Elphinstone Research Group

# M&A Research Report:

## Abbott Laboratories Acquisition of Exact Sciences Healthcare Sector

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## Transaction Snapshot

| | |
|---|---|
| **Acquirer** | Abbott Laboratories (NYSE: ABT) |
| **Target** | Exact Sciences Corporation (Nasdaq EXAS) |
| **Enterprise Value** | USD 23bn |
| **Equity Consideration** | USD 21bn ($105 per share, 100% cash) |
| **Structure** | All-cash acquisition of 100% equity; EXAS shares delisted from Nasdaq on close |
| **Announced** | 20-Nov-25 |
| **Closed** | 23-Mar-26 |
| **Key Conditions** | DOJ & FTC antitrust clearance (no challenge); unanimous board approval; shareholder vote approved 20-Feb-26 |
| **Financial Advisor** | Morgan Stanley (to Abbott; also provided committed financing) |

## Investment Thesis

Abbott Laboratories entered into a definitive agreement on November 20th, 2025, to acquire Exact Sciences Corporation in an all-cash transaction value at approximately $23 billion enterprise value ($21 billion equity value) at $105 per share. The deal closed on March 23rd, 2026, receiving antitrust clearance from the DOJ and FTC without regulatory challenge.

The Acquisition marks Acquisition marks Abbott's entry into cancer screening and precision oncology, a segment in which it had no prior commercial presence.

## Investment Thesis (cont.)

Despite generating approximately $9 billion in annual diagnostics revenue, Abbott was absent from a U.S. cancer diagnostics market estimated at around $60 billion, while competitors including Roche (Foundation Medicine) and Illumina (Grail) had already established meaningful oncology positions. Exact Sciences addresses this gap through a portfolio spanning the full cancer pathway: Cologuard (the leading at-home colorectal cancer test with over 16 million uses), Oncotype DX (treatment guidance in breast and colon cancer), Oncodetect (recurrence monitoring) and Cancerguard (a multi-cancer detection bloods test in development). Abbott's existing primary care relationships and presence in over 160 countries provide a route to scale these products commercially and internationally.

## Key Financials

| | |
|---|---|
| **Implied EV/Revenue (FY2025)** | ~7.3x |
| **Implied EV/EBITDA (FY2025)** | >150x |
| **Pro Forma Revenue** | ~$47.6bn |
| **Pro Forma EBITDA** | ~$11.2bn |
| **EBITDA margin change** | 25.2% --> 23.5% (-1.7pp) |
| **Opening Net Debt/EBITDA** | 2.26x --> ~0x by Year 5 |
| **Pro Forma EPS impact** | ~$0.63/share (-16.9% dilutive) |
| **Base-case Synergies** | ~$100m p.a. (by 2028) |
| **Integration Costs (est.)** | ~$250m one-off |
| **Expected ROIC** | High single digits within ~6 years |

**Financial Considerations**

Abbott financed the transaction through $20 billion of senior unsecured notes across multiple tranches (yields ranging from ~3.7% to ~5.6%), with the remaining ~$3.2 billion from existing cash and commercial paper. The blended cost of debt is approximately 4.83%. Post-transaction, opening net debt/EBITDA stands at approximately 2.07x, with a projected deleveraging path to effectively zero by Year 5, assuming 80% of free cash flow is allocated to debt repayment annually. The transaction is EPS dilutive in the near term (~$0.63 per share, or 16.9%), reflecting Exact Sciences' current loss-making profile and significant financing costs, and is expected to remain dilutive through 2027

**Key Risks**

Principle risks centre on integration execution, financial leverage and the high acquisition multiple. The implied EV/EBITDA of over 150x indicates Abbott is paying substantially for future growth rather than current earnings - Exact Sciences reported a net loss of $207.9 million in 2025. Integration risk is the most significant operating downside, spanning commercial execution, R&D prioritisation, reimbursement strategy and talent retention. A downside synergy scenario (50% achievement) would reduce after-tax earnings by approximately $79 million and EPS by approximately $0.05 per share, further extending the period of earnings dilution

**Industry implications**

The transaction reflects a broader shift in diagnostics and medtech towards oncology as a high growth segment, and signals that large diagnostics companies without oncology exposure are increasingly strategically vulnerable. HHI analysis confirms no increase in market concentration on the relevant market definition, consistent with the deal closing without regulatory challenge, though the market remains highly concentrated. The deal may accelerate further consolidation as competitors seek to establish or extend positions in cancer screening.

**Purchase price and deal consideration**

On November 20th, 2025, Abbott Laboratories agreed to acquire Exact Sciences Corporation in an all-cash deal. Under the terms, Exact Sciences shareholders will receive $105 per share, valuing the business at about $21 billion in equity terms and a roughly $23 billion enterprise value. The offer came at a clear premium to the company's pre-announcement share price of $86.18, giving shareholders a straightforward opportunity to cash out at an attractive level.

The higher enterprise value reflects the roughly $1.8 billion of net debt that Abbott will take on as part of the transaction. Once the deal closes, Exact Sciences will be fully absorbed into Abbott, its shares will be delisted from Nasdaq, and existing investors will no longer hold any stake in the company. Both boards approved the deal unanimously, and it was later signed off by shareholders on February 20, 2026.

From a strategic standpoint, Abbott Laboratories sees the deal as a way to drive both revenue growth and margins relatively quickly. Management expects returns on invested capital to reach the high single digits within about six years, with most of the upside coming from growing the business rather than cutting costs.

**Deal Structuring & Financing structure**

**Debt Financing overview**

Given the size of the transaction, the largest medtech deal since Pfizer's acquisition of Seagen in 2023, Abbott Laboratories relied heavily on debt to fund the purchase. The company indicated it would use a mix of new borrowing and existing cash, with Morgan Stanley acting as financial advisor and providing committed financing support. This is expected to push Abbott's leverage higher in the near term, with net debt to EBITDA rising above pre-deal levels, reflecting the debt funded nature of the transaction.

**Debt Financing overview (cont.)**

To raise most of the funds, Abbott issued $20 billion of senior unsecured notes across multiple tranches in February 2026. The deal closed in early March, generating just under $20 billion after fees, and was backed by a syndicate including Morgan Stanley, Barclays, Bank of America Securities, and J.P. Morgan.

Instead of bunching repayments into one period, Abbott Laboratories has spread the debt across a long range of maturities, from 2029 all the way out to 2066. The shorter-term bonds come with lower interest rates, starting at about 3.7%, while the longer-dated ones pay more, up to around 5.6%, reflecting the commitment of tying up money for decades. Abbott also included a $1 billion floating-rate tranche due in 2029, priced just above SOFR, which gives it some flexibility if rates come down. At the longer end, the 2056 and 2066 bonds lock in funding for the long term and help ease refinancing pressure in the years ahead.

The remaining roughly $3.2 billion is expected to come from Abbott's existing cash and possibly short-term commercial paper. While the exact breakdown hasn't been disclosed, the company's strong cash flow suggests this portion is manageable. The bond terms also include standard safeguards, limiting Abbott's ability to take on additional secured debt unless the same protections are extended to these new notes.

## Sources & Uses Table

| Sources | Amount ($bn) | Uses | Amount ($bn) |
|---|---|---|---|
| Floating Rate Notes (2029) | 1 | Purchase of Exact Sciences equity | 21 |
| 3.7% Notes (2029) | 2.3 | Repayment of Net Debt | 1.8 |
| 4.0% Notes (2031) | 2.5 | Equity + assumed debt | 22.8 |
| 4.3% Notes (2033) | 2.8 | Transaction fees & expenses | 0.2 |
| 4.65% Notes (2036) | 3.8 | | |
| 4.75% Notes (2038) | 2 | | |
| 5.5% Notes (2056) | 3.8 | | |
| 5.6% Notes (2066) | 2 | | |
| Total Senior Notes | 20 | | |
| Less: Fees & Issuance costs | -0.2 | | |
| Net Proceeds from Notes | 19.8 | | |
| Cash/Commercial Paper | 3.2 | | |
| TOTAL SOURCES | 23 | TOTAL USES | 23 |

## Special Mechanics

The merger agreement, signed on November 19, 2025, between Abbott Laboratories and Exact Sciences Corporation includes a few key terms that shape how the deal is expected to play out.

One of the main ones is the $628.7 million termination fee. If Exact Sciences chooses to accept a better offer or backs out under certain conditions, it would have to pay this fee to Abbott. At around 3% of equity value, it's fairly standard, but still large enough to discourage rival bids.

The agreement also sets an outside date of November 19, 2026. If the deal hasn't closed by then, either side can walk away, which essentially puts a time limit on getting regulatory approvals and finalising the transaction.

