

MYRIAD GENETICS INC  
Form 10-Q  
May 02, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission file number: 0-26642

**MYRIAD GENETICS, INC.**

*(Exact name of registrant as specified in its charter)*

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**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**320 Wakara Way, Salt Lake City, UT**  
*(Address of principal executive offices)*

**(801) 584-3600**

**87-0494517**  
*(I.R.S. Employer*

*Identification No.)*

**84108**  
*(Zip Code)*

**Registrant's telephone number, including area code:**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 27, 2012 the registrant had 84,865,995 shares of \$0.01 par value common stock outstanding.

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**MYRIAD GENETICS, INC.**

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MYRIAD GENETICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(In thousands, except per share amounts)</i>	March 31, 2012	June 30, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 104,852	\$ 52,681
Marketable investment securities	232,512	293,776
Prepaid expenses	2,154	2,949
Inventory	10,383	8,218
Trade accounts receivable, less allowance for doubtful accounts of \$4,300 at Mar. 31, 2012 and \$3,700 at Jun. 30, 2011	50,948	50,272
Deferred taxes	5,686	9,790
Prepaid taxes	10,633	
Other receivables	1,501	575
<b>Total current assets</b>	<b>418,669</b>	<b>418,261</b>
Equipment and leasehold improvements:		
Equipment	52,991	46,912
Leasehold improvements	17,773	17,201
	70,764	64,113
Less accumulated depreciation	46,663	41,033
<b>Net equipment and leasehold improvements</b>	<b>24,101</b>	<b>23,080</b>
Long-term marketable investment securities	129,346	70,857
Long-term deferred taxes	27,964	25,863
Note receivable (see Note 12)	18,333	
Other assets (see Note 12)	8,000	
Intangibles, net	15,990	16,715
Goodwill	56,850	56,051
<b>Total assets</b>	<b>\$ 699,253</b>	<b>\$ 610,827</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 7,939	\$ 11,395
Accrued liabilities	27,726	21,645
Deferred revenue	1,387	1,347
<b>Total current liabilities</b>	<b>37,052</b>	<b>34,387</b>
Unrecognized tax benefits	10,008	9,648
<b>Total liabilities</b>	<b>47,060</b>	<b>44,035</b>
Stockholders equity:		
Preferred stock, \$0.01 par value, authorized 5,000 shares, issued and outstanding no shares		
Common stock, \$0.01 par value, authorized 150,000 shares at Mar. 31, 2012 and Jun. 30, 2011, issued and outstanding 84,544 at Mar. 31, 2012 and 86,244 at Jun. 30, 2011	845	862
Additional paid-in capital	651,535	604,409
Accumulated other comprehensive (loss) income	(99)	151

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Accumulated deficit	(88)	(38,630)
Total stockholders' equity	652,193	566,792
	\$ 699,253	\$ 610,827

See accompanying notes to condensed consolidated financial statements (unaudited).

## MYRIAD GENETICS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

<i>(In thousands, except per share amounts)</i>	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Molecular diagnostic testing	\$ 123,312	\$ 102,374	\$ 344,891	\$ 294,672
Companion diagnostic services	6,465		18,149	
<b>Total revenue</b>	<b>129,777</b>	<b>102,374</b>	<b>363,040</b>	<b>294,672</b>
Costs and expenses:				
Cost of molecular diagnostic testing	13,465	11,133	37,580	34,191
Cost of companion diagnostic services	3,763		10,127	
Research and development expense	11,753	6,667	30,502	18,520
Selling, general, and administrative expense	54,700	42,750	151,799	125,960
<b>Total costs and expenses</b>	<b>83,681</b>	<b>60,550</b>	<b>230,008</b>	<b>178,671</b>
<b>Operating income</b>	<b>46,096</b>	<b>41,824</b>	<b>133,032</b>	<b>116,001</b>
Other income (expense):				
Interest income	1,379	547	3,235	1,816
Other	6	(59)	(199)	(273)
<b>Total other income</b>	<b>1,385</b>	<b>488</b>	<b>3,036</b>	<b>1,543</b>
<b>Income before income taxes</b>	<b>47,481</b>	<b>42,312</b>	<b>136,068</b>	<b>117,544</b>
Income tax provision	17,866	14,372	53,059	42,874
<b>Net income</b>	<b>\$ 29,615</b>	<b>\$ 27,940</b>	<b>\$ 83,009</b>	<b>\$ 74,670</b>
Earnings per share:				
Basic	\$ 0.35	\$ 0.32	\$ 0.98	\$ 0.82
Diluted	\$ 0.34	\$ 0.31	\$ 0.96	\$ 0.80
Weighted average shares outstanding				
Basic	84,403	88,206	84,715	91,019
Diluted	86,462	90,127	86,537	92,846

See accompanying notes to condensed consolidated financial statements (unaudited).

## MYRIAD GENETICS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(In thousands)</i>	Nine Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 83,009	\$ 74,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,741	5,341
Loss of disposition on assets	206	
Share-based compensation expense	19,859	18,715
Bad debt expense	17,491	12,337
Non-cash expense related to in-process research and development technology	750	1,500
Accreted interest on note receivable (see Note 12)	(1,333)	
Unrecognized tax benefits	560	(348)
Excess tax benefit from share-based compensation	(32,197)	(44,182)
Deferred income taxes	34,199	39,591
(Gain) loss on sale of marketable investment securities	(566)	35
Changes in operating assets and liabilities:		
Prepaid expenses	781	1,819
Trade accounts receivable	(18,186)	(10,972)
Other receivables	(1,152)	(951)
Prepaid taxes	(10,633)	
Inventory	(2,180)	
Accounts payable	(3,456)	(3,679)
Accrued liabilities	6,150	581
Deferred revenue	63	
Net cash provided by operating activities	100,106	94,457
Cash flows from investing activities:		
Capital expenditures for equipment and leasehold improvements	(7,216)	(3,182)
Acquisition of Myriad RBM, Inc.	(799)	
Crescendo purchase option (see Note 12)	(8,000)	
Issuance of note receivable (see Note 12)	(17,000)	
Purchase of in-process research and development technology	(750)	(1,500)
Purchase of other assets	(100)	(100)
Purchases of marketable investment securities	(290,854)	(338,963)
Proceeds from maturities and sales of marketable investment securities	294,005	350,293
Net cash (used in) provided by investing activities	(30,714)	6,548
Cash flows from financing activities:		
Net proceeds from common stock issued under share-based compensation plans	18,058	7,958
Excess tax benefit from share-based compensation	32,197	44,182
Repurchase and retirement of common stock	(67,471)	(178,607)
Net cash used in financing activities	(17,216)	(126,467)
Effect of foreign exchange rates on cash and cash equivalents	(5)	
Net increase (decrease) in cash and cash equivalents	52,171	(25,462)
Cash and cash equivalents at beginning of period	52,681	92,840
Cash and cash equivalents at end of period	\$ 104,852	\$ 67,378

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See accompanying notes to condensed consolidated financial statements (unaudited).

