

CareFusion Reports First Half Fiscal 2013 Results

The Associated Press

CareFusion Corp. (NYSE: CFN), a leading, global medical technology company, today reported results for the three and six months ended Dec. 31, 2012.

"Our consolidated first and second quarter financial results were led by strong performance across the Procedural Solutions segment, where each business is delivering positive gains and executing well," said Kieran T. Gallahue, chairman and CEO. "In Medical Systems, the first half shaped up about as we expected, with Infusion Systems performing slightly ahead of our plans.

"At the same time, we continued to make progress against our strategic goals, expanding operating margins while investing in innovation, new markets and other priorities that will help us accelerate our growth over the long-term." **Second Quarter Results** The company reported revenue for the second quarter of fiscal 2013 of \$909 million, compared to \$890 million in the second quarter of fiscal 2012, an increase of 2 percent on a reported and constant currency basis.

Operating income was \$171 million, an increase of 20 percent compared to \$143 million in the prior year period. Excluding nonrecurring items, adjusted operating income for the second quarter grew 12 percent to \$189 million, or 20.8 percent of revenue, driven primarily by gross margin expansion.

Operating expenses totaled \$300 million in the second quarter.

Excluding amortization of acquired intangibles and nonrecurring items, adjusted operating expenses were \$282 million, an increase of 1 percent over the prior year period. During the quarter, the company continued to increase investments in research and development, which were primarily funded by decreases in corporate overhead and selling, general and administrative (SG&A) expenses.

The company reported income from continuing operations in the second quarter of \$108 million, or \$0.48 per diluted share. Adjusted income from continuing operations increased 9 percent from the prior year period to \$121 million, or \$0.54 per diluted share. The adjusted tax rate was 29.6 percent for the second quarter.

Medical Systems Second quarter revenue for the Medical Systems business segment of \$602 million on a reported and constant currency basis was nearly even with the prior year period. Results were driven primarily by an expected decrease in the Infusion Systems business. Despite the year-over-year decline, Infusion Systems performed ahead of company expectations.

Segment profit increased 7 percent from the prior year period to \$123 million, as gross margin improvements and SG&A leverage helped to fund increased

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investments in R&D. Adjusted segment profit was \$134 million, an increase of 2 percent from the prior year period.

Procedural Solutions Second quarter revenue for the Procedural Solutions business segment increased 7 percent from the prior year period to \$307 million on a reported and constant currency basis. The increase was driven by strong performance across all three business units, with continuing growth in Infection Prevention, Medical Specialties delivering its highest revenue growth in more than two years and Specialty Disposables benefitting from an early start to the flu season.

This top-line strength carried through to the bottom line, with segment profit increasing 71 percent from the prior year period to \$48 million. Adjusted segment profit was \$55 million, a 45 percent increase driven by strength in the company's clinically differentiated portfolio and disciplined expense management efforts.

Six-Month Results For the first six months of fiscal 2013, revenue increased 2 percent from the prior year period to \$1.75 billion. Operating income increased to \$314 million from \$258 million, up 22 percent. Income from continuing operations was \$195 million, or \$0.87 per diluted share. Adjusted income from continuing operations increased 8 percent to \$220 million, or \$0.98 per diluted share.

Operating expenses in the first six months totaled \$593 million, or \$558 million on an adjusted basis.

Segment results for the six months ended Dec. 31, 2012 and 2011 are as follows:

Medical Systems 1H FY13	1H FY12	Y/Y	Revenue	\$1,153 million	\$1,150 million	0%	
Segment Profit	\$225 million	\$197 million	14%	Adjusted Segment Profit	\$246 million	\$233 million	6%
Procedural Solutions 1H FY13	1H FY12	Y/Y	Revenue	\$593 million	\$568 million	4%	
Segment Profit	\$89 million	\$61 million	46%	Adjusted Segment Profit	\$103 million	\$80 million	29%

Recent Highlights Additional second quarter and recent highlights included: -- Completing the acquisition of Intermed Equipamento Medico Hospitalar Ltda, a privately held, leading respiratory technologies company based in Sao Paulo, Brazil. The acquisition advances CareFusion's strategy to expand outside of the U.S. through investments that build scale and local capabilities in high-value markets.

-- Introducing the Alaris@ Infusion Viewer for Pharmacy Logistics, a web-based dashboard capable of showing near real-time status of all infusions across a hospital or health system that is using the Alaris@ System with the Alaris Pump and/or Alaris Syringe Modules. The dashboard helps hospital pharmacies improve clinician efficiency by displaying if infusions are currently infusing, stopped or completed and by showing which pumps have a current Guardrails@ soft alert violation, streamlining alert reviews.

