MYRIAD GENETICS INC
Form 10-Q
November 01, 2007
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# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

(Mark One)

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2007

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)***

| **Delaware** | **87-0494517** |
|---|---|
| ***(State or other jurisdiction of incorporation or organization)*** | ***(I.R.S. Employer Identification No.)*** |
| **320 Wakara Way, Salt Lake City, UT** | **84108** |
| ***(Address of principal executive offices)*** | ***(Zip Code)*** |

**Registrant s telephone number, including area code: (801) 584-3600**

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 x No ¨

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

As of October 30, 2007 the registrant had 43,973,465 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)

| *(In thousands, except per share amounts)* | Sep. 30, 2007 | Jun. 30, 2007 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 107,216 | $ 143,432 |
| Marketable investment securities | 81,348 | 70,679 |
| Prepaid expenses | 8,288 | 2,499 |
| Trade accounts receivable, less allowance for doubtful accounts of $2,900 at Sep. 30, 2007 and $2,600 at Jun. 30, 2007. | 33,488 | 31,103 |
| Other receivables | 2,559 | 1,348 |
| Total current assets | 232,899 | 249,061 |
| Equipment and leasehold improvements: | | |
| Equipment | 56,911 | 54,868 |
| Leasehold improvements | 9,974 | 9,826 |
| | 66,885 | 64,694 |
| Less accumulated depreciation | 40,919 | 39,806 |
| Net equipment and leasehold improvements | 25,966 | 24,888 |
| Long-term marketable investment securities | 110,726 | 94,201 |
| Other assets | 3,779 | 3,917 |
| | $ 373,370 | $ 372,067 |
| **Liabilities and Stockholders Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 13,993 | $ 15,763 |
| Accrued liabilities | 17,620 | 15,558 |
| Deferred revenue | 9 | 383 |
| Total current liabilities | 31,622 | 31,704 |
| Stockholders equity: | | |
| Preferred stock, $0.01 par value, authorized 5,000 shares, issued and outstanding no shares | | |
| Common stock, $0.01 par value, authorized 60,000 shares, issued and outstanding 43,895 at Sep. 30, 2007 and 43,440 at Jun. 30, 2007 | 439 | 434 |
| Additional paid-in capital | 601,645 | 592,727 |
| Accumulated other comprehensive income (loss) | 63 | (398) |
| Accumulated deficit | (260,399) | (252,400) |
| Total stockholders equity | 341,748 | 340,363 |
| | $ 373,370 | $ 372,067 |

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

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MYRIAD GENETICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| *(In thousands, except per share amounts)* | Three Months Ended Sep. 30, 2007 | Sep. 30, 2006 |
|---|---|---|
| Revenue: | | |
| Molecular diagnostic revenue | $ 46,056 | $ 30,851 |
| Research revenue | 2,210 | 2,692 |
| Total revenue | 48,266 | 33,543 |
| Costs and expenses: | | |
| Molecular diagnostic cost of revenue | 7,335 | 8,105 |
| Research and development expense | 26,025 | 26,245 |
| Selling, general, and administrative expense | 26,488 | 14,193 |
| Total costs and expenses | 59,848 | 48,543 |
| Operating loss | (11,582) | (15,000) |
| Other income (expense): | | |
| Interest income | 3,857 | 2,602 |
| Other | (274) | (27) |
| | 3,583 | 2,575 |
| Net loss | $ (7,999) | $ (12,425) |
| Basic and diluted loss per share | $ (0.18) | $ (0.31) |
| Basic and diluted weighted average shares outstanding | 43,568 | 39,700 |