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MYRIAD GENETICS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by Myriad Genetics, Inc. (the Company) in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and pursuant to the applicable rules and regulations of the Securities and Exchange Commission (SEC). The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Myriad Genetic Laboratories, Inc., Myriad RBM, Inc., Myriad GmbH (Germany), Myriad Genetics GmbH (Switzerland), Myriad Genetics SAS (France), Myriad Genetics S.r.l. (Italy), Myriad Financial, Inc., Myriad Crescendo, Inc. and Myriad Therapeutics, Inc. All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, the accompanying financial statements contain all adjustments (consisting of normal and recurring accruals) necessary to present fairly all financial statements in accordance with GAAP. The condensed consolidated financial statements herein should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended June 30, 2011, included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2011. Operating results for the three and nine months ended March 31, 2012 may not necessarily be indicative of results to be expected for any other interim period or for the full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

(2) Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued additional guidance regarding testing goodwill for impairment. The guidance provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is not required. This guidance is effective for fiscal year 2013. Early adoption is permitted. The Company plans to early adopt and apply the guidance to its fiscal 2012 annual goodwill assessment.

(3) Marketable Investment Securities

The Company has classified its marketable investment securities as available-for-sale. These securities are carried at estimated fair value with unrealized holding gains and losses, net of the related tax effect, included in accumulated other comprehensive income in stockholders' equity until realized. Gains and losses on investment security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned.

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The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available-for-sale securities by major security type and class of security at March 31, 2012 and June 30, 2011 were as follows (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
<b>At March 31, 2012:</b>				
Cash and cash equivalents:				
Cash	\$ 52,059	\$	\$	\$ 52,059
Cash equivalents	52,793			52,793
<b>Total cash and cash equivalents</b>	<b>104,852</b>			<b>104,852</b>
Available-for-sale:				
Corporate bonds and notes	259,520	218	(66)	259,672
Federal agency issues	100,833	43	(40)	100,836
Auction rate securities	1,500		(150)	1,350
<b>Total available-for-sale</b>	<b>361,853</b>	<b>261</b>	<b>(256)</b>	<b>361,858</b>
<b>Total cash, cash equivalents &amp; available-for-sale</b>	<b>\$ 466,705</b>	<b>\$ 261</b>	<b>\$ (256)</b>	<b>\$ 466,710</b>

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
<b>At June 30, 2011:</b>				
Cash and cash equivalents:				
Cash	\$ 24,012	\$	\$	\$ 24,012
Cash equivalents	28,679		(10)	28,669
<b>Total cash and cash equivalents</b>	<b>52,691</b>		<b>(10)</b>	<b>52,681</b>
Available-for-sale:				
Corporate bonds and notes	212,056	307	(10)	212,353
Federal agency issues	150,832	118	(20)	150,930
Auction rate securities	1,500		(150)	1,350
<b>Total available-for-sale</b>	<b>364,388</b>	<b>425</b>	<b>(180)</b>	<b>364,633</b>
<b>Total cash, cash equivalents &amp; available-for-sale</b>	<b>\$ 417,079</b>	<b>\$ 425</b>	<b>\$ (190)</b>	<b>\$ 417,314</b>

Cash, cash equivalents, and maturities of debt securities classified as available-for-sale are as follows at March 31, 2012 (in thousands):

	Amortized cost	Estimated fair value
Cash	\$ 52,059	\$ 52,059
Cash equivalents	52,793	52,793
Available-for-sale:		
Due within one year	232,382	232,512
Due after one year through five years	127,971	127,996

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Due after five years	1,500	1,350
	\$ 466,705	\$ 466,710

(4) Share-Based Compensation

The Company maintains a share-based compensation plan, the 2010 Employee, Director and Consultant Equity Incentive Plan, as amended (the 2010 Plan ), that has been approved by the Company's shareholders. The 2010 Plan allows the Company, under the direction of the Compensation Committee of the Board of Directors, to make grants of stock options, restricted and unrestricted stock awards and other stock-based awards to employees, consultants and directors. As of March 31, 2012, a total of 19,106,000 shares of common stock are reserved for issuance under the 2010 Plan. This number consists of 7,000,000 shares approved by the Company's stockholders and 902,000 shares transferred into the 2010 Plan which were cancelled or expired under the Company's 2003 Employee, Director and Consultant Option Plan (the 2003 Plan ) and 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan (the 2002 Plan ). In addition, as of March 31, 2012, the Company may grant up to 11,204,000 additional shares under the 2010 Plan if options previously granted under the 2002 Plan or 2003 Plan are cancelled or expire in the future without the issuance of shares of common stock by the Company.

The number of shares, terms, and vesting period of awards under the 2010 Plan are determined by the Compensation Committee of the Board of Directors for each equity award. Options under the plans generally vest ratably over four years and expire ten years from the date of grant. The exercise price of options granted is equivalent to the fair market value of the stock on the date of grant. The Company also has an Employee Stock Purchase Plan ( the Purchase Plan ) under which 2,000,000 shares of common stock have been authorized and, as of March 31, 2012, a total of 1,820,000 shares of common stock had been issued under the Purchase Plan. Shares are issued under the Purchase Plan twice yearly at the end of each six month offering period. During the three and nine months ended March 31, 2012, the Company issued 0 and 74,000 shares of common stock under the Purchase Plan.

A summary of the stock option activity under the plans for the nine months ended March 31, 2012 is as follows:

	Number of shares	Weighted average exercise price
Options outstanding at June 30, 2011	14,453,913	\$ 18.22
Options granted	3,145,160	20.37
Less:		
Options exercised	(1,339,980)	12.48
Options canceled or expired	(460,866)	21.10
Options outstanding at March 31, 2012	15,798,227	\$ 19.05

As of March 31, 2012, options to purchase 8,894,000 shares were vested and exercisable at a weighted average price of \$17.58. As of March 31, 2012, there was \$40,199,000 of total unrecognized share-based compensation cost related to share-based awards granted under the Company's plans that will be recognized over a weighted-average period of 2.6 years.

Share-based compensation expense recognized and included in the consolidated income statements was allocated as follows:

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<i>(In thousands)</i>	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
Cost of molecular diagnostic testing	\$ 285	\$ 301	\$ 878	\$ 897
Cost of companion diagnostic services	20		39	
Research and development expense	818	865	2,574	2,926
Selling, general, and administrative expense	5,465	5,059	16,368	14,892
<b>Total share-based compensation expense</b>	<b>\$ 6,588</b>	<b>\$ 6,225</b>	<b>\$ 19,859</b>	<b>\$ 18,715</b>

(5) Stockholders' Equity  
*Comprehensive Income*

The components of the Company's comprehensive income are as follows:

<i>(In thousands)</i>	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
Net income	\$ 29,615	\$ 27,940	\$ 83,009	\$ 74,670
Unrealized gain (loss) on available-for-sale securities, net of tax	63	1	(138)	(39)
Change in foreign currency translation adjustment	91		(112)	
<b>Comprehensive income</b>	<b>\$ 29,769</b>	<b>\$ 27,941</b>	<b>\$ 82,759</b>	<b>\$ 74,631</b>

*Stock Repurchase Program*

The Company previously announced the following stock repurchase programs for its common stock:

Date Authorized	Amount Authorized	Date Completed
May 2010	\$ 100,000,000	August 2010
August 2010	\$ 100,000,000	February 2011
March 2011	\$ 100,000,000	September 2011
August 2011	\$ 200,000,000	ongoing
<b>Total:</b>	<b>\$ 500,000,000</b>	

The current \$200,000,000 share repurchase program may be made through open market or privately negotiated purchases, either from time to time or on an accelerated basis, in each case to be executed at management's discretion based on market conditions.

