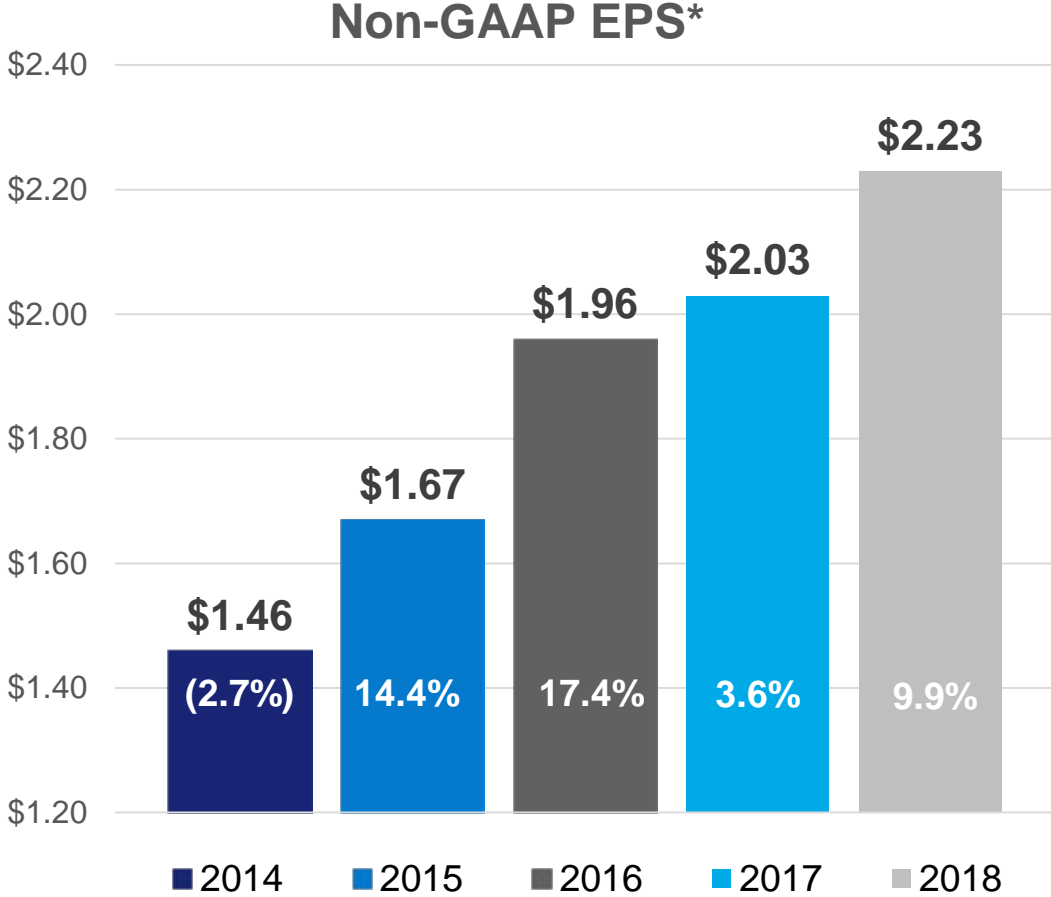
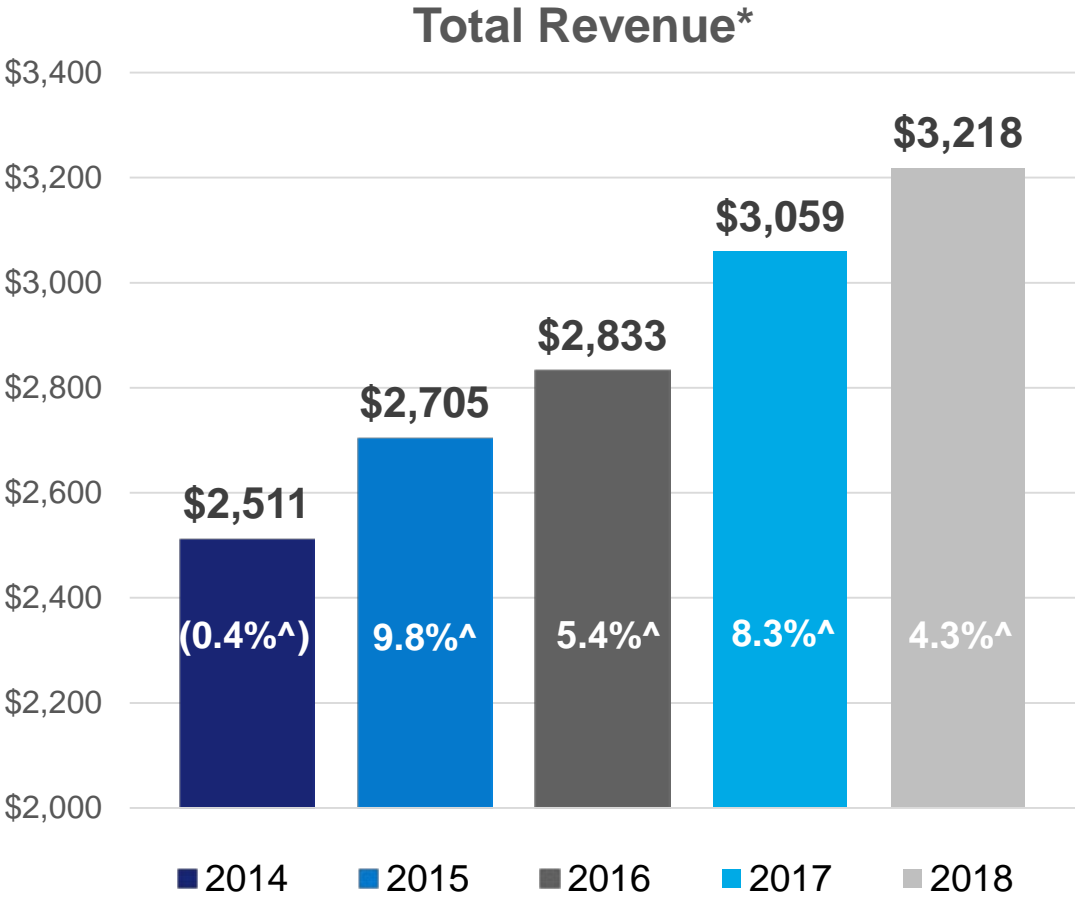


By Geography



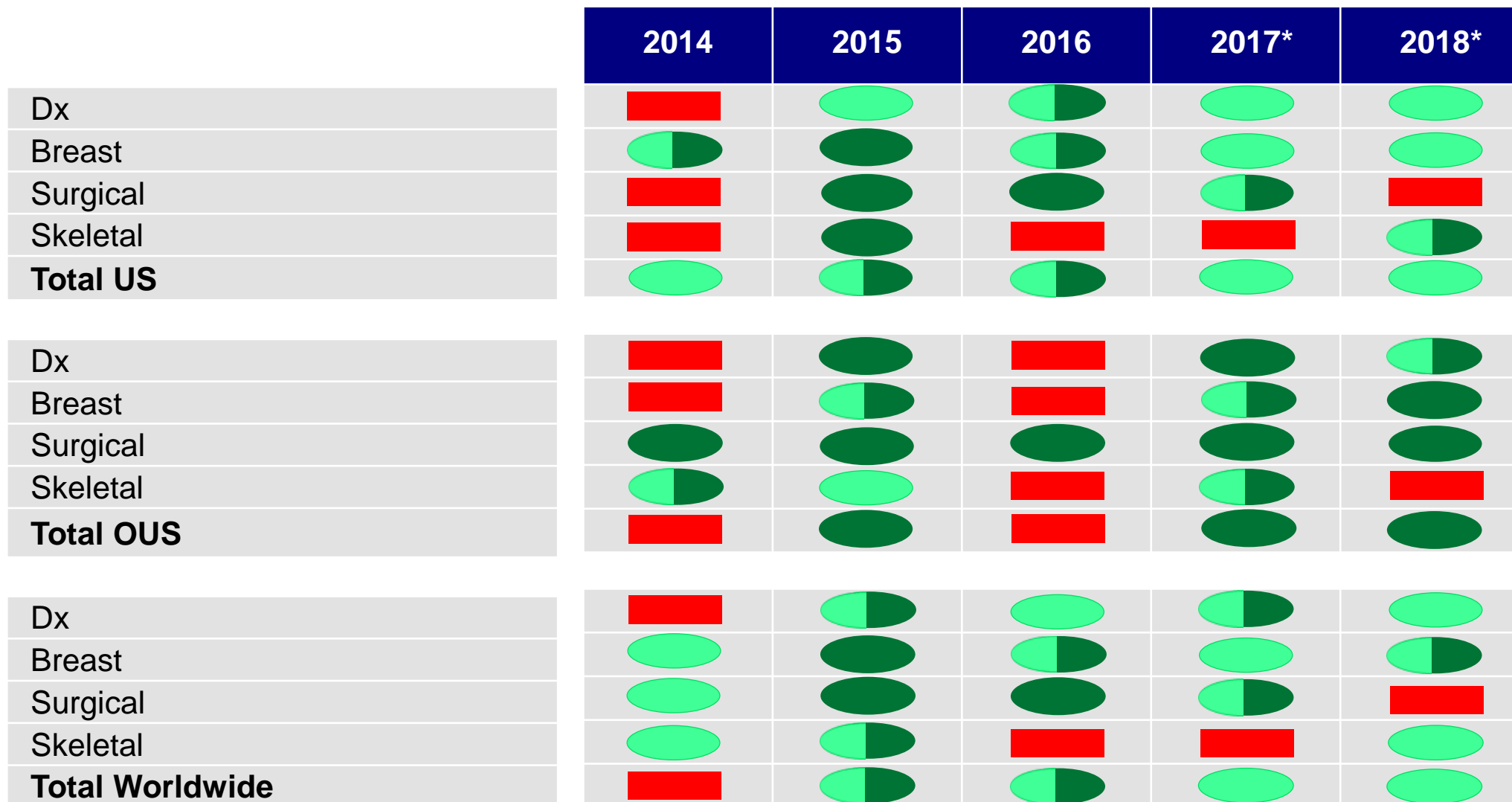
# Building a Track Record of Sustainable Growth

- From 2014 to 2018, revenue CAGR of 6.4%\* and EPS of 11.2%\*



\* Total non-GAAP revenue growth in millions. As reported with the exception of FY14, which excludes ~\$20 million one-time revenue from restructuring of Roka license. Non-GAAP EPS as reported with the exception of FY14, which excludes ~\$0.05 one-time contribution from restructuring of Roka license.  
 ^ Constant currency growth. FY'17 and '18 results include contributions from the divested blood screening business and the acquired Cynosure business, which also affect growth rates.

