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# EDITED TRANSCRIPT

HOLX.OQ - Hologic Inc at Jefferies Global Healthcare Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Karleen Oberton** *Hologic Inc - Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Tycho Peterson** *Jefferies - Analyst*

## PRESENTATION

**Tycho Peterson** - *Jefferies - Analyst*

Okay. We're going to kick it off. I'm Tycho Peterson from the life sciences team. It's my pleasure to introduce Hologic. Thank you for joining us, Karleen.

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Thanks for having me. Great to be here.

## QUESTIONS AND ANSWERS

**Tycho Peterson** - *Jefferies - Analyst*

I'm going to go to the elephant in the room to start just on the Financial Times that called. Any comments you're willing to make just on some of the noise that's been out there in the market?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. Unfortunately, Tycho, like most public companies, we don't comment on rumors or speculation. What I will say is, Steve and I and the rest of the leadership team are focused on running the business and clearly focused on delivering Q3 and the balance of '25 and setting ourselves up for a solid '26.

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**Tycho Peterson** - *Jefferies - Analyst*

So maybe just thinking about the core business. Wondering if you can maybe just give us a walk-through on diagnostics, breast health, GYN surg and Skeletal and how you're feeling about each of those given the macro right now.

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Sure. So let me start off with our largest division is our Diagnostics division, which is a combination of both our cytology business, which is screening for cervical cancer, in our Molecular Diagnostics business, which is the most significant piece of that portfolio is the women's health portfolio and screening for STDs and vaginitis.

So when we think about cytology business, that has historically been a flattish to low single-digit grower macro perspective, a little bit of a headwind there as it relates to China. That was the largest piece of our China business. I think we've significantly derisked China in the back half of '25 with our latest guide given that the tariff implication as well as an anti-American sentiment in the cytology product, there's plenty of local competition for that or alternatives for that product.

In our Molecular business, really, growth has been led by our molecular business has been a steady high single-digit grower, really, in recent years led by our BV CV, our vaginitis assay as well as Biotheranostics, an acquisition we did back in '21, which was our step into specialty diagnostics in the Breast Cancer Index test.

A little bit of a headwind right now with the Molecular business, specifically our HIV business with the ceasing of funding of USAID. That was about a business that we had in Africa. It was about a \$50 million annual business. And again, we've derisked that and assume that doesn't come back in the back half of '25.

But again, the Molecular business with the proliferation of Panther placements, we feel really good about that business and driving utilization on that significant installed base.

In breast, our breast business really starts with breast cancer screening. We also have biopsy and surgical options within that business. It had a little bit of a struggle in the last couple of quarters with that business with lower gantry placements, and that comes after significant placements in late '23 and most of '24, given the chip supply shortage we had prior to that. Excited about a recent acquisition in breast business, the Endomagnetics acquisition, off to a good start on that one.

And then finally, Surgical, our Surgical business is focused on treating abnormal uterine bleeding and fibroids. I think we're dominant in the market for treatment of fibroids and expanding that portfolio recently with the addition of Gynesonics, which allows us to treat some larger fibroids. So those are the major components of the business, Tycho.

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**Tycho Peterson** - Jefferies - Analyst

Great. Maybe I'll start with the Breast Health business. I think I originally started covering you when it was analog and then you went digital, and then you went 2D and 3D. So you've had a lot of kind of step functions in terms of innovation in the market. You're still dominant, 70% to 80% market share.

I guess, a couple of questions. I mean, yes, that business has been a little bit slower lately. Can you just get us comfortable that it was a function of some of the placements prior and it's not a competitive issue? Yes, that's one question people are asking.

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes, definitely not a competitive issue. The metrics, the win-loss metrics that we monitor are very stable. I think this was a little bit of, again, coming off an outsized year in '24, a little bit of poor execution on our part. We've addressed that new lead-up bifurcation of the sales force. We now have dedicated teams on the large gantry sales, the capital sales and then a portion of the sales force focused on the kind recurring procedure driven biopsy and surgical procedures.