A more notable feature is the special mandatory redemption linked to the debt financing. If the deal falls through, Abbott would have to repay the bonds at 101% of their value plus interest.

## Special Mechanics (cont.)

This gives bondholders some protection, while also showing the financial commitment behind the deal.

There is also a no-shop clause, meaning Exact Sciences can't actively look for or negotiate with other buyers during this period, helping keep the deal exclusive. The agreement does not appear to include any asset carve outs, suggesting Abbott is acquiring the business in full.

Shareholders approved the transaction in February 2026. Overall, the structure is fairly typical, but the redemption clause stands out as a strong safeguard, while the termination fee and no-shop clause help keep the deal on track.

**Abbott Laboratories acquisition of Exact Sciences | All figures USD millions**

| Metric | Year 0 (2025 PF) | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|---|
| | | | | | | **Debt structure (USD $m)** |
| Opening debt | 34,729 | 34,729 | 28,093 | 21,059 | 13,673 | 5,917 |
| Debt repayment 80% FCF | — | -6,636 | -7,034 | -7,386 | -7,756 | -5,917 |
| Closing debt | 34,729 | 28,093 | 21,059 | 13,673 | 5,917 | 0 |
| | | | | | | **Operating performance (USD $m)** |
| Combined EBITDA | 11,184 | 11,855 | 12,566 | 13,194 | 13,854 | 14,408 |
| EBITDA growth | — | 6.00% | 6.00% | 5.00% | 5.00% | 4.00% |
| | | | | | | **Free cash flow (USD $m)** |
| Combined FCF | 7,752 | 8,295 | 8,793 | 9,233 | 9,695 | 10,083 |
| FCF growth | — | 7.00% | 6.00% | 5.00% | 5.00% | 4.00% |
| | | | | | | **Interest (USD $m)** |
| Interest expense 4.83% blended | 1,677 | 1,357 | 1,017 | 660 | 286 | 0 |
| | | | | | | **Credit metrics** |
| Combined cash balance | 9,478 | 9,478 | 9,478 | 9,478 | 9,478 | 9,478 |
| Net debt | 25,251 | 18,615 | 11,581 | 4,195 | 0 | 0 |
| Leverage Ratio | 2.26x | 1.57x | 0.92x | 0.32x | — | — |
| Interest coverage | 6.7x | 8.7x | 12.4x | 20.0x | — | — |

**Capital Structure Analysis**

Because the acquisition is mostly financed by the issuance of new debt in addition to a smaller cash contribution, Abbott's leverage is anticipated to rise significantly. According to the deal disclosures, Abbott absorbs Exact's net debt as part of the acquisition structure, and the transaction financing is primarily based on $20.0 billion of new senior notes with additional cash or commercial paper funding (Abbott Laboratories, 2025a; S&P Capital IQ, 2026).

**Deleveraging Assumptions**

The model assumes that debt repayment accounts for 80% of annual free cash flow when projecting the balance sheet trajectory following closing. Interest expense is calculated using a blended cost of debt of approximately 4.83%, derived from the pricing of the new debt issued to finance the transaction (Abbott Laboratories, 2025a). For a sizable investment-grade healthcare organisation, this represents a sensible post-acquisition deleveraging strategy that still permits ongoing investments in operations, R&D, and shareholder returns. Additionally, this assumption is generally in line with Abbott's declared expectation that operating cash flow should continue to surpass both dividends and capital expenditures (Abbott Laboratories, 2024).

**Operating Performance Outlook**

Over the course of the forecast period, operating performance is expected to increase at a moderate but consistent rate. Abbott's recent sales growth, management's remarks regarding the company's ongoing expansion across key businesses, and its 2026 guidance for organic sales growth of 6.5% to 7.5% serve as the foundation for this assumption (Abbott Laboratories, 2025b). Therefore, it is anticipated that free cash flow will increase gradually over time, enabling debt to decline rapidly in the early years and more slowly as the remaining balance decreases.

**Summary**

In conclusion, the table depicts a company that was initially more leveraged at closing but was able to quickly return to a more conservative balance sheet thanks to consistent earnings growth and robust cash generation.

**Summary (cont.)**

Overall, the acquisition raises short-term financial risk, but not to a degree that seems at odds with Abbott's size, cash flow profile, and declared goal of keeping an investment-grade rating (Abbott Laboratories, 2024).

## Industry Analysis

The relevant market is U.S. non-invasive colorectal cancer screening tests for average-risk adults aged 45+. It includes tests that use stool, like FIT and multi-target stool DNA tests like Cologuard, as well as new blood-based screening tools (USPSTF, 2021). Colonoscopy and other invasive procedures are not included because they require different types of care, cost more, and are not as good for the patient. This definition is based on the closest alternatives to Cologuard and is based on the idea that patients who are thinking about non-invasive screening are more likely to switch between these tests than to go straight to invasive procedures (USPSTF, 2021).

The main competitors in this market are based on products that are already on the market and the ability to switch screening methods. They are:

- Exact Sciences (Cologuard / Cologuard Plus) – multi-target stool DNA screening test (Exact Sciences, 2025)
- Pooled Faecal immunochemical test (FIT) providers – includes a fragmented group of diagnostic manufacturers and laboratory service providers offering FIT-based screening
- Guardant Health (Shield) – blood-based colorectal cancer screening test (Guardant Health, 2026)
- Other commercial non-invasive CRC screening entrants – includes smaller or recently approved stool-based or molecular screening products with limited current market penetration.

Instead of revenue, annual screening episodes are used to figure out market shares because the prices, reimbursement, and testing frequency of non-invasive CRC tests vary. We used national screening utilisation data to figure out how much FIT, stool DNA, and blood-based tests were used compared to each other. Then we used the recommended screening intervals to figure out how much they were used each year (CDC, 2025; USPSTF, 2021). Exact Sciences and Guardant disclosed test volumes and these values were used directly (Exact Sciences, 2025; Guardant Health, 2026). When firm-level data was not accessible, competitors were categorised by modality, for instance, aggregated FIT providers. The outcome is a combined firm- and modality-level strategy utilising public utilisation data and corporate disclosures, serving as a pragmatic solution in the absence of comprehensive firm-level screening volumes.

**Pre Merger**

| Competitor | Annualized screening episodes (m) | Market share % | HHI |
|---|---|---|---|
| Abbott | 0 | 0 | 0 |
| Exact Sciences / Cologuard | 3.667 | 26.22 | 687.49 |
| FIT pooled | 10.23 | 73.16 | 5352.39 |
| Guardant / Shield | 0.087 | 0.62 | 0.39 |
| Other commercial non-invasive CRC tests | 0 | 0 | 0 |
| HHI pre-merger | | | 6039.87 |

**Post Merger**

| Competitor | Annualized screening episodes (m) | Market share % | HHI |
|---|---|---|---|
| Abbott + Exact | 3.667 | 26.22 | 687.49 |
| FIT pooled | 10.23 | 73.16 | 5352.39 |
| Guardant / Shield | 0.087 | 0.62 | 0.39 |
| Other commercial non-invasive CRC tests | 0 | 0 | 0 |
| HHI post-merger | | | 6039.87 |

## Regulatory Assessment and Possible Regulatory Challenge

The U.S. Department of Justice (DOJ) and U.S. Federal Trade Commission (FTC) concentration thresholds are standard levels used by U.S. antitrust agencies to evaluate whether a merger or acquisition may substantially lessen competition (U.S. Department of Justice, 2023). Under the DOJ and FTC 2023 Merger Guidelines, a market is considered highly concentrated if the post-merger HHI exceeds 1,800 and an increase of more than 100 points is viewed as significant (U.S. Department of Justice, 2023). Regarding the Abbott Laboratories acquisition of Exact Sciences, the estimated pre-merger HHI is 6039.87 and the post-merger HHI is 6039.87, implying a change of 0 points. Due to the post-merger HHI being greatly above 1,800, the market is clearly highly concentrated. However, there was no increase in concentration on the market definition used here, therefore the proposed transaction does not cross the agencies' structural benchmark for heightened antitrust concern (U.S. Department of Justice, 2023).

**Conclusion on Regulatory Analysis**

Overall, these HHI figures compared to the DOJ/FTC thresholds indicate that the proposed acquisition was less likely to face regulatory scrutiny on traditional concentration grounds. This assessment is supported by the fact that the deal was completed on the 23rd of March 2026 without regulatory challenge (Abbott, 2026). This is due to Abbott appearing to have no pre-existing share in the defined market, so the acquisition does not materially increase concentration. However, the market remains highly concentrated and regulatory scrutiny could still have arisen if agencies had adopted a different market definition or examine broader issues such as future competition (U.S. Department of Justice, 2023). This interpretation is consistent with reports that the deal represents Abbott's first major move into cancer screening (Reuters, 2025). More broadly, HHI is only an initial screening tool, and the significance of its result relies heavily on how narrowly or broadly the relevant market is defined.