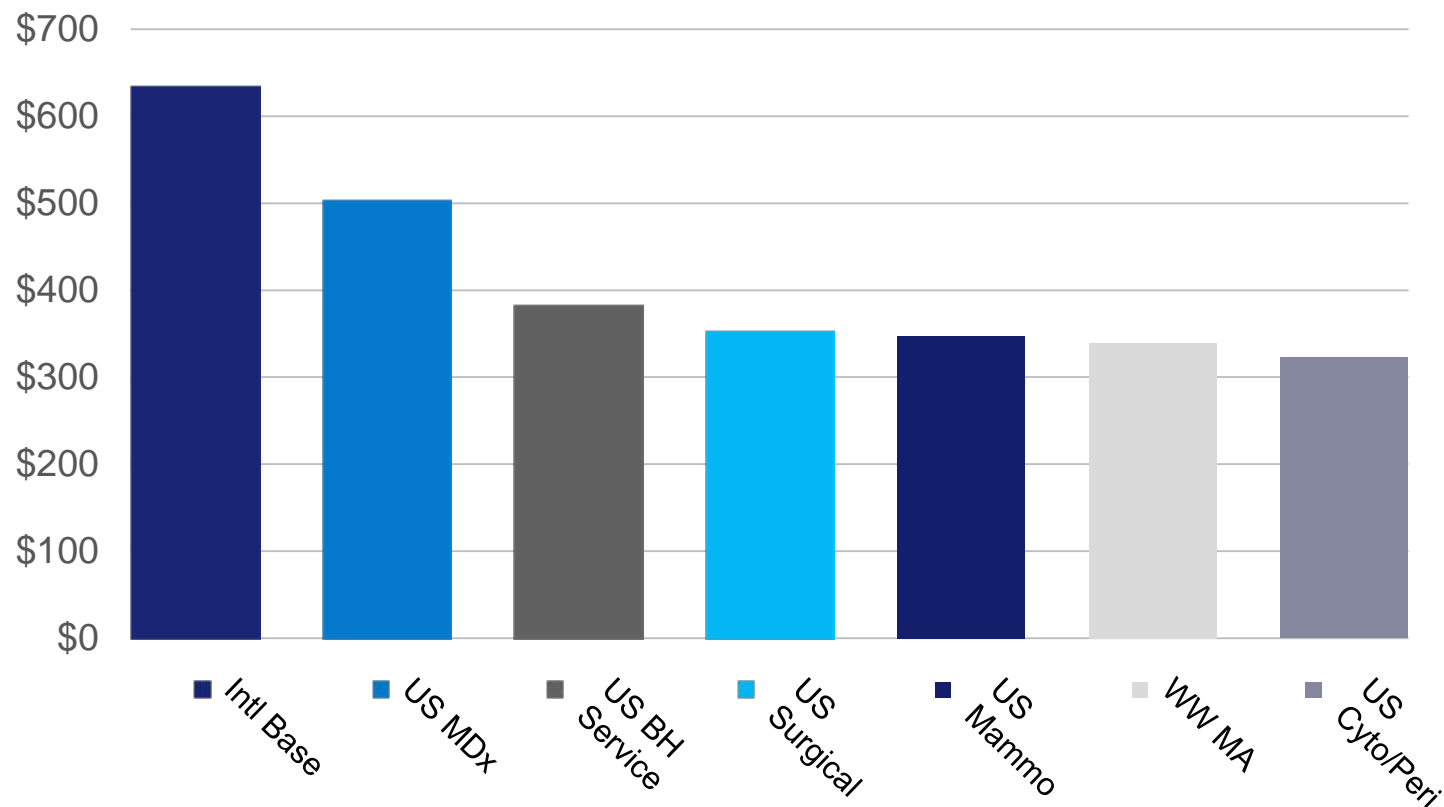
# Diversified Growth





# A Diversified Portfolio

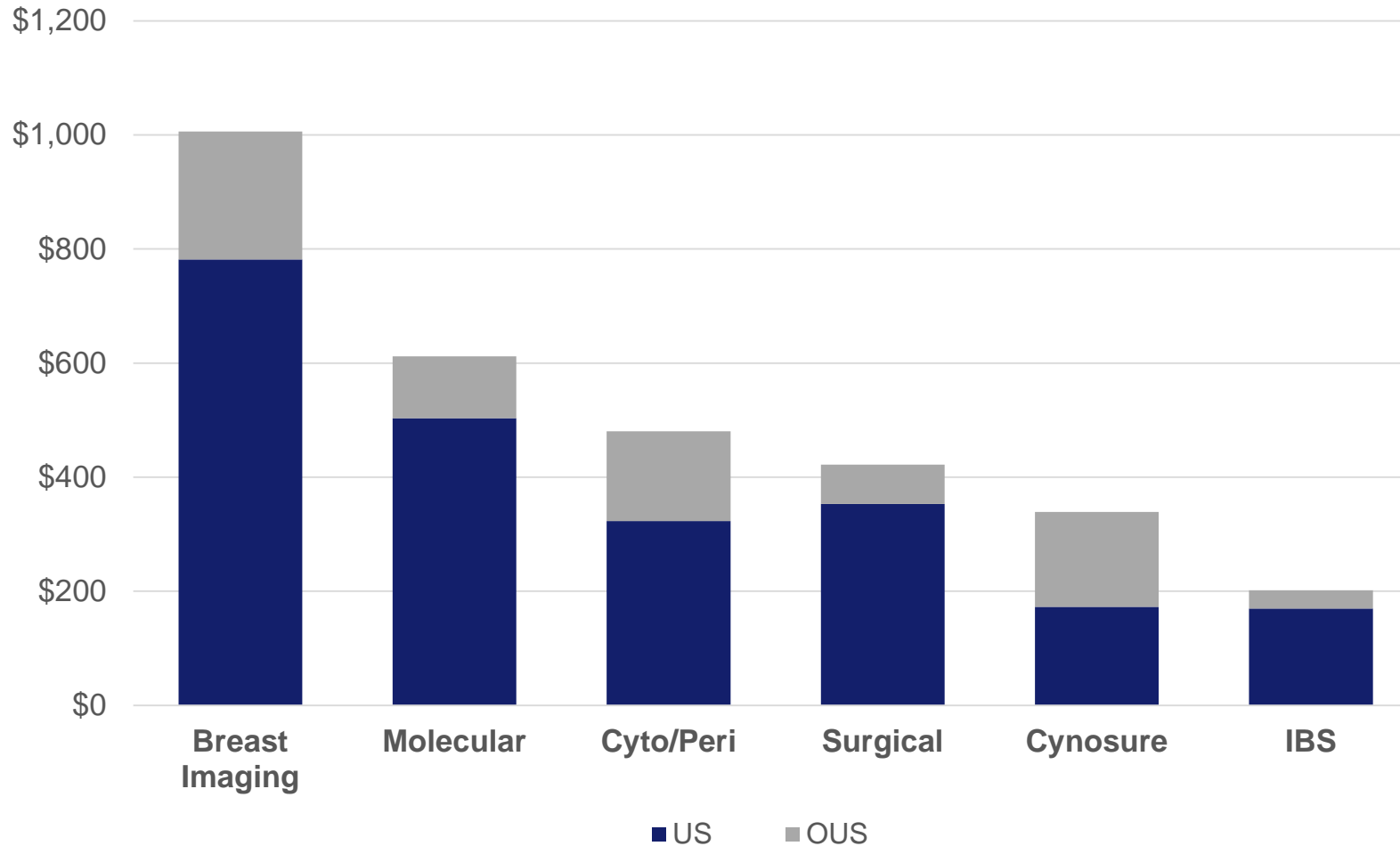
## FY18 Key Segment Revenue\*



\* MA = medical aesthetics. Cyto/Peri = cytology and perinatal. US Mammo = gantries + accessories.

# Diversified Portfolio with International Opportunities

## 2018 Key Segment Revenue by Geography



\* Cyto/Peri = cytology and perinatal. IBS = interventional breast solutions.

# Installed Bases Drive Sustainable Competitive Advantage

- Market leader with ~5,700 Genius™ 3D units in US\*
- Roughly 40% of US installed base still 2D
- Growing service annuity
- Scalable solutions to segment market
  - Enhancements: Clarity HD™, SmartCurve™, Intelligent 2D™, Quantra™
  - 3D-enabled biopsy solutions

