CONMED Corporation Announces Fourth Quarter 2012 Financial Results

The Associated Press

CONMED Corporation (NASDAQ: CNMD)

Sales Increase 8.4% GAAP EPS of $0.38 Adjusted EPS of $0.52

CONMED Corporation (NASDAQ: CNMD) today announced financial results for the fourth quarter and year ended December 31, 2012.

"Strong earnings and cash flow were the hallmarks of CONMED's fourth quarter results, completing 2012 with the best quarterly performance of the year," commented Mr. Joseph J. Corasanti, President and CEO. Reported earnings per share grew to $0.38 from a loss of $0.90 in the fourth quarter of 2011. Adjusted for restructuring and unusual items, diluted earnings per share grew 13.0% to $0.52 compared to $0.46 in the same quarter of 2011. Free cash flow for the fourth quarter of 2012 was $28.4 million, more than two times the net income for the quarter. Reported sales growth was 8.4% (7.8% constant currency) while organic sales growth was 3.3% excluding MTF and Viking revenues.

Fourth Quarter 2012 Financial Highlights:

Sales grew to $201.2 million, an increase of 8.4% (organic increase of 3.3%) and an increase of 7.8% on a constant currency basis as compared to the fourth quarter of 2011. Single-use products grew 10.7% and comprise 79.7% of total sales. Diluted earnings per share (GAAP) grew to $0.38 compared to a loss of $0.90. Adjusted diluted earnings per share grew 13.0% to $0.52. Adjusted EBITDA margin expanded 110 basis points to 18.1%. GAAP EBITDA margin was 14.3%. A favorable income tax benefit amounting to $0.04 per share was recorded due to the conclusion of a tax matter. The Board of Directors declared a quarterly cash dividend of $0.15 per share, which was paid on January 7, 2013.

Year 2012 Financial Highlights

Sales grew to $767.1 million, an increase of 5.8% (organic increase of 1.5%) and an increase of 5.7% on a constant currency basis as compared to 2011. Single-use products grew 8.5% comprising 80.0% of total revenues, while capital products declined 3.9%. Diluted earnings per share (GAAP) grew to $1.41 vs. $0.03 in 2011. Adjusted earnings per share grew 20.0% to $1.80. Adjusted EBITDA margin expanded 140 basis points to 17.4%. GAAP EBITDA margin was 14.5%.

International sales in the fourth quarter and full year 2012 were $101.0 million and $384.9 million, respectively, or 50.2% total sales for both periods. The recent volatility in foreign currency exchange rates was mitigated by the Company's

currency hedging. Fourth quarter 2012 sales were higher by $1.1 million and the year's sales were lower by $4.4 million than would have been the case using comparable 2011 exchange rates.

Cash provided by operating activities in the fourth quarter of 2012 amounted to $33.9 million. For the full year 2012, cash provided by operating activities totaled $95.2 million. This cash generation is 16.9% of sales for the fourth quarter and 12.4% of sales for the 2012 year.

As a component of the Company's capital allocation strategy, CONMED has returned value to shareholders through the initiation in early 2012 of a 15 cent quarterly dividend (which provides a yield of approximately 2% based upon the current share price). Further, the Board of Directors has previously authorized share repurchases and the Company has purchased approximately $15.9 million of its shares on the open market since October 2012. It is management's intention, subject to market conditions and provisions of its credit agreement, to additionally repurchase approximately $35 million of CONMED stock over the next three to six months as an additional means of returning value to the Company's shareholders.

Outlook

"Our outlook for 2013 is unchanged from our communication in October last year. We reiterate the estimated $1.80 - $1.90 adjusted diluted earnings per share guidance for 2013 on estimated sales of $785 - $795 million. This guidance recognizes the negative effects of the 2.3% excise tax on medical devices and foreign currency exchange rates lower than the FX rates at which we hedged our sales in 2012. These headwinds amount to approximately $0.25 per share and would have resulted in adjusted EPS growth of 14.0% to 19.0% without their deleterious effects," noted Mr. Corasanti.