**Strategic gap**

Despite being one of the world's largest diagnostics companies, Abbott Laboratories had no real presence in cancer screening or precision oncology before this deal. Its diagnostics division, which generates around $9 billion in annual revenue, has been built mainly around point of care and infectious disease testing. That has provided a reliable base, but it also leaves the business exposed to swings in testing demand and, more importantly, outside one of the fastest growing areas in healthcare.

At the same time, competitors have been moving ahead in oncology. Roche, through Foundation Medicine, has developed a strong position in tumour profiling, while Illuming has been pushing forward in multi cancer early detection through Grail. In comparison, Abbott was largely missing from a US cancer diagnostics market often estimated at around $60 billion.

Trying to build a meaningful position in this space from scratch would likely have taken years and come with a fair amount of execution risk. Acquiring Exact Sciences Corporation, which already has an established platform and market presence, allows Abbott to enter the space much more quickly and with far greater certainty

**How the acquisition improves competitive position**

The deal gives Abbott Laboratories a far more complete position in cancer care by adding Exact Sciences Corporation's portfolio across screening, treatment decisions, and monitoring. Cologuard is already the leading at-home colorectal cancer test, with more than 16 million uses, while Oncotype DX is widely used in guiding treatment for breast and colon cancer. Oncodetect focuses on tracking recurrence, and Cancerguard is being developed to detect multiple cancers from a single blood test. Taken together, this gives Abbott a presence across the full cancer pathway that few large diagnostics companies currently have.

Another important aspect is the strength of Exact Sciences' intellectual property and its implications for pricing power.

**How the acquisition improves competitive position (cont.)**

Products like Cologuard and Oncotype DX are supported by extensive clinical validation and proprietary genomic data, which creates high barriers to entry for competitors. This makes them difficult to replicate and helps sustain relatively strong pricing, particularly where they are embedded in clinical guidelines and reimbursed by insurers. For Abbott, this adds a layer of defensibility to the acquisition, as growth is supported not just by higher volumes but also by durable pricing and limited direct competition.

**Scalability and International Opportunity**

What really makes the deal more interesting is Abbott's ability to scale it. Its existing relationships with primary care doctors should make it easier to push Cologuard further, something UBS has pointed to as a key opportunity. At the same time, Exact Sciences still generates most of its $3 billion plus revenue in the US, while Abbott operates in over 160 countries. That opens up a fairly straightforward path for international growth.

Management, led by Robert Ford, expects the deal to deliver returns in the high single digits within about six years, mainly driven by revenue growth. In reality, that comes down to how well Abbott can expand Cologuard through its existing network and take the business beyond the US.

**How it strengthens pricing power, scale and intellectual property**

The acquisition of Exact Sciences enhances Abbott's pricing power within the diagnostics market, particularly in oncology screening with products such as Cancerguard that have already been mentioned. By integrating this already successful product into Abbott's broader diagnostics platform with ID NOW, I-STAT and others (Abbott, Global Point of Care2026). This diverse diagnostics portfolio will let Abbott benefit from stronger bargaining power with insurers and healthcare providers who use any of these products. Exact Sciences generated roughly $3.25 billion in revenue in 2025 with gross margins of around 70% highlighting the high margins they have in their diagnostics market. (Exact Sciences 2025). With all these diagnostic tests under Abbott's portfolio and such high margins, any increase in price will surely lead to higher profitability.

**How it strengthens pricing power, scale and intellectual property (cont.)**

Exact Sciences bring in a range of technologies including cancer screening, treatment selection with products such as Oncotype DX, which has been used by over 2 million patients globally. The healthcare market has extremely high barriers to entry with extensive regulatory approvals and testing. Acquiring these products which have already passed these requirements strengthens Abbott's intellectual property and capabilities for innovation as more of the budget can be focused on this. With other products such as Cancerguard, this acquisition leaves Abbott Laboratories at the forefront of a rapidly expanding market in oncology screening, with the market for cancer diagnostics projected to reach $101.5 billion by 2029. Thus, strengthening Abbott's long-term growth profile with potential for new product development and sustained revenue increase (Staff, B.P 2017).

**Standalone Projections:**

**Abbott Laboratories (1a) -** (S&P Capital IQ Pro, 2026) (Value Investing, 2026a))

| Year | Revenue | Growth % | Costs | EBITDA | Margin % | CapEX | ΔWC | Unlevered FCF |
|---|---|---|---|---|---|---|---|---|
| 2021A | 43,075 | N/A | 32,603 | 12,742 | 29.6 | 1,885 | N/A | N/A |
| 2022A | 43,653 | 1.3 | 33,278 | 12,380 | 28.4 | 1,777 | 548 | 7,689 |
| 2023A | 40,109 | -8.1 | 31,665 | 10,463 | 26.1 | 2,202 | 1056 | 5,389 |
| 2024A | 41,950 | 4.6 | 33,247 | 10,463 | 24.9 | 2,207 | 84 | 5,959 |
| 2025A | 44,328 | 5.7 | 34,593 | 10,714 | 24.2 | 2,171 | 62 | 6,597 |
| 2026E | 45,566 | 2.8 | 35,043 | 10,523 | 23.1 | 2,244 | 53 | 8,337 |
| 2027E | 47,497 | 4.2 | 34,766 | 12,731 | 26.8 | 2,289 | 114 | 9,211 |
| 2028E | 50,635 | 6.6 | 36,073 | 14,562 | 28.8 | 2,440 | 706 | 9,963 |
| 2029E | 52,654 | 4 | 36,532 | 16,122 | 30.6 | 2,537 | 214 | 11,672 |
| 2030E | 55,515 | 5.4 | 37,537 | 17,978 | 32.4 | 2,675 | 519 | 12,805 |

**Standalone Projections Analysis**

Abbot Laboratories demonstrates stable standalone performance. Revenue growth is moderate ranging from 1-6%, with an outlier of -8.3 in 2023 due to a drop in COVID-19 related revenues. Historically, Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) margins have fallen in the last 5 years but Discounted Cash Flow (DCF) estimates a recovery to 32.4% surpassing 2021 levels of 29.6% indicating an improving operating level. The company generates a strong Unlevered Free Cash Flow (FCF) increasing from 5,389 to 12,805, highlighting a growing level of cash generation in proportion to revenue. Overall, Abbott is a financially robust and efficient company, however its relatively modest revenue growth supports a strategic rationale for acquisitions.

**Exact Sciences (1b) – (S&P Capital IQ Pro, 2026b) (Value Investing, 2026b)**

| Year | Revenue | Growth | Costs | EBITDA | Margin % | CapEX | ΔWC | Unlevered FCF |
|---|---|---|---|---|---|---|---|---|
| 2021A | 1,767 | 18.5 | 2,508 | -530 | -30 | 136 | -36 | 91 |
| 2022A | 2,084 | 17.9 | 2,649 | -437 | -21 | 214 | -52 | -271 |
| 2023A | 2,499 | 19.9 | 2,793 | -102 | -4 | 124 | 51 | 103 |
| 2024A | 2,759 | 10.0 | 2,947 | 23 | 1 | 136 | 37 | 74 |
| 2025A | 3,247 | 17.7 | 3,446 | 71 | 2 | 210 | 35 | 306 |
| 2026E | 3,424 | 5.5 | 3,581 | 34 | 1 | 269 | 59 | 291 |
| 2027E | 3,754 | 9.6 | 3,873 | 88 | 2 | 295 | 33 | 237 |
| 2028E | 4,083 | 8.8 | 4,157 | 172 | 4 | 321 | 15 | 162 |
| 2029E | 4,521 | 10.7 | 4,543 | 257 | 6 | 255 | 51 | 149 |
| 2030E | 5,072 | 12.2 | 5,036 | 353 | 7 | 398 | 51 | 96 |

**Standalone Projections Analysis (cont.)**

Exact Sciences demonstrates a strong revenue growth, with a slight dip from 2026 but recovering to above 10% in 2029 according to the DCF. However, Exact Sciences has historically shown weak profitability, with negative EBITDA and costs exceeding revenue, which highlight a lack of scale. From 2023 FCF turns positive suggesting the dawn of a transition to profitability. For Abbott, Exact Sciences represent an attractive high-growth but risky target. A successful acquisition could be unlocked through operational scale, market expansion, and cost synergies.