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

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MYRIAD GENETICS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | Three Months Ended | |
|---|---|---|
| | Sep. 30, 2007 | Sep. 30, 2006 |
| Cash flows from operating activities: | | |
| Net loss | $ (7,999) | $ (12,425) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 2,068 | 1,757 |
| Loss on disposition of assets | 274 | 27 |
| Share-based compensation expense | 2,426 | 1,361 |
| Bad debt expense | 2,141 | 700 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | (5,789) | 545 |
| Trade accounts receivable | (4,526) | (3,042) |
| Other receivables | (1,211) | 651 |
| Accounts payable | (1,770) | (154) |
| Accrued liabilities | 2,062 | (3,662) |
| Deferred revenue | (374) | (59) |
| Net cash used in operating activities | (12,698) | (14,301) |
| Cash flows from investing activities: | | |
| Capital expenditures for equipment and leasehold improvements | (3,282) | (2,480) |
| Purchases of marketable investment securities | (80,826) | (28,285) |
| Proceeds from maturities of marketable investment securities | 54,093 | 34,311 |
| Net cash provided by (used in) investing activities | (30,015) | 3,546 |
| Cash flows from financing activities: | | |
| Net proceeds from common stock issued under share-based compensation plans | 6,497 | 807 |
| Net cash provided by financing activities | 6,497 | 807 |
| Net decrease in cash and cash equivalents | (36,216) | (9,948) |
| Cash and cash equivalents at beginning of period | 143,432 | 98,573 |
| Cash and cash equivalents at end of period | $ 107,216 | $ 88,625 |

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. The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. 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, 2007, included in the Company s Annual Report on Form 10-K for the year ended June 30, 2007. Operating results for the three months ended September 30, 2007 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 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 prior period amounts have been reclassified to conform to current period presentation.

(2) Share-Based Compensation

The Company has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, *Share-Based Payment* (SFAS 123R). SFAS 123R sets accounting requirements for share-based compensation to employees, including employee stock purchase plans, and requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation.

In 2003, the Company adopted the 2003 Employee, Director and Consultant Stock Option Plan (the 2003 Plan), as amended most recently in November 2006, under which 5.4 million shares of common stock have been reserved for issuance upon the exercise of options that the Company grants from time to time. Additional shares represented by options previously granted under the Company s 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan (the 2002 Plan ) which are canceled or expire after the date of stockholder approval of the 2003 Plan without delivery of shares of stock by the Company and any shares which have been reserved but not granted under the 2002 Plan as of the date of stockholder approval of the 2003 Plan are available for grant under the 2003 Plan. As of September 30, 2007, approximately 3.5 million shares represented by options remain outstanding under the 2002 Plan that would be transferred to the 2003 Plan if they are cancelled or expire without delivery of the shares of stock by the Company.

The number of shares, terms, and exercise period are determined by the board of directors or a committee thereof on an option-by-option basis. Options generally vest ratably over four years and expire ten years from the date of grant. Options are granted to members of the board of directors under the terms of the 2003 Plan and vest on the first anniversary of the date of grant.

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The exercise price of options granted is equivalent to the fair market value of the stock at the date of grant. During the three months ended September 30, 2007, the Company granted approximately 772,000 options under the 2003 Plan. The Company also has an Employee Stock Purchase Plan under which a maximum of 1,000,000 shares of common stock may be purchased by eligible employees. During the three months ended September 30, 2007, the Company issued no shares of common stock under the Employee Stock Purchase Plan.

The fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model. Expected option lives and volatilities used in fair valuation calculations are based on historical data of the Company and the related expense is recognized on a straight-line basis over the vesting period.

Share-based compensation expense included in the consolidated statements of operations for the three months ended September 30, 2007 and 2006 was approximately $2.4 million and $1.4 million, respectively. As of September 30, 2007, there was approximately $36.1 million of total unrecognized share-based compensation cost related to share-based compensation granted under our plans that will be recognized over a weighted-average period of 3.1 years.

(3) Comprehensive Loss

The components of the Company s comprehensive loss are as follows (in thousands):

| | Three months ended | |
|---|---|---|
| | **Sep. 30, 2007** | **Sep. 30, 2006** |
| Net loss | $ (7,999) | $ (12,425) |
| Unrealized gain on available- for-sale securities | 461 | 345 |
| Comprehensive loss | $ (7,538) | $ (12,080) |

(4) Loss Per Common Share

Basic and diluted loss per common share is computed using the weighted average number of shares of common stock outstanding during the period. Potentially dilutive common shares consisting of stock options and warrants were not included in the diluted loss per share attributable to common stockholders for all periods presented because the inclusion of such shares would have had an antidilutive effect.

For the three months ended September 30, 2007 and 2006, there were outstanding potential common shares of 8,766,223, and 8,563,118, respectively. These potential dilutive common shares may be dilutive to future diluted earnings per share.

