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Hologic, Inc. (HOLX)

Morgan Stanley Healthcare Conference

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Hey, everyone. Good afternoon. My name is Tejas Savant and I'm on the Life Sciences team here at Morgan Stanley. Before we begin, for important disclosures, please see the Morgan Stanley Research Disclosure website at morganstanley.com/researchdisclosures. If you have any questions, do reach out to your sales rep. So it's my pleasure this afternoon to host Hologic. And speaking on behalf of the company, we have Chairman, President and CEO, Steve MacMillan. Thank you, Steve, for joining us today.

Maybe just to set the stage, can you talk about how fiscal 2024 has played out so far versus your initial expectations? Beyond the numbers, what do you view as your key accomplishments over the last 12 months or so?

Unverified Participant

Great. First, thanks for having us, Tejas. And I think as we think about 2025, we're very pleased the way it's playing out. We -- I remember when Karleen was presenting at our board meeting just about a year ago, presenting the budget, we said 2025 was going to be a year where we're just going to execute against our goals and show that all three of these franchises, R&D, bigger and stronger than they were going in. And because of the COVID spike and everything else, so much has gotten, you know, kind of mumbled and jumbled. So I'm really proud that we've just executed against what we said. And we thought, you know, over time it's back to, you know, the cream rise and people will see that. I think beyond the numbers and I appreciate you asking that, what I'm really excited about is the increasing organizational strength and I think especially when you look at our international business. And it's been one of those that's been a quiet transformation. But 10 years ago we were dealers. We had very little presence. And today around in all the key markets of the world, we have our own people on the ground and our own capabilities for product registration, reimbursement, sales, you know, things that sound simple but have been built over this last decade. And that's what's generating the above-market growth for all of those franchises. And candidly, the last part of that is also the organizational strength that we now have I think for our business development capabilities that I referenced in our last earnings call. We now have leaders with deeper domain knowledge. When you go back to when I came into Hologic, we kind of blew out a lot of people and brought in great leaders, but they didn't have the deep expertise in the areas. Today we have leaders with that deep knowledge, business development capabilities with that deep knowledge and a strong balance sheet that I think set us up for a really exciting future.

QUESTION AND ANSWER SECTION

Q

Got it. Fair enough. So, let's start with molecular diagnostics, Steve. You noted that your your Panther installed base is about 3,300 units now, still growing, but clearly your strategic focus is now driving utilization on that installed base. So can you talk a little bit about your portfolio and where are you seeing the most growth in the menu adoption side?

A

Sure. It's funny, I'm preparing because our fiscal year ends at the end of this month, I'm preparing for our sales meeting and I did a quick look back to remind myself where we were in 2014. And for perspective, in 2014, we had 500 Panthers placed around the world and we had four assays. Today we have 3,300 Panthers, so right, a sevenfold increase in the decade and over 20 assays. So the magic to a molecular diagnostics business is add more instruments, add more menu. And that's exactly what we've been doing. Now, in COVID time, it became less of a linear placements and we placed, you know, six years' worth in about two years. So now, the next chapter is really accelerating that adoption of the assays. And that's exactly what we're seeing. And when you, you know, that the biggest metric I keep pointing everybody to is just keep looking at that molecular diagnostics number and the reported revenue every quarter and how strong that continues to be. And I think that's what gives us so much excitement and proves, you know, I think that the null hypothesis during COVID was a bunch of these Panthers are being placed, they're all going to come back. They're being just used for COVID. We said, you know, again, only time, not talk. Only time and results are going to prove that out. And I think we've now had a number of quarters of very strong growth that we feel great about headed forward.

Q

Got it. Let's chat a little bit about just the breadth of the utilization you're seeing. I think you've talked about, you know, over a third of your customers are now using, you know, four-plus assays on the Panther. What's driven this increase and where do you see this number in steady state? And maybe just to frame the answer a little bit, what does the pie chart look like in terms of, you know, COVID/ respiratory versus SDI versus the rest?

A

Sure. A lot to unpack there. Let me have some fun with you and poke at the steady state. I don't think there is a steady state. So there will never -- you know, to me, you're either growing or you're dead. So we don't think in terms of -- now, where can this go? In the long run, you know, the perfect world is every Panther runs every assay. So that would be the ultimate goal. The likely, you know, that's never going to happen because, for example, you might have a customer that has 10 Panthers and they, you know, will have such specialty items for some of them. They would just use one Panther maybe for a few of the assays and the other, you know, eight or nine, you know, for the high volumes or this or that. But I think what we continue to feel is we're still in the early to mid innings. I think a broad message across so much of what we have, whether it's our international growth or even our menu adoption, is we're still in the earlier to mid innings. And by the way, we're going to be bringing even more menu in the years ahead. So I think we see that opportunity continuing to grow.