-- Launching the Pyxis@ Anesthesia ES system, the newest offering available on the Pyxis ES platform, which features improved patient-centric workflows to help decrease manual documentation and offers enhanced security and capabilities that can be leveraged in a single hospital or across an entire health system.

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-- Launching StartClean, a new preoperative cleansing program that features a unique e-reminder system to drive patient compliance.

-- Filing the company's annual report on Form 10-K for fiscal 2012, reflecting the revisions the company made as a result of modifying its accounting for sales-type leases in its Pyxis@ medication and supply dispensing product lines. CareFusion expects to file its quarterly reports on Form 10-Q for the first and second quarters of fiscal 2013 by Feb. 11, bringing the company current in its disclosures.

Fiscal 2013 Outlook CareFusion continues to expect full-year consolidated revenue to grow 1 to 3 percent on a constant currency basis compared to fiscal 2012 revenue of \$3.6 billion. Adjusted diluted EPS from continuing operations are expected to be in the range of \$2.11 to \$2.21.

Beginning in the first quarter of fiscal 2013, CareFusion changed the manner in which the company reports adjusted financial results, including adjusted diluted EPS guidance, to exclude acquisition-related amortization.

The guidance is based on an assumed diluted weighted average outstanding share count of approximately 221 million, which includes the impact of expected share repurchases during fiscal 2013.

Conference call CareFusion will host a conference call today at 2 p.m. PST (5 p.m. EST) to discuss financial results for the first half of fiscal 2013.

To access the call, visit the Investors page at www.carefusion.com/.

Log on at least 15 minutes before the call begins to register and download or install any necessary audio software.

Investors and other interested parties may also access the call by dialing (800) 706-7748 within the U.S. or (617) 614-3473 from outside the U.S., and using the access code 86859607. A replay of the conference call will be available from 4 p.m. PST (7 p.m. EST) on Feb. 7 through 8:59 p.m. PST on Feb.14 and can be accessed by dialing (888) 286-8010 in the U.S. or (617) 801-6888 from outside the U.S. and using the access code 52148625.

About CareFusion Corporation

CareFusion (NYSE: CFN) is a global corporation serving the health care industry with products and services that help hospitals measurably improve the safety and quality of care. The company develops market-leading technologies including Alaris@ infusion pumps, Pyxis@ automated dispensing and patient identification systems, AVEA@, AirLifeT and LTV@ series ventilation and respiratory products, ChloroPrep@ products, MedMined@ services for data mining surveillance, V. Mueller@ surgical instruments, and an extensive line of products that support interventional medicine. CareFusion employs more than 15,000 people across its global operations. More information may be found at www.carefusion.com.

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Use of Non-GAAP Financial Measures by CareFusion Corporation This CareFusion news release and the information contained herein present non-GAAP financial measures that exclude certain amounts, as follows: "adjusted operating expenses," "adjusted operating income," and "adjusted segment profit," which exclude amortization of acquired intangibles, as well as nonrecurring items related to the spinoff and nonrecurring restructuring and acquisition integration charges; and "adjusted income from continuing operations," "adjusted diluted earnings per share from continuing operations," and "adjusted effective tax rate," which exclude amortization of acquired intangibles, as well as nonrecurring items related to the spinoff, nonrecurring restructuring and acquisition integration charges and nonrecurring tax items. The most directly comparable GAAP financial measures for these non-GAAP financial measures are operating expenses, operating income, segment profit, income from continuing operations, diluted earnings per share from continuing operations, and effective tax rate. The company has included below unaudited adjusted financial information for the quarters ended Sept. 30, 2012 and 2011, as well as for the quarters and six months ended Dec. 31, 2012 and 2011, including a reconciliation of GAAP to non-GAAP financial measures.

The company's management uses these non-GAAP financial measures to evaluate the company's performance and provides them to investors as a supplement to the company's reported results, as they believe this information provides additional insight into the company's operating performance by disregarding amortization of acquired intangibles and certain non-recurring items. These non-GAAP financial measures should not be considered in isolation, as a substitute for, or as superior to, financial measures calculated in accordance with GAAP, and the company's financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated. The non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. While the types of items and charges excluded from the company's non-GAAP financial measures may occur in the future, the company's management believes that they are not reflective of the day-to-day offering of its products and services and relate more to strategic, multi-year corporate actions, without predictable trends, or discrete and unusual or infrequent transactions that are not indicative of future operations or business trends.

Source URL (retrieved on 03/31/2015 - 9:00am):

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