



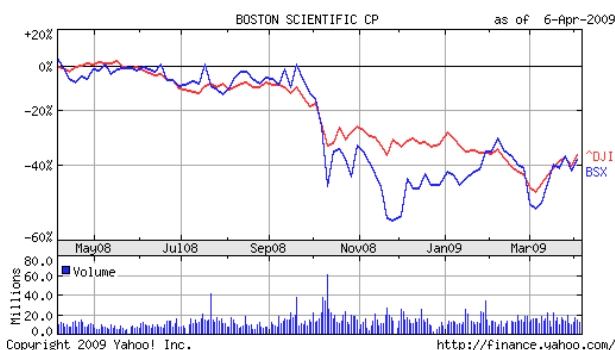
Boston Scientific Corp. (BSX)

Investment Recommendation **HOLD**

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Current Price \$7.95
Target Price Range \$13.46

DJ US Medical Equipment Index & Boston Scientific¹



Key Stock Statistics

52-Week Price Range	\$5.41-14.20
Market Capitalization (B)	\$12.71
Shares Outstanding (B)	1.50
Institutional Ownership	82.80%
60-Month Beta	1.22
Dividend Yield	N/A
Price/Earnings (ttm)	N/A
Price/Book	0.96
Price/Sales	1.57
ROA (ttm)	2.78%
ROE (ttm)	-14.40%
Projected 5-Year Growth	12.71%

EPS (\$)

Year	2006	2007	2008	2009E	2010E	2011E
EPS	-2.81	-3.33	-1.36	-.27	-.17	-.09

All earnings represent earnings from operations and have been filtered from net nonrecurring gains.

Valuation Models

Discounted Cash Flow	\$12.95
Economic Profit	\$12.95
Relative P/E	N/A
Dividend Discount Model	N/A

INVESTMENT THESIS

- (+) The vascular diseases and conditions segment has the greatest room for innovation. Cardiovascular disease continues to be the leading cause of death among both men and women in the U.S.. We anticipate the highest growth within the Cardiac Rhythm Management segment at 10 % and within the Interventional Cardiology segment at 12% growth.
- (+) In 2007, Boston Scientific implemented initiatives designed to enhance short- and long-term shareholder value, including the restructuring of several of businesses and product franchises, the sale of non-strategic businesses and investments and significant expense and headcount reductions. The goal was to better align expenses with revenues, while preserving the ability to make needed investments in quality, due to FDA warning letters, R&D, and capital improvements.
- (+) In the last couple years, Boston Scientific has made key acquisitions and partnerships including the acquisition of Guidant to enter the CRM market and the partnership with Abbott Laboratories on a drug eluting stent.
- (+/-) Boston Scientific spent more than \$1 billion on R&D, representing 12% of 2008 net sales. The investment occurred in the areas of: regulatory compliance and clinical research, and strategic acquisitions sustaining engineering efforts. However, it does not appear successful in these efforts as the ROE is -14.40%.
- (-) Interventional Cardiology, Cardiac Rhythm Management, and Other Cardiovascular products account for 75% of Boston Scientific's product sales. FDA warnings letters or product recalls within the Cardiovascular Division could greatly affect Boston Scientific.
- (-) Increased pricing pressures domestically and internationally may reduce the heightened inflationary trends of the medical device industry, affecting Boston Scientific and its competitors.

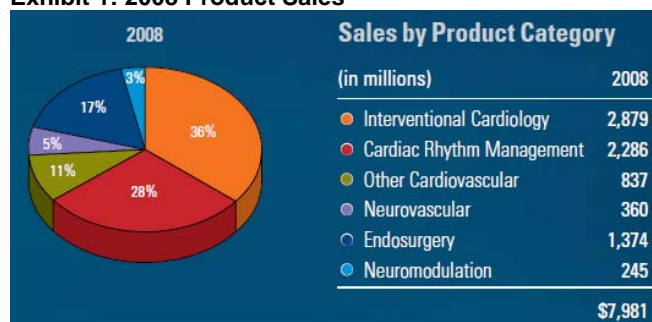
EXECUTIVE SUMMARY

Boston Scientific is in a far better financial position as it enters 2009 than it was one year ago. In 2008, it successfully launched a variety of key products, it sold off assets, paid down debt, and continued to implement strategic restructuring initiatives all of which contributed to hitting earnings commitments. Furthermore, the new product pipeline looks strong from continued R&D spending and strategic acquisitions and partnerships. In particular, the cardiovascular segment has the most promising products and opportunities for future sales growth. Despite these improvements, Boston Scientific experienced negative EPS for 2008 and we believe this negative EPS will continue for the next 3-5 years as modeled.

COMPANY DESCRIPTION²

Boston Scientific Corporation is a worldwide developer, manufacturer and marketer of medical devices that are used in a broad range of interventional medical specialties. These specialties fall within three dedicated business groups consisting of: Cardiovascular, including Cardiovascular, and Neurovascular businesses, Endosurgery, including Endoscopy and Urology/Gynecology businesses, and Neuromodulation. Some of the uses for the products include: enlarging narrowed blood vessels to prevent heart attack and stroke, clearing passages blocked by plaque to restore blood flow, detecting and managing fast, slow or irregular heart rhythms, mapping electrical problems in the heart, performing biopsies and intravascular ultrasounds, placing filters to prevent blood clots from reaching the lungs, heart or brain, treating urological, gynecological, renal, pulmonary, neurovascular and gastrointestinal diseases, and modulating nerve activity to treat chronic pain. Exhibit 1 depicts the breakdown of sales by product category.

Exhibit 1: 2008 Product Sales³



Cardiovascular

During 2008, 79% of Boston Scientific's net sales were from the Cardiovascular division. This division focuses on products and technologies for use in interventional cardiology, cardiac rhythm management, peripheral interventions, electrophysiology and neurovascular.

The Cardiovascular segment is comprised of:

- Cardiac Rhythm Management
 - ICD and CRT-D Systems
 - Pacemaker Systems
 - Remote Patient Monitoring System
- Electrophysiology
- Interventional Cardiology
 - Drug-Eluting Stent Systems
 - Bare-Metal Stent Systems
 - Coronary Revascularization
 - Embolic Protection
 - Intraluminal Ultrasound Imaging
- Peripheral Interventions
- Neurovascular Intervention

Endosurgery

Approximately 17% of Boston Scientific's FY 08 net income was from the Endosurgery segment. The Endosurgery segment is comprised of:

- Esophageal, Gastric and Duodenal (Small Intestine) Intervention
- Colorectal Intervention
- Pancreatico-Biliary Intervention
- Pulmonary Intervention
- Urinary Tract Intervention and Bladder Disease
- Prostate Intervention
- Pelvic Floor Reconstruction and Urinary Incontinence
- Gynecology

Neuromodulation

The Neuromodulation segment accounted for 3% of Boston Scientific's net income in 2008, with the remaining 1% coming from businesses divested in the first quarter of 2008. The Neuromodulation segment is comprised of:

- Spinal Cord Stimulation System

Based on the extensive product lines offered, we believe Boston Scientific will see the following YoY growth rates as shown in our valuation.

