

BN St. Jude Medical's Profit Rises 23% on Heart Devices (Update3)
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(Adds investor comments in fourth, 10th paragraphs.)

By Ambre Brown Morley and Keith Snider

July 21 (Bloomberg) -- St. Jude Medical Inc., the world's second-largest pacemaker company, said profit rose 23 percent in the second quarter as sales climbed for devices to correct irregular heartbeats.

Net income increased to \$98.8 million, or 53 cents a share, from \$80.3 million, or 42 cents, in the year-earlier period, the St. Paul, Minnesota-based company said. Shares fell as much as 5.6 percent as revenue rose 12 percent to \$556.6 million, less than the \$558.8 million average estimate of 20 analysts surveyed by Thomson Financial.

Sales of implantable defibrillators, which deliver electrical shocks to stop fast heartbeats, rose 20 percent to \$127 million. With the U.S. approval of the Epic and Atlas heart-failure devices at the end of June, St. Jude now expects defibrillator sales to rise to \$150 million to \$160 million in the third-quarter and as much as \$580 million in 2004.

``Their products are smaller, more powerful and they have better leads connecting the devices to the heart,'' said Larry Jones, who helps manage about \$2.3 billion at NCM Capital Management Group in Durham, North Carolina. ``Some think they can get 10 to 12 percent of the heart-failure market. Others, like myself, think the numbers will be much higher in the 16-17 percent range.''

The approval gives St. Jude entry into an estimated \$1.9 billion market for such devices. In 2003, St. Jude had \$414 million in defibrillator sales.

An implantable defibrillator, a metal case about the size of a pager that is inserted in the chest, monitors and corrects fast or slow heartbeats. It differs from a pacemaker, which increases a slow heart rate. The Epic and Atlas heart-failure devices are known as cardiac resynchronization therapy products because of their ability to synchronize action in both sides of the heart.

Pacemaker Sales

Pacemaker sales rose 7 percent to \$227 million in the most recent period. St. Jude trails Medtronic Inc. in the pacemaker market and is the third-largest defibrillator maker, behind Medtronic and Guidant Corp.

Chief Financial Officer John Heinmiller said on a conference call that the company is expecting pacemaker sales to increase to \$225 million to \$230 million in the third-quarter and \$895 million

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to \$910 million for 2004. In 2003, pacemaker sales were \$212 million for the third quarter and \$826 million for the year.

St. Jude expects to earn 55 cents to 57 cents a share for the third quarter, up from 46 cents a year earlier. Full-year earnings probably will rise to \$2.20 to \$2.23 a share from \$1.83 in 2003, St. Jude said.

``It's the sort of company where everything seems to be on track, which is nice to see these days,'' said Michael Obuchowski, who manages about \$35 million for New York-based Altanes Investments LLC, including St. Jude shares.

Shares of the company fell \$3.25, or 4.6 percent, to \$68.01 at 12:38 p.m. in New York Stock Exchange composite trading. The stock had gained 16 percent this year.

(A replay of St. Jude's conference call is available at <http://www.sjm.com>).

--Editor: Simison, Gienger

Story illustration: To compare St. Jude results with analyst estimates, see {STJ US <Equity> SURP <GO>}. For a rolling screen of information about the company, see {STJ US <Equity> CNP00094090108 <GO>}.

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