



St. Jude Profit Rises 27% on Device Sales, Currency

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St. Jude Medical Inc., the second-biggest maker of electronic heart devices, said profit rose 27 percent on foreign currency gains and sales of implanted defibrillators, used to restore normal cardiac rhythm.

First-quarter net income increased to \$184.8 million, or 53 cents a share, from \$145.7 million, or 41 cents, a year earlier, the St. Paul, Minnesota-based company said today in a statement. Profit excluding some items beat analysts' estimates, and the device maker increased its full-year forecast.

Sales climbed to \$1.01 billion from \$887 million, boosted by a 20 percent increase in revenue from defibrillators, or ICDs. St. Jude competes with No. 1 Medtronic Inc. and No. 3 Boston Scientific Corp. in the \$5.9 billion market for the matchbox-sized devices that are implanted in the chest to shock hearts back into a steady rhythm. Gains from exchanging foreign currency for U.S. dollars boosted sales by \$45 million.

“The ICD business this quarter grew 20 percent for St. Jude; the worldwide industry is growing less than half that,” said analyst Dan Davidowitz of Polen Capital Management, where he helps oversee \$600 million as portfolio manager in Boca Raton, Florida. “In a very tough environment they are growing very well. It speaks to the market share gains they're taking.”

Davidowitz bought St. Jude shares less than three months ago, “switching horses” by selling Medtronic, which the fund had held for about 14 years, he said today in a phone interview.

Higher Forecast

The company rose 41 cents to \$44.15 at 4 p.m. in New York Stock Exchange composite trading. The stock has risen 7.9 percent in the past 12 months. St. Jude is buying back up to \$250 million in stock, it said in February.

St. Jude forecast earnings of \$2.15 to \$2.20 a share for 2008, when items are excluded, higher than the \$2.08 to \$2.13 it gave on Jan. 23. Earnings of 54 cents, excluding certain items, beat the average 51-cent estimate of 21 analysts surveyed by Bloomberg.

“The business is solid, on track, and on the strength of our first quarter results we're willing to be a little less conservative with respect to expectations for the remainder of the year,” Chief Executive Officer Daniel J. Starks said today on a conference call. “The fundamentals of our ICD business are as expected, and on track, and support our optimism that we will continue to take market share.”

Defibrillator Sales

Defibrillator sales climbed to \$361 million, and pacemaker revenue rose 10 percent to \$271 million. Sales of devices for atrial fibrillation, an irregular heart rhythm that can lead to blood clots and strokes, increased 28 percent to \$119 million, St. Jude said. Vessel closing device sales were “consistent” at \$90 million.

“The overall market for ICDs is probably growing 5 to 7 percent, so our 20 percent growth reflects taking market share,” said John Heinmiller, the chief financial officer, in a telephone interview today. “It's a combination of growing with the market and expanding our market share.”

He expects the total global market for the defibrillators to be worth about \$6.3 billion this year, from \$5.9 billion in 2007, and worldwide pacemaker sales to rise to \$4.3 billion, from \$4.1 billion.

Heinmiller raised 2008 sales forecasts for defibrillators, pacemakers and other devices in cardiac rhythm management to between \$2.63 billion and \$2.7 billion, atrial fibrillation to \$495 million to \$525 million, and cardiovascular revenue to \$825 million to \$850 million. He lowered his expectations for neuromodulation revenue to \$216 to \$231 million, from his January forecast of \$230 million to \$245 million.

Acquisition

“We are impressed by 20 percent rise in ICD sales,” Robert Gold, an analyst at Standard & Poor's Equity Services, said in a note today. He raised his share price target \$3 to \$51 “to reflect a more bullish outlook in the defibrillator category.”

St. Jude said April 9 it will buy EP MedSystems for \$92.1 million for its products to treat irregular heartbeat, in a deal it expects to close in the third quarter.

Earlier this week, Goldman Sachs Group Inc.'s U.S. investment strategist David Kostin said U.S. corporate earnings had so far been “awful” and he expected results to be “generally disappointing.”