

## **Volcano Reports 14 Percent Increase in Fourth Quarter Revenues; Medical Segment Revenues Grow 20 Percent**

The Associated Press

Volcano Corporation (NASDAQ: VOLC), a leading developer and manufacturer of precision guided therapy tools designed to enhance the diagnosis and treatment of coronary and peripheral vascular disease, today said revenues in the fourth quarter of 2011 increased 14 percent versus the fourth quarter of 2010.

For the quarter ended December 31, 2011, Volcano reported revenues of \$92.7 million versus revenues of \$81.2 million in the fourth quarter a year ago. Year-over-year medical segment revenues increased 20 percent in the fourth quarter of 2011. Industrial segment revenues in the fourth quarter declined 70 percent versus a year ago, due to reduced spending in the telecommunications sector.

The company reported net income on a GAAP basis of \$29.4 million, or \$0.54 per diluted share, in the fourth quarter of 2011, versus a net loss of \$1.7 million, or \$0.03 per share, in the fourth quarter of 2010. The results for the fourth quarter of 2011 include a benefit of \$22.0 million, or \$0.40 per diluted share, related to the release of a portion of the company's deferred tax valuation allowance.

For the full year 2011, Volcano reported revenues of \$343.5 million, an increase of 17 percent over revenues of \$294.1 million in 2010.

Medical segment revenues increased 23 percent and industrial segment revenues decreased 52 percent year-over-year.

The company reported GAAP net income of \$38.1 million, or \$0.70 per diluted share, in 2011. This compares with GAAP net income of \$5.2 million, or \$0.10 per diluted share, in 2010. The results for the full year 2011 include the benefit of \$22.0 million, or \$0.40 per diluted share, related to the release of a portion of the company's deferred tax valuation allowance.

"During the quarter, we continued to advance our mission of being the leading precision guided therapy company by gaining market share for our core businesses through technology innovation and our sales, distribution and market development initiatives," said Scott Huennekens, president and chief executive officer.

"Our total medical disposable business increased approximately 24 percent in the quarter, driven by a 37 percent increase in FFR (Fractional Flow Reserve) disposable revenues and a 19 percent increase in IVUS (Intravascular Ultrasound) disposable revenues.

"A number of important factors are helping to drive our growth. There is a growing

volume of data portraying the improved patient outcomes and economic benefits from the use of Functional PCI, or the diagnosis and treatment of lesions with proven ischemia, based on function as defined with FFR-not angiography alone-and the use of intravascular guidance to optimize and confirm the therapy during the procedure.

These outcomes are resulting in elevated practice guidelines for FFR and IVUS by leading clinical organizations. In addition, the increasing focus on documenting medical necessity for procedures is creating additional momentum for our technologies," he added.

**Guidance for 2012** The company said that it expects revenues for 2012 will be in the range of \$392-\$399 million, or revenue growth of 14-16 percent and 15-17 percent on a constant currency basis. The company expects gross margin will be 64-65 percent and operating expenses will be 57-58 percent of revenues in 2012. The company expects a tax rate of approximately 40 percent and earnings per diluted share of \$0.21-\$0.24. Weighted average shares on a fully diluted basis at the end of 2012 are expected to be 55.5 million.

**Conference Call Information** The company will hold a conference call at 2 p.m., Pacific Standard Time, (5 p.m., Eastern Standard Time), today. The teleconference can be accessed by calling (631) 291-4555, passcode 43635577, or via the company's website at <http://www.volcanocorp.com>. Please dial in or access the webcast 10-15 minutes prior to the beginning of the call. A replay of the conference call will be available through February 29 at (404) 537-3406, passcode 43635577, and via the company's website at <http://www.volcanocorp.com>.

**About Volcano** Volcano Corporation is revolutionizing the medical device industry with a broad suite of technologies that make imaging and therapy simpler, more informative and less invasive. Our products empower physicians around the world with a new generation of analytical tools that deliver more meaningful information-using sound and light as the guiding elements. Founded in cardiovascular care and expanding into other specialties, Volcano is changing the assumption about what is possible in improving patient outcomes by combining imaging and therapy together. For more information, visit the company's website at [www.volcanocorp.com](http://www.volcanocorp.com).