The Company uses the par value method of accounting for its stock repurchases. As a result of the stock repurchases, the Company reduced common stock and additional paid-in capital and recorded charges to accumulated deficit. The shares retired, aggregate common stock and additional paid-in capital reductions, and related charges to accumulated deficit for the repurchases for the three and nine months ended March 31, 2012 and 2011, were as follows:

<i>(In thousands)</i>	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
Shares purchased and retired	502	4,493	3,114	9,119
Common stock and additional paid-in-capital reductions	\$ 3,732	\$ 32,708	\$ 23,004	\$ 66,320
Charges to accumulated deficit	\$ 8,273	\$ 55,361	\$ 44,468	\$ 112,286

(6) Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of the Company's common stock outstanding. Diluted earnings per share is computed based on the weighted-average number of shares of the Company's common stock, including common stock equivalents outstanding. Certain common shares consisting of stock options that would have an anti-dilutive effect were not included in the diluted earnings per share for the three and nine months ended March 31, 2012 and 2011.

The following is a reconciliation of the denominators of the basic and diluted earnings per share computations:

<i>(In thousands)</i>	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
<b>Denominator:</b>				
Weighted-average shares outstanding used to compute basic earnings per share	84,403	88,206	84,715	91,019
Effect of dilutive stock options	2,059	1,921	1,822	1,827
Weighted-average shares outstanding and dilutive securities used to compute dilutive earnings per share	86,462	90,127	86,537	92,846

Certain outstanding stock options were excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive. These potential dilutive common shares, which may be dilutive to future diluted earnings per share, are as follows:

<i>(In thousands)</i>	XXX	XXX	XXX	XXX
	Three months ended March 31,	2011	Nine months ended, March 31,	2011
Anti-dilutive options excluded from EPS computation	7,589	8,767	8,639	8,648

(7) Segment and Related Information

The Company's business units have been aggregated into three reportable segments: (i) research, (ii) molecular diagnostics and (iii) companion diagnostics. The research segment is focused on the discovery of genes, biomarkers and proteins related to major common diseases and includes corporate services such as finance, human resources, legal, and information technology. The molecular diagnostics segment provides testing that is designed to assess an individual's risk for developing disease later in life, identify a patient's likelihood of responding to drug therapy and guide a patient's dosing to ensure optimal treatment, or assess a patient's risk of disease progression and disease recurrence. The companion diagnostics segment provides testing products and services to the pharmaceutical, biotechnology and medical research industries.

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The Company evaluates segment performance based on results from operations before interest income and expense and other income and expense.

<i>(In thousands)</i>	Research	Molecular diagnostics	Companion diagnostics	Total
<b>Three months ended March 31, 2012:</b>				
Revenue	\$	\$ 123,312	\$ 6,465	\$ 129,777
Depreciation and amortization	567	1,310	426	2,303
Segment operating income (loss)	(15,199)	63,282	(1,987)	46,096
<b>Three months ended March 31, 2011:</b>				
Revenue	\$	\$ 102,374	\$	\$ 102,374
Depreciation and amortization	513	1,287		1,800
Segment operating income (loss)	(12,571)	54,395		41,824
<b>Nine months ended March 31, 2012:</b>				
Revenue	\$	\$ 344,891	\$ 18,149	\$ 363,040
Depreciation and amortization	1,591	3,909	1,241	6,741
Segment operating income (loss)	(40,500)	179,200	(5,668)	133,032
<b>Nine months ended March 31, 2011:</b>				
Revenue	\$	\$ 294,672	\$	\$ 294,672
Depreciation and amortization	1,484	3,857		5,341
Segment operating income (loss)	(35,276)	151,277		116,001

<i>(In thousands)</i>	Three months ended March 31,		Nine months ended March 31,	
	2012	2011	2012	2011
Total operating income for reportable segments	\$ 46,096	\$ 41,824	\$ 133,032	\$ 116,001
Interest income	1,379	547	3,235	1,816
Other	6	(59)	(199)	(273)
Income tax provision	17,866	14,372	53,059	42,874
<b>Net income</b>	<b>\$ 29,615</b>	<b>\$ 27,940</b>	<b>\$ 83,009</b>	<b>\$ 74,670</b>

(8) Fair Value Measurements

The fair value of the Company's financial instruments reflects the amounts that the Company estimates it will receive in connection with the sale of an asset or paid in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 quoted prices in active markets for identical assets and liabilities.

Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's marketable securities primarily utilize broker quotes in a non-active market for valuation of these securities.

Level 3 unobservable inputs.

The substantial majority of the Company's financial instruments are valued using quoted prices in active markets or based on other observable inputs. The following table sets forth the fair value of the financial assets that the Company re-measured:

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<i>(In thousands)</i> at March 31, 2012	Level 1	Level 2	Level 3	Total
Money market funds (a)	\$ 20,797	\$	\$	\$ 20,797
Corporate bonds and notes		291,668		291,668
Federal agency issues		100,836		100,836
Auction rate securities			1,350	1,350
<b>Total</b>	<b>\$ 20,797</b>	<b>\$ 392,504</b>	<b>\$ 1,350</b>	<b>\$ 414,651</b>

<i>(In thousands)</i> at June 30, 2011	Level 1	Level 2	Level 3	Total
Money market funds (a)	\$ 9,680	\$	\$	\$ 9,680
Corporate bonds and notes		222,352		222,352
Federal agency issues		159,920		159,920
Auction rate securities			1,350	1,350
<b>Total</b>	<b>\$ 9,680</b>	<b>\$ 382,272</b>	<b>\$ 1,350</b>	<b>\$ 393,302</b>

(a) Money market funds are primarily comprised of exchange traded funds and accrued interest

(9) Commitments and Contingencies

The Company is subject to various claims and legal proceedings covering matters that arise in the ordinary course of its business activities. As of March 31, 2012, the Company believes any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, operating results, or cash flows.

