

# Boston Scientific - Company Profile

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## Boston Scientific

### Company Overview

#### Key Facts

Boston Scientific (founded in 1979) is a worldwide developer, manufacturer and marketer of medical devices with approximately 25,000 employees and revenue of \$7.8 billion in 2010. For more than 30 years, Boston Scientific has advanced the practice of less-invasive medicine by providing a broad and deep portfolio of innovative products, technologies and services across a wide range of medical specialties. The company's products help physicians and other medical professionals improve their patients' quality of life by providing alternatives to surgery.

Type	Public Company
Company Size	10,001+ employees
Website	<a href="http://www.bostonscientific.com">http://www.bostonscientific.com</a>
Industry	Medical Devices
Founded	1979

#### Primary business divisions

1. Cardiology, Rhythm and Vascular
2. Endoscopy
3. Urology and Women's Health
4. Neuromodulation

#### Key products

- 1) Taxus, Liberté, and Express coronary stents
- 2) Cognis cardiac resynchronization therapy defibrillator
- 3) ConfiEnt, Teligen, and Vitality implantable cardioverter defibrillators
- 4) Explorer and Inquiry diagnostic cardiology catheters
- 5) iLab ultrasound imaging system; Atlantis SR Pro ultrasound imaging catheter
- 6) Polyflex, Ultraflex and Wallflex esophageal, duodenal, and colonic stents
- 7) Sterling balloon dilation catheters
- 8) VersaPulse PowerSuite holmium urology laser systems

(Pharmalife)

#### Significant subsidiaries

- 1) Advanced Stent Technologies Inc.
- 2) Boston Scientific Neuromodulation Corp.
- 3) Cardiac Pacemakers Inc.
- 4) Catheter Innovations Inc.
- 5) Corvita Corp.
- 6) EndoVascular Technologies Inc.
- 7) Enteric Medical Technologies Inc.

- 8) Guidant Corp.
- 9) Intermedics Inc.
- 10) Interventional Technologies LLC
- 11) Precision Vascular Systems Inc

(Pharmalife)

### Key Financials

Financials of Boston Scientific in 2010 (in \$M)	
Revenue (Fiscal Year)	7,806
Revenue Growth (1 yr)	(-4.70%)
Gross Profit	5,207
EBITDA	1,859
Trading Statistics (in \$M)	
Market Capitalization	10,758.57
Shares Outstanding	1,528.21
Ratios	
Current Ratio	1.75
P/E Ratio	18.9
Debt to Equity Ratio	43.31

### Segment contribution

Segment Contribution to the revenue (in \$M)		
Segment	Growth	Sales (2010)
Cardiovascular	(-5%)	811
Interventional Cardiology	(-8%)	635
Peripheral Interventions	7%	176
Coronary stent system	(-7.9%)	409
Cardiac Rhythm Management	4%	559
Defibrillators	6.9%	417
Pacemakers	(-4%)	142
Electrophysiology	(-3%)	37
Endoscopy	(-3%)	287
Urology/Women's health	10%	120
Neuromodulation	14%	77

Boston Scientific derives maximum contribution from Cardiovascular, which recorded a 5% year-over-year decline in sales to \$811 million. While sales from Interventional Cardiology declined 8% to \$635 million, Peripheral Interventions increased 7% to \$176 million. Global sales of coronary stent system (within Interventional Cardiology) at \$409 million declined 7.9% driven by lower sales of both drug-eluting stents (DES, 6.9% to \$379 million) and bare-metal stents (18.9% to \$30 million). It is encouraging to note that the company maintained its leadership position in the global DES market with 36% share and 46% in the US market.