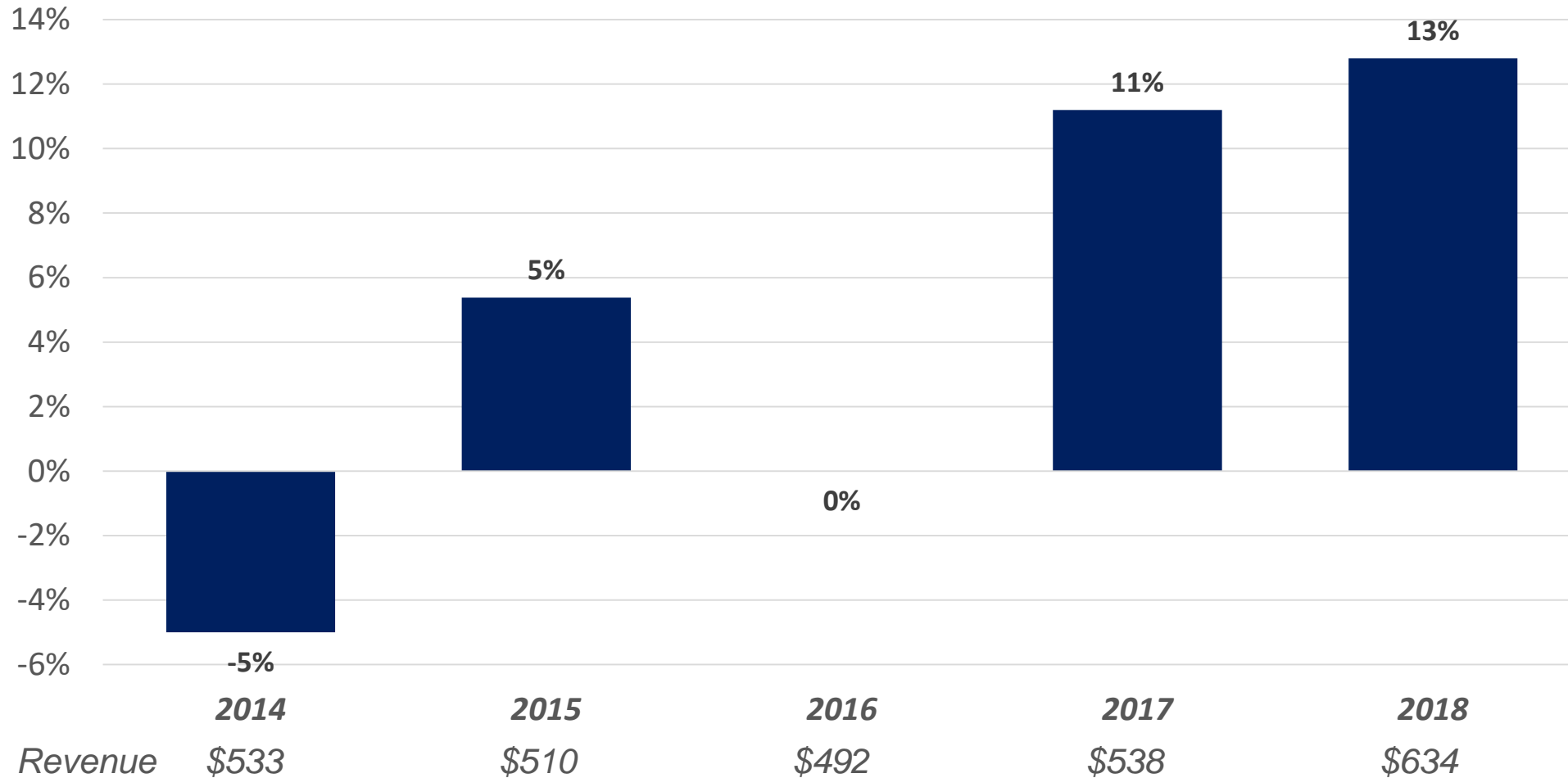


- ~1,500 Panther® Dx units globally\*
- >\$225,000 of annual consumable revenue/Panther
- Growing assay menu: women's health, virals, respiratory and more
- Next-generation Panther Fusion™ launched
- Open channel capabilities
- Opportunity for labs to consolidate testing

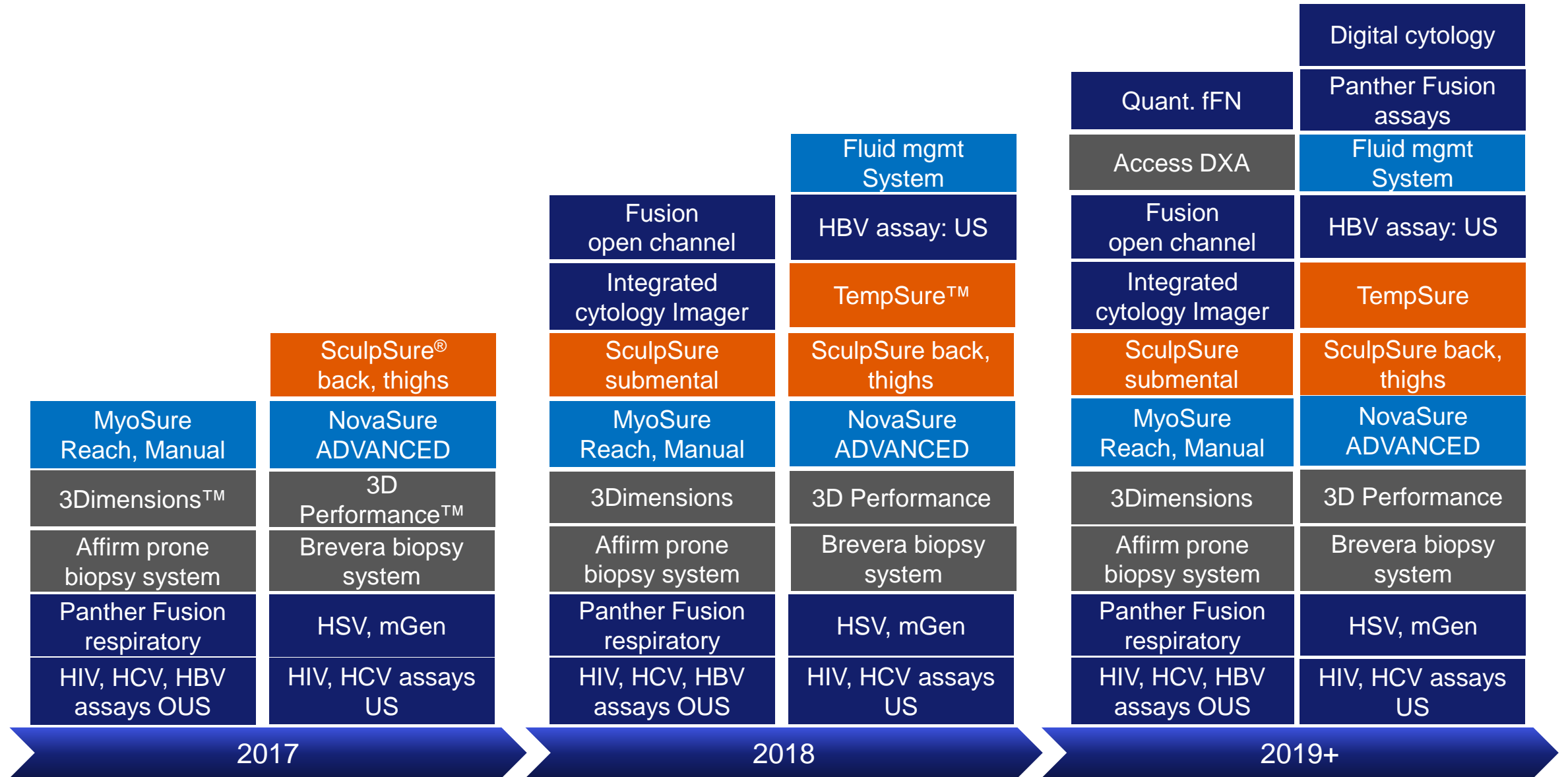
\* As of the end of fiscal 2018.

# International Now a Growth Driver

International Revenue (ex. Blood and Medical Aesthetics)



# Improving R&D Pipeline



# Fourth Quarter Fiscal 2018 Highlights

- Finished year much healthier than we started
  - Each major business strengthened
- Revenue of \$813.5 million, +1.3% reported and +1.7% CC
  - Excluding divested blood screening business, revenue +2.4% CC
  - Excluding blood and non-recurring royalties in prior year, revenue +3.7% CC
    - » Accelerated versus comparable 1.1% growth in third quarter of fiscal 2018
- Revenue growth led by:
  - US Breast Health of \$254.5 million, +5.4%
  - Molecular Diagnostics of \$158.0 million, +3.4% CC (10.2% without year-ago royalties)
  - International of \$198.4 million, +6.3% CC
- GAAP EPS of \$0.18 (-37.9%), non-GAAP diluted EPS of \$0.58 (+16.0%)
- Capital deployment
  - Completed Focal acquisition in October for \$125 million
  - Repurchased 2.3 million shares for \$88.5 million

# Presentation Outline

Hologic overview

**Divisional highlights**

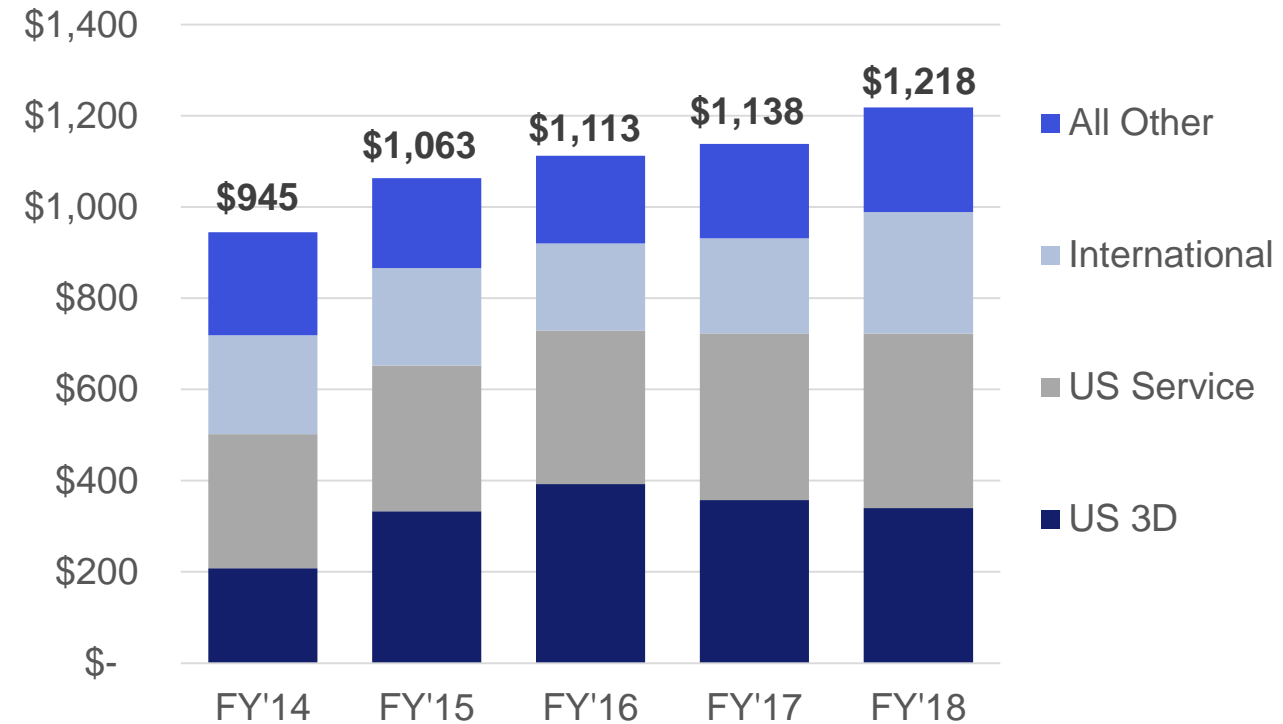
Key products

Financials and conclusion

# Breast Health Overview

- Growing portfolio of breast health products built around market-leading Genius 3D mammograms
- U.S. market leader
  - Product superiority with breakthrough claims
- Significant U.S. market penetration still ahead as market converts to 3D
  - Strong insurance coverage
  - 40% of Hologic systems still 2D
  - Two new systems extend leadership position and provide upgrade opportunities
- New products: Affirm™ and Brevera®
- Growth from breast conserving surgery with acquisitions of Faxitron and Focal
- Service, international also driving growth