**Abbot Laboratories Cost Structure (2a)**

| Year | COGS | SG&A | R&D | Total |
|---|---|---|---|---|
| 2021 | 18,537 | 11,324 | 2,742 | 32,603 |
| 2022 | 19,142 | 11,248 | 2,888 | 33,278 |
| 2023 | 17,975 | 10,949 | 2,741 | 31,665 |
| 2024 | 18,706 | 11,697 | 2,844 | 33,247 |
| 2025 | 19,319 | 12,332 | 2,972 | 34,623 |

(S&P Capital IQ Pro, 2026)

**Exact Sciences Cost Structure (2b)**

| Year | COGS | SG&A | R&D | Total |
|---|---|---|---|---|
| 2021 | 459 | 1,663 | 386 | 2,508 |
| 2022 | 661 | 1,593 | 394 | 2,648 |
| 2023 | 738 | 1,628 | 427 | 2,793 |
| 2024 | 840 | 1,675 | 431 | 2,946 |
| 2025 | 984 | 1,939 | 523 | 3,446 |

(S&P Capital IQ Pro, 2026)

**Cost Synergy Analysis**

A comparison of cost structures highlights the significant scale between Abbott and Exact Sciences. This indicates that synergies will largely be driven by integrating Exact Sciences into Abbott's existing platform. Both firms exhibit substantial Sales, General and Admin (SG&A) expenses, demonstrating the largest opportunity for cost synergies through the elimination of overlapping expenses. In return, Cost of Goods Sold (COGS) offers more limited savings potential, while R&D expenditure is unlikely to be significantly reduced due to its strategic importance in a horizontal, bolt-on acquisition.

Abbott Laboratories has released a conservative estimate for $100m in cost synergies by 2028 (Fierce Biotech, 2026). This estimated goal represents less than 0.3% of aggregate 2025 costs demonstrate its achievability by 2028. Such a low figure indicates a strong confidence in the deal and a low execution risk. Moreover, the modest estimate implies a larger hidden figure if further SG&A efficiencies and lower COGS are realised through scaling and overlap.

**Revenue Benefits**

**Revenue without Synergies (3a)**

| Year | ABT Revenue | YOY Growth % | EXAS Revenue | Summed | YOY Growth % | Revenue Benefit % |
|---|---|---|---|---|---|---|
| 2026 | 45,566 | 2.8 | 3,424 | 48,990 | 10.5 | 7.5 |
| 2027 | 47,497 | 4.2 | 3,754 | 51,251 | 4.6 | 7.9 |
| 2028 | 50,635 | 6.6 | 4,083 | 54,718 | 6.8 | 8.1 |
| 2029 | 52,654 | 4.0 | 4,521 | 57,175 | 4.5 | 8.6 |
| 2030 | 55,515 | 5.4 | 5,072 | 60,587 | 6.0 | 9.1 |

(S&P Capital IQ Pro, 2026)

**Revenue Benefits (cont.)**

In 2026 Revenue will instantly increase by over $4b (10.5%) and support a superior YOY growth. As Exact Sciences' estimated revenue streams grow faster than Abbott's, the revenue benefit will increase from 7.5% to 9.1% from combined standalone projections alone. Moderate YOY growth from 2026 reflect Exact Sciences' substantially smaller scale. If production is sufficiently scaled, the acquisition yields growth.

**Revenue Benefits of International Expansion on Exact Science's Income Sheet (3b)**

| Year | Est. Standalone Revenue | Standalone International Revenue % | Standalone International Revenue | Acquisition Driven International Revenue % | Acquisition Driven International Revenue |
|---|---|---|---|---|---|
| 2025A | 3,247 | 6.9 | 224 | 6.9 | 224 |
| 2026E | 3,424 | 7.3 | 250 | 10 | 342 |
| 2027E | 3,754 | 8.0 | 300 | 13 | 488 |
| 2028E | 4,083 | 8.7 | 355 | 16 | 653 |
| 2029E | 4,521 | 9.6 | 434 | 19 | 859 |
| 2030E | 5,072 | 10.8 | 548 | 22 | 1,116 |

(S&P Capital IQ Pro, 2026)

The most significant revenue synergy benefit lies in the market expansion from Exact Sciences' smaller U.S. consumer base to the Abbott' International base. In 2025 Exact Sciences' international revenue made up almost 7% of overall revenue, driven almost entirely by precision oncology products. This model assumes that this would have increased proportionally to estimated revenue growth in the Standalone International Revenue % column. Abbott's international revenue made up 56.7% of total diagnostics revenue. Under moderate assumptions, this model assumes that revenue derived only from Exact's precision oncology would increase sales to over $1B compared to standalone projections by 2030.

**Aggregated Revenue Benefits (3c)**

| Year | Combined Standalone Revenue | YOY Growth % | Revenue + Synergies | YOY Growth % | Revenue Benefit % |
|---|---|---|---|---|---|
| 2026E | 48,990 | 10.5 | 49,082 | 10.7 | 7.7 |
| 2027E | 51,251 | 4.6 | 51,439 | 4.8 | 8.3 |
| 2028E | 54,718 | 6.8 | 55,016 | 7.0 | 8.7 |
| 2029E | 57,175 | 4.5 | 57,600 | 4.7 | 9.4 |
| 2030E | 60,587 | 6.0 | 61,155 | 6.2 | 10.2 |

This table outlines the combined revenue effect of international expansion of Exact's precision oncology products. This table incorporates DCF projections and a table 3b. By 2030 the acquisition is estimated to add over $5b to revenue from standalone projections, from $55.515b-$60.587b. Furthermore, the revenue benefit % column, highlights the difference in revenue each year from the acquisition compared to Abbott's standalone projections. The Revenue benefit is expected only to grow from 7.7% to 10.2% and continue this trend past 2030, suggesting the acquisition will yield greater long-term results.

**Integration Costs:**
**Integration Costs with Estimates proportional to Revenue and Cost Synergies (4)**

| Year | Cost synergies | Integration Cost Fraction | EY Est. | Mckinsey Est. |
|---|---|---|---|---|
| 2026 | 20 | 50% | 123.5 | 75 |
| 2027 | 60 | 30% | 74.1 | 45 |
| 2028 | 40 | 20% | 49.4 | 30 |
| 2029 | 0 | 0 | 0 | 0 |
| 2030 | 0 | 0 | 0 | 0 |
| Total: | 100 | 100% | 247 | 150 |

This table operates under 4 assumptions. EY released an article that states 'Healthcare and life care sciences M&A integration costs median was at 7.5% of target revenue, possibly driven by compliance with regulatory, safety and quality standards, as well as consolidation of the research and development function' (EY, 2024). However, Mckinsey & Company estimate integration costs relative to 1-1.5 of cost synergies, which suggests a lower integration cost than that of EYs. Revenue and Cost synergy projections have been carried over from table 1b (EXAS Revenue FY2025) and Abbott's estimated cost synergies (Fierce Biotech, 2026).

Integration costs could therefore be approximately $247m, rounded to $250m. Given Abbot's strategic rationale of a bolt on horizontal acquisition and low-cost synergy goals, McKinsey & Company's methodology appears more realistic. Given the regulatory and operational complexity of integrating a precision oncology platform, EY's methodology appears more appropriate here, suggesting integration costs of approximately $250m

**Synergy Scenarios:**
**Synergy Scenario Table (5a)**

| Scenarios | Cost Synergies | Revenue Benefits | Integration Costs |
|---|---|---|---|
| Poor | 50% | 50% | 150% |
| Estimated | 100% | 100% | 100% |
| Strong | 150% | 150% | 100% |

Table 5a outlines 3 synergy scenarios, poor execution, estimated levels, and strong execution by 2030. Poor execution assumes delays, integration fiction, and slow revenue growth due to patent linked issues with international expansion. Estimated levels assumes Estimated cost synergies, revenue benefits are all realised by 2030. The strong row assumes that all cost synergies and revenue benefits have outperformed estimations, with better integration execution leading to lower waste. However, integration costs remain at estimated levels as the outperforming synergy estimates would require higher integration costs.