We have tightened up our processes as well. And so the metrics that we monitor for gantry placements, we see them as improving. We believe that Q3 will have higher placements than we did in Q2. And in Q4, we'll do better than we did in Q3.

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**Tycho Peterson** - Jefferies - Analyst

And maybe just talk about the rationale for bifurcating the sales force between capital and disposables. And then you've also tried a refresh end-of-life strategy for your older gantries.

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Sure, sure. So think about the capital sale is a much longer sales cycle, typically is engaging with the C-suite as part of that, typically financing as part of the discussion versus the biopsy and surgical is more procedure-driven where you actually might be in the OR with the physician, helping with the use of the equipment and teaching. So different time commitments and sales cycle. So that's why we thought the focus in each would be better.

We've also -- to the end-of-life strategy, we've identified about 2,000 units out there that we have stratified that population. We have incentives internally for our sales teams as well as incentives for our customers, both with bundling and some pricing to drive conversion to newer gantries over the next two years.

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**Tycho Peterson** - *Jefferies - Analyst*

And when you're talking pricing, is it kind of trade in? Or are there things like increasing the price on service on the older systems that you can do, too?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. Probably all of that, and then some software that we could bundle, I think, will help incentivize some of the turnover.

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**Tycho Peterson** - *Jefferies - Analyst*

And then can you maybe just confirm the latest timing on Envision in terms of the launch, still back half of this year? I mean, it's a '26 driver, I know, but how do we think about one?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So I think the official launch is in '26, and I would view that as the initial launch is certainly going to be targeted at the folks that participated in our clinical trials and then some of our research and academic centers that really want that latest and greatest equipment will be the initial target.

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**Tycho Peterson** - *Jefferies - Analyst*

And pricing, it's a premium product. I mean, how do you think about the ability to get a premium product out there in this environment?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. Well, I think we already do. I mean, our current gantry is a premium offering compared to the competition. I think what customers will see is that some of the software upgrades and enhancements that are available today are going to be standard functionality and warrant that uptick in pricing as well as the workflow enhancements that this unit will have.

So I think there's a lot -- we did showcase this at RSNA. There was lots of positive feedback. So I think that's what gives us confidence that we'll be able to attract to pricing.

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**Tycho Peterson** - *Jefferies - Analyst*

And I guess, because you had shown it at RSNA, how much of what you're seeing now is customers holding off ahead of the launch?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

It's not a lot of noise. There could be a little bit of that. I think right now, in this moment, it's more of our execution on that end-of-life strategy.

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**Tycho Peterson** - Jefferies - Analyst

And then you mentioned Endomagnetics. I think it was \$10 million in the quarter, down a little bit from the first quarter. Is that seasonality? And how do we think about kind of full year? I think you talked about \$50 million potentially previously.

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes, I still feel good about the full year. I think there's a couple of components to the step down Q2 versus Q1. So think about Q1, in the US, it was still being sold through a distributor. That probably had a solid push at the end of the calendar year. We went direct in our Q2, ramping up that sales force as well as we had a buyback some inventory that the distributor had, which was recorded as a reduction of revenue.

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**Tycho Peterson** - Jefferies - Analyst

And how do you feel about the Breast Health portfolio overall now? You've done a nice job obviously moving beyond gantries into interventional and software as well. Do you feel like you've got a complete portfolio today?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. I think we've had the strategy of innovating both organically and inorganically across what we call the patient continuum of care. So from breast cancer perspective, it starts with the screening, with the gantry. If women has something suspicious, she moves on to biopsy. And then if it's malignant, she goes on to surgery.

And so I think we've had, again, both organic and inorganic investments that allows us to treat the patient across that continuum. I think we could see other investments, whether it's in AI or other enhancements, but happy about the recent Endomagnetics acquisition, and I think that will perform well.

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**Tycho Peterson** - Jefferies - Analyst

Maybe last one on just Breast Health. As we think about Envision, I think it was fairly easy for investors to kind of appreciate analog to digital, 2D to 3D. What's kind of the step function in innovation around Envision?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. So I think what you'll see is, again, the software is going to be standard. It's going to have an even shorter scan time than the current gantry that we have and think about one of the reasons that women doesn't go to get a mammogram is the pain that's caused by the compression. So to the extent we can shorten that scan time, that is beneficial.