"Effectively, these external matters have caused us to re-set the base from which management will target earnings growth of approximately 15% annually in-line with our strategic plan," continued Mr. Corasanti. "For the first quarter of 2013, we expect sales will approximate $192 - $198 million and adjusted diluted earnings per share will be in the range of $0.42 - $0.47."

The sales and earnings forecasts for 2013 have been developed using January 2013 currency exchange rates and take into account the currency hedges entered into by the Company.

The adjusted estimates for the first quarter and full year 2013 exclude unusual matters, such as the restructuring costs expected to be incurred due to the Viking acquisition and the consolidation of the Tampere, Finland location into United States facilities. Costs related to these consolidation activities are excluded from the estimates above.

Unusual charges

During 2012, the Company purchased Viking Systems, Inc., a developer of 3D-HD

surgical video systems, continued the on-going consolidation of certain administrative functions, transferred additional product lines to its Mexican manufacturing facility and began the consolidation of the Tampere, Finland facility. Also incurred were integration costs relative to the purchase of a distributor in northern Europe and litigation costs associated with a contractual dispute with a former distributor. Expenses associated with these activities, including severance and relocation costs, amounted to $4.0 million, net of tax, in the fourth quarter of 2012 and $11.2 million net of tax for the year. These charges are included in the GAAP earnings per share set forth above and are excluded from the adjusted results. For 2013, the Company presently anticipates incurring additional pre-tax restructuring costs of $8.0 - $10.0 million on projects currently in process.

Use of non-GAAP financial measures

Management has disclosed adjusted financial measurements in this press announcement that present financial information that is not in accordance with generally accepted accounting principles. These measurements are not a substitute for GAAP measurements, although Company management uses these measurements as aids in monitoring the Company's on-going financial performance from quarter-to-quarter and year-to-year on a regular basis, and for benchmarking against other medical technology companies. Adjusted net income and adjusted earnings per share measure the income of the Company excluding unusual credits or charges that are considered by management to be outside of the normal on-going operations of the Company. Management uses and presents adjusted net income and adjusted earnings per share because management believes that in order to properly understand the Company's short and long-term financial trends, the impact of unusual items should be eliminated from on-going operating activities. These adjustments for unusual items are derived from facts and circumstances that vary in frequency and impact on the Company's results of operations. Management uses adjusted net income and adjusted earnings per share to forecast and evaluate the operational performance of the Company as well as to compare results of current periods to prior periods on a consistent basis. Adjusted 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. Investors should consider adjusted measures in addition to, and not as a substitute for, or superior to, financial performance measures prepared in accordance with GAAP. Please refer to the attached reconciliations between GAAP and adjusted financial measures.

Conference call

The Company will webcast its fourth quarter 2012 conference call live over the Internet at 10:00 a.m. Eastern Time on Thursday, February 14, 2013. This webcast can be accessed from CONMED's web site at www.conmed.com [1]. Replays of the call will be made available through February 28, 2013.

CONMED profile

CONMED is a medical technology company with an emphasis on surgical devices

and equipment for minimally invasive procedures. The Company's products are used by surgeons and physicians in a variety of specialties including orthopedics, general surgery, gynecology, neurosurgery and gastroenterology. Headquartered in Utica, New York, the Company's 3,600 employees distribute its products worldwide from several manufacturing locations. CONMED has a direct selling presence in 16 countries outside the United States and international sales constitute approximately 50% of the Company's total sales.

This article has been truncated. You can see the rest of this article by contacting http://www.marketwire.com [2].

Source URL (retrieved on *05/19/2013 - 4:22pm*):
http://www.mdtmag.com/news/2013/02/conmed-corporation-announces-fourth-quarter-2012-financial-results-0?qt-most_popular=0

Links:
[1] http://www.conmed.com
[2] http://www.marketwire.com