To your pie chart question, I think the -- you know, I don't think about it exactly that way as much as thinking about each business continue to grow. But I think the women's health portfolio will continue to be the bulk, I think, of that for many years to come because we also continue to bring new assays like BV CV to that. So I think that's always going to be the cornerstone of our business. But then as we've added virals, as we've gotten into respiratory -- and respiratory is still a little newer for us in terms of, you know, bigger volume and obviously COVID and everything else, you know, we'll see where that goes. And obviously, it's more variable than, you know, the core STIs. We love that just predictability, durability. And then we'll be getting into other assays. You know, we've talked about GI as other areas over time.

Q

Got it. So, you know, just double clicking on the BV CV/TV opportunity, right, I think it's north of \$100 million in annual revenue at this stage. I think you also said it was your your second largest assay now globally. How large could this opportunity be for Hologic over time, and what does the slope of that growth look like? I mean, is there anything you need to do to further sort of penetrate or commercialize in this opportunity?

A

Yeah, I think this is another one. I actually don't want to put a number on it because we're really creating and building a market. And I go back to probably the single biggest mistake I might have made when I came to Hologic is I never realized how big the existing businesses could be. I never imagined MyoSure would become a multi-hundred million dollar business. If you'd asked me, you know, my goal was make it as big as NovaSure someday. So I, I'm going to refrain from it, but having said that, it's clearly \$100-ish million north and I would say still in the earlier to mid innings. So we still see enormous potential ahead of that and it's largely just a US assay. We're assessing whether there's opportunities internationally or not, but even in the United States, tremendous runway ahead of us, i.e., I would call it years of growth that would be accretive to the company.

Q

Got it. Fair enough. On the on the COVID side of things, I think, you know, the 2024 outlook call for about \$70 million in COVID sales, about \$105 million in related and ancillary items or so. With COVID down in an endemic stage, how are you thinking about a reasonable run rate here? Probably not a number you want to stick your neck out on, especially when you initially guide for next year, so walk us through, you know, just the thought process.

A

Yeah, I think we've got to assume that COVID per se just continues to go down and eventually almost goes away. It's already lasted. You know, we said early on it's going to last longer than I think people think it'll be bigger and ultimately that's played out. But I think over time, particularly in our channels, right, the main lab channels, kudos to those who are in the near-patient and you know, all that. I mean, obviously, you know, our friends at Danaher doing an amazing job with that business. But for our business, we see it, you know, very much tickling, you know, trending down. You know, our initial guide for next year will probably call for very little and it just continues to decline. The flip side is it has given us a presence into respiratory so, our four-plex and other things. And again, harder to predict flu seasons, you know, we're really good at understanding these -- the core businesses, these

ones that are a little more volatile. Again, those would be things we wouldn't necessarily guide to, but we'll be ready to respond.

Q

Got it. I want to ask you on Biotheranostics. It's been, you know, an accretive growth driver of your diagnostics business. I think it grew, you know, I think it is north of 30%. Can you just remind us how big is that business today? And given the guideline support and data on the on the BCI test, how big could that actually be three years out for you? Are there any other key milestones coming up that could unlock broader adoption there?

A

Sure. I think, you know, we're incredibly pleased with this acquisition and I view it as one of those you know, it was a one step removed, but close to the core but it got us into the CLIA lab business. But in an area that we're very strong in, which is breast cancer and it's really a recurrence test. We've more than doubled or really almost tripled the business in the last few years, feeling very good about that trajectory. And again, it's one of those we think there's still a lot of mileage ahead that in the true incidence of women who are, you know, using the test or physicians, you know, writing the test, there's still a huge opportunity to grow that business going forth. And that's what we're focused on. So, we've consolidated the lab now into our San Diego facility. So, you know, operationally very excited by having that on site and then commercially bringing our magic, which is the sales force, the reimbursement, the payer coverage, all those things that we do very well and really then leveraging our core strengths.

Q

Got it. Switching to cytology, I think you've called out strength in international markets there in recent quarters. What's the key sort of like growth driver, you know, OUS? And given expectations for cytology to be, you know, flat to modest growth, have you had a rethink, given the strength you're seeing OUS?