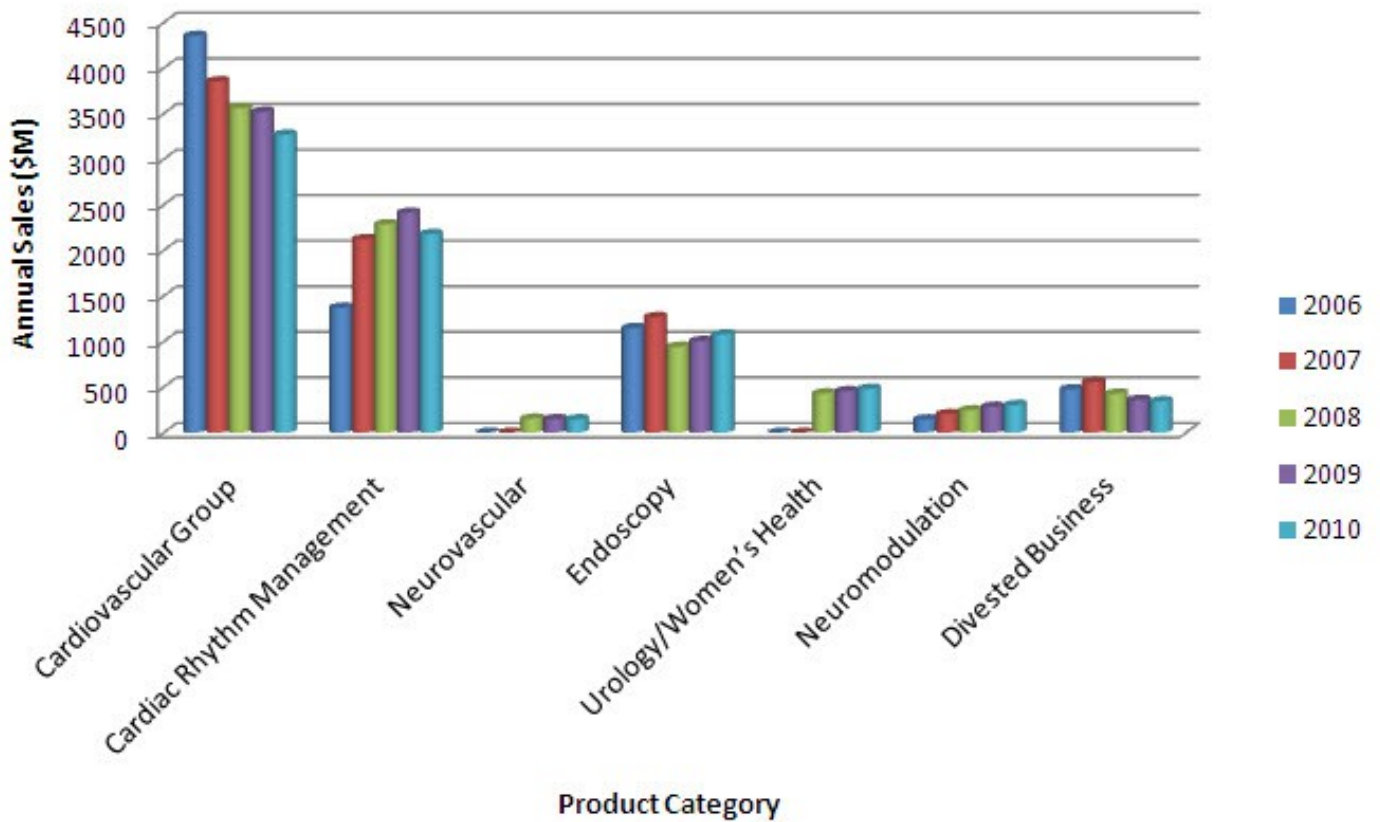
The next biggest contributor to Boston Scientific's top line, Cardiac Rhythm Management, recorded a 4% increase in sales to \$559 million. A 6.9% rise in defibrillators sales to \$417 million coupled with a 4% decline in sales of pacemakers to \$142 million contributed to the overall increase.