Segment	2009 YoY growth
Cardiac Rhythm Management	10%
Interventional Cardiology	12%
Endosurgery	5%
Neuromodulation	3%



However, it is important to note that Boston Scientific will face great competition from Medtronic, St. Jude Medical, Stryker and Abbott Laboratories due to similar product offerings within the CRM, Interventional Cardiology, and Endosurgery segments.

RECENT DEVELOPMENTS²

Boston Scientific's net sales decreased by 4% in 2008 to \$8.050 billion from \$8.357 billion in 2007. While foreign currency fluctuations increased net sales by \$213 million in 2008, net sales were overall flat with the prior year. However, worldwide net sales of CRM products increased 8%, driven by multiple product launches both domestically and internationally. This growth can be attributed to the launch of COGNIS® cardiac resynchronization therapy defibrillator (CRT-D) system and TELIGEN® implantable cardioverter defibrillator (ICD) system. Net sales from the Endosurgery businesses also grew 8% while the Neuromodulation division increased net sales by 20%. On the flip side, there was a 4% decline in worldwide net sales from the Cardiovascular division due principally to the impact of new competition in the U.S. drug-eluting stent market.

In 2009, we anticipate new products to account for two-thirds of CRM revenue, which will further increase the sales and share growth experienced in 2008. In addition, we anticipate the completion of MADIT-CRT clinical trial, which is expected in the first half of 2009. MADIT-CRT is designed to examine whether cardiac resynchronization therapy can slow the progression of heart failure in high-risk, minimally symptomatic patients. We believe this trial has the potential to significantly expand CRT-D indications and directly increase revenue.

Over the past few years, Boston Scientific has been involved in a variety of acquisitions and strategic alliances. In Q1 FY08, Boston Scientific completed the divestiture of certain non-strategic businesses. Currently, they are involved in several post-closing separation activities through transition service agreements, some which continue to generate net sales. These transition service agreements expire throughout 2009 and the first half of 2010.

In April 2006, Boston Scientific acquired Guidant Corporation. This acquisition made it a major provider in the CRM market, enhancing overall competitive position and long-term growth potential, by further diversifying its product portfolio, despite taking on large amounts of debt.

Additionally, Boston Scientific also shares certain drug-eluting stent technology with Abbott Laboratories. This

gives them access to a second drug-eluting stent program, and complements current stent systems.

INDUSTRY TRENDS²

In the current healthcare environment, economically-motivated buyers, consolidation among healthcare providers, increased competition and declining reimbursement rates, cause Boston Scientific and its competitors to compete on the basis of price, value, clinical outcomes, reliability and efficiency. The current global economic conditions could put additional competitive pressure on these companies, including on average selling prices, overall procedure rates and market sizes. Boston Scientific's competitive success will depend upon the ability to create or acquire scientifically advanced technology and apply it across product lines and markets.

In order to remain competitive, Boston Scientific has a variety of products in its pipeline for launch in the coming years in addition to the variety of products launched in 2008. Exhibit 2 depicts the current product pipeline.

Exhibit 2: Boston Scientific Product Pipeline²

Cardio Vascular		
Cardiac Rhythm Management		
ICD and CRT-D Systems	Launch CONFIENT® ICD, COGNIS® and TELIGEN® in Japan in 2009	
Pacemaker Systems	ALTRUA™ pacing system in Japan in 2009	
Remote Patient Monitoring System	LATITUDE® system in EMEA region in 2009	
Interventional Cardiology		
Drug-Eluting Stent Systems	TAXUS® Liberté® stent system and PROMUS® everolimus-eluting coronary stent system in Japan in 2009; PROMUS® Element™ stent system in EMEA 2009, US and Japan in 2012	
Neurovascular Intervention	Next generation GDC® Coils (Guglielmi Detachable Coil) and Matrix® in 2009	

MARKETS AND COMPETITION

Boston Scientific encounters significant competition across all product lines from various companies. Primary competitors have historically included Johnson & Johnson (including its subsidiary, Cordis Corporation) and Medtronic, Inc. (including its subsidiary, Medtronic AVE, Inc.), as well as a wide range of companies that sell a single or limited number of competitive products. Abbott has also become a primary competitor of Boston Scientific in the interventional cardiology segment after acquiring Guidant. Additionally, Boston Scientific also



competes with St. Jude Medical, Inc. in the CRM and Neuromodulation markets. Pharmaceutical companies, which may offer alternative therapies for disease states intended to be treated using Boston Scientific's products can also be considered competition. The following table compares Boston Scientific to its competitors by Market Cap, P/E Ratio, and EPS.

Exhibit 3: Key Ratio of Competitors¹

	Market Cap (B)	P/E Ratio (ttm)	EPS (ttm)
Boston Scientific	12.71	N/A	-1.36
Johnson & Johnson	135.52	10.73	4.57
Medtronic	30.4	10.73	2.53
St. Jude Medical	12	31.56	1.1

We believe Boston Scientific's results are due to the 2007 initiatives designed to enhance short- and long-term shareholder value, including the restructuring of several of businesses and product franchises, the sale of non-strategic businesses and investments and significant expense and headcount reductions. The goal was to better align expenses with revenues, while preserving the ability to make needed investments in quality, due to FDA warning letters, research and development (R&D), and capital improvements.² We believe these strategic initiatives are indicative of a strong foundation necessary for future growth, which we believe will be obtained by the current product pipeline.

ECONOMIC OUTLOOK

The medical products and supplies industry is directly impacted by overall healthcare spending and medical device demand stems primarily from age and overall health of the population.⁴ The current economic environment is expected to have only a moderate effect on industry revenue due to the catalysts for demand. For example, a survey of some 235 electrophysiologists projected unchanged to increased demand for interventional cardiac devices as shown below in Exhibits 4 & 5.¹¹

Exhibit 4:

Q: Do you believe the current demand for treatment with ICD is:

n = 235

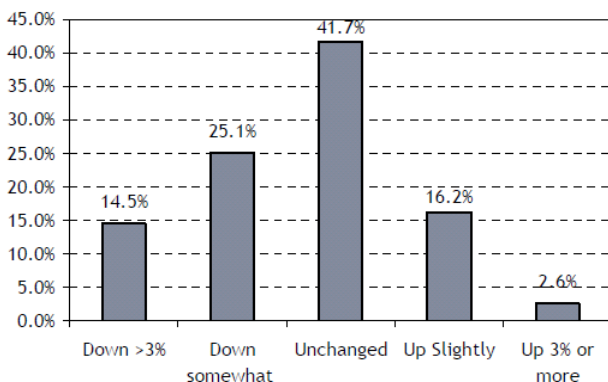
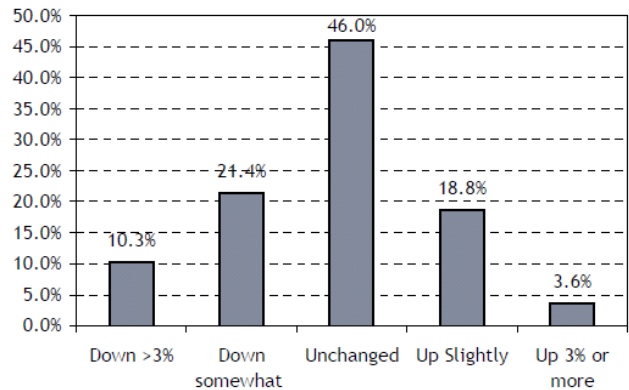


Exhibit 5:

Q: Do you believe implant volume 6 months from now will be:

n = 224



A decline in disposable income may result in a demand reduction for certain elective surgical procedures, but a sharp overall industry decline is not anticipated.