There's workflow enhancements as well. And finally, the arm that captures the image is, actually, we'll be able to tilt forward. And so think about one in seven women can't stand up right to tolerate the mammogram. So this will address that community as well.

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**Tycho Peterson** - Jefferies - Analyst

Maybe shifting over to tariffs for a second. You've talked about, I think, '25, \$20 million, \$25 million hit per quarter. You've got mitigation efforts, supply chain pricing. Maybe talk about where you are on those mitigation efforts and how you think about that for the rest of the year.

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. So I think the \$20 million to \$25 million, I would characterize as a worst-case scenario. Obviously, the dynamics on tariffs change every day. But the majority, about two-thirds of that \$20 million to \$25 million relates to products coming out of Costa Rica, which is about -- which is that 10% across the board, tariff, which seems to be quite sticky.

But the teams are evaluating what we can do with products and IP flow to mitigate some of that. And I think we are positioned at our Q3 earnings call to give an update on the mitigated exposure.

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**Tycho Peterson** - Jefferies - Analyst

And then you did bring down China guidance by about \$20 million to \$50 million. You talked about tariffs and then you mentioned earlier here the competition in cytology. Maybe talk a little bit about, are these structural issues? And how you're thinking about the go-forward strategy in China?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. So we are pretty under-indexed in China, only about 2% of our revenue heading into fiscal '25. As we headed into the year, we were estimating roughly a \$60 million to \$70 million annual business. Based on the tariffs, based on the nature of our products in that market, there's plenty of healthy local competition.

We have derisked that to about a \$30 million annual business. But we have some commercial capabilities still there on the ground. If the geopolitical environment changes, we'll be able to ramp back up.

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**Tycho Peterson** - Jefferies - Analyst

And then maybe just thinking about the overall guide for this year. You've got a step-up back to growth in the fourth quarter, 5% from down 2.5% to 3.5% in the third quarter. What gives you confidence in that kind of step-up?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. So one of it is clearly is the recovery in the Breast Health business. I talked about the sequential improvement in gantry placements. That's going to be one of the larger components. We're kind of going off softer comps in the Surgical and Skeletal business. And then we'll have Endomagnetics will be part of the organic growth rate in the fourth quarter.

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**Tycho Peterson** - Jefferies - Analyst

Cytology and perinatal, you had a good win with USPSTF, reaffirming co-testing. How do we think about kind of the longer-term outlook? What does it take to get back to kind of low single-digit growth in that business? Obviously ex- China is a little more robust.

**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So we're really pleased with the draft guidelines. Obviously, we believe that co-testing is the best answer for women's health that finds the most cancers. As we think about cytology, maintaining low single digit, one of the catalysts to that is going to be our recently launched genius digital cytology.

So think about today, cervical cancer screening is literally a cytologists standing over a microscope to assess the slide. We're going to have the ability to digitize that slide, that sample. And so that cytologists can read that sample anywhere on a laptop.

And then we're going to layer AI on that. So the ability to find more cancers and find them more rapidly. So the throughput is incredible. The increase in throughput, that innovation is providing. So I think that's going to be a catalyst for that business.

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**Tycho Peterson** - *Jefferies - Analyst*

And then on molecular, you had 8% growth in the last quarter. Again, BV, CV has been a good growth driver for you guys overall. Can you talk a little bit about how you think about continued menu build-out and the sustainability of the growth you're seeing?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So think about BV, CV, roughly 30 million women a year have BV, CV. Probably, only about half actually identified and treated. So there's an opportunity to educate physicians and drive more treatment. We have -- we would say that we're in the middle innings of adoption with the -- middle innings of the growth opportunity with BV, CV.

We've just recently turned on our physician's sales force. So this is a sales force that calls on the OB/GYN, that educates them on guidelines and screening for STDs. And we'll continue to educate on BV/CV to help drive that conversion of that market and have better testing for women.