(10) Income Taxes

In order to determine the Company's quarterly provision for income taxes, the Company used an estimated annual effective tax rate that is based on expected annual income and statutory tax rates in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

Income tax expense for the three and nine months ended March 31, 2012 was \$17,866,000 and \$53,059,000, respectively, or approximately 38% and 39% of pre-tax income, compared to \$14,372,000 and \$42,874,000, respectively, for the three and nine months ended March 31, 2011, or approximately 34% and 36% of pre-tax income. Income tax expense for the three and nine months ended March 31, 2012 is based on the Company's estimated annual effective tax rate for the full fiscal year ending June 30, 2012, adjusted by discrete items recognized during the period, such as research and development tax credits related to prior periods. The Company's effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to state income taxes as well as timing differences related to the recognition of the tax effect of equity compensation expense from incentive stock options and the deduction realized if those options are disqualified upon exercise and sale. As of March 31, 2012 the Company also had a \$10,633,000 prepaid tax asset related to prepayments of the Company's estimated income tax obligation for fiscal year 2012.

The Company files U.S., U.K. and state income tax returns in jurisdictions with various statutes of limitations. The Company's New York State income tax returns for the years ended June 30, 2007, 2008 and 2009 are currently under examination by the New York State Department of Taxation and Finance. Annual and interim tax provisions include amounts considered necessary to pay assessments that may result from examination of prior year tax returns; however, the

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amount ultimately paid upon resolution of issues may differ materially from the amount accrued. The Company's U.S. federal tax return, U.K. income tax return and all other state tax returns are not currently under examination.

(11) Goodwill and Intangible Assets

*Goodwill*

At March 31, 2012, the Company had recorded goodwill of \$56,850,000 related to the acquisition of Myriad RBM, Inc. on May 31, 2011 (formerly Rules-Based Medicine, Inc.). The Company recorded no impairment of goodwill for the three and nine months ended March 31, 2012.

*Intangible Assets*

Intangible assets primarily consist of amortizable assets of purchased licenses and technologies, and customer relationships as well as non-amortizable intangible assets of in-process research and development technologies, and trademarks. The following summarizes the amounts reported as intangible assets:

<i>(In thousands)</i>	Gross Carrying Amount	Accumulated Amortization	Net
March 31, 2012			
Purchased licenses and technologies	\$ 6,500	\$ (2,572)	\$ 3,928
Customer relationships	4,650	(388)	4,262
<b>Total amortizable intangible assets</b>	<b>11,150</b>	<b>(2,960)</b>	<b>8,190</b>
Trademarks	3,000		3,000
In-process research and development	4,800		4,800
<b>Total non-amortizable intangible assets</b>	<b>7,800</b>		<b>7,800</b>
<b>Total intangible assets</b>	<b>\$ 18,950</b>	<b>\$ (2,960)</b>	<b>\$ 15,990</b>
<i>(In thousands)</i>	Gross Carrying Amount	Accumulated Amortization	Net
June 30, 2011			
Purchased licenses and technologies	\$ 6,400	\$ (2,096)	\$ 4,304
Customer relationships	4,650	(39)	4,611
<b>Total amortizable intangible assets</b>	<b>11,050</b>	<b>(2,135)</b>	<b>8,915</b>
Trademarks	3,000		3,000
In-process research and development	4,800		4,800
<b>Total non-amortizable intangible assets</b>	<b>7,800</b>		<b>7,800</b>
<b>Total intangible assets</b>	<b>\$ 18,850</b>	<b>\$ (2,135)</b>	<b>\$ 16,715</b>

The Company recorded amortization during the respective periods for these intangible assets as follows:

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<i>(In thousands)</i>	Three months ended		Nine months ended	
	March 31,		March 31,	
	2012	2011	2012	2011
Amortization on intangible assets	\$ 275	\$ 80	\$ 825	\$ 240

(10) Term Loan and Option Agreement

On September 8, 2011, the Company issued a \$25,000,000 term loan to Crescendo Bioscience, Inc. ( Crescendo ) of South San Francisco, CA under a Loan and Security Agreement ( Loan Agreement ) and also secured an exclusive three-year option to acquire the company pursuant to a definitive merger agreement (the Option Agreement ). Crescendo develops molecular diagnostic tests for patients suffering from autoimmune disorders, including rheumatoid arthritis.

*Term Loan*

Under the Loan Agreement, the Company has loaned Crescendo \$25,000,000 for a term of six years, with the principal due upon maturity. Interest accrues at 6% per year and is due annually. In the event Crescendo defaults on the loan, additional interest will accrue at 5% per year. The loan will mature on the earlier of (i) September 8, 2017 or (ii) the third anniversary following the date that the Company's option to acquire Crescendo under the Option Agreement expires or; otherwise terminates under the terms of the agreement. The option can be accelerated by Crescendo as a result of (a) Crescendo's delivery of an early termination notice due to the achievement of triggering events under the Option Agreement or (b) Crescendo's delivery of an initial public offering notice under the Option Agreement. Crescendo has the right to prepay the entire loan amount plus accrued interest at any time without incurring a penalty.

*Option Agreement*

Under the Option Agreement, the Company has an exclusive three-year option, exercisable in the Company's sole discretion, to cause the closing of the merger if Crescendo attains a minimum revenue milestone during the three-year option term. If Crescendo attains the minimum revenue milestone, the purchase price to acquire Crescendo will be based on a predetermined multiple of revenue based on Crescendo's growth rate at the time the option is exercised. If Crescendo does not attain the minimum revenue milestone during the three-year option term, the Company will have a one-time right to exercise the option at the end of the option term and acquire Crescendo at a fixed purchase price. In either case, the purchase price would be all cash and would be subject to adjustment for Crescendo's cash, debt and other items at closing. If the Company exercises its option to purchase Crescendo, all amounts due under the term loan will be offset against the purchase price paid in the acquisition. The Option Agreement has received the requisite corporate approvals of both parties, including approval from Crescendo's stockholders.

Because the option to purchase Crescendo is contingently exercisable by the Company under the Option Agreement, and repayment of the term loan will be accelerated if the option is exercised, the Company has recorded the Option Agreement at fair value as of September 8, 2011 in other assets on the condensed consolidated balance sheet. The fair value of the Option Agreement of \$8,000,000 was determined utilizing valuation models, including the market and income based approaches, which utilize various inputs including projected income, volatility, risk free rates and projected terms. Under the applicable accounting guidance the Company has an initial policy decision to either re-value the Option Agreement each reporting period or carry the Option Agreement at the original recorded amount and periodically assess the Option Agreement for impairment. The Company has elected to periodically evaluate the Option Agreement for impairment. No impairment indicators were noted at March 31, 2012.

The residual \$17,000,000 value of the term loan has been classified as a note receivable on the condensed consolidated balance sheet as of March 31, 2012. The Company recorded interest income related to accretion of the note receivable and the stated interest rate for the three and nine months ended March 31, 2012 of \$1,042,000 and \$2,208,000, respectively, in the condensed consolidated income statement. The Company is also utilizing the effective interest method to accrete the discount portion of the note receivable through interest income over the three-year term of the Company's option to acquire Crescendo under the Option Agreement. The note receivable is evaluated for collectability each reporting period. If the Company determines that the note receivable and any accrued interest is not collectible, such amount will be written off in the period that determination is made.