Expenditures

According to the Centers for Medicare & Medicaid Services (CMS), U.S. healthcare spending is expected to double by 2017 to \$4.3 trillion.⁵ Healthcare spending is forecast to rise by an average of 6.7% annually over the next decade, approximately 1.9% higher than the GDP. Overall, U.S. spending per capita is expected to rise to \$13,101 by 2017, up from \$7,206 in 2006.⁶

Exhibit 6: National Health Expenditures

ITEM	E2006	F2007	F2008	F2009	F2010	F2011	F2012	F2013
National health expenditures (bil.\$)	2,106	2,246	2,394	2,555	2,726	2,905	3,098	3,305
Private health insurance expenditures, total (bil.\$)	723	769	822	879	936	995	1,058	1,124
Gross Domestic Product (bil.\$)	13,195	13,802	14,450	15,158	15,916	16,712	17,514	18,320
Health expenditures as % of GDP	16.0	16.3	16.6	16.9	17.1	17.4	17.7	18.0
Health expenditures per capita (\$)	7,026	7,439	7,868	8,329	8,816	9,322	9,862	10,439
U.S. population (mil.)	300	302	304	307	309	312	314	317
Under 65	263	265	266	268	270	272	273	274
65 and older	37	37	38	39	39	40	41	43

E-Estimated; F-Forecast.
Source: Centers for Medicare & Medicaid Services.

Medicare and Medicaid

Spending by federal and state governments (Medicare and Medicaid) represented 46% of total healthcare expenditures in 2006 and is projected to reach 49% of total spending by 2017.⁵ U.S. healthcare spending has been rising faster than economic growth for many years and is anticipated to continue growing faster than the economy for the next 75 years. Federal expenditure on Medicare and Medicaid rose from 4% of GDP in 2007 and is projected to reach 7% by 2025. The rise in healthcare spending can be attributed to changes in healthcare utilization, changing demographics, price inflation and advances in medical technology.⁴

Boston Scientific's products are purchased primarily by hospitals, physicians and other healthcare providers bill



various third-party payors, such as governmental programs (Medicare and Medicaid), private insurance plans and managed-care programs. Third-party payors may provide or deny coverage based on independently determined assessment criteria. Reimbursement by third-party payors for these services is based on a wide range of methodologies. Third-party payors are increasingly adjusting reimbursement rates and challenging the prices charged for medical products and services, putting pressure on Boston Scientific and its competitors.² However due to the extensive pipeline and strategic initiatives, we feel Boston Scientific is proactively addressing this issue.

Consumer Price Index

According to the Bureau of Labor and Statistics (BLS) the consumer price index (CPI) data suggested medical cost inflation in the 12 months ended December 2008 was 2.6% higher than last year after a .2% and .3% rise in November and December.⁸ Despite the overall CPI being in a deflationary period, the healthcare CPI is experiencing growth. This is consistent with our belief that Boston Scientific will not be negatively affected and will experience continued growth.

Increased pricing pressures domestically and internationally may reduce the heightened inflationary trends of the medical device industry, affecting Boston Scientific and its competitors. While, we do not see this happening in the near term, we view this action as a potential threat to the company's operating results. A future concern for companies like Boston Scientific is that end users will not view their medical products as a necessary staple in times of economic stress. As a result, non-essential healthcare treatments may decline, reducing demand for the newest technology.

R&D

The livelihood of the medical industry is dependent upon new innovation and product development. As a result, changes within R&D spending can greatly impact medical device sales and earnings trends. The average medical company will spend approximately 5% to 15% on R&D annually; although 10% is about double the percentage spent by the average industrial company.⁶

In FY 08, Boston Scientific spent more than \$1 billion on R&D, representing 12% of 2008 net sales. The investment occurred in the areas of:

- regulatory compliance and clinical research, particularly related to next-generation stent and CRM platforms from internal programs and strategic acquisitions
- sustaining engineering efforts for continuous improvement of current and next generation products²

We believe this expenditure is reflected by the products currently in the product pipeline. Despite the current economic situation, continued innovation will prove to be a strength for Boston Scientific in the future.

Exchange Rates

U.S. medical device manufacturers closely monitor fluctuations in the value of the dollar relative to foreign currencies as approximately half its total sales are from overseas. Changes in exchange rates can have a significant impact on overall sales and earnings. A strong U.S. dollar results in lower sales and earnings as foreign sales translate into fewer dollars. Also, it makes U.S. goods more expensive abroad while making foreign products in the U.S. more competitive. However, a weak U.S. dollar, like today, yields favorable exchange rates and improved competitiveness which ultimately enhance sales and earnings.⁶

Any significant changes in the competitive, political, regulatory, reimbursement or economic environment where Boston Scientific conducts business may negatively affect it. Implementation of cost containment initiatives and healthcare reforms in significant markets such as Japan, Europe and other international markets may limit the price of, or the level at which reimbursement is provided for, products and may influence a physician's selection of products used to treat patients.² We expect these practices to put increased pressure on reimbursement rates in these international markets.

The following two charts show the recent increase in purchasing power of the U.S. dollar over the last 120 days.

Exhibit 7: Euro to \$1 USD⁹



Exhibit 8: Japanese Yen to \$1 USD⁹



CATALYSTS FOR GROWTH

Emerging Technology

Most medical device companies spend between 5% and 15% of its sales dollars on R&D. New products and technologies that result from this investment ultimately provide high margin revenue streams. However, it is the commodity-type products that are high volume, low margin which provide the necessary cash flows to support R&D.⁶

In a market dominated by healthcare saving pressures, a key determinant of success is the ability to develop new devices that are both therapeutic breakthroughs and cost effective. New products that provide identical results to current products are not as likely to achieve commercial success.⁶

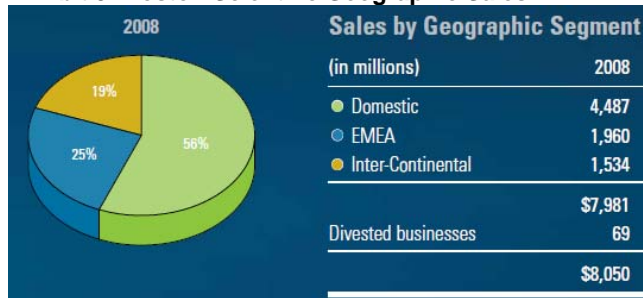
Larger, well-funded firms usually have an advantage in developing new technologies as they can sustain consistent revenue with commodity products while funding R&D efforts such as hiring top scientists, and conducting clinical trials for FDA approval.

Globalization

The U.S. remains a key market for both U.S. and foreign medical device manufacturers. Without representation in other key markets such as Germany, Japan and emerging nations, medical manufacturers risk relying on an increasingly price competitive U.S. market. However, firms that conduct international business run the risk of foreign exchange fluctuations which impact revenue and gross margins.⁶

In FY 08, 44% of Boston Scientific’s sales were in non-U.S. markets.² Exhibit 7 shows this breakdown. Based on the planned product launches in Japan as well as its current dependence on international sales, we believe Boston Scientific will continue to look for growth internationally.