**Net Synergies Table (5b)**

| Synergy Output | Poor | Estimated | Strong |
|---|---|---|---|
| Cost Synergies | 50 | 100 | 150 |
| Revenue Benefits | 1840 | 3683 | 5524 |
| **Total Synergies** | 1890 | 3783 | 5674 |
| Integration Costs | 375 | 250 | 250 |
| **Net Synergies** | 1515 | 3533 | 5424 |

The net synergies table cross-references synergy scenarios with estimated revenue benefits, cost synergies, and integration costs from tables 4, 3c, and Abbott's estimates on cost synergies (SEC, 2026). Net synergies range from $1.7b to $5.5b, delivering a strong positive value in all scenarios. Net synergies are largely comprised of revenue benefits rather than cost synergies, reflecting Abbott aims of prioritising growth, and preserving operations while scaling to release products internationally

**EBITDA & Cash Flow Impact**

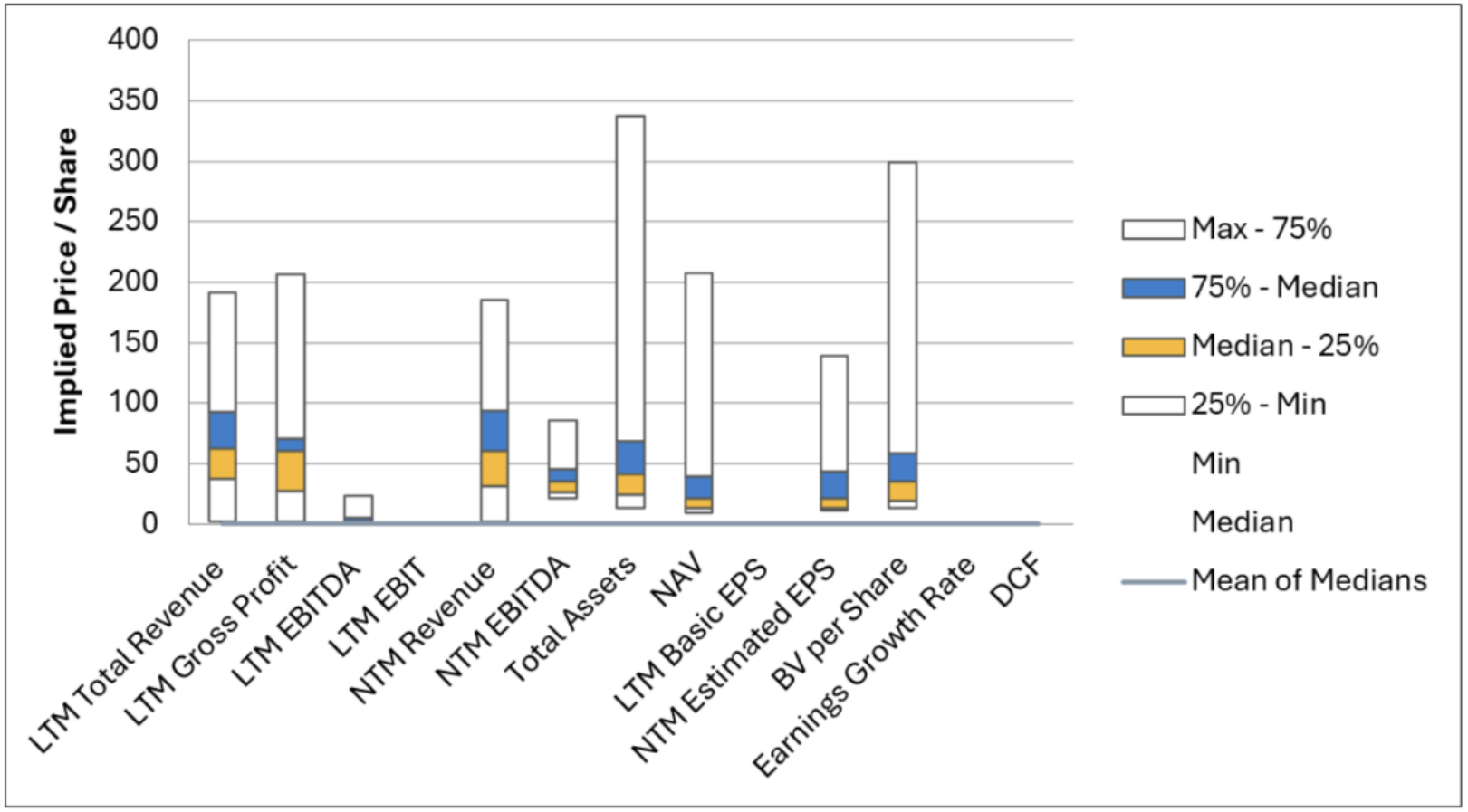
| $m | Poor | Estimated | Strong |
|---|---|---|---|
| Cost Synergies | 50 | 100 | 150 |
| Revenue Benefits | 1,840 | 3,683 | 5,524 |
| Revenue Costs (80%) | 1,472 | 2,946 | 4,419 |
| Integration Costs | 375 | 250 | 250 |
| **Net EBITDA impact** | 43 | 587 | 1,005 |
| CapEx | 110 | 221 | 331 |
| Change in WC | 18 | 37 | 55 |
| **Net FCF Impact** | -85 | 329 | 619 |

The EBITDA and Cash flow analysis, applying a 20% margin to revenue synergies, provides an estimate of cash generation for Abbott's platform. This assumption reflects partial efficiency gains from scaling Exact Sciences through Abbott's platform, while recognising that margins are unliked to immediately reach Abbott's mature levels.

Under this approach, the transaction remains value-accretive across all scenarios, with net EBITDA impact ranging from $193m-$1.1b by 2030. Revenue benefits are the primary driver of value but are adjusted to account for associated operating costs, preventing overstatement of profitability. Integration cost of $150-225m capture execution risk and upfront investment requirements.

Cash flow impact is further reduced by capital expenditure and working capital requirements, estimated at approximately 6% and 1% of incremental revenue respectively, based on Exact Sciences' projections. Overall, the acquisition appears moderately value-creating by in the next 5 years., with outcomes dependent on successful execution and margin improvement.

**Comparable Company Analysis**




Football Field Chart (1a)
(S&P Capital IQ Pro, 2026)

**Comparative Company Analysis Implied Valuation**

| Mean Equity Value Across Multiples | Equity Value | Price Per Share |
|---|---|---|
| High | 56,924 | 300.4 |
| Low | 1,860 | 11.2 |
| Mean | 13,991 | 73.8 |
| Median | 7,050 | 40.8 |

Abbott Laboratories acquired Exact Sciences for a Total Enterprise Value (TEV) of $23b, with an Equity Value (EqV) of $21b and $105 price per common share (Bioescalator, 2026). The Comparable Company Analysis (CCA) suggests a median equity value of $7.05b and mean value of $14.0b with a goodwill of 66% and 33% respectively.

A range of 33-66% goodwill suggests a large portion of the purchase price cannot be explained by identifiable assets. Suggesting significant competitive bidding or the significant strategic importance of the client. There is no direct evidence of competitive bidding implying that the high goodwill was paid under the belief of a large growth potential, possible synergies, and unique assets, such as their cutting-edge oncology products. However, the low estimated synergies of $100million suggest that this goodwill came purely from the latter 2.

This could also suggest a shortcoming of the CCA. Firstly, it could suggest poor comparability of peers, and that Exact Sciences are a unique company in the biotech industry. It is also possible that because the CCA relies on current multiples, and M&A pricing is based on further expectations and synergies, that the CCA failed to capture this intangible value.

**Comparable Acquisitions**

Using five relevant precedent transactions in diagnostics and precision oncology—Roche/Ventana, Agilent/Dako, Danaher/Cepheid, Roche / FoundationMedicine and Exact Sciences/Genomic Health—the median Enterprise Value (EV)/Revenue multiple is about 6.7x, while announced control premiums range from roughly 19% to 54%, with Ventana higher because it followed a prolonged hostile-to-friendly process (Abbott, 2025; Agilent, 2012; Danaher, 2016; Exact Sciences, 2019; Roche, 2008; Roche, 2018).

Applying the median 6.7x EV/Revenue multiple to Exact Sciences' FY2025 revenue of $3.25bn implies a fair EV of c.$21.9bn. Deducting the deal's implied net debt of c.$1.8bngives an implied equity value of c.$20.1bn. That is slightly below Abbott's agreed price of $21.0bn equity value (or $105 per share) and $23.0bn TEV. On this basis, Abbott appears to have paid only a modest strategic premium of around 5% versus the precedent revenue-based TEV, which is not extreme for a control transaction in a high-growth diagnostics niche (Abbott, 2025; Exact Sciences, 2026).

Overall, the historical transactions support the view that Exact Sciences could reasonably have been bought for around $20–22bn equity value; the actual $21bn paid therefore looks defensible, though towards the upper end of fair value, rather than clearly excessive (Danaher, 2016; Exact Sciences, 2019; Roche, 2018).