Hence, the overall revenue of Boston Scientific declined by 4.7%. ([Seekingalpha.com](http://Seekingalpha.com))

### Revenue Distribution of Boston Scientific

#### By Product Category

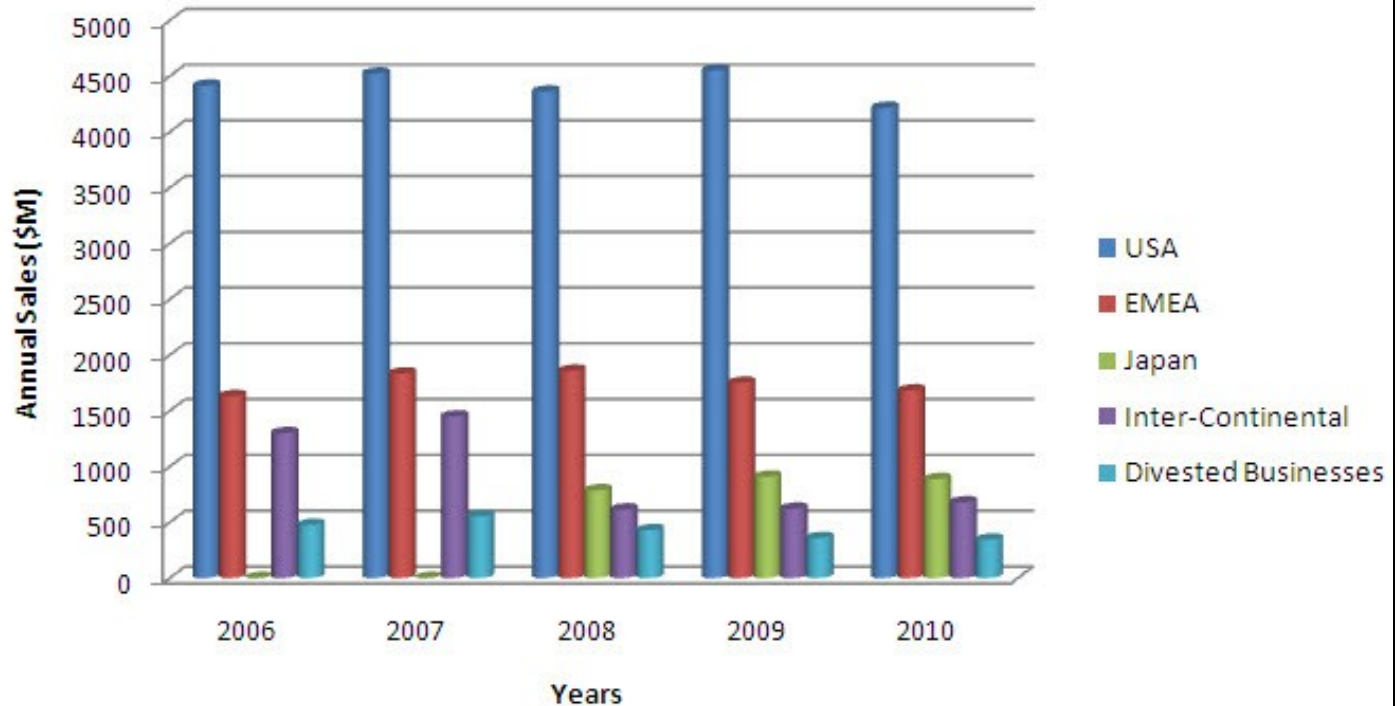
## Revenue Distribution of Boston Scientific



The graph clearly shows the declining cardiovascular market, which constitutes the major part of Boston Scientific's revenue. It gives a strong signal to the company to diversify its business into other business units and not be very dependent on one market.

By Geography

# Revenue Distribution of Boston Scientific (by geography)



\*EMEA ? Europe, Middle East and Africa

The graph clearly shows that U.S. contributes to more than 50% of the company's revenues. It shows an opportunity for the company to expand in other markets. They have started selling their products in Japan, which has already started contributing majorly to the revenues.