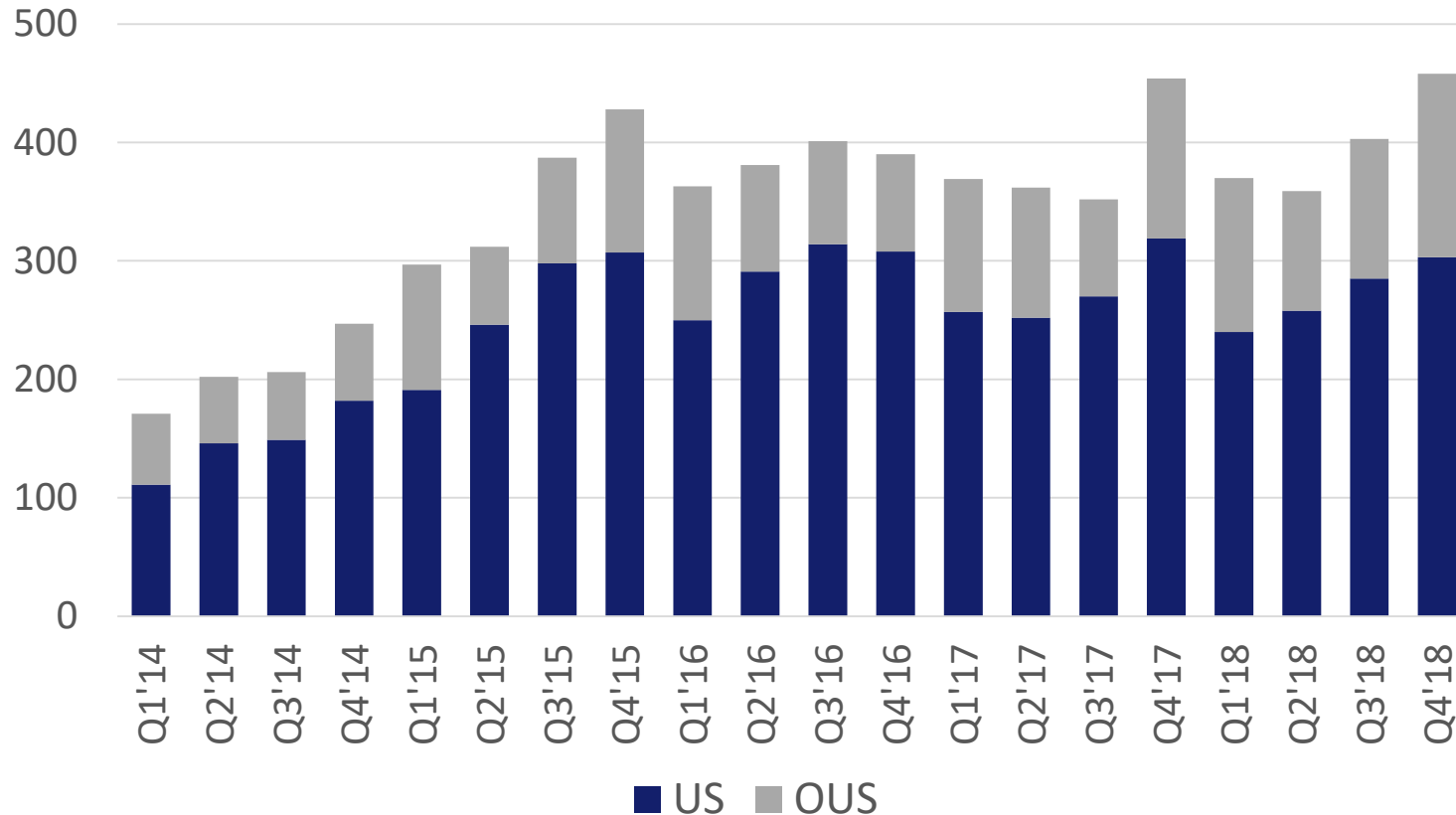
## Breast Health Revenue





# Broke the Mammography Boom/Bust Cycle

3D Placements

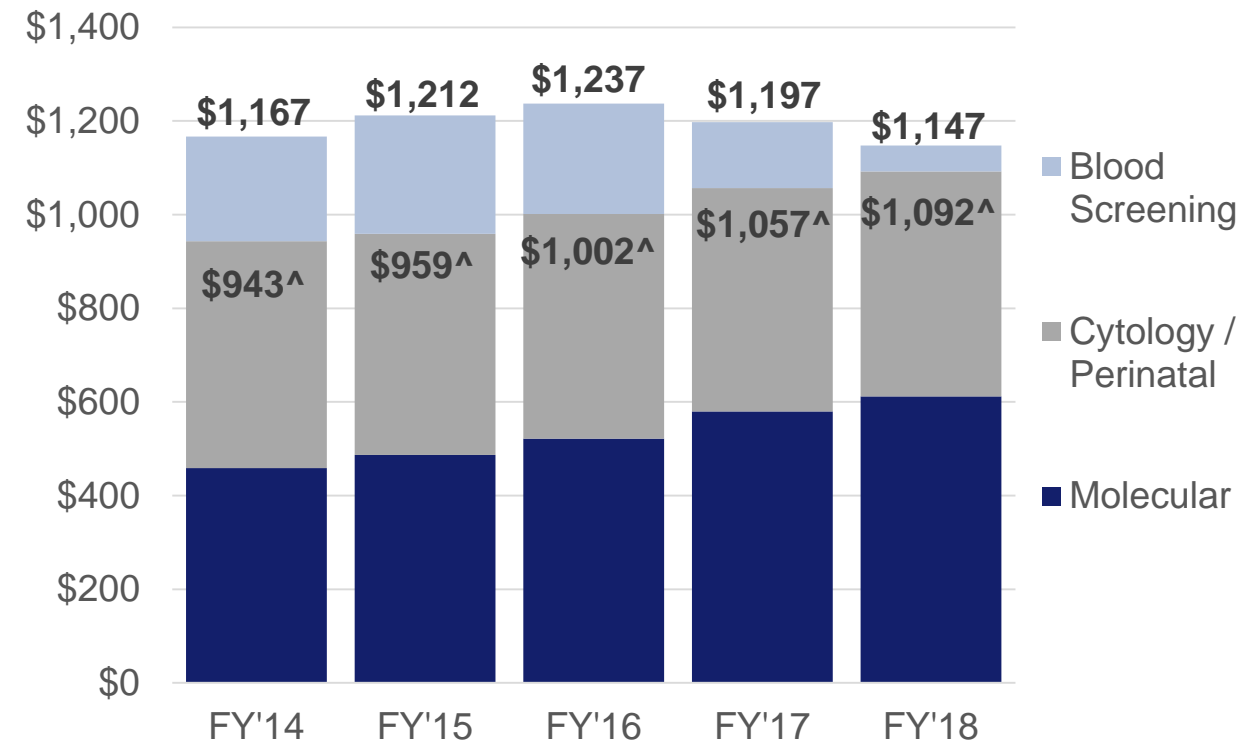


- Emerging growth drivers to supplement US 3D placements:
  - New products
  - New software and hardware upgrades
  - Breast conserving surgery
  - Service annuity
  - International

# Diagnosics Overview

- Steady, razor-razor blade business
- Market-leading Panther molecular system
  - Aptima<sup>®</sup>: #1 in CT/NG, HPV, Trich testing in US
- Market-leading ThinPrep<sup>®</sup> liquid cytology franchise
  - Pap + HPV together (co-testing) provides best protection against cervical cancer
- Growth drivers
  - Market expansion
  - New products (Fusion and assays)
  - International

Diagnosics Revenue\*



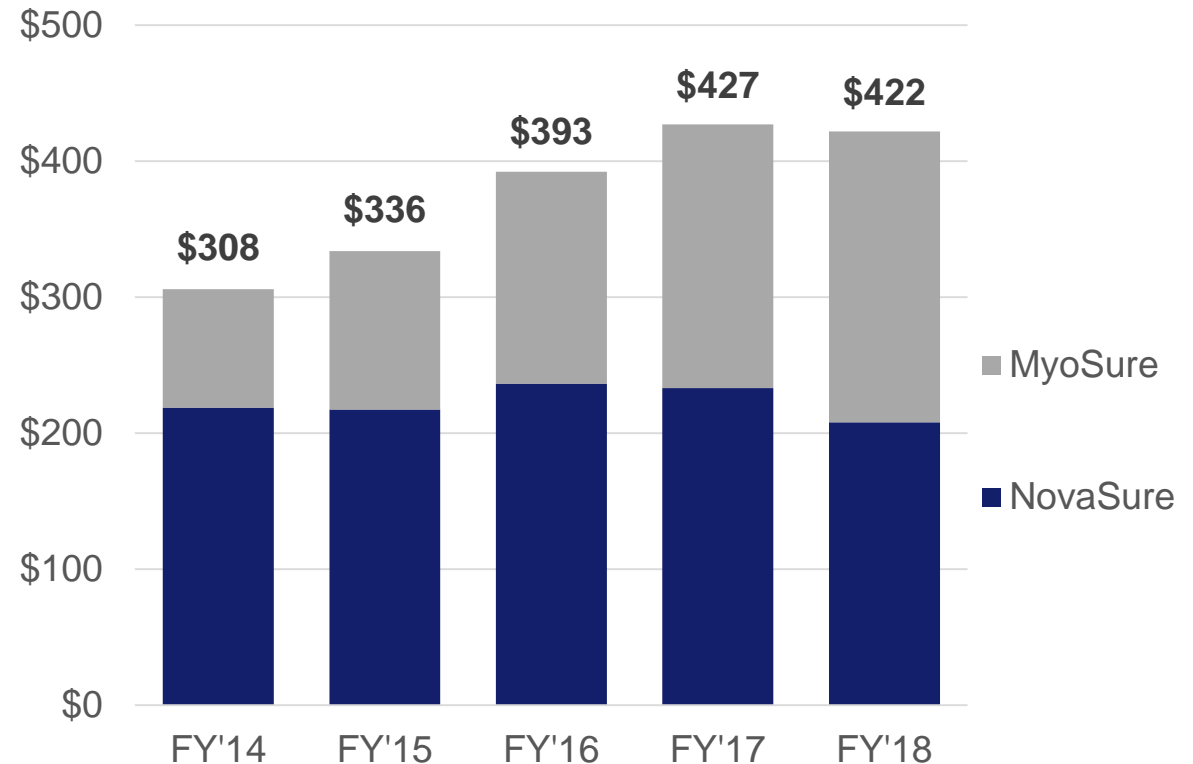
\* As reported with the exception of FY14, which excludes ~\$20 million one-time revenue from restructuring of Roka license.