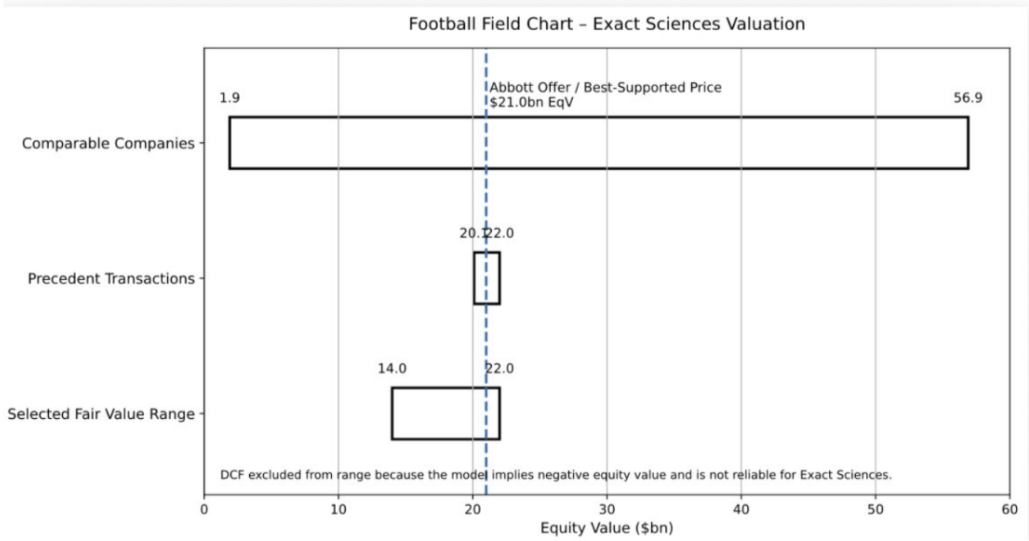
**Discounted Cash Flow**

The DCF is not a reliable indicator of value for Exact Sciences for several reasons. First, the model produces a negative equity value (–$23.6 per share) despite a positive market price (~$103), highlighting a fundamental issue with the inputs. This is largely because the company has negative earnings and unstable cash flows, which the site itself flags as making the result “not accurate.”

Second, the DCF relies heavily on forward assumptions (growth, WACC, terminal value). Small changes in these inputs can dramatically alter valuation, and in high-growth biotechfirms like Exact Sciences, future cash flows are highly uncertain. This makes the model extremely sensitive and unreliable.

Third, the use of a 5-year growth + exit model is problematic. Much of the valuation comes from the terminal value, which assumes a stable long-term state that may not exist for a company still scaling and investing heavily.
Fourth, DCF ignores strategic value and synergies, which are crucial in M&A. Abbott likely paid a premium for future growth, market positioning, and technological assets—factors not captured in a purely cash-flow-based model.

**Valuation Range**




Football Field Chart – Exact Sciences Valuation Range (4)

This Valuation range ($14-22b) reflects the range between the median CCA median EqV and a modest uplift from the median 6.7x EV/Revenue with debt removed to give $22b. The blue line reveals the $21b EqV paid by Abbott Laboratories. This places the price paid in the upper 88% of the valuation range, which while sitting high in the range, evidences they paid within a fair value according to our research. The DCF valuation has been excluded due to its unreliable estimate of a $-23.6 PPS despite a market value of $103 PPS, reflecting an outlying weakness of the DCF that considered negative Cash Flows due to heavy reinvestment.

**Financial Impact**

Abbott reported 2025 net sales of $44.328 billion, $8.053 billion in operating earnings and net earnings of $6.524 billion (Abbott, 2026). The company also disclosed $1.682 billion of amortisation of intangible assets for the year (Abbott,2026). Exact Sciences announced a 2025 revenue of $3.25 billion, as well as an adjusted EBIDTA of $400 million and a net loss of $208million (Exact Sciences, 2026). Abbott's 2025 financial data are taken from its full-year 2025 results and accompanying consolidated statement of earnings, while Exact Sciences' 2025 revenue and adjusted EBITDA are taken from its full-year 2025 earnings release. These figures provide the base inputs for this pro forma analysis.

**Revenue and EBITDA**

Pro forma revenue is calculated by combining Abbott Laboratories' and Exact Sciences' reported 2025 revenues, with no revenue synergy or timing adjustments applied at this stage. Therefore, the figure should be interpreted as a simple base-year combined revenue estimate. For evaluating pro forma EBITDA, the analysis has been aligned with the assumptions used in the pro forma capital structure section. On this basis, Abbott's 2025 EBITDA is taken as $11.169 billion and Exact's as approximately $0.015 billion, producing a combined pro forma of $11.184 billion.

This figure differs from Exact Sciences' reported adjusted EBITDA, as it is derived on a more conservative basis from reported operating results, along with depreciation and amortisation, rather than management adjusted profitability measures. As a result, the pro forma profitability analysis is illustrative pre-synergy estimate rather than a measure of operating performance.

Combining Abbott Laboratories and Exact Sciences implies pro forma revenue of approximately $47.578 billion and pro forma EBITDA of

| $ Billion | Abbott 2025 Standalone | Exact 2025 Standalone | Pro Forma Combined |
|---|---|---|---|
| Revenue | 44.328 | 3.25 | 47.578 |
| EBITDA | 11.169 | 0.015 | 11.184 |

**Revenue and EBITDA (cont.)**

This pro forma is simplified and excludes purchase price allocation effects, integration costs and any revenue or cost synergies. Even so, summing the 2025 revenue and EBITDA figures provides a useful indication of the earnings power of the combined entity on a pre-synergy basis.

**Synergies and Integration Costs**

Abbott has not publicly disclosed a formal synergy target for the proposed acquisition of Exact Sciences. However, Abbott has stated that the deal is expected to be immediately accretive to revenue growth and gross margin. This suggests that the deal appears to be primarily strategic in nature, aimed at expanding Abbot Laboratories into cancer screening rather than combining two highly overlapping businesses.

Consistent with the assumptions used in the pro forma capital structure section, a base-case annual synergy estimate of $100 million is adopted. This reflects a moderate and relatively conservative assumption, given that the transaction represents entry into a new segment rather than a consolidation expected to generate substantial near term cost savings.

Additionally, a conservative one-off integration cost would also be expected to reflect the scale of the transaction and the likely expenses associated with it, therefore a one-off integration cost of approximately $250 million is assumed. This is benchmarked to healthcare and life sciences transaction data, indicating median integration costs of 7.6% of target revenue. Applying this to Exact Sciences 2025 revenue of $3.25 billion, this suggests an integration cost of approximately $247 million, rounded to $250 million (EY, 2019; Exact Sciences, 2026). This approach is also broadly consistent with Exact Sciences' own description of acquisition and integration costs as including legal fees, professional services, severance, and IT integration-related expenses (Exact Sciences, 2026).

**Incremental Interest Expense**

To reflect financing costs arising from the acquisition, the model includes incremental interest based on Abbott's disclosed 364-day senior unsecured bridge term loan facility of up to $20.0 billion in association with the Exact Sciences transaction (Abbott, 2026). Since the final financing structure and effective borrowing cost have not been publicly disclosed as of such, a base-case assumption of a 4.83% interest rate is applied. This implies incremental annual interest expense of approximately $966 million, rounded to $1.0 billion. This assumption is also consistent with the all-cash nature of the deal and its approximate $21 billion equity value and $23 billion enterprise value including roughly $1.8 billion of Exact Sciences net debt (Abbott, 2026; Reuters, 2025).

**Sensitivity Analysis**

At a higher assumed borrowing cost of 5.5%, incremental annual interest expense would rise to approximately $1.1 billion. These figures provide an illustrative financing assumption rather than a reported company estimate.

**Pro Forma Net Income**

The pro forma net income is estimated by adding both Abbott's and Exact's reported 2025 net incomes and then adjusting for the base-case assumptions used in the model. Abbott reported net income of $6.524 billion and Exact had a net loss of $208 million, resulting in a combined starting point is $6.316 billion. The model then applies after-tax adjustments for $100 million of annual synergies, one-off integration costs of $250 million and $1.0 billion of incremental interest expense. A tax rate of 21% is assumed for these adjustments, consistent with the U.S. federal corporate tax rate (PWC, 2026). These adjustments result in an estimated pro forma net income of approximately $5.41 billion. This figure suggests that on a base-case basis, the transaction would reduce Abbott's near-term earnings, which reflects Exact Sciences' current net loss as well as the acquisition introducing significant financing and integration costs.

**EPS Accretion of Dilution**

Due to this transaction being an all-cash deal rather than a share financed transaction, EPS accretion or dilution is assessed by dividing estimated pro forma net income by Abbott's diluted share count. Using pro forma net income of approximately $5.407 billion and Abbott's diluted share count of 1.754 billion (Abbott, 2026), pro forma EPS is estimated at approximately $3.09. By comparing this estimated value with Abbott's reported 2025 GAAP diluted EPS of $3.72 (Abbott, 2026), a dilution of approximately $0.63 per share or 16.9% can be implied. Based on this model, the transaction therefore appears EPS dilutive in the near terms. This result is consistent with reporting that the acquisition will supposedly dilute Abbott's adjusted earnings through 2027(Reuters, 2025).