## Business Overview

### Product Portfolio

Product Portfolio of Boston Scientific				
Cardiovascular Group	Cardiac Rhythm Management	Endoscopy	Urology and Women's Health	Neuromodulation
Drug-Eluting Stents	Remote Patient Management	Biliary Devices	Stone Management	Spinal Cord Stimulation
Coronary Balloons	Pacemakers	Cholangioscopy	Benign Prostatic Hyperplasia	
Coronary Atherectomy	Implantable Cardioverter Defibrillators	Biliary Stents	Pelvic Floor Reconstruction	
Embolic Protection	Cardiac Resynchronization	Gastrointestinal Stents	Abnormal Uterine Bleeding	
Inflation Devices	Therapy Defibrillators	Tissue Acquisition		
Peripheral Balloons	Cardiac Resynchronization	Gastrointestinal Bleeding		
Interventional Oncology	Therapy Pacemakers	Balloon Dilatation		
Guide Wires	Electrophysiology	Pulmonary Devices		
Diagnostic Catheters	Ablation Catheters	Airway Stents		
Guide Catheters	Intracardiac Echocardiography	Bronchial Thermoplasty		
Intravascular Ultrasound	Diagnostic Catheters			

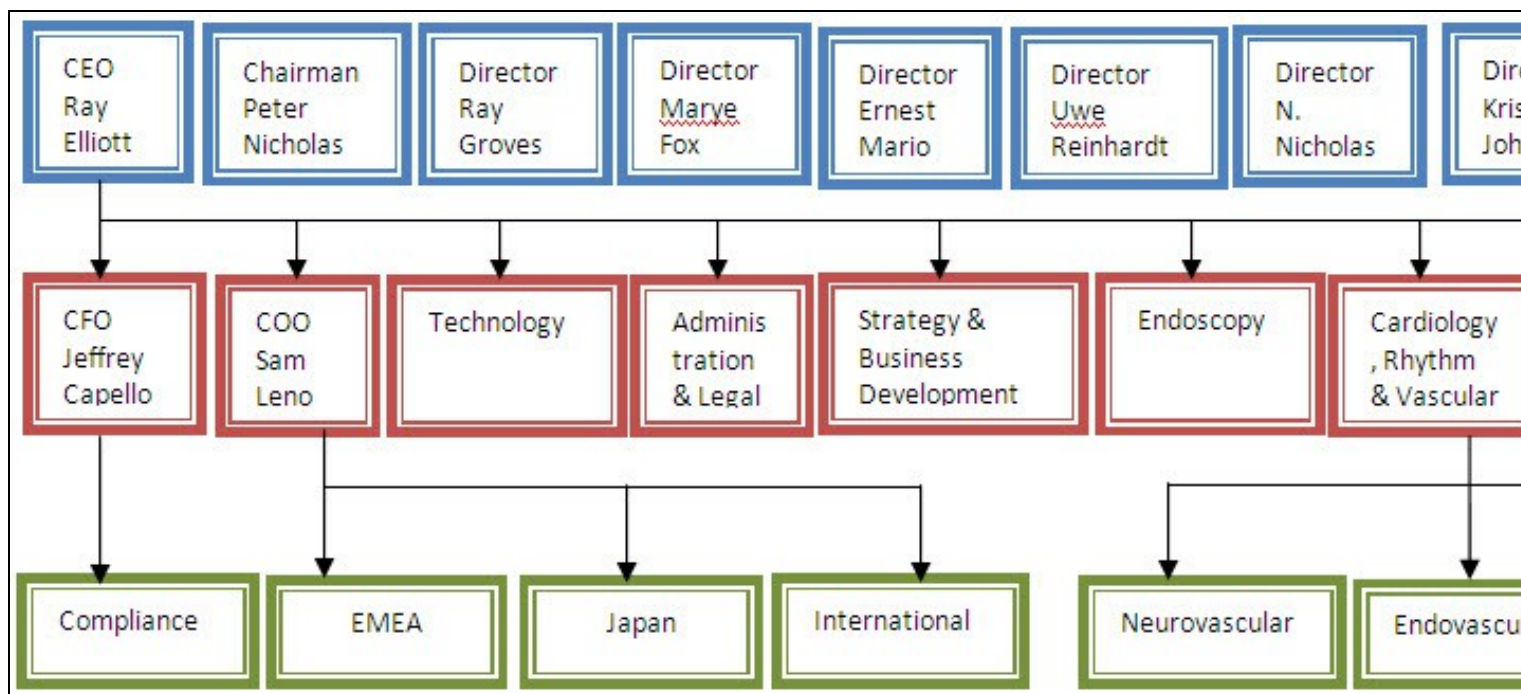
Vascular Access/Chronic Total Occlusion
Peripheral Stents