<sup>^</sup> Diagnosics revenue ex. Blood

# GYN Surgical Overview

- Market-leading product lines focused on women's health
  - NovaSure® for abnormal uterine bleeding
  - MyoSure® for hysteroscopic tissue removal of fibroids and polyps
- Highly profitable
- Growth drivers
  - New leadership
  - Re-energized sales force
  - Line extensions
  - Market expansion

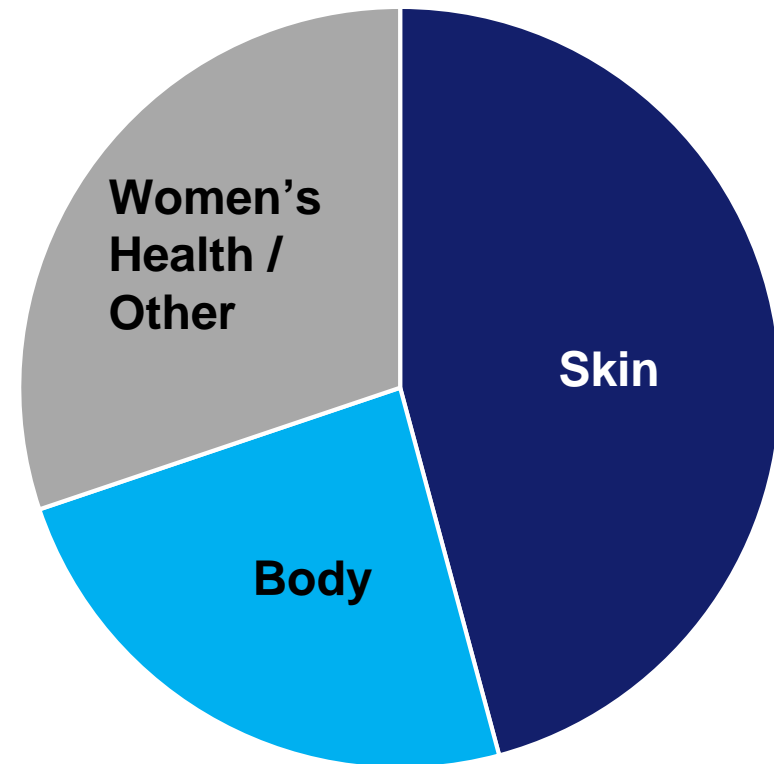
## Surgical Revenue



# Medical Aesthetics Overview

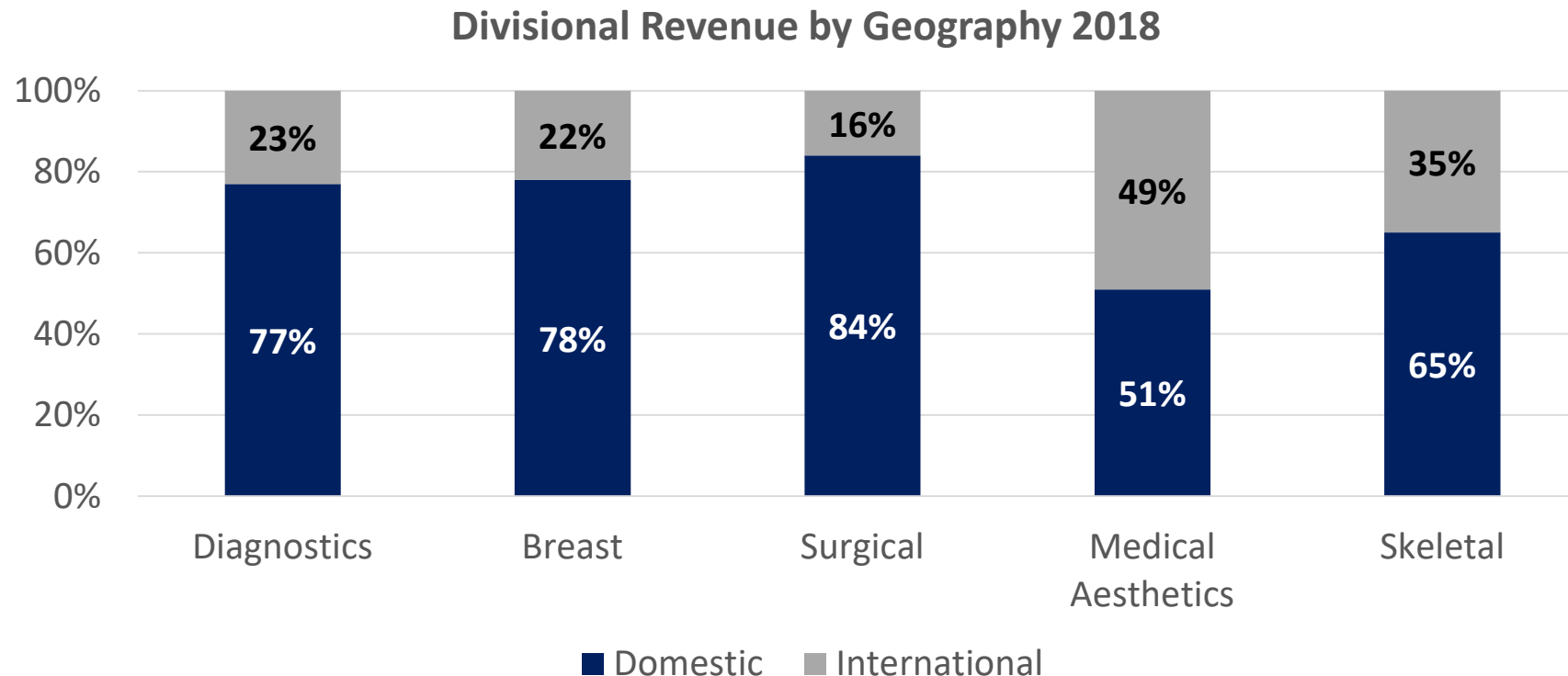
- Cynosure is market leader in rapidly growing medical aesthetics market
  - Broad portfolio of energy-based systems for multiple applications
  - Acquired in March of 2017
- Disappointing start due to US salesforce turnover, but believe business is headed in right direction
- Growth drivers
  - Market tailwinds
  - New, proven leadership
  - Stabilization of US sales force
  - Better commercial execution
  - New products

2018 Medical Aesthetics Revenue



# International

- Large markets, low market shares present opportunity
- New leadership, new products, dealer acquisitions
- Businesses significantly under-penetrated today



# Presentation Outline

Hologic overview

Divisional highlights

**Key products**

Financials and conclusion

# Key Cytology and Perinatal Products



- Market-leading liquid-based cytology
- More than 650 million tests performed globally
- Pap + HPV together (co-testing) provides best protection against cervical pre-cancer and cancer



## ThinPrep5000<sup>®</sup> Processor and Autoloader System

- Walkaway flexibility in processing
- Continuous access to vials, consumables and processed slides for loading and unloading



## Fetal Fibronectin Testing

- Safe, reliable, noninvasive test that helps determine a pregnant woman's risk of early labor
- Helps reduce unnecessary admissions, shorten hospitalizations, direct care to patients who need it most

# Key Molecular Diagnostics Products

## PANTHER<sup>®</sup>

- Best-in-class automation and workflow
  - More than 1,500 Dx units in field globally\*
    - » >40% Dx units outside the U.S.\*
  - #1 in CT/NG, HPV and Trich testing in U.S.
  - Promising growth internationally
- Growing assay menu and utilization
  - Average Panther generated >\$225,000 of revenue in FY18
- Future priorities
  - Maximize placements
  - Drive adoption of full menu, including viral load assays
  - Next-generation Panther Fusion<sup>™</sup> launched
  - Build international business



\* At the end of fiscal 2018.



# Key Breast Imaging Products



**genius**<sup>™</sup>  
3D MAMMOGRAPHY

- Only mammogram proven to find 20-65% more invasive breast cancers compared to 2D alone, and FDA-approved as superior for women with dense breasts
- Reduces callbacks by up to 40% compared to 2D alone



**Affirm**<sup>™</sup> PRONE

- Faster, more comfortable procedures with increased automation, superior imaging and 360° breast access
- Creates better experience for patients, providers



**Brevera**<sup>®</sup>  
Breast Biopsy System

- Biopsy efficiency breakthrough
- Combines tissue acquisition, real-time imaging, verification and advanced tissue handling for optimal patient, physician experience

# Cynosure in Non-Invasive Body Contouring

## SculpSure®

- World's first FDA-cleared laser treatment for non-invasive lipolysis of the abdomen, flanks, back, inner and outer thighs, and submental (under the chin) areas
- Safely and effectively eliminates unwanted fat cells, permanently reducing stubborn fat without surgery or downtime
- Market size > \$1 billion
  - Low penetration among both core and non-core physicians
- Future priorities
  - Strengthen brand
  - Continue developing market
  - Maximize submental indication



# Cynosure in Skin Revitalization



- First pico-second laser approved by the FDA
- Clinical versatility
  - Pigmented lesions
  - Acne scars
  - Wrinkles
  - Tattoo removal
- Future priorities
  - Develop skin revitalization market
  - OUS expansion



# Key GYN Surgical Products



## *NovaSure*<sup>®</sup>

- Leading solution for abnormal uterine bleeding
  - #1 share in US
- Future priorities
  - Market growth
  - NovaSure ADVANCED
  - OUS expansion



## *MyoSure*<sup>®</sup>

- Leading hysteroscopic tissue removal solution for fibroids and polyps
- Future priorities
  - Continue broadening use
  - MyoSure Reach and MANUAL
  - Expand internationally