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**Tycho Peterson** - *Jefferies - Analyst*

And do you see any kind of changes in that market competitively on BV, CV? I think Roche announced a high throughput launch. They're targeting CE Mark countries this year. How do you think about your moat?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So I think Roche launching OUS helps probably drive market awareness about BV, CV and probably creates an opportunity for us as well. I think we clearly have first mover advantage in the US in the conversion PAUSE from lab developed tests to high-throughput IVD. Again, we see several more years of growth opportunity with BV, CV.

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**Tycho Peterson** - *Jefferies - Analyst*

And I guess, longer-term pipeline for Molecular, what's most interesting and exciting beyond sexual health?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. Well, I think what's really interesting is the ability for us to continue to drive utilization that the menu that we do have. Right now, we have over 20 assays approved between Panther and Panther Fusion. We have assays like Amgen is a prevalent STD that's underscreened. So we'll, again, use our physician sales force to drive awareness of that, drive compliance to guideline testing.

We think about Biotheranostics is a part of the molecular portfolio, probably only about 12% penetrated with that. When we bought it, it was about \$30 million, \$35 million. It's over \$100 million assay. And so with that low penetration, we see that test driving growth as well.

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**Tycho Peterson** - Jefferies - Analyst

And is that sustainable double-digit growth in Biotheranostics? Maybe talk a little bit about how you think about the opportunity.

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. I think when we look out our strat horizon, so over the next five years, we see that continuing to be a double-digit growth. I think it's, again, underpenetrated, but there's also the opportunity to get enhanced indications. So think about that test right now is conducted three years post diagnosis of breast cancer. If we can get an indication of -- for testing at time at tumor removal.

So think about this is a test that tells whether a women will benefit from endocrine therapy. Endocrine therapy has significant side effects, unpleasant side effects. So if a woman's not going to benefit from even having that treatment, let's know that early on.

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**Tycho Peterson** - Jefferies - Analyst

And then I guess one of the themes I think during the pandemic was further decentralization point of care. How do you think about that trend longer term?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. So I think that, that trend really grows the market. When you think about STD screening in general, about 70% of that market is really asymptomatic. So that is a woman going for annual exam. She's at a certain age range and so -- and sexually active. So therefore, she should be screened for STDs. So I think point of care actually just grows the market.

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**Tycho Peterson** - Jefferies - Analyst

But how about kind of the proliferation of clinics, physician office? Where do you see Hologic playing a role down the road then?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. So again, we're mainly in the large reference lab right now. And from a cost perspective, again, because it's asymptomatic, I think that large reference lab is going to be the solution that from a closer to the patient, the cost and the time associated with that screening probably is not going to make economic sense.

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**Tycho Peterson** - Jefferies - Analyst

Maybe we can spend a minute on GYN and Surge. You talked about, I think, strong international traction. Maybe level set us on where we are with NovaSure, MyoSure, Fluent, and Accessa.

**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Sure. So the Internet, we have invested in market access and development capabilities internationally, and we're starting to see that benefit with Surgical where NovaSure here in the US is kind of a declining revenue, but it's growing really nicely outside the US as we introduce these options to these new geographies.

When we think about MyoSure, again, growing in the US, but growing double digits OUS as we bring them to these new markets. Accessa, growing faster than the core, but pretty small base at this point. And then we've added Gynesonics with the recent acquisition, and that really broadens out that fibroid portfolio.

So think about fibroids as categorized by size. So you have your MyoSure is going to treat your smaller fibroids, Gynesonics is going to treat your midsized fibroids. And then Accessa is going to treat your -- laparoscopically, your larger fibroids and those fibroids that are kind of on the outside of the uterine wall. So I think we're going to have a really great portfolio to treat fibroids.

And the reality is most women don't have fibroids treated or they wait. They wait on average, 3.5 years to be treated. And then unfortunately, the common treatment is a hysterectomy. So to the extent we can create awareness, both with physicians and patients about options of minimally invasive treatment of fibroids, I think there's an opportunity to grow those markets and drive better outcomes for women.