A

You know, I think we're we're incredibly excited OUS and it's really two things that come to fruition there. One is the launch of Genius, our digital diagnostic platform, which we're just bringing to the United States that we think is, you know, a true game changer in terms of pattern recognition using AI instead of, you know, every cytologist needing to be looking through a microscope at images, everything else. So you know that's going well. The bigger issue internationally and this is kind of what speaks to so many of our franchises and why we're so excited about our growth rate going forth is we're still in the early innings of developing the cytology business internationally. And one of the big barriers has been the number of cytologists. So by launching the Genius AI that is far, you know, superior from a workflow standpoint doesn't require nearly the man hours on cytology, that opens that up.

Q

Right.

A

You know, the flip side is there's offsetting pressures with HPV primary, these, you know, those various discussions. So, you know, the way we've looked at our cytology business, you know, when I arrived 10, 11 years ago, people thought it was going to go away because intervals were expanded. You know, we've effectively maintained it all through that and, you know, including in the United States. So, you know, I think we still view it overall as a roughly flattish business. You know, still a little bit of a modest decline in the US over time, but a little growth outside the US. It, you know, would it be nice to grow it? Would love to. Wouldn't set that expectation necessarily. But I would tell you this, I think, you know, if you look at our strat plans from 5, 10 years ago, our cytology business today is far bigger than what would have been anticipated so as our molecular business.

Q

Got it. I'm not going to ask you on USPSTF timelines, but if the USPSTF moves in the direction of HPV primary, then is Aptima ready to go as a first line screening test without ThinPrep? Are there any trials that need to be designed to establish claims and reimbursement for standalone use?

A

Yeah, let's come at it this way. We are going to always fight for the right science and the best science for women. And frankly, in a world where a lot of rights keep being pulled away from women, we're not going to just blindly go along for simplicity reasons with a direction that somebody might go. Just as when the USPSTF went to raising the bar on mammography from 40 to 50, when 26% of all women are diagnosed in their 40s. That was the wrong thing and we got them to change it over time. We are always going to fight for the right science. We also know how to get products approved. We, you know, always have other plans in place and able to, you know, respond to market needs as appropriate. But we will continue to fight for what we think is absolutely right for women. And I think even if the guidelines came out as they did in 2018, removing it, they've got put back in, we're also very convinced the patient groups, everything else, we don't see co-testing going away almost in any scenario. And we also have had a lot of discussions with the payer, even the payers who know that it's important and valuable. So -- and frankly, a tiny cost in the grand scheme. So we still feel very good about the franchise.

Q

Got it. Switching to breast health, you know, I think you guys are working on a next-gen gantry with an update potentially at the upcoming outstanding meeting in December. Do you anticipate any sort of air pocket as customers hold off on purchasing, you know, the older gantry until the new unit becomes available?

A

Yeah, I would never say an air -- we do not anticipate an air pocket. Might there be a modest slowdown in growth while some transition over, you could see a little bit of that for a couple of quarters. Very typical. You know, it's why nothing is linear in our business, right? There's always, you know, little ups and downs, but, you know, nothing like an air pocket. I think the ways to think about it are we we are very excited about our next-gen gantry. The pragmatic reality is it is -- you know, it's probably not as transformative as 3D was, but it's a significant improvement and brings all kinds of great new workflow features, patient features, you know, all kinds of great

advantages. It will likely be more adopted by the early adopters and the people who are still buying our existing gantry are typically later stage. They were not the early adopters, so they're going to keep going with their upgrades. And that's why you would not see an air pocket. But you might you know, the growth rate might --- could slow for a couple of quarters as you get ready for it.

Q

Got it. And is there going to be a soft launch before broader rollout, Steve, or is this sort of more more seamless and you don't need a soft launch as such?

A

Yeah, it'll be somewhere in between. I think probably what I would do to anchor expectations is I assume until later 2025 event that will then, you know, really provide I think much bigger growth in 2026, 2027, 2028. You know, it's going to be part of the magic of teeing up that longer term growth rate.

Q

Got it. You know, so the chip shortage has presented, you know, challenges for the gantry side of things. But the supply chain is now improved with expectations. I think Karleen mentioned year-over-year growth in gantry placements this year. Given that, you know, the gantry side of the breast health segment typically, you know, grows in that mid-single-digit ish range even in a normalized environment, given the bolus that you've had this year or the tougher comps, how are you thinking about next year's growth on the instrument side of the portfolio? I mean, are we essentially looking at sort of flattish placements on the gantry side?