### Geographical Presence

The Corporate headquarters of Boston Scientific is in Natick, Massachusetts. The company is present in the following locations in Europe/Middle East/Africa, America and Asia Pacific/Japan.

Europe/Middle East/Africa	America	Asia Pacific/Japan
Austria	Argentina	New Zealand
Belgium	Brazil	China
Czech Republic	Canada	Hong Kong
Denmark	Chile	India
Finland	Colombia	Korea
France	Costa Rica	Tokyo
Germany	Mexico	Fukuoka
Greece	Uruguay	Hiroshima
Hungary	Venezuela	Kanagawa
Ireland	West Indies	Ishikawa
Israel	Massachusetts	Saitama
Italy	California	Miyazaki
Lebanon	Florida	Aichi
Netherlands	Indiana	Osaka
Norway	Minnesota	Hokkaido
Poland	Utah	Miyagi
Portugal	Washington	Kanagawa
Spain		Malaysia
South Africa		Philippines
Sweden		Singapore
Switzerland		Taiwan
Turkey		Thailand
United Kingdom		

### Organization Structure



(Theofficialboard.com)

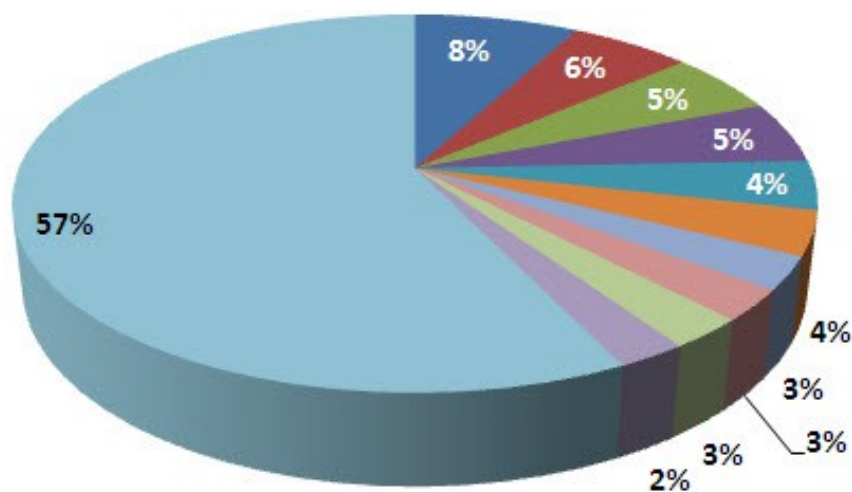
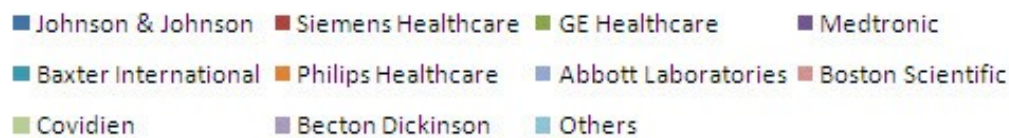
#### Key Executives

- Chairman: Peter M. (Pete) Nicholas
- EVP and COO: Samuel R. (Sam) Leno
- EVP and CFO: Jeffrey D. (Jeff) Capello

#### Market Overview

##### Market Share

### Market Share of companies in the Medical Devices Market (2010)



#### Top 10 companies in the medical devices industry





Top 10 companies in the medical devices industry	Sales in 2010 (\$B)
Johnson & Johnson	23.60
Siemens Healthcare	17.40
GE Healthcare	16.00
Medtronic	15.82
Baxter International	12.60
Philips Healthcare	11.20
Abbott Laboratories	8.40
Boston Scientific	8.00
Covidien	7.81
Becton Dickinson	7.16