**Forward-Looking Statements** This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

Any statements in this press release regarding Volcano's business that are not historical facts may be considered "forward-looking statements." Forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that may cause Volcano's actual results to differ materially and adversely from statements contained herein. Some of the potential risks and uncertainties that could cause actual results to differ include the risk that Volcano's revenue, expense, earnings, margin, or tax rate projections may turn out to be inaccurate or Volcano may encounter unanticipated difficulty in achieving those projections, the effect of competitive and economic factors, and the company's

reaction to those factors, purchasing decisions with respect to the company's products, the pace and extent of market adoption of the company's products and technologies, the inherent uncertainty in the process of obtaining regulatory approval or clearance for Volcano's products or devices, the success of Volcano's growth strategies, risks associated with Volcano's international operations, timing and achievement of product development milestones, outcome of ongoing litigation, the impact and benefits of market development, our ability to protect our intellectual property, dependence upon third parties, product introductions, unexpected new data, safety and technical issues, market conditions and other risks inherent to medical and/or telecom device development and commercialization. These and additional risks and uncertainties are more fully described in Volcano's filings made with the Securities and Exchange Commission, including our most recent quarterly report on Form 10-Q, and other filings made with the Securities and Exchange Commission. Undue reliance should not be placed on forward-looking statements, which speak only as of the date they are made. Volcano disclaims any obligation to update any forward-looking statements to reflect new information, events or circumstances after the date they are made, or to reflect the occurrence of unanticipated events.

**VOLCANO CORPORATION CONDENSED CONSOLIDATED BALANCE SHEETS** (in thousands) (Unaudited) December 31, 2011 2010 Assets Current assets: Cash and cash equivalents \$ 107,016 \$ 43,429 Short-term available-for-sale investments 112,327 175,283 Accounts receivable, net 69,469 59,133 Inventories 41,306 40,499 Prepaid expenses and other current assets 19,939 6,643 Total current assets 350,057 324,987 Restricted cash 692 638 Long-term available-for-sale investments 30,919 26,804 Property and equipment, net 81,097 56,503 Intangible assets, net 15,245 17,103 Goodwill 2,487 2,487 Other non-current assets 16,227 3,044 \$ 496,724 \$ 431,566 Liabilities and Stockholders' Equity Current liabilities: Accounts payable \$ 12,911 \$ 13,895 Accrued compensation 20,251 18,241 Accrued expenses and other current liabilities 16,689 21,960 Deferred revenues 7,077 5,898 Current maturities of long-term debt 72 56 Total current liabilities 57,000 60,050 Convertible senior notes 95,663 91,162 Other long-term debt 74 74 Deferred revenues 3,168 2,466 Other 1,582 3,478 Total liabilities 157,487 157,230 Stockholders' equity 339,237 274,336 \$ 496,724 \$ 431,566 **VOLCANO**

**CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS** (in thousands, except per share data) (Unaudited) Three Months Ended December 31, Years Ended December 31, 2011 2010 2011 2010 Revenues \$ 92,748 \$ 81,236 \$ 343,546 \$ 294,146 Cost of revenues 30,358 29,174 114,533 108,860 Gross profit 62,390 52,062 229,013 185,286 Operating expenses: Selling, general and administrative 40,075 40,448 147,057 133,174 Research and development 12,761 12,880 53,098 42,517 Amortization of intangibles 875 738 3,447 2,559 In-process research and development - (3,000) - (2,935) Total operating expenses 53,711 51,066 203,602 175,315 Operating income 8,679 996 25,411 9,971 Interest income 207 203 908 477 Interest expense (1,212) (1,925) (7,107) (2,192) Exchange rate gain (loss) 184 (269) (997) (904) Other (110) (6) (112) (25) Income (loss) before income taxes 7,748 (1,001) 18,103 7,327 Income taxes (benefit) expense (21,674) 724 (19,990) 2,087 Net income (loss) \$ 29,422 \$ (1,725) \$ 38,093 \$ 5,240 Net income (loss) per share: Basic \$ 0.56 \$ (0.03) \$ 0.73 \$ 0.10 Diluted \$ 0.54 \$ (0.03) \$ 0.70 \$ 0.10 Shares used in calculating net income (loss) per share: Basic 52,634 51,180 52,300