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## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

We are a leading molecular diagnostic company focused on developing and marketing novel predictive medicine, personalized medicine, and prognostic medicine tests. We perform all of the molecular diagnostic testing and analysis in our own reference laboratory. We believe that the future of medicine lies in a shift from a treatment paradigm to a prevention paradigm. By understanding the underlying genetic basis of disease, we believe that individuals who have a greater risk of developing disease can be identified and physicians can use this information to improve patient outcomes and better manage patient healthcare. In addition, by understanding the patient's individual genetic makeup and specific cause of disease, we believe that our transformative products may assist physicians in better managing their patients healthcare to ensure that they receive the most appropriate therapy at an optimal dosing.

We employ a number of proprietary technologies, including DNA, RNA and protein analysis, that help us to understand the genetic basis of human disease and the role that genes and their related proteins may play in the onset and progression of disease. We use this information to guide the development of new molecular diagnostic tests that are designed to assess an individual's risk for developing disease later in life (predictive medicine), identify a patient's likelihood of responding to drug therapy and guide a patient's dosing to ensure optimal treatment (personalized medicine), or assess a patient's risk of disease progression and disease recurrence (prognostic medicine).

Our goal is to provide physicians with critical information that may guide the healthcare management of their patients to diagnose the disease at an earlier stage when it may be treatable, determine the most appropriate therapy, assess the aggressiveness of their disease or even potentially prevent disease. Our business strategy for future growth is focused on three key initiatives. First, we are growing our existing products and markets. Second, we are expanding our business internationally and have recently established operations in Europe. Finally, we intend to launch new transformative products across a diverse set of disease indicators, complementing our current businesses in oncology, women's health and urology.

### *Products and Services*

We offer nine commercial molecular diagnostic tests, including five predictive medicine tests, three personalized medicine tests, and one prognostic medicine test. We market these tests through our own sales force of approximately 360 people in the United States. We have also established offices in Paris, France; Madrid, Spain; Milan, Italy; laboratory operations and a sales and administrative office in Munich, Germany; and headquarters in Zurich, Switzerland. We intend to market our BRAC*Analysis*<sup>®</sup>, COLARIS<sup>®</sup>, and COLARIS AP<sup>®</sup> products through our own European sales force and have entered into marketing collaborations with other organizations in selected Latin American and Asian countries.

Total revenue was \$129.8 million and \$363.0 million for the three and nine months ended March 31, 2012, an increase of approximately 27% and 23% over revenues of \$102.4 million and \$294.7 million for the same periods in the prior year.

The nine commercial molecular diagnostic tests that we currently offer in the United States are:

*BRACAnalysis*<sup>®</sup>, our predictive medicine test for hereditary breast and ovarian cancer;

*COLARIS*<sup>®</sup>, our predictive medicine test for hereditary colorectal and uterine cancer;

*COLARIS AP*<sup>®</sup>, our predictive medicine test for hereditary colorectal cancer;

*MELARIS*<sup>®</sup>, our predictive medicine test for hereditary melanoma;

*OnDose*<sup>®</sup>, our personalized medicine test to measure chemotherapy exposure to 5-FU;

*PANEXIA* , our predictive medicine test for pancreatic cancer;

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*PREZEON*<sup>®</sup>, our personalized medicine test to assess PTEN status for disease progression and drug response;

*Prolaris*<sup>®</sup>, our prognostic medicine test for prostate cancer; and

*Theraguide*<sup>®</sup> 5-FU, our personalized medicine test for chemotherapy toxicity to 5-FU.

Through our wholly owned subsidiary, Myriad RBM, Inc. ( Myriad RBM ), we analyze proteins, discover biomarkers and provide companion diagnostic services to the pharmaceutical, biotechnology, and medical research industries utilizing our multiplexed immunoassay technology. Our protein analytics technology enables us to efficiently screen large sets of well-characterized clinical samples from both diseased and non-diseased populations against our extensive menu of over 550 immunoassays. By analyzing the data generated from these analyses, we attempt to discover biomarker patterns that indicate a particular disease or disorder with a high degree of accuracy. In addition to the fees received from analyzing these samples, we also use this information to create and validate potential diagnostic test panels that can aid us in the development of potential new companion diagnostic tests. The information from these tests could aid physicians in making treatment decisions to improve the health care management of their patients. We recognized companion diagnostic service revenue of \$6.5 million and \$18.1 million during the three and nine months ended March 31, 2012.

#### *Use of Resources*

During the three and nine months ended March 31, 2012, we devoted substantially all of our resources to supporting our molecular diagnostic and companion diagnostic businesses, as well as to the research and development of future molecular and companion diagnostic opportunities. We also pursued in-licensing opportunities where we acquire rights to new products and technologies from third parties. We have three reportable operating segments research, molecular diagnostics and companion diagnostics. See Note 7 Segment and Related Information in the notes to our condensed consolidated financial statements (unaudited) for information regarding these operating segments.

For the three and nine months ended March 31, 2012, we had net income of \$29.6 million and \$83.0 million and diluted earnings per share of \$0.34 and \$0.96, compared to \$27.9 million and \$74.7 million and \$0.31 and \$0.80 per share in the same periods of the prior year. Net income and earnings per share results for the three and nine months ended March 31, 2012 included income tax expense of \$17.9 million and \$53.1 million compared to \$14.4 million and \$42.9 million for the same periods in the prior year. As of March 31, 2012, we had an accumulated deficit of \$0.1 million.

#### *Recent Developments*

Between May 2010 and August 2011, we repurchased \$300 million of our outstanding common stock. On August 15, 2011, our board of directors authorized us to repurchase an additional \$200 million of our outstanding common stock. In connection with this latest stock repurchase authorization, we have been authorized to repurchase shares at management's discretion based on market conditions and have repurchased \$39.5 million of our outstanding common stock. See also Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds Issuer Purchases of Equity Securities.

#### **Critical Accounting Policies**

Critical accounting policies are those policies which are both important to the presentation of a company's financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies are noted below, along with the policies included in our Annual Report on Form 10-K, for the year ended June 30, 2011.

#### *Impairment of Long-lived and Intangible Assets, Including Goodwill*

Periodically we assess potential impairment of our long-lived assets, which include property, equipment and acquired intangible assets. We perform an impairment review whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include, but are not limited to, significant under-performance relative to historical or projected future operating results, significant changes in the manner of our use of the acquired assets or our overall business strategy and significant industry or economic trends. When we determine that the carrying value of a long-lived asset may not be recoverable based upon the existence of

one or more of the above indicators, we determine the recoverability by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate. We recognize an impairment charge equal to the amount by which the carrying amount exceeds the fair market value of the asset.

We test goodwill for impairment annually as of April 1, or whenever events or changes in circumstances indicate that goodwill may be impaired. We first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a second step is performed to compute the amount of impairment as the difference between the estimated fair value of goodwill and the carrying value.