#### SWOT Analysis of Boston Scientific

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>• Cost advantage</li> <li>• Asset leverage</li> <li>• Effective communication</li> <li>• High R&amp;D</li> <li>• Innovation</li> <li>• Online growth</li> <li>• Loyal customers</li> <li>• Market share leadership</li> <li>• Strong management team</li> <li>• Strong brand equity</li> <li>• Strong financial position</li> </ul>	<ul style="list-style-type: none"> <li>• Bad communication</li> <li>• Diseconomies to scale</li> <li>• Over leveraged financial position</li> <li>• Low R&amp;D</li> <li>• Low market share</li> <li>• No online presence</li> <li>• Not innovative</li> <li>• Not diversified</li> <li>• Poor supply chain</li> <li>• Weak management team</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisitions</li> <li>• Asset leverage</li> <li>• Financial markets (raise money through debt, etc)</li> <li>• Emerging markets and expansion abroad</li> <li>• Innovation</li> <li>• Online</li> <li>• Product and services expansion</li> <li>• Takeovers</li> </ul>	<ul style="list-style-type: none"> <li>• Competition</li> <li>• Cheaper technology</li> <li>• Economic slowdown</li> <li>• External changes (government, politics, taxes, etc)</li> <li>• Exchange rate fluctuations</li> <li>• Lower cost competitors or imports</li> <li>• Maturing categories, products, or services</li> <li>• Price wars</li> <li>• Product substitution</li> </ul>

