Heart valves, stents lift Medtronic 2Q net income

The Associated Press

Medtronic Inc. said Tuesday its net income rose 5 percent in the fiscal first quarter on better sales of products like drug-coated stents and heart valves, but sales of implantable heart devices fell.

The world's biggest medical device maker said sales of coronary and vascular devices and structural heart products all improved. Medtronic said revenue from implantable devices like pacemakers and defibrillators decreased, although it said U.S. sales of implantable defibrillators are holding steady.

Bone graft revenue decreased in the wake of safety concerns and a shareholder lawsuit, and revenue from diabetes and surgical technology and other devices increased.

Medtronic said its net income rose to $864 million, or 83 cents per share, over the quarter ended July 27. A year earlier, the company earned $821 million, or 77 cents per share.

Excluding one-time charges Medtronic said its income totaled 85 cents per share. Revenue edged up nearly 2 percent, to $4.01 billion from $3.95 billion.

The recent per-share results got a small boost from a 3 percent drop in the number of outstanding shares compared with last year.

Analysts were expecting adjusted net income of 85 cents per share and $4 billion in revenue, according to FactSet.

The company said total revenue from implantable heart devices like implantable cardioverter defibrillators and pacemakers fell 5 percent to $1.19 billion, as pacemaker revenue decreased 9 percent. The devices are used to treat heart failure, but sales have slowed in recent years because of safety concerns and cost-cutting. However Medtronic said the U.S. market for ICDs is currently stable.

Medtronic said revenue from coronary products increased 11 percent to $433 million. Sales of structural heart devices like artificial valves rose 2 percent to $280 million and endovascular revenue, which includes stents, increased 12 percent to $209 million.

Revenue from the company's restorative therapy business, which makes surgical devices and products used to treat diabetes, nerve disorders, and other conditions rose 3 percent to $1.89 billion. Medtronic said most of its businesses reported better sales than a year ago, but sales of its Infuse bone graft shrank 19 percent to $141 million during the quarter.

In 2011, a medical journal said Medtronic understated the risks of Infuse and did not disclose payments to the authors of studies on the product. In March 2012, Medtronic agreed to pay $85 million to resolve a federal lawsuit brought by shareholders. The U.S. government closed an investigation into Infuse in May. The product contains a genetically engineered protein that can stimulate bone growth. It is approved for use in spinal, oral and dental graft procedures, and it was frequently used in neck surgeries and other procedures.

Medtronic maintained its fiscal year profit forecast, saying it expects net income of $3.62 to $3.70 per share. Analysts expect $3.65 per share, on average, with estimates ranging from $3.61 to $3.69 per share.

Shares of Medtronic slipped 57 cents to $40.88 in premarket trading. The stock reached a 52-week high of $41.57 on Monday and closed at $41.45.

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