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**Tycho Peterson** - *Jefferies - Analyst*

And where is the NovaSure growth coming from outside the US? And I guess, how do you avoid some of the headwinds you faced in the US competition with hormonal therapy?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So I think Europe is the primary driver of NovaSure right now. I think in the US, it was really -- some of the headwinds was created with Obamacare in that IUDs became free. And so that became the first line of treatment, if you will, versus ablation.

So -- and I think what we're doing in the US is to create more awareness with physicians, how can we influence residency programs to get training on ablation techniques and create that as more of a second-line option for women in the treatment of heavy uterine bleeding.

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**Tycho Peterson** - *Jefferies - Analyst*

And it sounds like Gynesonics is -- it just closed, but it appears to be kind of meeting expectations out of the gate. Talk a little bit about integration. And what are you expecting for revenues this year?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So we expect that to be growing at double digits, so growing faster than the core. Integration is underway. I think we'll, probably within the next nine months, have that integration completed. Obviously, training the sales force to drop that in the bag is underway. And again, I think, looking for a nice contribution this year from that and significantly more in '26.

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**Tycho Peterson** - *Jefferies - Analyst*

And then maybe rounding it out on the portfolio, Skeletal, you had the stop ship headwind there, but then good growth this last quarter. So recovery, production ramping with third-party manufacturers. Are you kind of back on track there?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes, we're pretty much there. I think we've got our last version of the skeletal unit, the production is back up and just about at full scale.

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**Tycho Peterson** - *Jefferies - Analyst*

And so I guess, kind of rolling all that up, you had the 5% to 7% LRP. I know you've kind of backed off that a bit. But maybe just talk a little bit about how you're thinking about longer-term growth.

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So I think we -- a couple of months ago, we talked about the long-term outlook is mid-single-digit growth with earnings growing faster than that, likely double digit. And if we look across the portfolio, if we start with Diagnostics, clearly, Diagnostics is going to be at the stronger end of that growth outlook led by Molecular Diagnostics, as I talked about, continue to drive not only BV, CV and Biotheranostics, but utilization of the complete portfolio.

Cytology, again, a low single-digit growth outlook where you have being solidified or bolstered with the launch of our digital Genius product. When we look at Breast Health, we tend to think that Breast Health is going to be at the lower end of that mid-single digit as the largest component of revenue in Breast Health is our service revenue, which is tied to the installed base, but reoccurring in nature.

And then finally, Surgical, I think Surgical is going to be again towards the higher end of a mid-single-digit range as we see double-digit growth OUS, double-digit growth from Gynesonics and continued steady growth from the MyoSure and Fluent Fluid Management portfolio.

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**Tycho Peterson** - *Jefferies - Analyst*

And then maybe just touch on operating margins. I mean, we touched on the tariff dynamic here in the near term, but can you still achieve low 30% operating margins for this year? And talk about some of the levers, whether it's Costa Rica consolidation, expense control.

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes, sure. So I think as we think about the balance of '25, I think our guide certainly implies that we're still in the low 30s. I think, again, as we look forward, I think it's an issue of how much of the tariffs that we can mitigate. And again, we plan to give an update on that in Q3.

And I think we're always looking at network optimization. I think we've talked about over the past couple of years the consolidation of our Breast Health manufacturing within our Newark Delaware. We're starting to see the benefits of that.

We're always looking at opportunities to leverage Costa Rica. And I think international has been a place where we've been investing pretty significantly. And as we see that revenue growth can we drive more operating margin expansion with that -- with international.

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**Tycho Peterson** - *Jefferies - Analyst*

And is there a tax rate leverage down the road in the model? Or how do you think about that?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. I think, unfortunately, as we sit here today, current law, and there's the big beautiful bill that is in the works, the current law in Pillar 2 in the global minimum tax would put upward pressure on the rate as we move forward. But again, teams are looking at how do we mitigate that through our structures.