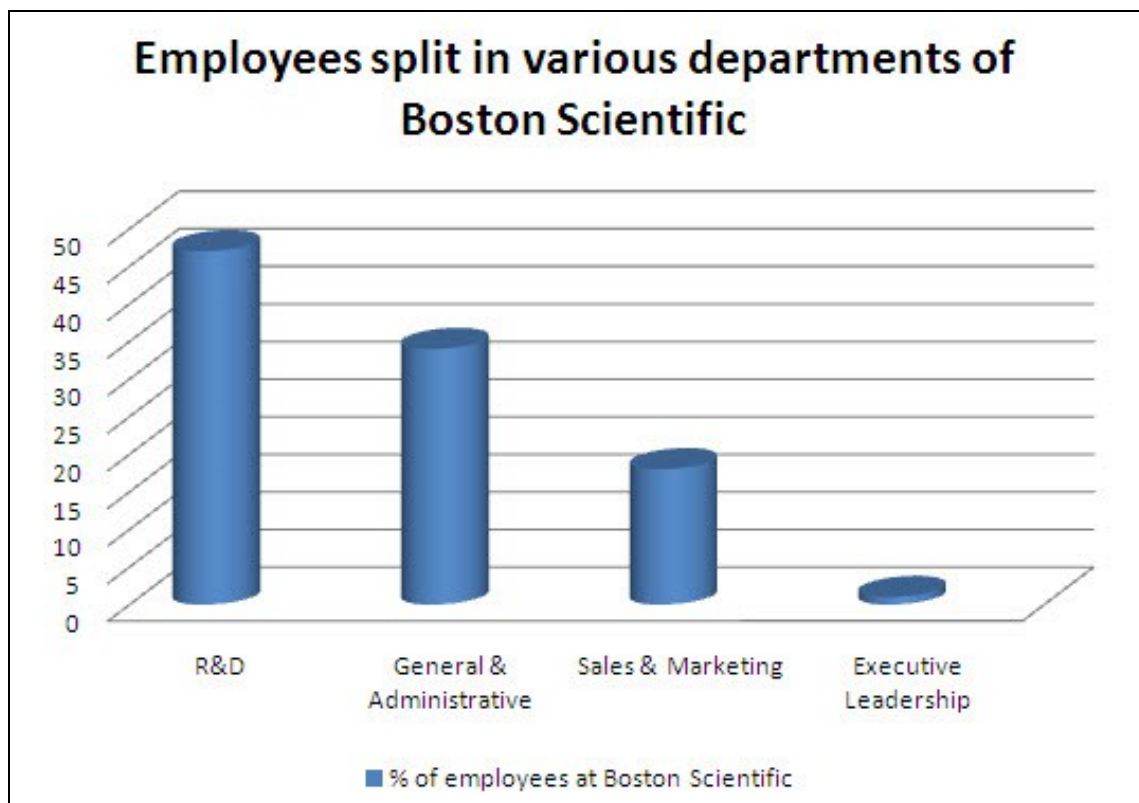
#### Transactional Activities

Mergers & Acquisitions done by Boston Scientific			
Acquired Company	Date	Value (\$ M)	Reason for Acquisition
Atritech Inc	Jan-11	100	<ul style="list-style-type: none"> <li>* It strengthens the BS's product offerings in the fast-growing areas of structural heart therapy</li> <li>* Also a trial fibrillation, which represent two of their Priority Growth Initiatives. (<a href="http://Alacrastore.com">Alacrastore.com</a>)</li> </ul>
ReVascular Therapeutics Inc	Feb-11	N/A	<ul style="list-style-type: none"> <li>* These two novel technologies treat peripheral chronic total occlusions (CTOs).</li> <li>* BSX made the acquisitions because the devices cover areas with</li> </ul>

			promise of high growth potential. ( <a href="#">Yahoo Finance</a> )
Intelect Medical Inc	Jan -11	78	<ul style="list-style-type: none"> <li>* It supports BSX long-term strategy of enhancing the product portfolio and gaining market share in the Neuromodulation space</li> <li>* It will help them to provide the most advanced deep brain stimulation technology solutions for neurologists, neurosurgeons and their patients.</li> <li>* The GUIDE DBS system would be a major advance in deep brain stimulation therapy, especially when used in conjunction with BSX's Vercise DBS System. (<a href="#">Massdevice.com</a>, <a href="#">Medicaldesign.com</a>)</li> </ul>
Sadra Medical Inc	Jan -11	193	* Will Help BSX leverage on its clinical expertise and existing sales channels in the fast-growing area of structural heart therapy. ( <a href="#">Reuters</a> )
Asthmatx Inc	Oct-10	193.5	<ul style="list-style-type: none"> <li>* Named as Top Ten Medical Innovations for 2007" by the Cleveland Clinic Foundation.</li> <li>* The transaction is expected to provide meaningful revenue growth in the midterm (<a href="#">Asthmatx.com</a>)</li> </ul>
Labcoat Ltd . (Ireland)	Sep- 10	N/A	* The Technology represents a major advance for drug-eluting stents and would help BSX maintain their strong position in this market ( <a href="#">Bostonscientific</a> )
Remon Medical Technologies Inc	Aug-07	. 73	<ul style="list-style-type: none"> <li>* Provides BSX with innovative sensor and wireless communication technology that complements their Cardiac Rhythm Management product line.</li> <li>* Also to maintain the leadership position (<a href="#">Salesandmarketingnetwork.com</a>)</li> </ul>
EndoTex Interventional Systems Inc .	Jan-07	142	* leadership in treating carotid artery disease ( <a href="#">Reuters</a> )
Guidant Corp	Apr-06	27000	* To be a global leader in cardiovascular devices ( <a href="#">Cbsnews</a> )
TriVascular	Apr-05	110	* To increase its share in the overall market for abdominal aortic aneurysms (AAA)device ( <a href="#">Fdanews</a> )