**Post Deal Leverage**

Post deal leverage is assessed using net debt to EBITDA. Using the assumptions applied in the pro forma capital structure section, closing net debt is estimated at approximately $25.251 billion and combined EBITDA at $11.184 billion, implying opening leverage of around 2.26x net debt/EBITDA. This opening leverage indicates that the acquirement would initially leverage, but from a standpoint that remains manageable for a business of Abbott's scale and cash flow profile. This ratio is expected to decline over time as debt is repaid and earnings increase, under the deleveraging assumptions used in this model.

| $ Billion | Amount |
|---|---|
| Abbott net income | 6.524 |
| Exact net income | (0.208) |
| Combined starting point | 6.316 |
| After-tax synergies | +0.079 |
| After-tax integration costs | -0.198 |
| After-tax Interest expense | -0.790 |
| **Pro forma net income:** | **5.407** |

| Year | Net Debt ( $bn) | EBITDA ( $bn) | Net Debt/EBITDA |
|---|---|---|---|
| Closing/ Year 1 | 25.251 | 11.184 | 2.26x |
| Year 2 | 18.615 | 12.566 | 1.48x |
| Year 3 | 11.581 | 13.194 | 0.88x |
| Year 4 | 4.195 | 13.854 | 0.30x |
| Year 5 | 0.000 | 14.408 | 0.00x |

**Margin Changes**

To analysis margin changes, the pre-deal and post-deal EBITDA margins are compared. EBITDA margin is calculated as EBITDA divided by revenue, by using the figures adopted in this model. Abbott's standalone 2025 EBITDA margin is approximately 25.2%, while on a combined basis the post-deal EBITDA margin is approximately 23.5%. Overall, the margin falls by about 1.7 percentage points, implying that the acquisition is slightly margin dilutive in the near term. This result reflects Exact Sciences' lower profitability in comparison to Abbott's, based on the figures used in this model.

**Regulatory Risk**
The transaction is subject to customary regulatory and antitrust approvals before closing. Although Abbott and Exact operate in adjacent rather than identical subsegments, the combination still expands Abbott materially in oncology and advanced cancer diagnostics, so regulatory review could delay closing, impose remedies, or limit certain integration steps. That timing risk matters because the investment case depends on scaling growth and extracting synergies over several years.

**Probability vs. Impact Assessment**
From a probability vs impact perspective, the likelihood of an outright deal blockage appears to be low, given the limited direct overlap in core product lines. However, the impact of regulatory intervention is high. Even modest delays or imposed sanctions could slow integration and weaken the near to medium term investment thesis, which relies on scaling growth and operational synergies.

**Integration Risk**
This is the most important operating downside. Exact is a high-growth cancer diagnostics platform built around Cologuard, precision oncology and emerging liquid-biopsy products, while Abbott is a much larger diversified healthcare group. Integration risk therefore sits in commercial execution, R&D prioritisation, reimbursement strategy, and retention of key scientific and commercial talent. Exact itself flags risks around reimbursement, regulatory approvals, supplier reliance, competition, retention of personnel, and the possibility that expected acquisition benefits may not be realised in full or on time.

**Synergy Dependency**
The disclosed synergy target is also modest relative to deal size, which implies much of the value thesis depends on strategic growth execution rather than a simple cost-takeout story.

**Financial Risk**
The transaction is large relative to Exact's earnings base. CapIQ shows implied EV / revenue of roughly 7.3x and implied EV / EBITDA of over 150x on announcement figures, which indicates Abbott is effectively paying for future growth and strategic positioning rather than current cash earnings.

Exact was still loss-making in 2025, with a $206.3m operating loss and $207.9m net loss, so any slowdown in volume growth, reimbursement, or commercialization would leave Abbott with a high purchase multiple, limited near-term earnings support, and elevated balance-sheet pressure. Financing risk is also material as the transaction implies post-deal gross debt/EBITDA of approximately 3.10x, or 2.26x on a net debt basis once the combined cash balance of $9,478m is netted off, with the acquisition financed primarily through $20bn of senior unsecured notes supplemented by approximately $3.2bn of existing cash and commerical paper

**Downside Case**
Management expects the Exact acquisition to deliver at least $100m of annual pre-tax synergies by 2028. In the base case, Abbott captures the full amount.

In the downside case, only 50% is achieved, so realised synergies fall to $50m, implying a $50m pre-tax shortfall versus plan.

**Downside Model**

| Item | Base Case | Downside Case | Change |
|---|---|---|---|
| Pre-tax synergies ($m) | 100.0 | 50.0 | (50.0) |
| EBIT impact ($m) | 0.0 | (50.0) | (50.0) |
| After-tax earnings impact($m) | 0.0 | (39.5) | (39.5) |
| EPS impact ($/share) | 0.000 | (0.023) | (0.023) |

The after-tax earnings impact is calculated using a 21% tax rate, so the $50m synergy shortfall reduces earnings by $39.5m. Using Abbott's share count as a proxy, this equates to an EPS impact of roughly $0.02 per share.

**Impact of Higher Interest Rates**

Abbott Laboratories currently carries approximately $12.9bn of total debt according to their financial statements for 2025 (Abbott Investor 2025), with an annual interest of $493m, implying an effective cost of debt of 3.8%.

To finance the acquisition of Exact Sciences, Abbott Laboratories is completing a $20bn bond sale. Additionally, Abbott Laboratories has assumed $1.8bn net debt from Exact Sciences (spglobal.com 2026).

At the point of the acquisition Abbott Laboratories will carry $34.729bn of total debt

**Base Case Metrics**

| METRIC | VALUE |
|---|---|
| Debt | $34,729m |
| Interest | $1,677m |
| EBIT | $8,053m |
| Interest Coverage | 4.8x |

Coverage = EBIT ÷ Interest = 5.8x

Downside Case Assumptions:

- Interest rates rise to 6%
- EBIT falls 10% due to weaker growth

Earnings Recalculation:

New interest = 34,729 x 0.06 = 2,084m

EBIT adjustment = 8,053 x 0.9 = 7,248m

| CASE | EBIT | INTEREST | COVERAGE |
|---|---|---|---|
| Base | $8,053m | $1,677m | 4.8x |
| Downside | $7,248m | $2,084m | 3.5x |

Net income calculation:

Pre-tax income (Base Case) = EBIT – Interest

= 8,053 – 1,677 = 6,376m

Pre-tax income (Downside Case) = 5,168m

This is a 1,208m drop.

After applying a 25% tax rate

= 1,208 x 0.75 = 906m

Following the acquisition, pro forma debt increases to roughly $35bn. Under a base case assumption of a 4.83% cost of debt, interest rises to roughly $1.7bn, reducing interest coverage to 4.8x.

In a downside scenario where interest rates rise to 6% and operating earnings decline by 10%, the interest expense increases to over $2bn, with EBIT falling to roughly $7.2bn. This reduces the coverage to 3.5x and results in an estimated $0.9bn reduction in net income.

**Effect of downside scenarios on leverage and earnings**

On earnings, the 50%-synergy scenario reduces:

- EBIT by $50m
- After-tax earnings by about $39.5m
- EPS by about $0.02 per share

**Effect of downside scenarios on leverage and earnings (cont.)**

This is directionally negative but manageable in isolation. The bigger issue is that the deal is already expected to be dilutive through 2027, so any synergy slippage increases the probability that earnings accretion is delayed or weaker than management's 2028 target.

**Leverage**

Leverage worsens mechanically because debt is unchanged while EBITDA is lower. Based on the model's assumptions, the pro forma gross debt/EBITDA at opening is approximately 3.10x, or 2.26x on a net debt basis. A $50m EBITDA shortfall in the downside case would push gross leverage from 3.10x to approximately 3.11x. This is only a modest deterioration, but it slows deleveraging at the margin.

**Overall downside conclusion**

The 50%-synergy case does not break the balance sheet, but it does weaken the investment case in three ways. First, earnings remain more dilutive for longer. Second, deleveraging becomes slower because EBITDA support is lower while acquisition debt remains fixed. Third, given the high deal multiple and Exact's current loss-making profile, under-delivery of synergies would reinforce the view that Abbott has paid upfront for future growth that may take longer to convert into cash earnings.