Exhibit 9: Boston Scientific Geographic Sales



Demographics

The ever aging population and the trend toward consumer-oriented health care products and devices has driven the medical device industry to develop technologies and products that enable patients to take an active role in their own healthcare. The vascular diseases and conditions segment has the greatest room for innovation. Cardiovascular disease continues to be the leading cause of death among both men and women in the U.S.. Improvements in diagnostic equipment and prevention of the number one cause of death have great potential among an aging population.¹⁰ This should continue to provide the necessary customer base for Boston Scientific to see future sales growth.

INVESTMENT POSITIVES

- ▶ The launch of TAXUS Liberte in the U.S. is underway, with a launch in Japan in late 1Q:09. COGNIS and TELIGEN should continue to take share in the U.S.; and LATITUDE will be launched in Europe, all improving sales growth.
- ▶ Boston Scientific has made progress toward improving the overall business. One key obstacle had been the restrictions in new product approvals due to the Warning Letters issued by the FDA, but it resolved the FDA Warning Letter on its Cardiac Rhythm Management (CRM) business in April 2007 and is in the final stages of resolving the long-standing Corporate Warning Letter, resulting in unconstrained product approvals for the first time in two years.
- ▶ In the last couple years, Boston Scientific has made key acquisitions and partnerships including the acquisition of Guidant to enter the CRM market and the partnership with Abbott Laboratories on a drug eluting stent.
- ▶ In 2008, the worldwide ICD market grew to \$6.3 billion, up 9%, led by international sales growth of 19%. The U.S. ICD market grew to \$4.1 billion, up 4% (up 1% in the second half of the year).



INVESTMENT NEGATIVES

- Interventional Cardiology, Cardiac Rhythm Management, and Other Cardiovascular products account for 75% of Boston Scientific's product sales. FDA warnings letters or product recalls within the Cardiovascular Division could greatly affect Boston Scientific.
- Boston Scientific ended 2008 with \$6.7 billion of debt and \$1.6 billion of cash. In April 2010, the company will need to pay off an \$825-million term loan, followed by \$3.4 billion in 2011, consisting of a term loan and senior notes.

VALUATION

Based on the attached DCF and EP models, the modeled target price for Boston Scientific is \$13.46. This assumed an aggressive top line growth of 5-10% over the next 5 years, a continuing value growth of 2%, and a weighted average cost of capital of 9.70%. Currently the stock is trading at \$7.95, which represents a 49% discount to our estimate.

Although we do not consider Boston Scientific to be a premium stock, we feel that its strategic initiatives, innovative pipeline and diverse product portfolio will greatly contribute to double digit (10%) growth in the near future supporting our HOLD recommendation.

Sell Discipline

If Boston Scientific were to have further warning letters regarding stents, delay product launches or discontinues paying down debt, the company should be re-evaluated at that time and considered a sell.

Analysis and valuation calculations can be found in the appendix of this report.

REFERENCES

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Boston Scientific
Revenue Decomposition
Fiscal Year Ended December 31st
Reported In 1,000's

	2006A	2007A	2008A	2009E	2010E	2011E	2012E	2013E	CV
Gross Profit:									
Total Revenues	7,821,000	8,357,000	8,050,000	8,855,000	9,740,500	10,714,550	11,786,005	12,964,605.5	13,223,897.61
Cost of Sales	2,207,000	2,342,000	2,469,000	2,656,500	2,875,853	3,111,620	3,327,184	3,491,889	3,561,727
Gross Profit Before Expenses	5,614,000	6,015,000	5,581,000	6,102,080	6,710,323	7,260,447	7,763,430	8,147,741	8,310,696
Percentage Growth	14.64%	7.14%	-7.22%	9.34%	9.97%	8.20%	6.93%	4.95%	2.00%
Total Operating Expenses	8,332,000	4,902,000	10,767,000	2,597,962	2,828,138	3,059,994	3,271,982	3,433,954	3,502,633
Gross Profit	(2,718,000)	1,113,000	(5,186,000)	3,504,117.91	3,882,184.58	4,200,452.56	4,491,448.42	4,713,787.39	4,808,063.14
Percentage Growth	-237.62%	-140.95%	-565.95%	-167.57%	10.79%	8.20%	6.93%	4.95%	2.00%
Profit Margin	-34.75%	13.32%	-64.42%	39.57%	40.50%	40.50%	40.50%	40.50%	40.50%
CGS as Percent of Revenue	28.22%	28.02%	30.67%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Product Line Sales									
Interventional Cardiology									
% of total sales			2,879,000	3,224,480	3,579,173	3,937,090	4,291,428	4,506,000	4,596,120
YOY Growth			35.76%	36.41%	37.34%	37.96%	38.69%	38.71%	38.71%
				12,00%	11,00%	10,00%	9,00%	5,00%	2,00%
Cardiac Rhythm Management									
% of total sales			2,286,000	2,514,600	2,766,060	2,987,345	3,166,585	3,324,915	3,391,413
YOY Growth			28.40%	28.40%	28.85%	28.80%	28.55%	28.57%	28.57%
			10,00%	10,00%	10,00%	8,00%	6,00%	5,00%	2,00%
Other Cardiology									
% of total sales			837,000	878,850	922,793	968,932	1,017,379	1,068,248	1,089,613
YOY Growth			10.40%	25.08%	23.77%	23.07%	22.65%	22.66%	22.66%
			5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	2,00%
Neurovascular									
% of total sales			360,000	378,000	396,900	416,745	437,582	459,461	468,651
YOY Growth			4.47%	11.72%	11.09%	10.59%	10.20%	10.20%	10.20%
			4,47%	5,00%	5,00%	5,00%	5,00%	5,00%	2,00%
Endosurgery									
% of total sales			1,373,000	1,510,300	1,661,390	1,794,236	1,901,891	1,996,985	2,036,925
YOY Growth			17.06%	60.06%	60.06%	60.06%	60.06%	60.06%	60.06%
			10,00%	10,00%	10,00%	8,00%	6,00%	5,00%	2,00%
Neuromodulation									
% of total sales			245,000	252,350	259,921	267,718	275,750	284,022	289,703
YOY Growth			29.27%	28.71%	28.17%	27.63%	27.10%	26.59%	26.59%
			3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	2,00%
Net Sales Growth:	14.30%	6.85%	-3.67%	8.80%	9.45%	8.20%	6.93%	4.95%	2.00%

Boston Scientific
Income Statement
Fiscal Year Ended December 31st
Reported in 1,000's