### Results of Operations for the Three Months Ended March 31, 2012 and 2011

#### Revenue

Revenue is comprised of sales of our molecular diagnostic tests and our companion diagnostic services. Total revenue for the three months ended March 31, 2012 was \$129.8 million, compared to \$102.4 million for the same three months in 2011. This 27% increase in revenue is primarily due to increased molecular diagnostic testing volume. Diagnostic service revenue from Myriad RBM also contributed 6% to the increase in revenue. We believe that increased sales, marketing, and education efforts resulted in wider acceptance of molecular diagnostic tests by the medical community and increased patient testing volumes. However, there can be no assurance that molecular diagnostic testing revenue or companion diagnostic service revenue will continue to increase or remain at current levels.

Total revenue of our molecular diagnostic tests and companion diagnostic services and revenue by product as a percent of total revenue for the three months ended March 31, 2012 and 2011 were as follows:

<i>(In thousands)</i>	March 31,		% Change	% of Total Revenue	
	2012	2011		2012	2011
<b>Molecular diagnostic testing revenues:</b>					
BRACAnalysis	\$ 105,894	\$ 90,303	17%	81%	88%
COLARIS & COLARIS AP	11,189	7,414	51%	9%	7%
Other	6,229	4,657	34%	5%	5%
<b>Total molecular diagnostic testing revenues</b>	<b>123,312</b>	<b>102,374</b>	<b>20%</b>		
Companion diagnostic service revenues (a)	6,465		100%	5%	0%
<b>Total revenues</b>	<b>\$ 129,777</b>	<b>\$ 102,374</b>	<b>27%</b>	<b>100%</b>	<b>100%</b>

(a) We began providing companion diagnostic services following our acquisition of Myriad RBM on May 31, 2011

Our molecular diagnostic sales force is focused on two major markets, oncology and women's health. Oncology and women's health revenues were 70.2% and 29.8% of total molecular diagnostic testing revenues, respectively. Sales of molecular diagnostic tests in each market for the three months ended March 31, 2012 and 2011 were as follows:

<i>(In thousands)</i>	Three months ended		% Change
	2012	March 31, 2011	
Molecular diagnostic testing revenues:			
Oncology	\$ 86,612	\$ 73,107	19%
Women's health	36,700	29,267	25%
Total molecular diagnostic testing revenues	\$ 123,312	\$ 102,374	20%

#### *Costs and Expenses*

Cost of revenue is comprised primarily of salaries and related personnel costs, laboratory supplies, royalty payments, equipment costs and facilities expense. Cost of molecular diagnostic testing revenue for the three months ended March 31, 2012 was \$13.5 million, compared to \$11.1 million for the same three months in 2011. This increase of 21% in molecular diagnostic testing cost of revenue is primarily due to an increase in testing volumes. Our costs of companion diagnostic services include similar items. Cost of companion diagnostic services was \$3.8 million for the three months ended March 31, 2012. Many of these costs associated with the performance of our companion diagnostic services are fixed; consequently, gross margins will vary as we experience fluctuations in our companion diagnostic service revenue.

Our cost of revenue may fluctuate from quarter to quarter based on the introduction of new molecular diagnostic tests, changes in companion diagnostic services, price changes of existing tests and services, changes in our costs associated with such tests and services, new technologies and operating systems to integrate into our molecular diagnostic laboratories and costs associated with operating additional laboratories outside the United States. There can be no assurance that gross profit margins will continue to increase or remain at current levels.

Our research and development expenses include costs incurred in maintaining and improving our nine current molecular diagnostic tests and costs incurred for the discovery, development and validation of our pipeline of molecular and companion diagnostic test candidates. Research and development expenses are comprised primarily of salaries and related personnel costs, laboratory supplies, clinical trial costs, equipment, and facilities costs. Research and development expenses incurred during the three months ended March 31, 2012 were \$11.8 million compared to \$6.7 million for same three months in 2011. This increase of 76% was primarily due to the following:

- an increase of approximately \$2.4 million in internal development activities and clinical studies to support our existing molecular diagnostic testing products;

- the addition of \$1.9 million in companion diagnostic discovery costs from Myriad RBM; and

- an increase of approximately \$0.8 million due to the internal development of future molecular diagnostic product candidates.

We expect that our research and development expenses will increase over the next several years as we continue to develop our pipeline and expand our offerings of molecular diagnostic tests and companion diagnostic services.

Our sales, general and administrative expenses include costs associated with building our molecular diagnostic and companion diagnostic businesses domestically and internationally. Selling, general and administrative expenses consist primarily of salaries, commissions and related personnel costs for sales, marketing, customer service, billing and collection, executive, legal, finance and accounting, information technology, human resources, and allocated facilities expenses. Selling, general and administrative expenses for the three months ended March 31, 2012 were \$54.7 million, compared to \$42.8 million for the same three months in 2011. The increase in selling, general and administrative expense of 28% was due primarily to support the 27% increase in revenue and include:



an increase of approximately \$3.1 million in bad debt expense;

the addition of \$2.6 million of administrative costs from Myriad RBM;

an increase in sales and marketing expense of approximately \$2.5 million due to various marketing initiatives and increased sales commissions;

an increase in share-based compensation expense of approximately \$2.4 million; and

an increase of approximately \$1.3 million in international administrative costs from our European operations.

We expect that our selling, general and administrative expenses will continue to increase from quarter to quarter and that such increases may be substantial, depending on the number and scope of any new molecular diagnostic and companion diagnostic launches, our efforts in support of our existing molecular diagnostic tests and companion diagnostic services as well as our continued international expansion efforts.

#### *Other Income (Expense)*

Interest income for the three months ended March 31, 2012 was \$1.4 million, compared to \$0.5 million for the same three months in 2011. The increase was due primarily to interest income recorded from the note receivable from Crescendo.

#### *Income Tax Provision*

Income tax expense for the three months ended March 31, 2012 was \$17.9 million, for an effective income tax rate of approximately 38%, compared to income tax expense of \$14.4 million or a 34% effective income tax rate in the same period in 2011. Income tax expense for the three months ended March 31, 2012 is based on our estimated annual effective tax rate for the full fiscal year ending June 30, 2012 adjusted by discrete items recognized during the period. Our annual effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to state and alternative minimum income taxes as well as timing differences related to the recognition of the tax effect of equity compensation expense from incentive stock options and the deduction realized if those options are disqualified upon exercise. Certain significant or unusual items are separately recognized during the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

### **Results of Operations for the Nine Months Ended March 31, 2012 and 2011**

#### *Revenue*

Total revenue for the nine months ended March 31, 2012 was \$363.0 million, compared to \$294.7 million for the same nine months in 2011. This 23% increase in revenue is primarily due to increased molecular diagnostic testing volume. Diagnostic service revenue from Myriad RBM also contributed 6% to the increase in revenue.