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(5) Segment and Related Information

The Company s business units have been aggregated into three reportable segments: (i) research, (ii) molecular diagnostics, and (iii) drug development. The research segment is focused on the discovery of genes and protein pathways related to major common diseases. The molecular diagnostics segment provides testing to determine predisposition to common diseases and risk associated with drug toxicity and response. The drug development segment is focused on the development of therapeutic products for the treatment and prevention of major diseases.

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

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| *(In thousands)* | Research | Molecular diagnostics | Drug development | Total |
|---|---|---|---|---|
| Three months ended Sep. 30, 2007: | | | | |
| Revenue | $ 2,210 | $ 46,056 | $ | $ 48,266 |
| Depreciation and amortization | 592 | 800 | 676 | 2,068 |
| Segment operating income (loss) | (6,694) | 18,465 | (23,353) | (11,582) |
| Three months ended Sep. 30, 2006: | | | | |
| Revenue | 2,692 | 30,851 | | 33,543 |
| Depreciation and amortization | 669 | 513 | 575 | 1,757 |
| Segment operating income (loss) | (5,228) | 13,070 | (22,842) | (15,000) |

| *(In thousands)* | Three months ended Sep. 30, 2007 | 2006 |
|---|---|---|
| Total operating loss for reportable segments | $ (11,582) | $ (15,000) |
| Interest income | 3,857 | 2,602 |
| Other | (274) | (27) |
| Net loss | $ (7,999) | $ (12,425) |

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(6) Recent Accounting Pronouncements

In June 2007, the FASB issued EITF Issue 07-3 *Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*, or EITF 07-3. The scope of EITF 07-3 is limited to nonrefundable advance payments for goods and services related to research and development activities. EITF 07-3 addresses whether such advanced payments should be expensed as incurred or capitalized. The Company is required to adopt EITF 07-3 effective January 1, 2008. The adoption of EITF 07-3 on January 1, 2008 is not expected to have a material effect on the Company s consolidated financial position or results of operations.

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

We are a leading biotechnology company focused on the development and marketing of novel therapeutic and molecular diagnostic products. We employ a number of proprietary technologies that permit us to understand the genetic basis of human disease and the role that genes and their related proteins play in the onset and progression of disease. We use this information to guide the development of new healthcare products that are designed to treat disease and assess a person s risk of disease later in life.

We believe that the future of medicine lies in the creation of new classes of drugs that treat the underlying cause, not just the symptoms, of disease and that may be useful in disease prevention. By understanding the genetic basis of disease, we believe we will be able to develop drugs that are more effective and have fewer side effects. In addition, we believe that advances in the emerging field of molecular diagnostics will improve our ability to determine which patients are subject to a greater risk of developing disease and who therefore would benefit from preventive therapies. Molecular diagnostic products may also guide a patient s healthcare to insure the patient receives the most appropriate drug at the optimal dose.

Understanding the cause of disease at the molecular level can be very useful in determining how best to treat the disease. Historically, technologies used to discover pharmaceutical products that treat the symptoms of diseases have been less effective against complex diseases that arise through a combination of genetic and environmental factors, such as cancer and Alzheimer s disease. To treat complex diseases effectively it is important to understand the function of genes and their proteins, how the disruption of important biological pathways can lead to disease, and the optimal point of therapeutic intervention in the pathway so that drugs may be developed to prevent, modify, or halt disease progression. As we learn more about the genetic basis of disease, we believe that we may be able to develop drugs that are more effective and have fewer side effects.

Our molecular diagnostic business focuses on the analysis of genes and their alterations to assess an individual s risk for developing disease later in life (predictive medicine) and to assess a patient s risk of disease progression, disease recurrence, drug toxicity, and drug response (personalized medicine). To date we have launched five commercial molecular diagnostic products:

*BRACAnalysis*®, predictive medicine product for breast and ovarian cancer.

*COLARIS*®, predictive medicine product for colorectal and uterine cancer.

*COLARIS AP*®, predictive medicine product for colon cancer.

*MELARIS*®, predictive medicine product for melanoma.

*Theraguide 5-FU* , personalized medicine product for chemotherapy toxicity.

