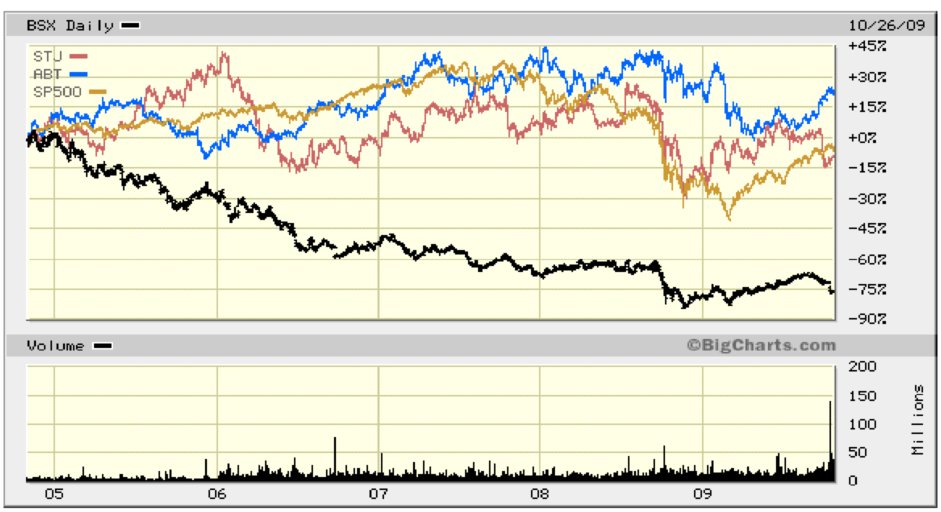
# Boston Scientific Corporation (BSX) 10/26/09

BSX operates as a designer, producer, and seller of medical devices that are used in specialized medical applications worldwide. Some of the company's more important products are in the fields of Coronary Stents and Cardiac Rhythm Devices, with other devices in the gastrointestinal and spinal fields. BSX markets and sales its products through a team of dealers and distributors whom have offices located around the world. BSX was founded in 1979 and is headquartered in Natick, Massachusetts.

| | |
|---|---|
| Current Price | $8.47 |
| 52 Week High | $13.83 |
| 52 Week Low | $5.41 |
| One Yr Target | $11.00 |
| Market Cap (in billions) | $12.79 |
| P/E (Trailing) | 16.94 |
| P/E(1 Yr Forward) | 14.34 |
| P/E/G | 1.13 |
| ROA | -7.44% |
| ROE | -14.24% |
| EPS | $0.50 |
| Beta | 1.11 |
| Annualized Dividend | $0.00 |
| Dividend Yield | 0.00% |
| Analyst Consensus | 2.20 |
| Debt to Equity | 0.95 |



**Annual EPS**

| | | |
|---|---|---|
| 2005 | $0.77 | |
| 2006 | -$2.43 | -416.86% |
| 2007 | -$0.33 | 86.32% |
| 2008 | -$1.36 | -308.46% |
| 2009E | $0.50 | 136.88% |

**Annual Revenue (in millions)**

| | | |
|---|---|---|
| 2005 | $6,283.00 | |
| 2006 | $7,821.00 | 24.48% |
| 2007 | $8,357.00 | 6.85% |
| 2008 | $8,050.00 | -3.67% |

**Annual Net Income (in millions)**

| | | |
|---|---|---|
| 2005 | $628.00 | |
| 2006 | -$3,577.00 | -669.59% |
| 2007 | -$495.00 | 86.16% |
| 2008 | -$2,036.00 | -311.31% |

**Free Cash Flows (in millions)**

| | | |
|---|---|---|
| 2005 | $406.00 | |
| 2006 | $1,406.00 | 246.31% |
| 2007 | $448.00 | -68.14% |
| 2008 | $798.00 | 78.13% |

**Required Rate of Return**

11.17%

**Dividend Growth Model**

| | |
|---|---|
| Present Value of 2014 Price | n/a |
| Holding Period Return (5 years) | n/a |

**Expected Annualized Return Model**

| | |
|---|---|
| Present Value of 2014 Price | $6.46 |
| Holding Period Return (5 years) | -6.29% |

**Residual Income Model**

| | |
|---|---|
| Intrinsic Stock Price | $27.26 |

# Analysis

## Positives

## Negatives

Negative ROA and ROE show why company has underperformed competitors for 5 years

Stock price is overvalued according to the EAR valuation model

## Financial Statements

Balance Sheet is poor and has been trending negatively since 2006

Income Statement is poor with Admin/Selling and Interest Expenses cutting into profits

Cash Flows are decent if only because of 2006 new issuances of Debt and Equity

## Industry Analysis

A bigger company in a large industry that requires heavy R&D expenses, a bad sign

Company has financial ratios that are average for the industry

## Summary

The outlook on BSX's stock depends largely on how well its 2006 acquisition of Guidant works out. Currently the stock has some average to poor ratios and financial statements. The 2006 acquisition saddled its financial statements with more debt which has dragged most financial ratios down. Some of the company's products are in the latter stages of the sales cycle and they are fighting quality concerns over others. This casts a bleak view on their ability to drive future revenues and lift their financial ratios, especially in the medical devices industry. The industry is large and very competitive which requires constant large expenditures on R&D and Selling/Admin. BSX's stock price could see some gains if the Guidant play starts producing, but that seems risky all while BSX has been losing market share to competitors. Therefore BSX earns a **sell** rating based on its risk, poor financial numbers, and competitive industry.