	2006A	2007A	2008A	2009E	2010E	2011E	2012E	2013E	CV
Net sales	7,821,000	8,357,000	8,050,000	8,855,000	9,586,176	10,372,067	11,090,615	11,639,631	11,872,423
Cost of sales	2,207,000	2,342,000	2,469,000	2,656,500	2,875,853	3,111,620	3,327,184	3,491,889	3,561,727
Gross profit	2,401,900	2,805,200	3,531,500	3,082,580	3,469,380	3,812,815	4,130,829	4,339,025	4,425,806
Research, development & engineering expenses	1,008,000	1,091,000	1,006,000	354,200	383,447	414,883	443,625	465,585	474,897
Selling, general & administrative expenses	2,675,000	2,909,000	2,589,000	1,313,787	1,437,926	1,555,810	1,663,592	1,745,945	1,780,863
Intangibles amortization	530,000	641,000	543,000	57,558	62,310	67,418	72,089	75,658	77,171
Purchased in-process research & development	4,119,000	85,000	43,000	-	-	-	-	-	-
Intangible Asset Impairment	-	-	2,790,000	-	-	-	-	-	-
Restructuring & acquisition-related charges	-	176,000	379,600	872,418	944,455	1,021,883	1,092,676	1,146,767	1,169,702
Total costs & expenses	8,332,000	4,902,000	10,767,000	2,597,962	2,828,138	3,059,994	3,271,982	3,433,954	3,502,633
Operating income (loss)	(5,930,100)	(2,096,800)	(7,235,500)	484,618	641,242	752,821	858,847	905,071	923,173
Other income (expense)	2,981,100	2,082,800	5,730,500	92,978	115,034	124,465	99,816	87,297	89,043
Income taxes (credit)	208,000	95,000	210,000	86,639	113,441	131,593	143,799	148,855	151,832
Earnings before extraordinary item	-7,236,000	-1,307,000	-4,267,000	(1,468,501)	(1,589,759)	(1,720,090)	(1,839,253)	(1,930,301)	(1,968,907)
Extraordinary gain (loss), net	-420,000	-386,000	-321,000	(236,951)	(256,517)	(277,547)	(296,774)	(311,465)	(317,695)
Earnings before minority interest	-	-	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	-	-
Net earnings (loss)	(3,577,000)	(495,000)	(2,036,000)	254,005	386,317	468,146	518,089	532,048	542,689
Weighted average shares outstanding-basic	1,273,700	1,486,900	1,498,500	1,503,386	1,506,886	1,510,386	1,513,886	1,517,386	1,520,886
Year end shares outstanding	1,474,675	1,491,235	1,501,636	1,505,136	1,508,636	1,512,136	1,515,636	1,519,136	1,522,636
Net earnings (loss) per share-basic	-2.81	-0.33	-1.36	0.17	0.26	0.31	0.34	0.35	0.36
Dividends per share of common stock	0	0	0	0	0	0	0	0	0



Boston Scientific
Balance Sheet
Fiscal Year Ended December 31st
Reported in 1,000's

	2006A	2007A	2008A	2009E	2010E	2011E	2012E	2013E	CV
Assets									
Current Assets									
Cash & cash equivalents	1,668,000	1,452,000	1,641,000	326,601	671,032	726,045	776,343	814,774	831,070
Marketable securities	-	-	-	3,099,250	3,355,162	3,630,223	3,881,715	4,073,871	4,155,348
Accounts receivable, net	1,424,000	1,502,000	1,402,000	1,581,990	1,712,618	1,853,021	1,981,394	2,079,478	2,121,068
Inventories	749,000	725,000	853,000	851,509	921,820	997,392	1,066,489	1,119,283	1,141,669
Deferred income taxes	583,000	679,000	911,000	708,400	766,894	829,765	887,249	931,170	949,794
Prepaid expenses & other current assets	477,000	464,000	632,000	575,638	623,169	674,258	720,969	756,659	771,792
Total current assets	4,901,000	4,822,000	5,439,000	7,143,388	8,050,695	8,710,705	9,314,159	9,775,235	9,970,740
Property, Plant & Equipment									
Land, buildings & improvements	942,000	941,000	981,000	974,050	1,054,479	1,140,927	1,219,968	1,280,359	1,305,967
Machinery & Equipment & Capital In Progress	1,775,000	1,984,000	2,129,000	2,151,266	2,328,900	2,519,827	2,694,394	2,827,774	2,884,330
Property, Plant & Equipment	2,717,000	2,925,000	3,110,000	3,125,316	3,383,380	3,660,755	3,914,362	4,108,134	4,190,296
Less allowance for depreciation	991,000	1,190,000	1,382,000	1,296,543	1,403,602	1,518,671	1,623,881	1,704,267	1,738,353
Property, plant & equipment, net	1,726,000	1,735,000	1,728,000	1,828,772	1,979,778	2,142,084	2,290,481	2,403,866	2,451,944
Other Assets									
Goodwill, net	14,628,000	15,103,000	12,421,000	12,421,000	12,421,000	12,421,000	12,421,000	12,421,000	12,421,000
Other intangibles, net	799,000	664,000	581,000	551,950	524,353	498,135	473,228	449,567	427,088
Intangibles, net	7,745,000	7,573,000	5,246,000	-	-	-	-	-	-
Deferred charges, net	477,000	464,000	632,000	-	-	-	-	-	-
Deferred income taxes	583,000	679,000	911,000	983,880	1,062,590	1,147,598	1,229,405	1,338,558	1,445,643
Other assets	237,000	157,000	181,000	106,260	115,034	124,465	133,087	139,676	142,469
Total other assets	24,469,000	24,640,000	19,972,000	14,063,090	14,122,977	14,191,197	14,266,721	14,348,800	14,436,200
Total Assets	31,096,000	31,197,000	27,139,000	23,035,250	24,153,450	25,043,986	25,871,361	26,527,901	26,858,883
Liabilities and Shareholder's Equity									
Current Liabilities									
Accounts payable	222,000	139,000	239,000	220,511	238,719	258,290	276,183	289,855	295,652
Accrued compensation	466,000	498,000	438,000	512,362	554,669	600,141	641,717	673,484	686,954
Income taxes	413,000	122,000	161,000	(64,979)	(85,081)	(98,695)	(107,850)	(113,641)	(113,874)
Other current liabilities	143,000	153,000	219,000	177,100	191,724	207,441	221,812	232,793	237,448
Accrued expenses & other liabilities	1,244,000	912,000	1,057,000	619,850	671,032	726,045	776,343	814,774	831,070
Current maturities of long-term debt	7,000	512,000	4,000	184,945	200,217	216,631	231,638	243,105	247,967
Total current liabilities	2,495,000	2,336,000	2,118,000	1,649,789	1,771,279	1,909,853	2,039,845	2,142,370	2,185,217
Net Long-Term Debt	8,904,000	7,939,000	6,749,000	-	-	-	-	-	-
Other liabilities	4,399,000	5,825,000	5,098,000	3,863,739	4,183,776	4,525,687	4,839,214	5,078,768	5,180,343
Total Liabilities	15,798,000	16,100,000	13,965,000	5,513,527	5,954,055	6,435,540	6,879,058	7,221,138	7,365,560
Shareholder's Equity									
Common Equity	15,000	15,000	15,000	-	-	-	-	-	-
Treasury Stock	334,000	-	-	4,108,718	4,400,074	4,340,978	4,206,745	3,989,159	3,633,029
Retained earnings	-174,000	-693,000	-2,732,000	-2,477,995	-2,091,678	-1,623,532	-1,105,443	-573,395	-30,707
Accumulated other comprehensive income (loss)	15,123,000	15,775,000	15,891,000	15,891,000	15,891,000	15,891,000	15,891,000	15,891,000	15,891,000
Total stockholders' equity	15,298,000	15,097,000	13,174,000	17,521,723	18,199,396	18,608,446	18,992,302	19,306,764	19,493,323
Total Liabilities and Shareholder's Equity	31,096,000	31,197,000	27,139,000	23,035,250	24,153,450	25,043,986	25,871,361	26,527,901	26,858,883