We market these products through our own 200-person sales force in the United States and we have entered into marketing collaborations with other organizations in selected foreign countries. Molecular diagnostic revenue was $46.1 million for the three months ended September 30, 2007, an increase of 49% over the same quarter in the prior year.

Myriad researchers have made important discoveries in the fields of cancer, Alzheimer s disease, and infectious diseases such as AIDS. These discoveries point to novel disease pathways that we believe may pave the way for the development of new classes of drugs. We intend to develop and, subject to regulatory approval, market our therapeutic products in the areas of cancer, Alzheimer s disease and viral disease. We currently have four drug candidates in seven clinical trials and a number of drug candidates in late-stage preclinical development, including:

*Flurizan (tarenflurbil)*, our lead therapeutic candidate for the treatment of Alzheimer s disease, is being tested in two Phase 3 clinical trials in patients with mild Alzheimer s disease. We believe that our U.S. Phase 3 trial is proceeding on schedule and its 18-month term of study will conclude as planned at the end of March 2008. We anticipate that we will report the top-line results of this study

by the end of June 2008.

*Azixa* , our drug candidate for solid primary and metastatic brain tumors, is being tested in three Phase 2 clinical trials.

*MPC-2130*, our drug candidate for hematologic cancers, is in Phase 1 clinical testing.

*MPC-0920*, our drug candidate for thrombosis, is in Phase 1 clinical testing.

*Vivecon* , an orally available viral maturation inhibitor, is in late-stage preclinical development for the treatment of AIDS. We plan to submit an Investigational New Drug application to the FDA by the end of December 2007.

We have devoted substantially all of our resources to undertaking our drug discovery and development programs, operating our molecular diagnostic business, and continuing our research and development efforts. We have three reportable operating segments: (1) research, (2) molecular diagnostics, and (3) drug development. See Note 5 Segment and Related Information in the notes to our condensed consolidated financial statements (unaudited) for information regarding these operating segments. Our revenues have consisted primarily of sales of molecular diagnostic products and research payments. We have yet to attain profitability and, for the three months ended September 30, 2007, we had net losses of $8.0 million. As of September 30, 2007 we had an accumulated deficit of $260.4 million.

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We expect to incur losses for at least the next several years, primarily due to the expansion of our drug discovery and development efforts, the initiation and continuing conduct of human clinical trials, the launch of any drug candidates that receive regulatory approval, the launch of new molecular diagnostic products, the continuation of our internal research and development programs, and the expansion of our facilities. Additionally, we expect to incur substantial sales, marketing and other expenses in connection with building our pharmaceutical and molecular diagnostic businesses. We expect that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial.

**Critical Accounting Policies**

Critical accounting policies are those policies which are both important to the portrayal 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 as follows:

revenue recognition;

allowance for doubtful accounts; and

share-based payment expense.

*Revenue Recognition*. Molecular diagnostic revenue includes revenue from the sale of molecular diagnostic products and related marketing agreements. Molecular diagnostic revenue is recognized upon completion of the test, communication of results, and when collectibility is reasonably assured.

Research revenue includes revenue from research agreements and technology licensing agreements. In applying the principles of SAB 104 and EITF 00-21 to research and technology license agreements we consider the terms and conditions of each agreement separately to arrive at a proportional performance methodology of recognizing revenue. Such methodologies involve recognizing revenue on the basis of contractually defined output measures such as units delivered or as underlying research costs are incurred. We make adjustments, if necessary, to the estimates used in our calculations as work progresses and we gain experience. We recognize revenue from up-front nonrefundable license fees on a straight-line basis over the period of our continued involvement in the research and development project.

Payments received on uncompleted long-term contracts may be greater than or less than incurred costs and estimated earnings and have been recorded as other receivables or deferred revenues in the accompanying consolidated balance sheets.

*Allowance for Doubtful Accounts.* The preparation of our financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amount of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Trade accounts receivable are comprised of amounts due from sales of our molecular diagnostic products. We analyze trade accounts receivable and consider historic experience, customer creditworthiness, facts and circumstances specific to outstanding balances, and payment terms when evaluating the adequacy of the allowance for doubtful accounts. Changes in these factors could result in material adjustments to the expense recognized for bad debt.