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Total revenue of our molecular diagnostic tests and companion diagnostic services and revenue by product as a percent of total revenue for the nine months ended March 31, 2012 and 2011 were as follows:

<i>(In thousands)</i>	Nine months ended March 31,		% Change	% of Total Revenue	
	2012	2011		2012	2011
<b>Molecular diagnostic testing revenues:</b>					
BRACAnalysis	\$ 296,789	\$ 260,156	14%	82%	89%
COLARIS & COLARIS AP	31,736	21,543	47%	9%	7%
Other	16,366	12,973	26%	4%	4%
<b>Total molecular diagnostic testing revenues</b>	<b>344,891</b>	<b>294,672</b>	<b>17%</b>		
Companion diagnostic service revenues	18,149		100%	5%	0%
<b>Total revenues</b>	<b>\$ 363,040</b>	<b>\$ 294,672</b>	<b>23%</b>	<b>100%</b>	<b>100%</b>

Our molecular diagnostic sales force is focused on two major markets, oncology and women's health. Oncology and women's health revenues were 69.8% and 30.2% of total molecular diagnostic testing revenues, respectively. Sales of molecular diagnostic tests in each market for the nine months ended March 31, 2012 and 2011 were as follows:

<i>(In thousands)</i>	xxxxxxx Nine months ended March 31,		xxxxxxx % Change
	2012	2011	
<b>Molecular diagnostic testing revenues:</b>			
Oncology	\$ 240,579	\$ 208,588	15%
Women's health	104,312	86,084	21%
<b>Total molecular diagnostic testing revenues</b>	<b>\$ 344,891</b>	<b>\$ 294,672</b>	<b>17%</b>

*Costs and Expenses*

Cost of molecular diagnostic testing revenue for the nine months ended March 31, 2012 was \$37.6 million, compared to \$34.2 million for the same nine months in 2011. This increase of 10% in molecular diagnostic testing cost of revenue is primarily due to an increase in testing volumes. Cost of companion diagnostic services was \$10.1 million for the nine months ended March 31, 2012. Many of these costs associated with the performance of our companion diagnostic services are fixed; consequently, gross margins will vary as we experience fluctuations in our companion diagnostic service revenue.

Research and development expenses incurred during the nine months ended March 31, 2012 were \$30.5 million compared to \$18.5 million for same nine months in 2011. This increase of 65% was primarily due to the following:

the addition of \$5.5 million in companion diagnostic discovery costs from Myriad RBM;

an increase of approximately \$4.5 million in internal development activities and clinical studies to support our existing molecular diagnostic testing products;

an increase of approximately \$1.3 million due to the internal development of future molecular diagnostic product candidates;  
and

an increase of approximately \$0.7 million due to the in-license of molecular diagnostic testing product candidates. Selling, general and administrative expenses for the nine months ended March 31, 2012 were \$151.8 million, compared to \$126.0 million for the same nine months in 2011. The increase in selling, general and administrative expense of 21% was due primarily to support the 23% increase in revenues and include:

the addition of approximately \$8.0 million due to administrative costs from Myriad RBM;

an increase in sales and marketing expense of approximately \$6.9 million due to various marketing initiatives and increased sales commissions;

an increase of approximately \$5.1 million in bad debt expense;

an increase of approximately \$2.8 million in international administrative costs from our European operations;

an increase of approximately \$1.6 million in administrative costs, due to support of domestic market expansion; and

an increase in share-based compensation expense of approximately \$1.4 million.

*Other Income (Expense)*

Interest income for the nine months ended March 31, 2012 was \$3.2 million, compared to \$1.8 million for the same nine months in 2011. The increase was due primarily to interest income recorded from the note receivable from Crescendo.

*Income Tax Provision*

Income tax expense for the nine months ended March 31, 2012 was \$53.1 million, for an effective income tax rate of approximately 39%, compared to income tax expense of \$42.9 million or a 36% effective income tax rate in the same period in 2011. Income tax expense for the nine months ended March 31, 2012 is based on our estimated annual effective tax rate for the full fiscal year ending June 30, 2012 adjusted by discrete items recognized during the period.

**Liquidity and Capital Resources**

Cash, cash equivalents, and marketable investment securities increased \$49.4 million, or 12%, to \$466.7 million at March 31, 2012 from \$417.3 million at June 30, 2011. This increase was attributable to increased sales, partially offset by purchasing \$67.5 million of our common stock under our share repurchase programs, issuance of a \$25 million note to Crescendo, payments of \$25.8 million in estimated federal income tax obligations, and operating expenditures.

Net cash provided by operating activities was \$100.1 million during the nine months ended March 31, 2012, compared to \$94.5 million during the same nine months in 2011. Our net income was reduced by non-cash charges in the form of share-based compensation and depreciation and amortization, which totaled \$19.9 million and \$6.7 million, respectively, during the nine months ended March 31, 2012. Cash from operating activities also decreased by \$10.6 million during the nine months ended March 31, 2012 due to payments of estimated income tax obligations.

Our investing activities used cash of \$30.7 million during the nine months ended March 31, 2012 and provided cash of \$6.5 million during the same nine months in 2011. Investing activities were comprised primarily of purchases and sales and maturities of marketable investment securities and the issuance of a \$25.0 million loan to Crescendo. Capital expenditures for equipment and facilities for the nine months ended March 31, 2012 were \$7.2 million.

Financing activities used cash of \$17.2 million during the nine months ended March 31, 2012 and used cash of \$126.5 million in the same nine months in 2011. Cash utilized in financing activities during the nine months ended March 31, 2012 was primarily due to the purchase of \$67.5 million of our common stock through our share repurchase programs, partially offset by \$18.1 million from cash provided by the exercise of stock options and \$32.2 million from excess tax benefits received from share-based compensation.

We believe that our existing capital resources and net cash expected to be generated from sales of our molecular diagnostic tests and companion diagnostic services will be adequate to fund our current and planned operations for the foreseeable future, although no assurance can be given that changes will not occur that would consume available capital resources more quickly than we currently expect and that we may need or want to raise financing. Our future capital requirements, cash flows, and results of operations could be affected by and will depend on many factors that are currently unknown to us, including:

failure to sustain revenue growth or margins in our molecular diagnostic testing and companion diagnostic services businesses;

termination of the licenses underlying our molecular diagnostic tests and companion diagnostic services or failure to enter into product or technology licensing or other arrangements favorable to us;

delays or other problems with operating our laboratory facilities;

the costs and expenses incurred in supporting our existing molecular diagnostic tests and companion diagnostic services and expanding into foreign markets;

the progress, results and cost of developing and launching additional molecular diagnostic tests and offering additional companion diagnostic services;

potential business development activities, in-licensing agreements and acquisitions, such as our acquisition of Myriad RBM and our strategic debt investment and option to acquire Crescendo Biosciences, and our ability to successfully integrate and achieve the expected benefits of our business development activities, in-licensing agreements and acquisitions;

changes in the government regulatory approval process for our tests and services;

the progress, costs and results of our international expansion efforts;

the costs, timing, outcome, and enforcement of any regulatory review of our existing or future molecular diagnostic tests and companion diagnostic services;

the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our issued patents and defending intellectual property-related claims;

the costs, timing and outcome of any litigation against us;

the introduction of technological innovations or new commercial tests by our competitors;

changes in intellectual property laws covering our molecular diagnostic tests and companion diagnostic services and patents or enforcement in the United States and foreign countries;

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changes in the governmental or private insurers reimbursement levels for our tests and services; and

changes in structure of the healthcare system or healthcare payment systems.