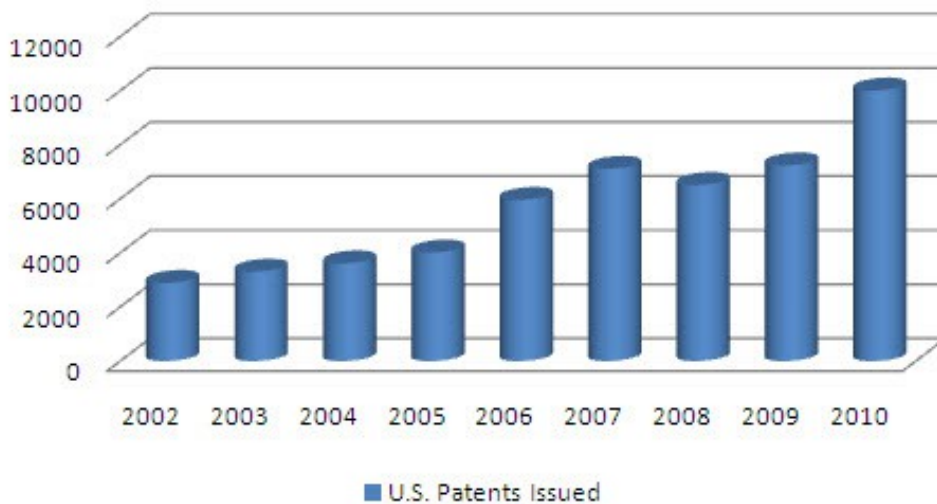
## Roadmap

Company's focus on R&D





## U.S. Patents Issued



## R&D Investment (\$M)



(Similar companies are based on the same industry and similar size for the year 2011)

- The first chart shows the number of employees in the R&D department in Boston Scientific is 9% higher than the industry standards (in 2011). The other chart shows that over the span of 8 years (2002-2009), the investment by Boston Scientific in R&D has increased by 200%. Also, by the end of 2009, 7,240 US patents have been granted to Boston Scientific and 10,009 patents are pending. It shows that Boston Scientific is clearly focused on investing in new technology through R&D.
- In addition to the Company's internal investments, Boston Scientific is committed to investing in external, or acquired, R&D through acquisitions and investments in new businesses.
- Boston Scientific in future is committed to developing less-invasive products and procedures, and through the acquisition of new technologies, to better enable physicians to treat their patients.
- The sales force of Boston Scientific is 3% lower than the industry standards. This shows that the company has an established customer base that are loyal to the company and Boston Scientific does not have to push its products in the market.

### Key Insights

- Boston Scientific continues to focus on strategic initiatives to drive growth and profitability. Till now USA has been the major geographical market for this company but Japan is emerging post 2008.
- Recent acquisitions made by the company along with promising new technologies are expected to boost the company's pipeline.
- Boston Scientific's core businesses are witnessing significant pricing pressure and market decline. Due to which the revenues have gone down by 4.70% for the fiscal year 2010. Moreover, the economic uncertainty is impacting its procedure volume.
- The dependence on Cardiovascular segment is very high and cannot be ignored. As it is witnessing several challenges including pricing pressure, intense competition and slower market growth leading to a decline ranging between 3-8% annually.
- There are a few segments like urology/ women's health, neurovascular & Neuromodulation which have shown higher growth percentage that reaches up to 14% but the contribution of these segments is very low despite higher growth rate. Though this higher growth rate can be a signal of growth potential for future concentration of efforts.
- Company needs to realign their business portfolio to improve leverage and accelerate profitable revenue growth. The Company's diversification in Neuromodulation has been considered as a good decision by industry professionals.
- Co. Faces certain industry risks such as failure of approval from FDA, approved devices being pulled from market due to safety reasons along with eroding market share and expiring patents. The recent example of pull back is the iCross Coronary Imaging Catheters.

- It's been noted that their long standing approach to growth is by strategic acquisitions of , investments in or alliances with other businesses or companies but the co. may not always be successful in generating growth this way
- BSX needs to control costs, grow foreign market revenue and has to continue to get timely regulatory approvals. Expansion of global sales and marketing focus is important along with Increasing its presence in markets such as China, India and Brazil and expanding the number of product registrations outside the U.S.
- With respect to these declining figures new strategies need to be worked on, to either increase the contribution from this segment or diversify in to other segments

## **Contact**

### **Boston Scientific Corporate Headquarters**

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