*Share-Based Payment Expense.* Financial Accounting Standards Board Statement No. 123R, *Share-Based Payment*, or SFAS 123R, sets accounting requirements for share-based compensation to employees, including employee stock purchase plans, and requires us to recognize in our consolidated statements of operations the grant-date fair value of our stock options and other equity-based compensation. The determination of grant-date fair value is estimated using an option-pricing model, which includes variables such as the expected volatility of our share price, the exercise behavior of our employees, interest rates, and dividend yields. These variables are projected based on our historical data, experience, and other factors. Changes in any of these variables could result in material adjustments to the expense recognized for share-based payments.

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**Results of Operations for the Three Months Ended September 30, 2007 and 2006**

Molecular diagnostic revenue is comprised primarily of sales of our five molecular diagnostic products. Molecular diagnostic revenue for the three months ended September 30, 2007 was $46.1 million compared to $30.9 million for the same three months in 2006, an increase of 49%. We have recently expanded our sales force, launched a direct-to-consumer marketing campaign, and worked to increase our market penetration in the Ob/Gyn market. Through these efforts we are attempting to broaden utilization of our products with current physician customers and increase the number of new physician customers prescribing our products. We believe these efforts will allow us to continue to grow molecular diagnostic revenue in future periods; however, there can be no assurance that molecular diagnostic revenue will continue to increase or that it will continue to do so at historical rates.

Research revenue is comprised of research payments received pursuant to collaborative agreements. Research revenue for the three months ended September 30, 2007 was $2.2 million compared to $2.7 million for the same three months in 2006. This 18% decrease in research revenue is primarily attributable to the successful completion of a research collaboration. Research revenue from our research collaboration agreements is recognized using a proportional performance methodology. Consequently, as these programs progress and outputs increase or decrease, revenue may increase or decrease proportionately. In the future we expect to continue to de-emphasize external collaborations to perform research for other organizations and will focus on the operation of our molecular diagnostic and drug development segments.

Molecular diagnostic cost of revenue for the three months ended September 30, 2007 was $7.3 million compared to $8.1 million for the same three months in 2006. This decrease of 10% in molecular diagnostic cost of revenue is primarily due to technology improvements and efficiency gains in the operation of our molecular diagnostic laboratory. Our gross profit margin was 84% for the three months ended September 30, 2007 compared to 74% for the same three months in 2006. There can be no assurance that molecular diagnostic gross profit margins will continue to increase or that they will continue to do so at historical rates. We expect that our gross profit margins will fluctuate from quarter to quarter based on the introduction of any new molecular diagnostic products, changes in our costs associated with such products, and any new technologies and operating systems in our molecular diagnostic laboratory.

Research and development expenses for the three months ended September 30, 2007 were $26.0 million compared to $26.2 million for the same three months in 2006. This decrease of 1% was due in part to decreased costs associated with our ongoing clinical trials of Flurizan, which are nearing completion, resulting in reduced research and development costs of approximately $3.1 million for the three months ended September 30, 2007 compared to the same three months in 2006. This decrease was partially offset by increased costs associated with our other drug discovery and drug development programs, which added approximately $2.9 million to our research and development costs for the three months ended September 30, 2007 compared to the same three months in 2006. We expect to increase our research and development expenses over the next several years as we conduct additional clinical trials to support the potential commercialization of our product candidates currently in clinical development, including Flurizan and Azixa, advance our other product candidates into clinical trials, and expand our research and development activities. We expect that these expenses will continue to fluctuate based on changes in our research programs and the progression of our drug development programs.

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 September 30, 2007 were $26.5 million compared to $14.2 million for the same three months in 2006. This increase of 87% was partially attributable to increased sales and marketing commissions and headcount to support the 49% growth in our molecular diagnostic revenues, which resulted in an increase of $4.1 million compared to the same three months in 2006. Marketing costs associated with the launch of our direct-to-consumer advertising campaign resulted in an increase of $2.8 million compared to the same three months in 2006. Increased costs associated with our commercialization efforts to support a potential product launch of Flurizan resulted in an increase of $1.5 million compared to the same three months in 2006. Increased bad debt expense resulting from our increased molecular diagnostic sales resulted in an increase of $1.4 million compared to the same three months in 2006. General increases in costs to support growth in our molecular diagnostic business and therapeutic development efforts resulted in an increase of approximately $2.4 million compared to the same three months in 2006. We expect our selling, general and administrative expenses will continue to fluctuate depending on the number and scope of any new product launches and our drug discovery and drug development efforts.