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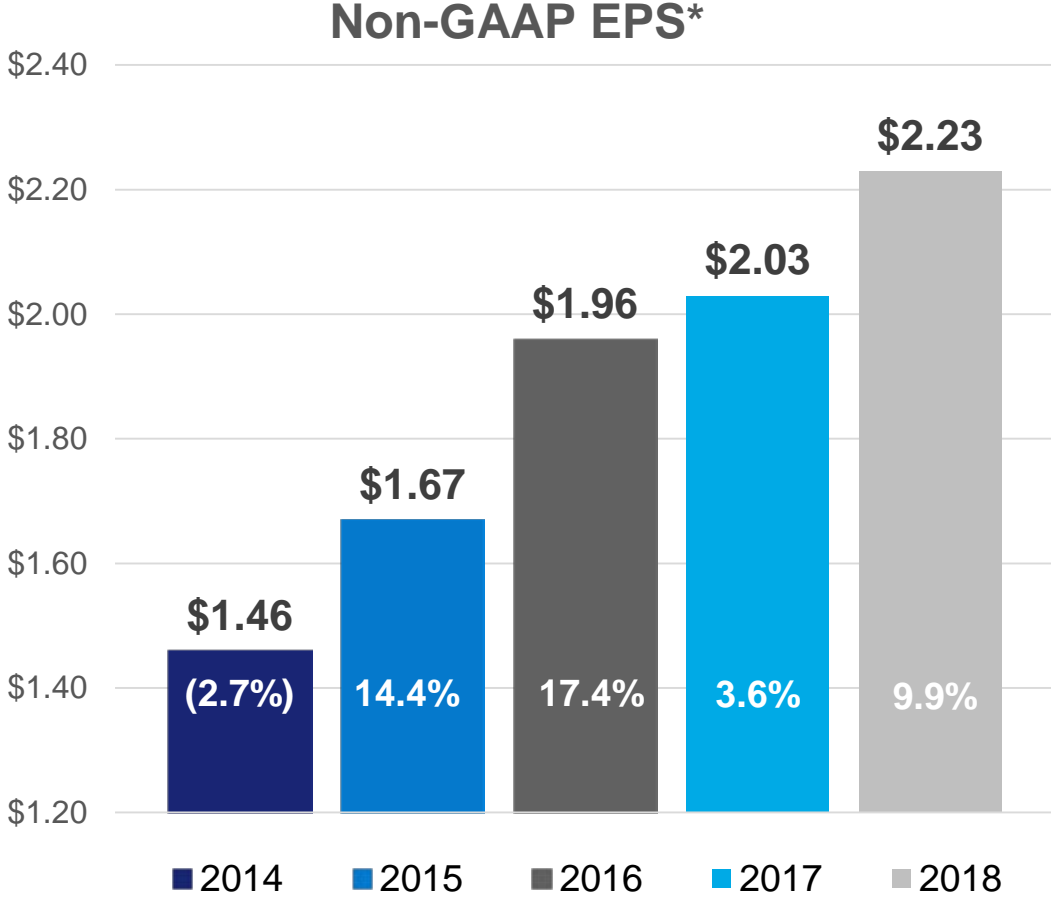
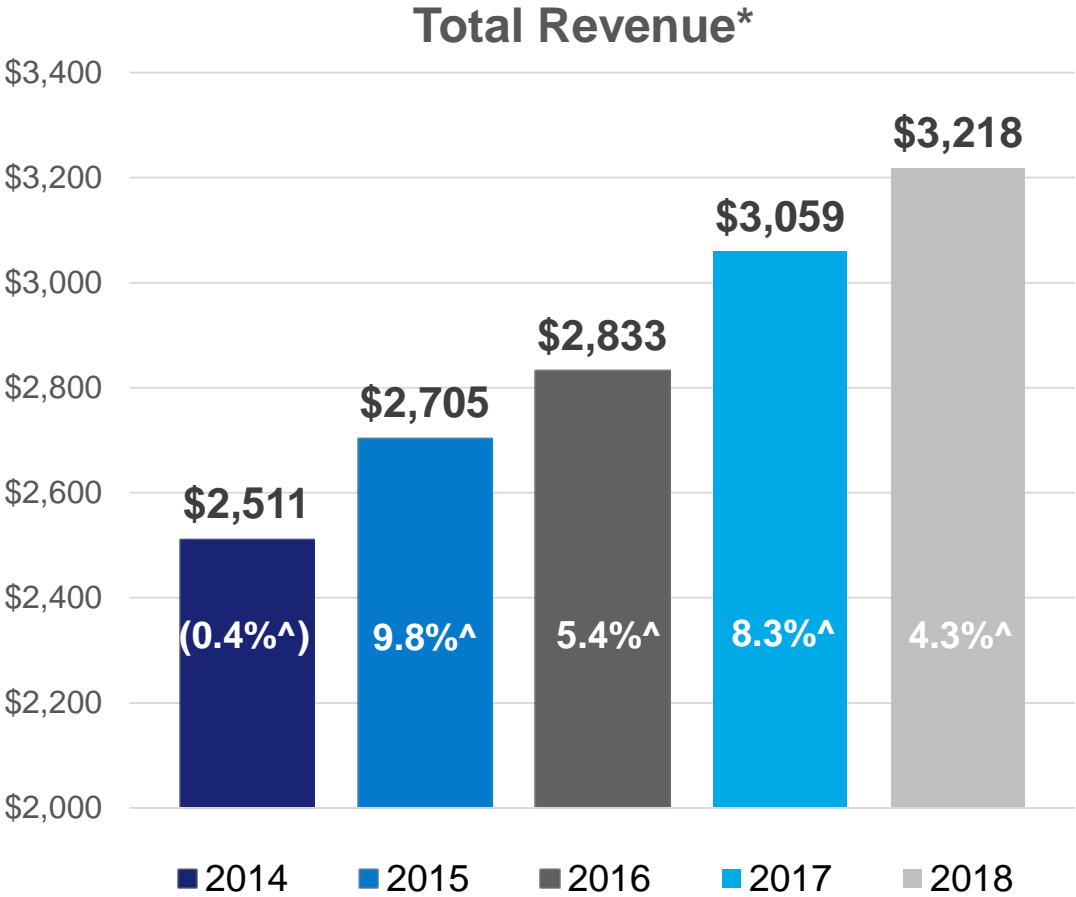
Divisional highlights

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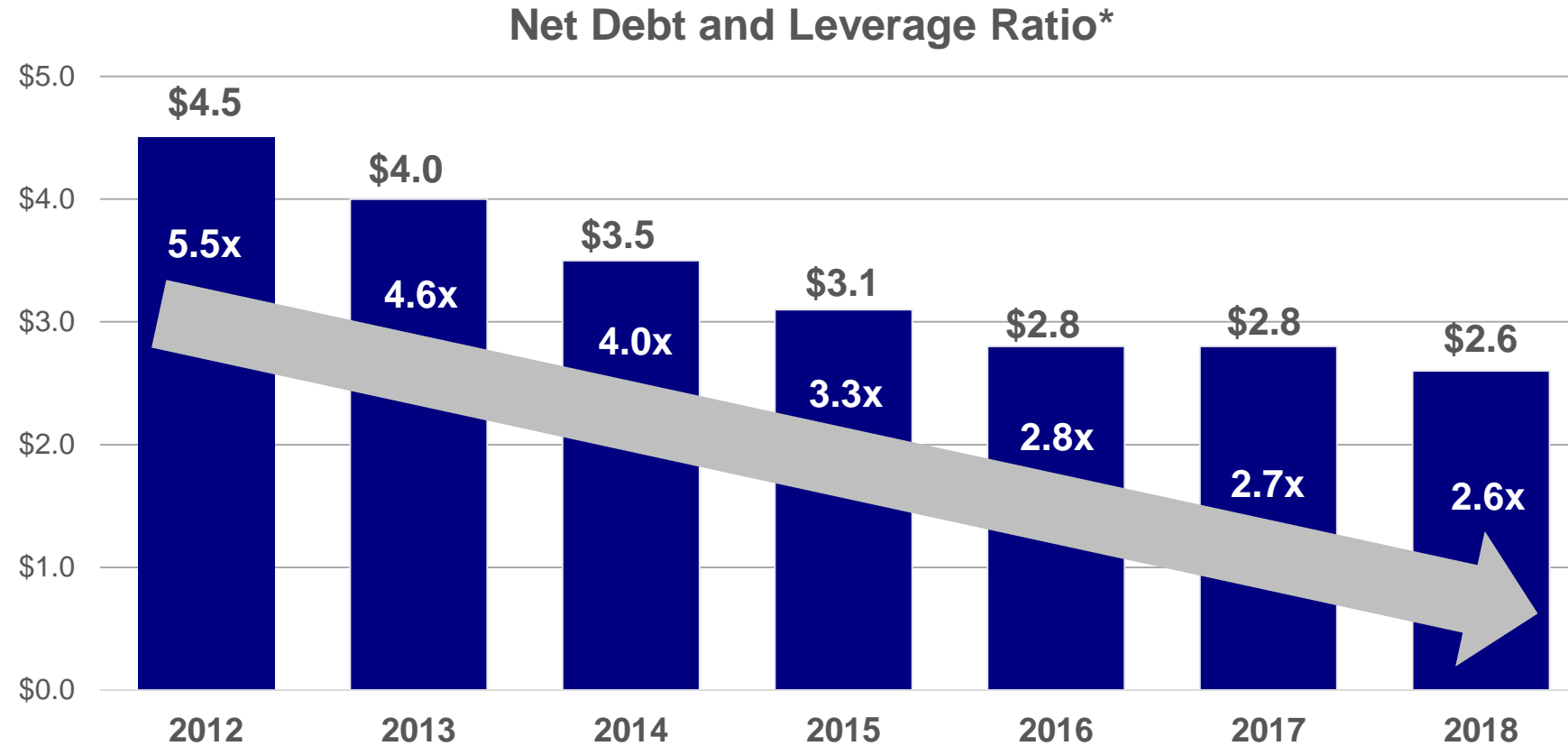
# Building a Track Record of Sustainable Growth