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50,551 Diluted 54,459 53,901 54,596 53,281 VOLCANO CORPORATION REVENUE SUMMARY (in millions) (unaudited) Three Months Ended December 31, Percentage Change Years Ended December 31, Percentage Change 2011 2010 2010 to 2011 2011 2010 2010 to 2011 Medical segment: Consoles: United States \$ 8.3 \$ 8.2 1 % \$ 25.9 \$ 25.5 1 % Japan 0.4 0.8 (39) 2.2 2.3 (5) Europe 1.8 2.8 (38) 8.1 8.0 0 Rest of world 1.0 1.2 (16) 4.8 4.8 1 Total Consoles \$11.5 \$13.0 (12) \$ 41.0 \$ 40.6 1 IVUS single-procedure disposables: United States \$19.8 \$19.0 4 % \$ 76.0 \$ 70.0 9 % Japan 26.5 18.9 40 95.0 71.1 34 Europe 5.8 5.7 3 23.7 21.0 13 Rest of world 1.5 1.3 15 6.3 4.9 27 Total IVUS single-procedure disposables \$53.6 \$44.9 19 \$201.0 \$167.0 20 FM single-procedure disposables: United States \$10.7 \$ 7.8 37 % \$ 36.8 \$ 25.5 44 % Japan 1.6 0.9 74 4.9 3.2 53 Europe 6.2 4.8 29 23.2 16.2 44 Rest of world 0.6 0.4 76 2.1 1.7 28 Total FM single-procedure disposables \$19.1 \$13.9 37 \$ 67.0 \$ 46.6 44 Other \$ 7.0 4.3 63 % \$ 23.5 16.9 39 % Sub-total medical segment \$91.2 \$76.1 20 \$332.5 \$271.1 23 Industrial segment \$ 1.5 5.1 (70) \$ 11.0 23.0 (52) Total \$92.7 \$81.2 14 \$343.5 \$294.1 17 VOLCANO CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (in thousands) (Unaudited) Years Ended December 31, 2011 2010 Operating activities Net income \$ 38,093 \$ 5,240 Adjustments to reconcile net income to net cash provided by operating activities: In-process research and development expense - (2,935) Depreciation and amortization 23,214 18,699 Amortization (accretion) of investment premium (discount), net 3,805 1,130 Accretion of debt discount on convertible senior notes 4,668 1,211 Non-cash stock compensation expense 12,991 12,467 Other non-cash adjustments (2,350) 2,711 Deferred income taxes (22,771) - Changes in operating assets and liabilities, net of acquisitions: (14,054) 7,660 Net cash provided by operating activities 43,596 46,183 Investing activities Purchase of short-term and long-term available-for-sale securities (310,573) (233,960) Sale or maturity of short-term and long-term available-for-sale securities 365,639 97,204 Capital expenditures (43,248) (25,302) Cash paid for acquisitions, net of cash acquired - (4,200) Cash paid for other intangibles and investments (3,482) (3,864) Proceeds from foreign currency exchange contracts 2,355 1,584 Payment for foreign currency exchange contracts (3,962) (4,356) Net cash provided by (used in) investing activities 6,729 (172,894) Financing activities Repayment of debt (51) (30) Proceeds from sale of common stock under employee stock purchase plan and exercise of common stock options 13,026 16,112 Proceeds from issuance of convertible senior notes, net of issuance cost and net payment of call options - 100,531 Tax benefit related to stock-based compensation 165 433 Increases of restricted cash - (111) Net cash provided by financing activities 13,140 116,935 Effect of exchange rate changes on cash and cash equivalents 122 (2,850) Net increase (decrease) in cash and cash equivalents 63,587 (12,626) Cash and cash equivalents, beginning of year 43,429 56,055 Cash and cash equivalents, end of year \$ 107,016 \$ 43,429 SOURCE Volcano Corporation -0- 02/22/2012 /CONTACT: John Dahldorf, Chief Financial Officer, Volcano Corporation, +1-858-720-4020, or Neal Rosen, +1-650-458-3014 /Web Site: <http://www.volcanocorp.com> (NASDAQ-NMS:VOLC) / CO: Volcano Corporation ST: California IN: HEA MTC MEQ SU: ERN ERP CCA PRN -- SF58014 -- 0000 02/22/2012 21:05:00 EDT <http://www.prnewswire.c>

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