**Liquidity and Capital Resources**

Cash, cash equivalents, and marketable investment securities decreased $9.0 million, or 3%, from $308.3 million at June 30, 2007 to $299.3 million at September 30, 2007. This decrease is primarily attributable to expenditures for our ongoing clinical trials, internal research and drug development programs, acquisition of new equipment, and other expenditures incurred in the ordinary course of business. This decrease was partially offset by cash generated from sales of our molecular diagnostic products and proceeds from the exercise of stock options.

Interest income for the three months ended September 30, 2007 was $3.9 million, compared to $2.6 million for the same three months in 2006. This increase of 48% is due primarily to increases in cash, cash equivalents, and marketable investment securities.

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Net cash used in operating activities was $12.7 million during the three months ended September 30, 2007 compared to $14.3 million used in operating activities during the same three months in 2006. Trade accounts receivable increased $4.5 million between June 30, 2007 and September 30, 2007, primarily due to increases in molecular diagnostic sales. Prepaid expenses increased $5.8 million between June 30, 2007 and September 30, 2007, primarily due to prepayments related to our ongoing clinical trials for Flurizan. Accrued liabilities decreased by $2.1 million between June 30, 2007 and September 30, 2007, primarily due to payments made for prior quarter sales commissions.

Our investing activities used cash of $30.0 million during the three months ended September 30, 2007 and provided cash of $3.5 million during the same three months in 2006. Investing activities were comprised primarily of purchases and maturities of marketable investment securities and capital expenditures for research equipment.

Financing activities provided cash of $6.5 million during the three months ended September 30, 2007 and provided cash of $0.8 million in the same three months in 2006. During the three months ended September 30, 2007 we received $6.5 million from the exercise of stock options.

We have an effective shelf registration statement on Form S-3 (Registration No. 333-123914) on file with the Securities and Exchange Commission. We have approximately $43.4 million of various types of securities available for sale under this registration statement. Because of our significant long-term capital requirements, we may access the public or private equity markets whenever conditions are favorable, even if we do not have an immediate need for additional capital at such time.

We believe that with our existing capital resources, we will have adequate funds to maintain our current and planned operations for at least the next two years, although no assurance can be given that changes will not occur that would consume available capital resources before such time and we may need or want to raise additional financing within this period of time. 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:

- the progress and results of our two current Phase 3 clinical trials of Flurizan for the treatment of Alzheimer s disease and any additional trials that may be required by the FDA or that we may initiate on our own;
- the progress and results of our three current Phase 2 clinical trials of Azixa for the treatment of cancer and any additional trials that we may initiate based on the Phase 2 results;
- the progress and results of our Phase 1 clinical trials for MPC-2130 and MPC-0920 and any future trials that we may initiate based on the Phase 1 results;
- the results of our preclinical studies and testing for our preclinical programs and any decisions to initiate clinical trials if supported by the preclinical results;
- the costs, timing and outcome of regulatory review of Flurizan, Azixa, MPC-2130, MPC-0920, and any other preclinical drug candidates that may progress to clinical trials;
- the costs of establishing sales and marketing functions and of establishing commercial manufacturing capacities if any of our drug candidates is approved;
- the scope, progress, results and cost of preclinical development, clinical trials and regulatory review of any new drug candidates we may discover or acquire;

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the costs and expenses incurred in supporting our existing molecular diagnostic products;

the progress, results and cost of developing additional molecular diagnostic products for our molecular diagnostic business;

the costs, timing and results of launching new molecular diagnostic products;

the costs, timing and outcome of any regulatory review of our existing or future molecular diagnostic products;

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

our ability to enter into strategic collaborations, licensing or other arrangements favorable to us;

the costs to satisfy our obligations under potential future collaborations; and

the timing, receipt and amount of sales or royalties, if any, from Flurizan, Azixa, MPC-2130, MPC-0920, and any other drug candidates.