### **Effects of Inflation**

We do not believe that inflation has had a material impact on our business, sales, or operating results during the periods presented.

### **Certain Factors That May Affect Future Results of Operations**

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Quarterly Report on Form 10-Q contains such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Words such as may, anticipate, estimate, expects, projects, intends, plans, believes and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to: the risk that sales and profit margins of our existing molecular diagnostic tests and companion diagnostic services may decline or will not continue to

increase at historical rates; the risk that we may be unable to develop or achieve commercial success for additional molecular diagnostic tests and companion diagnostic services in a timely manner, or at all; the risk that we may not successfully develop new markets for our molecular diagnostic tests and companion diagnostic services, including our ability to successfully generate revenue outside the United States; the risk that licenses to the technology underlying our molecular diagnostic tests and companion diagnostic services tests and any future tests are terminated or cannot be maintained on satisfactory terms; risks related to delays or other problems with operating our laboratory testing facilities; risks related to public concern over our genetic testing in general or our tests in particular; risks related to regulatory developments or enforcement in the United States and foreign countries and changes in the structure of healthcare payment systems; our ability to obtain new corporate collaborations or licenses and acquire new technologies on satisfactory terms, if at all; our ability to successfully integrate and derive benefits from any technologies or businesses that we license or acquire; the development of competing tests and services; the risk that we or our licensors may be unable to protect the proprietary technologies underlying our tests; the risk of patent-infringement claims or challenges to the validity of our patents; risks of new, changing and competitive technologies and regulations in the United States and internationally; and other factors discussed under the heading *Risk Factors* contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, which has been filed with the Securities and Exchange Commission, as well as any updates to those risk factors filed from time to time in our Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this Quarterly Report or in any document incorporated by reference might not occur. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in our market risk during the three and nine months ended March 31, 2012 compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, which is incorporated by reference herein.

**Item 4. Controls and Procedures**

- (a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

- (b) *Changes in Internal Controls.* There were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II Other Information**

**Item 1. Legal Proceedings**

We are a defendant in a lawsuit brought by the Association for Molecular Pathology, *et al.* (the Plaintiffs) on May 12, 2009 in the United States District Court for the Southern District of New York (the District Court) before Judge Robert W. Sweet. The Plaintiffs sought a declaratory ruling that 15 claims of seven patents relating to the *BRCA1* and *BRCA2* genes, which patents are exclusively licensed to us, are invalid and unenforceable, and enjoining us (and the other defendants) from taking any actions to enforce these claims of these patents. The 15 claims at issue in the lawsuit are part of the intellectual property relating to our *BRACAnalysis* predictive medicine test for breast and ovarian cancer. On April 19, 2010, Judge Sweet entered a judgment in this lawsuit ruling that these 15 claims at issue were invalid. On June 16, 2010, we filed a Notice to Appeal with the United States Court of Appeals for the Federal Circuit (the Court of Appeals) appealing the District Court decision. On July 29, 2011 the Court of Appeals reversed the District Court's decision, in part, holding that the nine composition claims relating to isolated DNA molecules and one method claim relating to screening potential cancer therapeutics via changes in cell growth rates are patent-eligible under 35 U.S.C. Section 101. However, the Court of Appeals affirmed the District Court's decision that the remaining five method claims directed to comparing or analyzing DNA sequences are patent ineligible. The Court of Appeals also affirmed the District Court's decision to exercise declaratory judgment jurisdiction. After the Court of Appeals issued its opinion, both parties requested, in part, a panel rehearing of the decision of the Court of Appeals. The Court of Appeals denied each party's request for a panel rehearing.

On December 7, 2011, Plaintiffs filed a Petition for a Writ of Certiorari with the Supreme Court of the United States (the Supreme Court), seeking the Supreme Court's review of the decision of the Court of Appeals as it pertains to the composition claims relating to isolated DNA molecules, and the Court of Appeals decision that 19 of the Plaintiffs lacked standing. On January 13, 2012, we filed our Brief in Opposition to the Plaintiffs' Petition for a Writ of Certiorari. On March 26, 2012 the Supreme Court granted the Plaintiffs' Petition for a Writ of Certiorari, vacated the Court of Appeals' decision, and remanded the case back to the Court of Appeals for reconsideration in light of the Supreme Court's decision in Mayo v. Prometheus Laboratories on March 20, 2012. Accordingly, the Court of Appeals will now reconsider its decision dated July 29, 2011. The Court of Appeals has not yet provided a schedule for the matter to be reconsidered.

Apart from the 15 claims being challenged in this lawsuit, there are 164 separate claims under these seven patents which also cover the intellectual property utilized in, or related to, our *BRACAnalysis* predictive medicine test for breast and ovarian cancer which are not subject to this lawsuit. Additionally, there are 17 other issued U.S. patents which also cover the intellectual property utilized in, or related to, our *BRACAnalysis* predictive medicine test for breast and ovarian cancer which are not subject to this lawsuit. Accordingly, we do not believe that this lawsuit will have a material adverse impact on the Company even if we do not ultimately prevail.

We are not a party to any other legal proceedings that we believe will have a material impact on our business, financial position or results of operations.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, as updated in our Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2011.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**  
**Issuer Purchases of Equity Securities**

We have previously announced the following stock repurchase programs for repurchases of our common stock:

Date Authorized	Amount Authorized	Date Completed
May 2010	\$100 million	August 2011
August 2010	\$100 million	February 2011
March 2011	\$100 million	September 2011
August 2011	\$200 million	ongoing
<b>Total:</b>	<b>\$500 million</b>	

In connection with our most recent stock repurchase authorization, we have been authorized to complete the repurchase through open market transactions or through an accelerated share repurchase program, in each case to be executed at management's discretion based on market conditions. As of the date of this report, we have not entered into an accelerated share repurchase agreement under our most recent stock repurchase program.

The details of the activity under our stock repurchase programs during the fiscal quarter ended March 31, 2012, were as follows:

**Issuer Purchases of Equity Securities**

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2012 to January 31, 2012		\$		\$ 172,650,855
February 1, 2012 to February 29, 2012	252,636	\$ 23.75	252,636	166,649,519
March 1, 2012 to March 31, 2012	249,372	\$ 24.08	249,372	160,645,648
Total	502,008		502,008	\$ 160,645,648

**Item 3. Defaults Upon Senior Securities.**  
None.

**Item 4. Mine Safety Disclosures.**  
None.

**Item 5. Other Information.**  
None.

**Item 6. Exhibits.**

31.1 Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.

32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101@ The following materials from Myriad Genetics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Income, (iii) the unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

@ Users of the XBRL data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MYRIAD GENETICS, INC.

Date: May 2, 2012

By: /s/ Peter D. Meldrum  
Peter D. Meldrum  
President and Chief Executive Officer  
(Principal executive officer)

Date: May 2, 2012

By: /s/ James S. Evans  
James S. Evans  
Chief Financial Officer  
(Principal financial and chief accounting officer)