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**Tycho Peterson** - *Jefferies - Analyst*

And then I guess another one in near-term pricing dynamics. What's kind of baked in on the molecular side and particularly around pricing?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. I think in molecular, pricing is always a discussion. That's typically flattish, maybe down 1%. But I think what our opportunity -- what we do is we engage with our customers. And as customers want pricing benefits on their current portfolio, we drive more of the rest of our portfolio in that customer.

So we say: Okay, we'll give you discounting on the current portfolio, but why don't you add BV, CV to your molecular portfolio? And typically, the newer assays have more analytes and, therefore, typically have a higher price point. So that's how we manage it.

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**Tycho Peterson** - *Jefferies - Analyst*

And then maybe capital deployment. You've got, I think, \$1.6 billion cash. We talked about Endomagnetics, Gynesonics. How are you prioritizing bolt-on M&A, buybacks? And then you haven't really done a bigger deal since Cynosure. So what's the appetite to do something more?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

Yes. So I think we're really pleased with what we have done with Gynesonics and Endomagnetics. Clear tuck-ins on market products, where we're leveraging our commercial strength.

As we think about capital allocation holistically, really focused on deploying our free cash flow, which, on average, has been about \$1 billion a year. So have a pristine balance sheet that allows us to deploy that.

I think the priority will be M&A. Clearly, tuck-ins, maybe closer adjacencies and then share repurchase at a minimum to manage dilution and then a little more opportunistic as we see disconnects and valuation.

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**Tycho Peterson** - *Jefferies - Analyst*

And do you see divestitures as part of the strategy going forward?

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**Karleen Oberton** - *Hologic Inc - Chief Financial Officer*

I think we always look at our assets objectively to see if things should still fit together with us. I think at this point in time, there's nothing on the horizon in the near term that we see divesting.

**Tycho Peterson** - Jefferies - Analyst

Maybe a technology question. We've seen a proliferation of announcements around self-collection. This seems to be a trend, Quest, LabCorp have announced. You've got companies like Thales that are doing kind of at-home blood collection. How do you think about that as a trend? Does it help you? Does it hurt you?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. So I think sometimes, the devil is in the detail, but I think that indication for self-collection is really within the physician setting. So that is for a woman who cannot tolerate speculum exam. So think about that as then a vaginal sample. So that would be identifying disease that is shedding.

So think about the speculum exam as a cervical sample, which is going to always detect cancers earlier. So the best care for women, for all the women here and for the women that you love and you want them to have a cervical sample for cervical cancer screening. These at-home or someone who's collecting who is for someone who otherwise is not going to the doctors, it's better than nothing. But the best science, the best health care for women is a speculum exam.

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**Tycho Peterson** - Jefferies - Analyst

And you've seen the lab start to go more DTC in general. How do you think about that going directly to the consumers? Do you need to start doing more of that on your own, too?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

I don't think we need to do it on our own. I think we'll likely partner with labs to support that.

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**Tycho Peterson** - Jefferies - Analyst

Got it. I want to go back to the cytology question because you did talk about kind of competition in China. Is this a new phenomenon? Or has this been going on for a while?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

I don't think it's a new phenomenon. I think what is new is the anti-American sentiment and then the higher cost with tariffs. So I think there's always been local competition for the thin-prep PAP test. I think there is awareness that our test is superior to the original. It's not a knockoff, but the added anti-American sentiment and cost is -- put the pressure on there.

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**Tycho Peterson** - Jefferies - Analyst

Maybe in the closing minute or two, just a question on corporate morale. I mean, obviously, with some of the headlines, how do you kind of manage employees in this environment, given some of the speculation that's out there?

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**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Yes. I mean, I think we have a very highly engaged workforce, 7,000 employees worldwide. We do an annual engagement survey, and it's very strong, and 99 percentile for our purpose, our mission. I mean, people do rally around what we do. We are the ones out there championing women's health, and our employees are focused on that. I mean our message to our employees would be, we're here to do, to serve women's right, and so let's just do our job and that's the best thing that we can do every day.

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**Tycho Peterson** - Jefferies - Analyst

Great. I'll leave it at that. Thank you.

**Karleen Oberton** - Hologic Inc - Chief Financial Officer

Thank you.

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