**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.

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**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 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 we may be unable to further identify, develop or achieve commercial success for new products and technologies; the risk that we may be unable to discover drugs that are safer and more efficacious than our competitors; the risk that sales of our existing molecular diagnostic products may decline or will not continue to increase at historical rates; the risk that we may be unable to develop additional predictive medicine products that help assess which patients are subject to greater risk of developing diseases and who would therefore benefit from new preventive therapies; the risk that we may be unable to develop or market additional personalized medicine products that may help identify appropriate drug selection and dose; the possibility of delays in the research and development necessary to select drug development candidates and delays in clinical trials, including the expected timing for the conclusion of the U.S. Phase 3 trial for Flurizan, the initial report of results from that trial, and the submission of an IND to the FDA for Vivecon; the risk that clinical trials may not result in marketable products; the risk that we may be unable to successfully finance and secure regulatory approval of and market our drug candidates; the risk that clinical trials will not be completed on the timelines we have estimated; uncertainties about our ability to obtain new corporate collaborations and acquire new technologies on satisfactory terms, if at all; the development of competing products and services; the risk that we may be unable to protect our proprietary technologies; the risk of patent-infringement claims; 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 year ended June 30, 2007, 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.

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

We maintain an investment portfolio in accordance with our written investment policy. The primary objectives of our investment policy are to preserve principal, maintain proper liquidity to meet operating needs and maximize yields. Our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure to any single issue, issuer or type of investment.

Our investments consist of securities of various types and maturities of three years or less, with a maximum average maturity of 12 months. These securities are classified as available-for-sale. Available-for-sale securities are recorded on the balance sheet at fair market value with unrealized gains or losses reported as part of accumulated other comprehensive income/loss. Realized gains and losses on investment security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned. A decline in the market value of any available-for-sale security below cost that is deemed other than temporary results in a charge to earnings and establishes a new cost basis for the security.

The securities held in our investment portfolio are subject to interest rate risk. Changes in interest rates affect the fair market value of the marketable investment securities. After a review of our marketable securities as of September 30, 2007, we have determined that in the event of a hypothetical ten percent increase in interest rates, the resulting decrease in fair market value of our marketable investment securities would be insignificant to the consolidated financial statements as a whole.

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**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 period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us, including our consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

In designing and evaluating our disclosure controls and procedures, our management recognizes 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.

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**PART II - Other Information**

**Item 1. Legal Proceedings.**
Neither the Company nor any of its subsidiaries is a party to any material legal proceedings.

**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, 2007.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**
None.

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

**Item 4. Submission of Matters to a Vote of Security Holders.**
None.

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

**Item 6. Exhibits.**

(a) Exhibits

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| 10.1@ | Exclusive License Agreement, dated March 15, 1995, between the Registrant and the Hospital for Sick Children. |
| 10.2@ | Exclusive License Agreement, dated January 6, 1995, between the Registrant and Endorecherche. |
| 10.3@ | Exclusive License Agreement, dated March 13, 1996, between the Registrant and The Trustees of the University of Pennsylvania. |
| 10.4@ | License and Collaboration Agreement, dated November 19, 2003, among the Registrant, Maxim Pharmaceuticals, Inc., and Cytovia, Inc. (now known as Epicept Corporation). |
| 10.5$ | Myriad Genetics, Inc. Management Performance Program. |
| 10.6$ | Myriad Genetics, Inc. Non-Employee Director Compensation Policy. |
| 10.7$ | Form of Incentive Stock Option Agreement under the 2003 Employee, Director and Consultant Stock Option Plan, as amended. |

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| 10.8$ | Form of Non-Qualified Stock Option Agreement under the 2003 Employee, Director and Consultant Stock Option Plan, as amended. |
| 10.9$ | Form of Incentive Stock Option Agreement under the 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan. |
| 10.10$ | Form of Non-Qualified Stock Option Agreement under the 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan. |
| 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. |

@ Confidential treatment has been requested as to certain portions, which have been filed separately with the Securities and Exchange Commission.

$ Management contract or compensatory plan or arrangement.

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**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: November 1, 2007

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

Date: November 1, 2007

By: /s/ Jay M. Moyes
Jay M. Moyes
Chief Financial Officer
(Principal financial and chief accounting officer)