A

Yeah, I think it'd be, you know, softer right before the launch. But overall, I think well, within the range of what we've done, you know, historically of our expectations for the quarter.

Q

Got it. And does that sort of like flow through to the overall breast health segment growth as well for next year?

A

Yeah, I think the -- you know, the way -- what makes us excited about our breast health business over time is we actually keep shifting to more and more recurring revenue. And if I go back a decade, you know, our breast health business was very heavily gantry-focused. What we've quietly built is, you know, a lot more recurring revenue, first in service, where our service revenue alone today is larger than our capital business. And then alongside that, also now and effectively is bigger, you know, on the verge of of bigger is the interventional side, which is Brevera and then all the recurring revenue of biopsy needles, the markers. And this is where Endomag, our latest acquisition, also fits into that. So as we follow what we call the patient care continuum and that is following the patient across, we're able to create so much more of that recurring revenue. And that's what I think provides that

nice growth as well as gets -- helps on the margin side, the recurring revenue to stable and avoids those peaks and troughs that, you know, used to exist in our breast health business.

Q

Got it. Talking about the OUS opportunity for 3D mammo, I think in the US, your -- you talked about, you know, north of 80% share at this point, but OUS is still a large opportunity. Can you just describe the competitive landscape and the drivers that you can point to that will help you penetrate OUS better?

A

Yeah, it's really working on guidelines, for the most part. It's really market development that we continue to do, which is, to a large degree, a lot of the the single payer systems of the world, you know, have still been holding 3D back as a diagnostic tool as opposed to a screening tool. So, instead of doing mass screening and realizing things, they're waiting until something has shown up and then, you know, have more niched it. But we're seeing -- we're opening up pockets over time, particularly as we generate more and more of the economic data that also demonstrates, you know, catching more cancers earlier is actually a great win for a single payer system because it costs a lot less to treat a early stage cancer than it does a late-stage cancer. But those have been, you know, those are the kind of capabilities and skill sets we've been building up over time that I think, again, is never going to be evident in any given year. But I think it's what gives the 3D market still enormous growth opportunities over time. But it, you know, it's step-wise. It's brick by brick.

Q

Got it. On the service revenue component, Steve, that you just mentioned, how high could that attach rate go? I think you guys were already in that 80%-plus zip code, right?

A

Yeah, I think marginally higher...

Q

Higher, yeah.

A

...is kind of what we, you know, go for. And I think we continue to feel just great about that service business. The other positive is as we've shifted from dealer-based businesses internationally, what we've been able to do is, you know, not only in the in the past, we basically captured just the direct cost of the gantries that the dealers would pay and then the dealers ran the service business. We have picked up the service business in the countries where we're now direct, which, you know, also gives us both the service revenue. It also means our customers are interacting with Hologic folks, and that's further cements that relationship so that when the new gantries come

up for renewal, we've got a deeper relationship. So the service piece is, you know, both an offensive and defensive strengthening of the organization.

Q

Got it. And as you think about interventionally, you know, the other piece of the non-hardware portion of breast health, you know, Brevera has been really coming through for you guys as has [indiscernible] (00:34:50. And now you've got, you know, the Endomag sort of acquisition as well. How are you thinking about the growth vectors there? Which one of these is the most needle moving for you?

A

I think, you know, it's almost like so much of our business. No one of them is going to be massively moving the needle, but each of them together just keep growing and piling on top of each other so that as you stack these things up, you keep getting a bigger business. You know, it's as we bring the Endomag, you know, product to more physicians, they adopt and then they get comfortable and that business grows. And that's on top of the two mark and it's on top of Brevera. So, again, you don't see these massive catalysts, but that's actually okay in terms of it just keeps generating more and more users over time. And particularly in this recurring revenue model starts to work better and better. And you know, the other part is those tend to be a little bit better margin. As you know, we've already got, you know, best in class operating margins. Each of these things also help that, as we, you know, will occasionally have things that might not be as accretive upfront and allowing us to keep being positive there.

Q

Got it. So, switching to surgical, you know, MyoSure and Fluent have both been, you know, key drivers for that business. Can you just talk about, you know, demand trends there and how the competitive landscape for, you know, removal of uterine polyps and fibroids has evolved? And what is your estimate for market penetration today?