Boston Scientific
CF Statement
Fiscal Year Ended December 31st
Reported in 1,000's

	2006A	2007A	2008A	2009E ¹	2010E ²	2011E ³	2012E ⁴	2013E ⁵	CV
Cash From Operations									
Net earnings (loss)	(3,577,000)	(495,000)	(2,036,000)	254,005	386,317	468,146	518,089	532,048	542,689
Adjustments to reconcile net income to net cash provided by operating activities:									
Add: Depreciation and amortization	149,000	199,000	192,000	(85,457)	107,058	115,070	105,209	80,387	34,085
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-
Changes in WC Accounts:									
(Increase) in receivables	(492,000)	(78,000)	100,000	(179,990)	(130,628)	(140,403)	(128,372)	(98,084)	(41,590)
(Increase) in inventories	(331,000)	24,000	(128,000)	1,491	(70,311)	(75,572)	(69,097)	(52,794)	(22,386)
(Increase) in prepaid expenses and other current assets	(196,000)	13,000	(168,000)	56,362	(47,532)	(51,088)	(46,711)	(35,690)	(15,133)
Increase in accounts payable	117,000	(83,000)	100,000	(18,489)	18,208	19,571	17,894	13,672	5,797
Increase in accrued compensation and other liabilities	172,000	32,000	(60,000)	74,362	42,307	45,473	41,576	31,767	13,470
Increase in income taxes payable	396,000	(291,000)	39,000	(225,979)	(20,102)	(13,614)	(9,155)	(3,792)	(2,233)
(Increase/Decrease) in deferred taxes	431,000	(75,000)	4,900,000	5,981,790	(13,060,387)	35,610	33,071	33,357	36,758
(Increase/Decrease) in deferred tax assets	431,000	96,000	232,000	72,880	78,710	85,007	91,808	99,152	107,085
(Increase/Decrease) in other non-current liabilities	431,000	96,000	232,000	(202,600)	58,494	62,871	57,484	43,921	18,623
Net cash provided by operating activities	3,491,000	1,426,000	(727,000)	(1,234,261)	319,037	342,911	313,527	239,554	101,575
	(18,893,000)	864,000	2,676,000	4,494,113	(12,318,827)	893,981	925,324	883,498	778,741
Cash Flows From Investing Activities									
(Increase) decrease in short-term investments	159,000	0	0	(3,099,250)	(255,912)	(275,062)	(251,492)	(192,156)	(81,477)
Capital expenditures	12,679,000	(80,000)	(1,312,000)	1,399,456	17,319,244	3,777,071	3,583,212	3,336,248	2,952,061
Capitalization of intangible assets	-	-	-	-	-	-	-	-	-
(Increase) decrease in other assets	-	-	-	-	-	-	-	-	-
Net cash used for investing activities	12,838,000	(80,000)	(1,312,000)	(1,699,794)	17,063,332	3,502,009	3,331,720	3,144,092	2,870,584
Cash Flow From Financing Activities									
Proceeds from issuance of notes payable & long-term debt	8,544,000	-	-	-	-	-	-	-	-
Payments of notes payable & long-term debt	(1,510,000)	(1,000,000)	(1,175,000)	0	0	0	0	0	0
Payment of dividends	0	0	0	0	0	0	0	0	0
Proceeds from issuance of common stock	-	-	-	(4,108,718)	(4,400,074)	(4,340,978)	(4,206,745)	(3,989,159)	(3,633,029)
Repurchases of common stock	-	-	-	-	-	-	-	-	-
Net cash provided by financing activities	7,034,000	(1,000,000)	(1,175,000)	(4,108,718)	(4,400,074)	(4,340,978)	(4,206,745)	(3,989,159)	(3,633,029)
Effect of Exchange									
Net Increase (Decrease) in Cash	979,000	(216,000)	189,000	(1,314,399)	344,431	55,012	50,298	38,431	16,295
Cash Beginning Of Year	689,000	1,668,000	1,452,000	1,641,000	326,601	671,032	726,045	776,343	814,774
Cash, End Of Year	1,668,000	1,452,000	1,641,000	671,032	726,045	776,343	814,774	831,070	831,070
Balance Sheet Cash Beginning	689,000	1,668,000	1,452,000	1,641,000	326,601	671,032	726,045	776,343	814,774
Balance Sheet Cash end	1,668,000	1,452,000	1,641,000	326,601	671,032	726,045	776,343	814,774	831,070
Change	979,000	(216,000)	189,000	(1,314,399)	344,431	55,012	50,298	38,431	16,295

Boston Scientific
Common Size Income Statement
Fiscal Year Ended December 31st
Reported in 1,000's

	2006A	2007A	2008A	2009E	2010E	2011E	2012E	2013E	CV
Net sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Sales	58.93%	61.59%	74.54%	64.81%	66.19%	66.76%	67.25%	67.28%	67.28%
Cost of sales	28.22%	28.02%	30.67%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Gross profit	30.71%	33.57%	43.87%	34.81%	36.19%	36.76%	37.25%	37.28%	37.28%
Research, development & engineering expenses	12.89%	13.05%	12.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Selling, general & administrative expenses	34.20%	34.81%	32.16%	14.84%	15.00%	15.00%	15.00%	15.00%	15.00%
Intangibles amortization	6.78%	7.67%	6.75%	0.65%	0.65%	0.65%	0.65%	0.65%	0.65%
Purchased in-process research & development	52.67%	1.02%	0.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intangible Asset Impairment	0.00%	0.00%	34.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Restructuring & acquisition-related charges	0.00%	2.11%	47.16%	9.85%	9.85%	9.85%	9.85%	9.85%	9.85%
Total costs & expenses	106.53%	58.66%	133.75%	29.34%	29.50%	29.50%	29.50%	29.50%	29.50%
Operating Income	-75.82%	-25.09%	-89.88%	5.47%	6.69%	7.26%	7.74%	7.78%	7.78%
Other income (expense)	38.12%	24.92%	71.19%	1.05%	1.20%	1.20%	0.90%	0.75%	0.75%
Income taxes (credit)	2.66%	1.14%	2.61%	0.98%	1.18%	1.27%	1.30%	1.28%	1.28%
Earnings before extraordinary item	-92.52%	-15.64%	-53.01%	-16.58%	-16.58%	-16.58%	-16.58%	-16.58%	-16.58%
Extraordinary gain (loss), net	-5.37%	-4.62%	-3.99%	-2.68%	-2.68%	-2.68%	-2.68%	-2.68%	-2.68%
Earnings before minority interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Minority interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net earnings (loss)	-45.74%	-5.92%	-25.29%	2.87%	4.03%	4.51%	4.67%	4.57%	4.57%

Boston Scientific
Common Size Balance Sheet
Fiscal Year Ended December 31st
Reported in 1,000's