- From 2014 to 2018, revenue CAGR of 6.4%\* and EPS of 11.2%\*



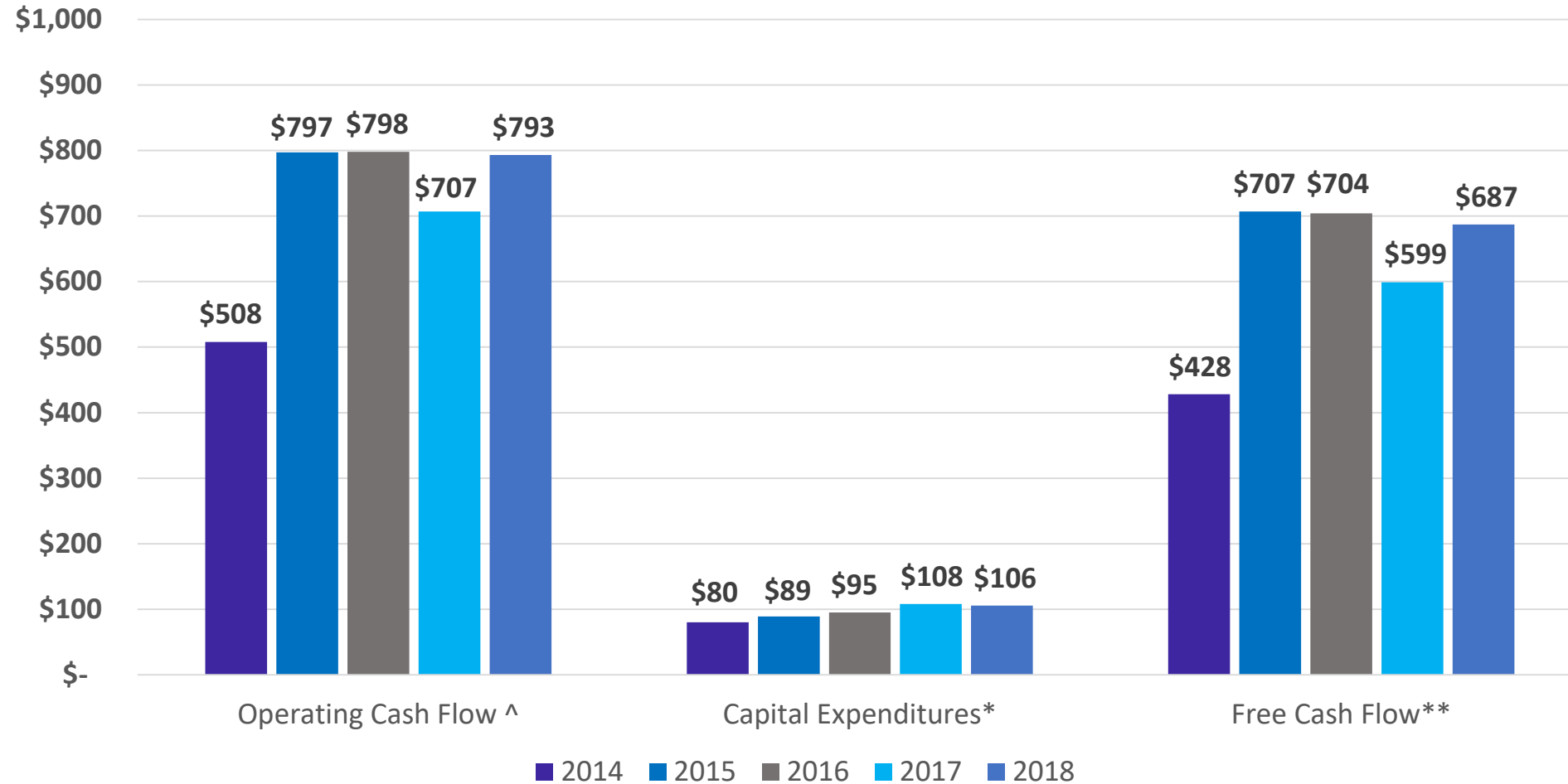
\* Total non-GAAP revenue growth in millions. As reported with the exception of FY14, which excludes ~\$20 million one-time revenue from restructuring of Roka license. Non-GAAP EPS as reported with the exception of FY14, which excludes ~\$0.05 one-time contribution from restructuring of Roka license.  
 ^ Constant currency growth. FY'17 and '18 results include contributions from the divested blood screening business and the acquired Cynosure business, which also affect growth rates.

# Strong Balance Sheet



\* Net debt is total debt minus cash; leverage ratio is principal debt minus cash to TTM adjusted EBITDA.

# Strong Cash Flows and Minimal Capex



^ Operating cash flows are adjusted for the impact of \$649.5 million of taxes paid related to the gain on the divestiture of our blood screening business and \$48.8 million of convertible notes tax recapture in FY'17, and \$60 million of convertible notes tax recapture in FY'18.

\* Capital expenditures calculated as the sum of purchase of property and equipment and expenditures due to increase in equipment under customer usage agreements.

\*\* Free cash flow defined as operating cash flows less capital expenditures



# Revenue Highlights 4Q18

Non-GAAP			
Revenue (\$M)	4Q18	Reported $\Delta$ vs. 4Q17	CC $\Delta$ vs. 4Q17
<b>Diagnostics*</b>	\$288.9	(1.0%)	(0.5%)
<b>Breast Health</b>	\$322.2	7.1%	7.4%
<b>Medical Aesthetics</b>	\$70.6	(13.3%)	(12.9%)
<b>GYN Surgical</b>	\$107.4	2.6%	3.1%
<b>Skeletal Health</b>	\$24.4	0.8%	1.4%
<b>Total Revenue</b>	\$813.5	1.3%	1.7%
<b><i>Total Revenue ex. Blood</i></b>	\$800.6	2.0%	2.4%
<b>US</b>	\$615.1	0.3%	0.3%
<b>OUS</b>	\$198.4	4.5%	6.3%

\* Includes contributions from divested blood screening business. Excluding blood, Diagnostics sales increased 0.8% on a reported basis, or 1.4% in constant currency.

# Financial Overview 4Q18

Non-GAAP		
\$M, except EPS	4Q18*	Δ vs. 4Q17
Revenues	\$813.5	1.3%
<i>Revenues ex. Blood</i>	\$800.6	2.0%
Gross Margin	61.8%	(230 bps)
Operating Expenses	\$265.9	(3.6%)
Operating Margin	29.1%	(70 bps)
Net Income	\$158.6	10.7%
Diluted EPS	\$0.58	16.0%
EBITDA	\$263.2	0.2%

\*Includes contributions from divested blood screening business.

# 2019 Financial Guidance

Full Year (Non-GAAP*)				1Q (Non-GAAP*)		
	2019 Guidance	Reported vs. 2018	CC vs. 2018	1Q19 Guidance	Reported vs. 1Q18	CC vs. 1Q18
<b>Revenues</b>	\$3,290 - \$3,335	2.2% – 3.6%	2.8% – 4.2%	\$800 - \$815	1.1% – 3.0%	1.6% – 3.5%
<b>Diluted EPS</b>	\$2.38 – \$2.42	6.7% – 8.5%		\$0.55 – \$0.57	0.0% – 3.6%	

\* Dollars in millions. Guidance provided by press release on 11/7/18. Presentation here is not, and should not be construed as, re-affirmation of guidance. Guidance assumes diluted shares outstanding of approximately 276 million for the full year and an annual effective tax rate of approximately 23%.

November 2018

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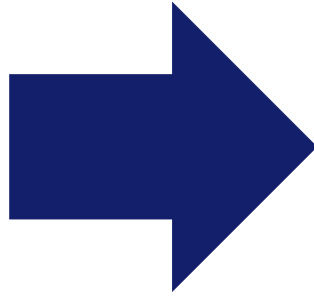
# Capital Deployment Priorities

- Expect free cash flow of approximately \$700 million in FY19\*
- Business development
  - Tuck-in acquisitions such as Faxitron and Focal
    - » Accretive to revenue, EPS growth rates
    - » Attractive ROIC
    - » Leveraging existing sales channels
- Opportunistic share repurchases
  - \$411.5 million remaining on board authorization

\* Excluding one-time items such as acquisition-related tax payments and legal settlements.

# Conclusion: Hologic Investment Thesis

- Unique leadership positions across range of women's health businesses
  - Mammography
  - Molecular diagnostics
  - Cytology
  - GYN surgical
  - Medical aesthetics
- Significant opportunity for international expansion
- Improving R&D pipeline



- Building track record of sustainable top- and bottom-line growth
- Strong profit margins
- Strong cash flows, healthy balance sheet and improving ROIC

# HOLOGIC<sup>®</sup>



## Building a Track Record of Sustainable Growth

For more information:

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# Financial Appendix

# Capitalization as of Q4 FY18

	Amount	Leverage	Coupon	Tranche Rating	Call Date	Maturity
Cash & Equivalents	667					
Revolving Facility (\$1,500 million)	300		L + 150	Ba1 / BBB-		10/03/22
Term Loan	1,463		L + 150	Ba1 / BBB-		10/03/22
Securitization program	225		L + 70	NA		04/19/19
<b>Total Secured Debt</b>	<b>1,988</b>	<b>1.9x</b>				
Senior Unsecured Notes - 2025	950		4.375%	Ba3 / BB-	10/15/20	10/15/25
Senior Unsecured Notes - 2028	400		4.625%	Ba3 / BB-	02/01/23	02/01/28
<b>Total Guaranteed Debt</b>	<b>3,338</b>	<b>3.2x</b>				
<b>Total Debt</b>	<b>3,338</b>	<b>3.2x</b>				
<i>Net Debt</i>	<i>2,671</i>	<i>2.6x</i>				
LTM Adjusted EBITDA	1,031					
Corporate Rating	Ba2 / BB+					



# Business Segments Revenue Detail (unaudited)

\$s in millions						
	Fiscal Year 2017					
	1Q17 12/31/16	2Q17 4/01/17	3Q17 7/01/17	4Q17 9/30/17	Full Year	% of Revenue
<b>Business Segment Revenues</b>						
Cytology & Perinatal	\$120.3	\$115.6	\$121.0	\$120.2	\$477.1	15.6%
Molecular Diagnostics	139.9	142.1	144.1	153.5	579.5	18.9%
Blood Screening	65.2	38.3	19.0	18.0	140.5	4.6%
<b>Total Diagnostics</b>	<b>\$325.4</b>	<b>\$296.0</b>	<b>\$284.1</b>	<b>\$291.7</b>	<b>\$1,197.1</b>	<b>39.1%</b>
Breast Imaging	\$226.7	\$234.0	\$236.5	\$255.5	\$952.6	31.1%
Interventional Breast Solutions	44.6	44.3	45.0	42.3	176.2	5.8%
Other	2.0	2.2	2.2	3.1	9.6	0.3%
<b>Total Breast Health</b>	<b>\$273.3</b>	<b>\$280.5</b>	<b>\$283.7</b>	<b>\$300.9</b>	<b>\$1,138.3</b>	<b>37.2%</b>
Body	-	\$3.6	\$36.7	\$22.2	\$62.4	2.0%
Skin	-	\$6.9	\$45.4	32.6	\$85.0	2.8%
Women's Health / Other	-	\$5.5	\$28.0	26.6	\$60.1	2.0%
<b>Total Medical Aesthetics</b>	<b>-</b>	<b>\$16.0</b>	<b>\$110.0</b>	<b>\$81.4</b>	<b>\$207.5</b>	<b>6.8%</b>
GYN Surgical	\$114.8	\$101.1	\$106.5	\$104.7	\$427.1	14.0%
Skeletal Health	\$20.9	\$21.8	\$21.8	\$24.2	\$88.8	2.9%
<b>Total Revenues</b>	<b>\$734.4</b>	<b>\$715.4</b>	<b>\$806.1</b>	<b>\$802.9</b>	<b>\$3,058.8</b>	