**Strategic Assessment: Compelling**

The acquisition of Exact Sciences represents a strategically coherent and well-timed move for Abbott Laboratories. Despite being one of the world's largest diagnostics companies, Abbott had no meaningful presence in cancer screening or precision oncology, leaving the business exposed to swings in point-of-care and infectious disease testing volumes, while absent from a U.S. cancer diagnostics market estimated at around $60 billion. Competitors including Roche, through Foundation Medicine, and Illumina, through Grail, had already established scaled oncology platforms, creating a strategic gap that organic development alone would have taken years to close at significant execution risk.

Exact Sciences addresses this gap directly. The combination of Cologuard, Oncotype DX, Oncodetect and the pipeline Cancerguard test gives Abbott a presence across the full cancer pathway (screening, treatment guidance and monitoring) that few large diagnostics companies currently hold. The strategic logic is further reinforced by Abbott's ability to scale the platform. Its existing relationships with primary care physicians should accelerate Cologuard's distribution, while its presence in over 160 countries provides a clear route for international expansion of Exact Sciences' products, which currently generate the majority of their $3.25 billion revenue in the United States.

**Financial Assessment: Justified, with caveats**

The financial terms of the transaction are demanding but defensible when viewed through the lens of strategic positioning and long-term growth potential. At a $23 billion enterprise value, the implied EV/Revenue multiple of approximately 7.3x is broadly consistent with the median 6.7x observed across five comparable diagnostics and precision oncology precedent transactions – Roche/Ventana, Agilent/Dako, Danaher/Cepheid, Roche/Foundation Medicine and Exact Sciences/Genomic Health. The $21 billion equity value paid, places the price towards the upper end of the ERG derived fair value range of $14-22 billion, but not beyond it.

The all-cash structure, funded primarily through $20 billion of senior unsecured notes and supplemented by approximately $3.1 billion of existing cash, introduces material near-term financial pressure. Opening net debt/EBITDA of 2.07x is elevated, and the transaction is estimated to be EPS dilutive by approximately £0.63 per share in the near term. However, the deleveraging trajectory is credible: assuming 80% of free cash flow is applied to debt repayment, net debt/EBITDA is projected to reach approximately 0x by Year 5, supported by EBITDA growth assumptions of 5-6% annually. The modest disclosed synergy target of $100 million annually by 2028, representing less than 0.3% of aggregate 2025 costs, reflects low execution risk and conservative guidance, with the possibility of upside from SG&A overlap and international revenue scaling.

**Key Risks: Manageable But Real**

Three principle risks warrant attention. First, integration execution is the most significant operating downside. Exact Sciences is a high growth cancer diagnostics platform built around distinct scientific and commercial capabilities, while Abbott is a large diversified healthcare group. Integration risk spans commercial execution, R&D prioritisation, reimbursement strategy and the retention of key scientific and commercial talent. The modest synergy target relative to deal size implies that much of the value creation thesis depends on revenue growth execution rather than cost rationalisation, leaving limited margin for slippage.

Second, financial leverage and valuation risk are real. With an implied EV/EBITDA of over 150x on announcement figures and Exact Sciences reporting a $207.9 million net loss in 2025, Abbott is paying substantially for future growth. Any slowdown in volume growth, reimbursement levels or commercialisation pace would leave Abbott with a high acquisition multiple, limited near-term earnings support and elevated balance sheet pressure. A downside scenario in which interest rates rise to 6% and operating earnings decline by 10% would reduce interest coverage from 5.8x to approximately 3.5x. This is still serviceable but materially weaker than Abbott's pre-transaction position.

Third, regulatory risk, while low in probability given the absence of market overlap on the defined product market (pre- and post-merger HHI unchanged at approximately 6,040), would carry a high impact if agencies adopted a broader market definition or raised concerns about future competition dynamics.

**Final Verdict**

On balance, Abbott Laboratories' acquisition of Exact Sciences is strategically compelling and financially defensible, though execution dependent. The deal fills a clear and growing gap in Abbott's diagnostics portfolio, providing immediate access to a leading cancer screening platform, a broad oncology product suite and a scalable commercial infrastructure. The price paid, while toward the upper end of fair value, is supported by precedent transaction analysis and reflects the strategic scarcity value of Exact Sciences' proprietary products and clinical validation data.

The near-term financial impact is dilutive to both earnings per share and EBITDA margin. Additionally, the investment case rests on Abbott's ability to scale Exact Sciences' products through its distribution relationships and international network, and on realising at least the base-case annual synergies of $100 million within the projected timeframe. Risks are present and real, as they are in any transaction of this scale, but they are not disproportionate to Abbott's size, cash flow profile and stated commitment to maintaining investment-grade rating. Provided integration is executed effectively and volume growth in cancer screening continues on its current trajectory, this acquisition should materially strengthen Abbott's long-term earnings base and competitive positioning in diagnostics for years to come.

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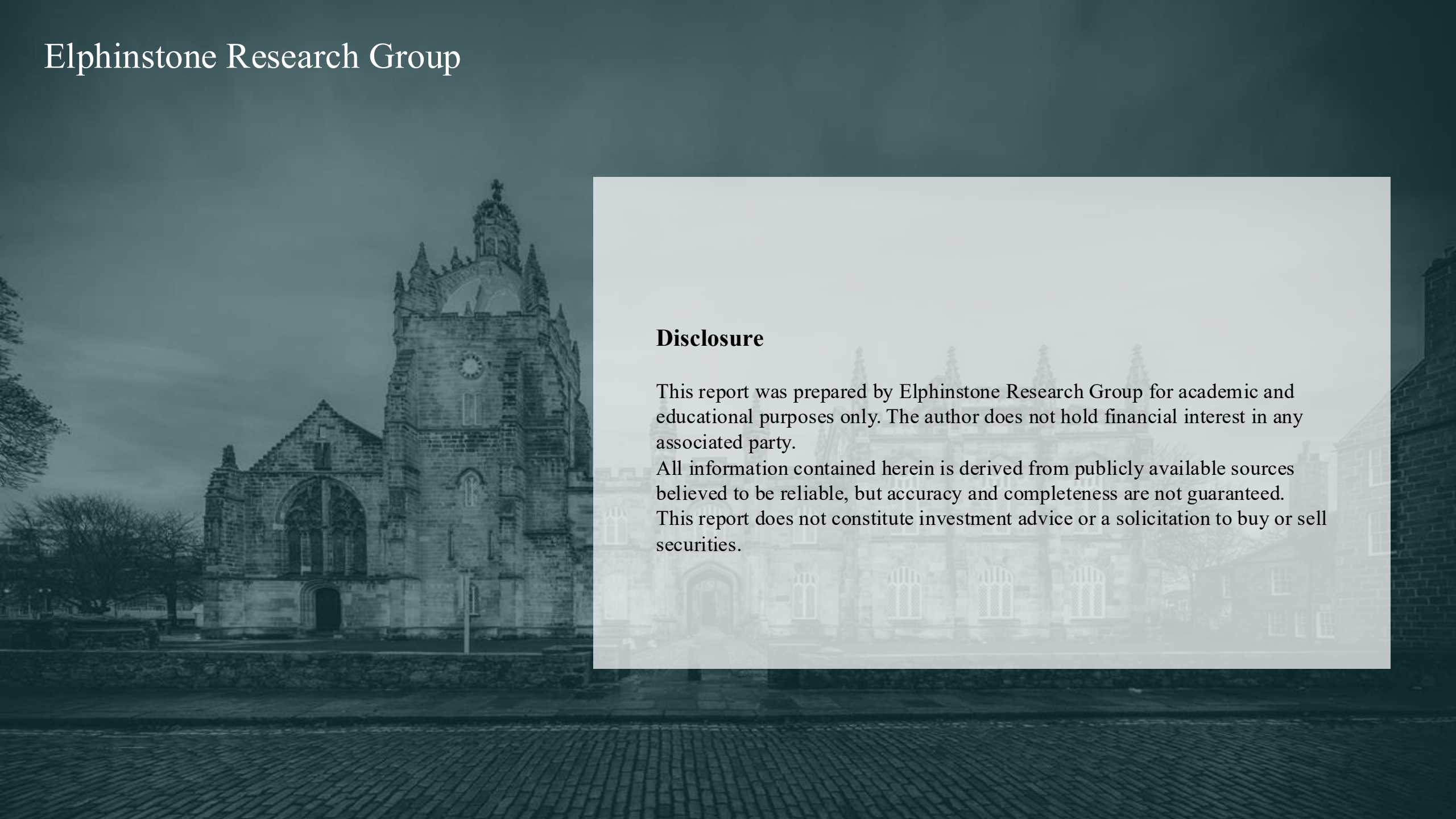

**Disclosure**

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