	2006A	2007A	2008A	2009E	2010E	2011E	2012E	2013E	CV
Assets									
Current Assets									
Cash & cash equivalents	21.33%	17.37%	20.39%	3.69%	7.00%	7.00%	7.00%	7.00%	7.00%
Marketable securities	0.00%	0.00%	0.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Accounts receivable, net	18.21%	17.97%	17.42%	17.87%	17.87%	17.87%	17.87%	17.87%	17.87%
Inventories	9.58%	8.68%	10.60%	9.62%	9.62%	9.62%	9.62%	9.62%	9.62%
Deferred income taxes	7.45%	8.12%	11.32%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Prepaid expenses & other current assets	6.10%	5.55%	7.85%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Total current assets	62.66%	57.70%	67.57%	80.67%	83.98%	83.98%	83.98%	83.98%	83.98%
Property, Plant & Equipment									
Land, buildings & improvements	12.04%	11.26%	12.19%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Machinery & equipment & Capital In Progress	22.70%	23.74%	26.45%	24.29%	24.29%	24.29%	24.29%	24.29%	24.29%
Property, Plant & Equipment	34.74%	35.00%	38.63%	35.29%	35.29%	35.29%	35.29%	35.29%	35.29%
Less allowance for depreciation	12.67%	14.24%	17.17%	14.64%	14.64%	14.64%	14.64%	14.64%	14.64%
Property, plant & equipment, net	22.07%	20.76%	21.47%	20.65%	20.65%	20.65%	20.65%	20.65%	20.65%
Other Assets									
Goodwill, net	187.03%	180.72%	154.30%	140.27%	129.57%	119.75%	112.00%	106.71%	104.62%
Other intangibles, net	10.22%	7.95%	7.22%	6.23%	5.47%	4.80%	4.27%	3.86%	3.60%
Intangibles, net	99.03%	90.62%	65.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred charges, net	6.10%	5.55%	7.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deferred income taxes	7.45%	8.12%	11.32%	11.11%	11.08%	11.06%	11.18%	11.50%	12.18%
Other assets	3.03%	1.88%	2.25%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
Total other assets	312.86%	294.84%	248.10%	158.82%	147.33%	136.82%	128.64%	123.28%	121.59%
Total Assets	397.60%	373.30%	337.13%	260.14%	251.96%	241.46%	233.27%	227.91%	226.23%
Liabilities and Shareholder's Equity									
Current Liabilities									
Accounts payable	2.84%	1.66%	2.97%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%
Accrued compensation	5.96%	5.96%	5.44%	5.79%	5.79%	5.79%	5.79%	5.79%	5.79%
Acquisition-related reorganization reserves	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Restructuring & acquisition-related liabls	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income taxes	5.28%	1.46%	2.00%	-0.73%	-0.89%	-0.95%	-0.97%	-0.96%	-0.96%
Other current liabilities	1.83%	1.83%	2.72%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Accrued expenses & other liabilities	15.91%	1.83%	13.13%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Current maturities of long-term debt	0.09%	6.13%	0.05%	2.09%	2.09%	2.09%	2.09%	2.09%	2.09%
Total current liabilities	31.90%	27.95%	26.31%	18.63%	18.48%	18.41%	18.39%	18.41%	18.41%
Net Long-Term Debt									
Other liabilities	113.85%	95.00%	83.84%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total liabilities	56.25%	69.70%	63.33%	43.63%	43.63%	43.63%	43.63%	43.63%	43.63%
Total Liabilities	201.99%	192.65%	173.48%	62.26%	62.11%	62.05%	62.03%	62.04%	62.04%
Shareholder's Equity									
Common Equity	0.19%	0.18%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Treasury Stock	4.27%	0.00%	0.00%	46.40%	45.90%	41.85%	37.93%	34.27%	30.60%
Retained earnings	-2.22%	-8.29%	-33.94%	-27.98%	-21.82%	-15.65%	-9.97%	-4.93%	-0.26%
Accumulated other comprehensive income (loss)	193.36%	188.76%	197.40%	179.46%	165.77%	153.21%	143.28%	136.52%	133.85%
Total stockholders' equity	195.60%	180.65%	163.65%	197.87%	189.85%	179.41%	171.25%	165.87%	164.19%
Total Liabilities and Shareholder's Equity	397.60%	373.30%	337.13%	260.14%	251.96%	241.46%	233.27%	227.91%	226.23%

Boston Scientific
Value Drivers
Fiscal Year Ended December 31st
Reported in 1,000's

	2006A	2007A	2008A	2009E	2010E	2011E	2012E	2013E	CV
NOPLAT									
EBITA	(2,949,000)	(14,000)	(1,505,000)	577,595	756,276	877,286	958,663	992,368	1,012,216
Less: Taxes on EBITA									
Marginal Tax Rate	-7.05%	-678.57%	-13.95%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%	-15.00%
Total Income Tax Provision	208,000	95,000	210,000	(86,639)	(113,441)	(131,593)	(143,799)	(148,855)	(151,832)
Plus: Tax Shield on Interest Expense	-	-	-	-	-	-	-	-	-
Less: Tax on Interest Income	-	-	-	-	-	-	-	-	-
Less: Tax on Nonoperating Income	-	-	-	-	-	-	-	-	-
Taxes on EBITA	208,000	95,000	210,000	(86,639)	(113,441)	(131,593)	(143,799)	(148,855)	(151,832)
Plus: Change in Deferred Taxes	862,000	192,000	464,000	(129,720)	137,204	147,878	149,292	143,074	125,708
NOPLAT	(2,295,000)	83,000	(1,251,000)	534,515	1,006,922	1,156,757	1,251,754	1,284,297	1,289,756
INVESTED CAPITAL									
Operating Working Capital:									
Plus: Normal Cash (< 7.0% of Sales)	391,050	417,850	402,500	442,750	479,309	518,603	554,531	581,982	593,621
Plus: Receivables	1,424,000	1,502,000	1,402,000	1,581,990	1,712,618	1,853,021	1,981,394	2,079,478	2,121,068
Plus: Inventory	749,000	725,000	853,000	851,509	921,820	997,392	1,066,489	1,119,283	1,141,669
Plus: Prepaid Expenses	477,000	464,000	632,000	575,638	623,169	674,258	720,969	756,659	771,792
Less: Accounts Payable	222,000	139,000	239,000	220,511	238,719	258,290	276,183	289,855	295,652
Less: Accrued Expenses: Compensation	466,000	498,000	438,000	512,362	554,669	600,141	641,717	673,484	686,954
Less: Income Taxes Payable	413,000	122,000	161,000	(64,979)	(85,081)	(98,695)	(107,850)	(111,641)	(113,874)
Less: Dividends Payable	143,000	153,000	219,000	177,100	191,724	207,441	221,812	232,793	237,448
Less: Accrued Expenses and Other Liabilities	1,244,000	912,000	1,057,000	619,850	671,032	726,045	776,343	814,774	831,070
Net Operating Working Capital	553,050	1,284,850	1,175,500	1,987,043	2,165,854	2,350,053	2,515,175	2,638,137	2,690,899
Net Property, Plant and Equipment (Cap Ex)	1,726,000	1,735,000	1,728,000	1,828,772	1,979,778	2,142,084	2,290,481	2,403,866	2,451,944
Net Present Value of Oper. Leases	220,893	222,045	221,149	234,046	253,371	274,143	293,135	307,646	313,799
Other Operating Assets	9,258,000	8,858,000	6,640,000	658,210	639,387	622,600	606,316	589,242	569,557
NET INVESTED CAPITAL	11,757,943	12,099,895	9,764,649	4,708,071	5,038,390	5,388,879	5,705,107	5,938,891	6,026,199
ROIC (NOPLAT/Invested Capital)									
NOPLAT	(2,295,000)	83,000	(1,251,000)	534,515	1,006,922	1,156,757	1,251,754	1,284,297	1,289,756
Invested Capital (Beginning)	4,563,537	11,757,943	12,099,895	9,764,649	4,708,071	5,038,390	5,388,879	5,705,107	5,938,891
ROIC (NOPLAT/Invested Capital)	-50.3%	0.7%	-10.3%	5.5%	21.4%	23.0%	23.2%	22.5%	21.7%
FREE CASH FLOW									
NOPLAT	(2,295,000)	83,000	(1,251,000)	534,515	1,006,922	1,156,757	1,251,754	1,284,297	1,289,756
Net Investment (change in invested capital)	7,194,405	341,952	(2,335,246)	(5,056,577)	330,318	350,489	316,228	233,784	87,308
Free Cash Flow (NOPLAT - Net Investment)	(9,489,405)	(258,952)	1,084,246	5,591,092	676,603	806,268	935,526	1,050,513	1,202,448
ECONOMIC PROFIT									
Invested Capital (Beginning)	4,563,537	11,757,943	12,099,895	9,764,649	4,708,071	5,038,390	5,388,879	5,705,107	5,938,891
ROIC	-50.3%	0.7%	-10.3%	5.5%	21.4%	23.0%	23.2%	22.5%	21.7%
WACC	9.70%	9.70%	9.70%	9.70%	9.70%	9.70%	9.70%	9.70%	9.70%
EP (Invested Capital*(ROIC-WACC))	(2,737,797)	(1,057,864)	(2,425,044)	(412,942)	550,101	667,886	728,875	730,735	713,510
NON-OPERATING ASSETS									
Cash on Hand	1,668,000	1,452,000	1,641,000	326,601	671,032	726,045	776,343	814,774	831,070
"Normal" Cash	391,050	417,850	402,500	442,750	479,309	518,603	554,531	581,982	593,621
Excess Cash	1,276,950	1,034,150	1,238,500	(116,149)	191,724	207,441	221,812	232,793	237,448
Short-Term Investments	0	0	0	3,099,250	3,355,162	3,630,223	3,881,715	4,073,871	4,155,348
Long-Term Investments	0	0	0	0	0	0	0	0	0
Non-Operating Assets	1,276,950	1,034,150	1,238,500	2,983,101	3,546,885	3,837,665	4,103,528	4,306,663	4,392,797