# Business Segments Revenue Detail (unaudited)

\$s in millions						
	Fiscal Year 2018					
	1Q18 12/30/17	2Q18 3/30/18	3Q18 6/30/18	4Q18 9/29/18	Year to Date	% of Revenue
<b>Business Segment Revenues</b>						
Cytology & Perinatal	\$123.4	\$117.7	\$121.1	\$118.0	\$480.3	14.9%
Molecular Diagnostics	148.6	150.7	154.5	158.0	611.8	19.0%
Blood Screening	12.6	11.3	18.6	12.9	55.4	1.7%
<b>Total Diagnostics</b>	<b>\$284.6</b>	<b>\$279.7</b>	<b>\$294.3</b>	<b>\$288.9</b>	<b>\$1,147.4</b>	<b>35.7%</b>
Breast Imaging	\$233.6	\$247.2	\$254.3	270.7	\$1,005.9	31.3%
Interventional Breast Solutions	52.1	49.7	51.0	48.9	201.7	6.3%
Other	2.3	3.2	2.6	2.6	10.7	0.3%
<b>Total Breast Health</b>	<b>\$288.0</b>	<b>\$300.1</b>	<b>\$307.9</b>	<b>\$322.2</b>	<b>\$1,218.2</b>	<b>37.9%</b>
Body	\$21.9	\$20.0	\$22.8	\$16.8	\$81.4	2.7%
Skin	\$40.6	40.2	41.2	33.3	155.3	5.1%
Women's Health / Other	\$28.8	25.3	27.7	20.5	102.3	3.4%
<b>Total Medical Aesthetics</b>	<b>\$91.3</b>	<b>\$85.5</b>	<b>\$91.7</b>	<b>\$70.6</b>	<b>\$339.1</b>	<b>11.2%</b>
GYN Surgical	\$107.5	\$99.4	\$107.7	\$107.4	\$422.0	13.1%
Skeletal Health	\$19.7	\$24.6	\$22.5	24.4	\$91.2	2.8%
<b>Total Revenues</b>	<b>\$791.1</b>	<b>\$789.3</b>	<b>\$824.0</b>	<b>\$813.5</b>	<b>\$3,217.9</b>	

# Reconciliation of GAAP to Non-GAAP (unaudited)

\$s in millions, except earnings per share

	Three Months Ended	
	September 29, 2018	September 30, 2017
<b>GROSS PROFIT</b>		
GAAP gross profit	\$421.1	\$417.9
Adjustments:		
Amortization of intangible assets	80.5	79.2
Incremental depreciation expense	0.1	0.2
Integration/consolidation costs	-	0.1
Fair value write-up of acquired inventory	1.1	17.4
Non-GAAP gross profit	<b>\$321.9</b>	<b>\$308.5</b>
<b>GROSS MARGIN PERCENTAGE</b>		
GAAP gross margin percentage	51.8%	52.0%
Impact of adjustments above	10.0%	12.1%
Non-GAAP gross margin percentage	<b>61.8%</b>	<b>64.1%</b>
<b>OPERATING EXPENSES</b>		
GAAP operating expenses	\$321.9	\$308.5
Adjustments:		
Amortization of intangible assets	(14.8)	(15.2)
Incremental depreciation expense	(0.7)	(2.9)
Transaction expense	(1.1)	(0.5)
Non-income tax (charge) benefit	-	(6.7)
Integration/consolidation costs	(1.8)	(4.9)
Restructuring and divestiture charges	(2.8)	(2.5)
Impairment of intangible asset	-	-
Impairment of goodwill	-	-
Gain on sale of businesses	-	-
Non-GAAP operating expenses	<b>\$265.9</b>	<b>\$275.8</b>
<b>OPERATING MARGIN</b>		
GAAP income from operations	\$99.2	\$109.4
Adjustments to gross profit as detailed above	81.7	96.9
Adjustments to operating expenses as detailed above	56.0	32.7
Non-GAAP income from operations	<b>\$236.9</b>	<b>\$239.0</b>

Continued on next page

November 2018

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# Reconciliation of GAAP to Non-GAAP (unaudited)

\$s in millions, except earnings per share

	Three Months Ended	
	September 29, 2018	September 30, 2017
<b>OPERATING MARGIN PERCENTAGE</b>		
GAAP operating margin percentage	12.2%	13.6%
Impact of adjustments above	16.9%	16.2%
Non-GAAP operating margin percentage	29.1%	29.8%
<b>INTEREST EXPENSE</b>		
GAAP interest expense	\$34.3	\$36.1
Adjustments: Non-cash interest expense relating to convertible notes	-	(3.4)
Interest expense relating to Cynosure dissenting shareholders	-	1.5
Debt transaction costs	-	-
Non-GAAP interest expense	\$34.3	\$34.2
<b>PRE-TAX INCOME</b>		
GAAP pre-tax earnings	\$71.3	\$72.4
Adjustments to pre-tax earnings as detailed above	137.7	131.5
Debt extinguishment loss	-	-
(Gain) loss on sale of available-for-sale marketable securities	-	-
Unrealized gains on forward foreign currency contracts	(2.2)	3.6
Other charges	1.1	-
Non-GAAP pre-tax income	\$207.9	\$206.1
<b>NET INCOME</b>		
GAAP net income	\$50.5	\$82.7
Adjustments to GAAP net income as detailed above	134.4	133.7
Discrete impact of tax reform	8.3	-
Income tax effect of reconciling items <sup>2</sup>	(34.6)	(73.2)
Non-GAAP net income	\$158.6	\$143.2
<b>EARNINGS PER SHARE</b>		
GAAP earnings per share – Diluted	\$0.18	\$0.29
Adjustments to net earnings (as detailed below)	0.40	0.21
Non-GAAP earnings per share – Diluted <sup>1</sup>	\$0.58	\$0.50
<b>ADJUSTED EBITDA</b>		
Non-GAAP net income	\$158.6	\$143.2
Interest expense, net, not adjusted above	32.4	33.7
Provision for income taxes	49.3	62.9
Depreciation expense, not adjusted above	23.0	22.9
Adjusted EBITDA	\$263.3	\$262.7

<sup>1</sup>Non-GAAP earnings per share was calculated based on 274,981 and 284,741 weighted average diluted shares outstanding for the twelve months ended September 29, 2018 and September 30, 2017 respectively. <sup>2</sup>To reflect an annual effective tax rate of 23.0% and 30.5% on a non-GAAP basis for fiscal 2018 and 2017, respectively.

# Reconciliation of GAAP to Non-GAAP (unaudited)

\$s in millions, except earnings per share

	Years Ended	
	September 29, 2018	September 30, 2017
<b>GROSS PROFIT</b>		
GAAP gross profit	\$1,696.7	\$1,621.0
Adjustments:		
Amortization of intangible assets	319.4	297.1
Incremental depreciation expense	0.6	1.0
Integration/consolidation costs	0.6	0.9
Fair value write-up of acquired inventory	1.1	39.7
Non-GAAP gross profit	<b>\$2,018.4</b>	<b>\$1,959.7</b>
<b>GROSS MARGIN PERCENTAGE</b>		
GAAP gross margin percentage	52.7%	53.0%
Impact of adjustments above	10.0%	11.1%
Non-GAAP gross margin percentage	<b>62.7%</b>	<b>64.1%</b>
<b>OPERATING EXPENSES</b>		
GAAP operating expenses	\$1,934.6	\$250.8
Adjustments:		
Amortization of intangible assets	(59.3)	(62.5)
Incremental depreciation expense	(7.4)	(4.6)
Transaction expense	(2.5)	(23.2)
Non-income tax (charge) benefit	4.0	(23.1)
Integration/consolidation costs	(3.5)	(18.9)
Restructuring and divestiture charges	(14.2)	(13.3)
Impairment of intangible asset	(47.7)	-
Impairment of goodwill	(685.7)	-
Gain on sale of businesses	-	899.7
Non-GAAP operating expenses	<b>\$1,083.5</b>	<b>\$1,004.9</b>
<b>OPERATING MARGIN</b>		
GAAP income from operations	\$(237.9)	\$1,370.2
Adjustments to gross profit as detailed above	321.7	338.7
Adjustments to operating expenses as detailed above	851.1	(754.1)
Non-GAAP income from operations	<b>\$934.9</b>	<b>\$954.8</b>

Continued on next page

November 2018

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# Reconciliation of GAAP to Non-GAAP (unaudited)

\$s in millions, except earnings per share

	Years Ended	
	September 29, 2018	September 30, 2017
<b>OPERATING MARGIN PERCENTAGE</b>		
GAAP operating margin percentage	(7.4%)	44.8%
Impact of adjustments above	36.5%	(13.6%)
Non-GAAP operating margin percentage	29.1%	31.2%
<b>INTEREST EXPENSE</b>		
GAAP interest expense	\$148.7	\$153.2
Adjustments: Non-cash interest expense relating to convertible notes	(3.5)	(17.9)
Interest expense relating to Cynosure dissenting shareholders	-	-
Debt transaction costs	(4.3)	-
Non-GAAP interest expense	\$140.9	\$135.3
<b>PRE-TAX INCOME</b>		
GAAP pre-tax earnings	\$(418.6)	\$1,230.5
Adjustments to pre-tax earnings as detailed above	1,180.6	(397.5)
Debt extinguishment loss	45.9	3.2
(Gain) loss on sale of available-for-sale marketable securities	0.6	(5.6)
Unrealized gains on forward foreign currency contracts	(6.6)	2.6
Other charges	1.1	-
Non-GAAP pre-tax income	\$803.0	\$833.2
<b>NET INCOME</b>		
GAAP net income	\$(111.3)	\$755.5
Adjustments to GAAP net income as detailed above	1,101.5	(397.3)
Discrete impact of tax reform	(346.2)	-
Income tax effect of reconciling items <sup>2</sup>	(25.7)	220.7
Non-GAAP net income	\$618.3	\$578.9
<b>EARNINGS PER SHARE</b>		
GAAP earnings per share – Diluted	\$(0.40)	\$2.64
Adjustments to net earnings (as detailed below)	2.63	(0.61)
Non-GAAP earnings per share – Diluted <sup>1</sup>	\$2.23	\$2.03
<b>ADJUSTED EBITDA</b>		
Non-GAAP net income	\$618.3	\$578.9
Interest expense, net, not adjusted above	134.6	131.5
Provision for income taxes	184.7	254.1
Depreciation expense, not adjusted above	93.6	84.0
Adjusted EBITDA	\$1,031.2	\$1,048.5

<sup>1</sup>Non-GAAP earnings per share was calculated based on 277,850 and 285,653 weighted average diluted shares outstanding for the twelve months ended September 29, 2018 and September 30, 2017 respectively. <sup>2</sup>To reflect an annual effective tax rate of 23.0% and 30.5% on a non-GAAP basis for fiscal 2018 and 2017, respectively.