A

Yeah, I think, you know, we still see -- MyoSure has just been an amazing franchise for us for over a decade now, growing, as I mentioned earlier, well beyond anything we would have ever imagined. And the reality is there's still a lot of women with fibroids, oftentimes still, you know, sometimes under-diagnosed, especially women of color, you know, and where a lot of times physicians still are more dismissive of, you know, extreme menstrual bleeding that might be triggered by a fibroid and they they still don't always look at it. So, you know, we're getting better and better at, you know, having people diagnose more properly. And then that opens up the opportunity to keep growing that MyoSure business. You know, the Fluent fluid management system going alongside it has also been dynamite. And, you know, the other part is MyoSure is one of these that's very much in the earlier, you know, innings internationally. And we're starting to see some really nice uptake. If you look at our surgical numbers, you know, internationally over the last few quarters, you know, a lot of that is MyoSure starting to get rolling internationally. So again, it's early innings of a growth. A new growth driver would be MyoSure internationally.

Q

Got it. And then on NovaSure, I mean, you've got -- you saw some benefit there from the V5 product line extension. But as you lap the pricing benefit, are there any other sort of strategic initiatives you have underway to sustain growth, just given that, you know, endometrial ablation is not really a growth sort of market and you've got IUDs as well?

A

Yeah. Yet you're right, it's not a growth market, but it is still a market that has more need than is being filled, right? There are still too many doctors who are really quick to rip out a woman's organs, right? If this was man, we wouldn't be doing the number of hysterectomies, trust me. But just because somebody has got abnormal bleeding, we go oftentimes right to hysterectomy when a, you know, simple NovaSure procedure can apply. So there is still a fundamental both consumer and physician educational story. You know, part of it's also an economic story. Some of the hospitals make more money on a hysterectomy than they do on a NovaSure procedure. So easier to just, you know, do a more extreme procedure. But I think as we continue to educate, you know, the broader population, there are still some opportunities there. Probably won't be a growth driver.

Q

Got it.

A

And, you know, NovaSure, clearly, that whole category has been in long-term decline, especially, as you mentioned, with IUDs coming in as an alternative. But there are other options. So we continue to see the opportunities to better educate.

Q

Got it. Switching to skeletal, you know, doesn't get a lot of attention, except when it does. It somewhat does. It doesn't make a lot of money either. So as we think about, you know, the supply chain issues, I think you called for resolution sometime in the fiscal first quarter of 2025. So what's your visibility to this issue being resolved? And, you know, is it likely to be in that November, December sort of timeframe or could it even be sooner than that?

A

Yeah, I -- we had a an issue with our skeletal product , you know, very much non-core business, although it was the foundation that the company started on that a supplier issue and change. So we're on a ship hold right now. I would -- we have pretty good visibility that'll be back within that next quarter, probably at the tail end of that.

Q

Okay.

A

But you know, I think for planning purposes, I assume it's it's later into the quarter.

Q

Fair enough. And then, Steve, are those sales, you know, you've called out the impact, I think it was, you know, \$15 million or so in the fourth quarter last quarter.

A

Yeah.

A

Are those sales essentially lost or could you recoup them at some point over fiscal 2025?

A

You know, some would be lost things that are tenders or some of that stuff. I think, you know, many we would hope to recoup over the course of the year.

Q

Got it. One...

A

I wouldn't assume any huge upside just, you know, getting it back in as well.

Q

Right. Fair enough. You know, want to switch to the financials. Your long term outlook calls for 5% to 7% organic ex-COVID. But that is a bit sort of long in the tooth at this point. You know, I think it was in 2021. I believe you mentioned...

A

What does that make me?

Q

You are still a spring chicken [indiscernible] I believe you you mentioned it was supposed to carry through to 2025, right? So should we be expecting a new LRP next year? And separately, in light of the breast health gantry comps and the skeletal issue that we we talked about here, how are you thinking about sort of framing 2025 in the context of the LRP?

A

Yeah, I think to take the first part, you know, we did put that out through the 2025 time period. Feel great. You know, our CAGR is going to be well above that over that time period. You know, last year we were 15.6% and everybody's like, should you raise the number, like, time out, now we're going off a much bigger base and just give us time. We're gonna have quarters that are going to be above it. We're going to have quarters that are going to be below it. But over time, you know, feel very good about that. And there's no doubt through that time period we will have well delivered that, if not a little bit above it. Beyond that, you know, I don't want to fully say, other than the way I think about where I'd like to get back to is we want to be a double-digit earnings growth company, right? That's what I've done through my whole career. And I think if you deliver that, that's, you know, a good goal. So, you know, that will take different forms in different years. But I think we've got the balance sheet. Obviously, if we're at the higher end of growth rate, if you're a high single digit grower, it gets really easy. In the mid-single digit, you can still do it with, you know, operational strength, a little bit of balance sheet, you know, even share repurchases or that you can -- you know, we'll have the flexibility, I think, to consistently deliver that and would rather focus kind of into that range. Then what I've watched with the 5% to 7% is any number you give, people start to get so focused on it and it starts to become every franchise, every quarter should be within it. And if something grows 4.8%, what's on, right? So I don't love that level of specificity to be, you know, candid. It was designed to remind people we are now a faster growth. In the middle of COVID, people didn't know where we were. Trust us, we're going to come out a faster growing company. It's exactly what we are and feel very good about continuing on that path going forward.

Q

Okay. Switching to margins, you know, you're on track to finish this this fiscal year around, you know, 30%, 31% operating margin for the full year. How are you thinking about room for, you know, potential margin expansion from your -- you know, you're already sort of leading the pack versus your peers, but then you've got, you know, some margin headwinds such as the COVID runoff and, of course, you know, faster growth on the international side of the business, a bunch of tuck-ins as well in the portfolio. Is there room longer term to get north of that 31.5%, which you often sort of pointed people to as a near-term target, if you will, for the margin line?

A

Yeah. Yeah. You know, I love the -- you know, when Karleen first mentioned the 31.5, it was to give a rough context and we chose a quarter at which point it was during COVID time, where are you going to be and [indiscernible] We said, hey, in that range. And then it becomes, boom, the number that, you know, 31.4 would be a failure and 31.6 would be above, right. So, you know, it's we're not that good. Here's how I think about it. And I go back to everything we've said over time. Oh, my God. There's a star in the back of the room. Hey, Pete. But the way I think about it over time is we have some things that will be a little bit dilutive to both operating and gross

margin. And then we've got ongoing efficiencies that improve that. But back to thinking about being more of a double-digit EPS grower, it's going to probably be driven a little more top line than necessarily, you know, we don't have this massive margin gain in the middle of the P&L. We do still on the underneath in terms of the tax rate and then we have the cash deployment for share repurchases. So, you know, I think what I have generally said, you know, all through it is, hey, because we're best in class on operating and, you know, good on gross margins as well, but great on operating margins, expect it more to be from top line growth and below the line stuff. And I think that's generally how it'll still play out. You know, it's we will, you know, in all likelihood, you get some leverage through time. You know, that number I don't think is going to be going down, but we also never want to underinvest, right? I've watched too many businesses. If you're trying to improve everything too much, you know, you might be cutting R&D projects. It could actually be accelerating the top line. And so we want to, you know, continue to find that that magical space of great operating margins, still investing for the future, not driving it off a cliff.

Q

Got it. Last question, are tuck-ins still the right framework for you? And as a more transformative deal, you know, essentially off the table, and what can you say to assure investors that, you know, M&A, particularly of the more sizable type, is something that you have the ability to execute well on?

A

Yeah. I think we've dramatically improved our abilities to execute on M&A. When I think about, you know, a number of the deals that are coming through to fruition right now in surgical, both Boulder and Acesa, in breast health the SOMATEX deal, very good. We're very excited about the early days here on Endomag. In Diagnostics, both Biotheranostics, Diagenode. And while Mobi is delayed, we love the potential of that product. And frankly, that'll come in at a time when maybe growth could be slow, hopefully will never slow in the core business, but a few years out that will be there. So I think it's back to that domain expertise that I talked about earlier. We've got the team in place, I think, to be looking at really good deals and making these deals come to fruition. So, you know, we have the ability to look a little bit bigger if we went bigger, you know, call it north of \$1 billion. That would need to come with more EBITDA. You know, lot of good stuff, not be an early stage science project. I think what we have realized, what we're great at is buying more products, we can drop into our existing sales bag and we are really good at executing that kind of stuff. And I think we're seeing candidly starting to see a few more things, you know, call it in that Endomag-ish range, which was a \$300-ish million deal, you know, broad \$30 million-ish, \$40 million-ish of revenue. I think we're seeing a few more things in that range that feel really good about going forward. So -- and I think we've got the team and we're cultivating a lot of those ideas now...

Q

Got it.

A

...which is great.

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Great place to leave it at. So, thank you so much, Steve. Appreciate you joining us today.

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Thanks, Tejas. Appreciate it. Thank you.

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