WACC:

Common Shares Outstanding	1,501,636	
Current Price	\$7.95	
Market Value of Equity	11,938,004	98.1%

Market Value of Debt	234,046	1.9%
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Value of Capital (D + E + PFD)	12,172,049	100.0%
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Risk Free Rate	3.69%	10-Year Bond - 4/20/2008
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Market Premium (LT Ave, geo.)	5.00%	
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Beta	1.2	
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Cost of Equity	9.79%	
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Implied Debt Rating	Ba2	Moodys as of 3/12/09
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Implied Default Spread	2.50%	Bloomberg
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Cost of Debt	6.19%	
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WACC	9.70%	
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Boston Scientific
Valuation Calculations
Fiscal Years Ending December 31

WACC	9.70%
CV Growth Rate	1.00%
CV ROIC	21.72%
Cost of Equity	9.79%

	2009E	2010E	2011E	2012E	2013E	CV
DCF Model						
FCF	5,591,092	676,603	806,268	935,526	1,050,513	14,137,398
PV(FCF)	5,096,575	562,209	610,695	645,926	661,166	8,897,714
PV(FCF)	\$ 16,474,285					
+ PV(Non-Oper)	\$ 1,238,500					
- PV(Debt)	\$ 234,046					
- PV(ESOP)	\$ -					
- PV(Oper Leases)	\$ 234,046					
PV(Equity)	\$ 17,244,694					
Shares Outst.	1,501,636					
Target Price	\$ 11.48	As of Last FY End				
Target Price	\$ 12.95	As of 4/20/2009 (growth at cost of capital)				

EP Model						
ROIC	5.47%	21.39%	22.96%	23.23%	22.51%	21.72%
EP	(412,942)	550,101	667,886	728,875	730,735	8,198,507
PV(EP)	(376,418)	457,094	505,880	503,246	459,906	5,159,929
PV(EP)	\$ 6,709,637					
Invested Capital	\$ 9,764,649					
PV(Operations)	\$ 16,474,285					
+ PV(Non-Oper)	\$ 1,238,500					
- PV(Debt)	\$ 234,046					
- PV(ESOP)	\$ -					
- PV(Oper Leases)	\$ 234,046					
PV(Equity)	\$ 17,244,694					
Shares Outst.	1,501,636					
Target Price	\$ 11.48	As of Last FY End				
Target Price	\$ 12.95	As of 4/20/2009 (growth at cost of capital)				



Sensitivity Analysis

		<u>CV Growth Rate</u>								
		1.00%	1.50%	2.00%	2.50%	2.00%	3.50%	4.00%	4.50%	5.00%
<u>Beta</u>	1.02	\$ 14.08	\$ 14.42	\$ 14.81	\$ 15.26	\$ 14.81	\$ 16.42	\$ 17.18	\$ 18.13	\$ 19.33
	1.07	\$ 13.77	\$ 14.08	\$ 14.43	\$ 14.84	\$ 14.43	\$ 15.88	\$ 16.55	\$ 17.38	\$ 18.41
	1.12	\$ 13.48	\$ 13.76	\$ 14.08	\$ 14.45	\$ 14.08	\$ 15.38	\$ 15.98	\$ 16.71	\$ 17.61
	1.17	\$ 13.21	\$ 13.47	\$ 13.76	\$ 14.09	\$ 13.76	\$ 14.93	\$ 15.47	\$ 16.11	\$ 16.89
	1.22	\$ 12.95	\$ 13.19	\$ 13.46	\$ 13.76	\$ 13.46	\$ 14.52	\$ 14.99	\$ 15.56	\$ 16.25
	1.27	\$ 12.71	\$ 12.93	\$ 13.17	\$ 13.45	\$ 13.17	\$ 14.13	\$ 14.56	\$ 15.06	\$ 15.67
	1.32	\$ 12.48	\$ 12.68	\$ 12.91	\$ 13.16	\$ 12.91	\$ 13.78	\$ 14.16	\$ 14.61	\$ 15.15
	1.37	\$ 12.27	\$ 12.45	\$ 12.66	\$ 12.89	\$ 12.66	\$ 13.45	\$ 13.79	\$ 14.20	\$ 14.67
	1.42	\$ 12.06	\$ 12.23	\$ 12.42	\$ 12.63	\$ 12.42	\$ 13.14	\$ 13.45	\$ 13.81	\$ 14.24
	1.47	\$ 11.87	\$ 12.02	\$ 12.20	\$ 12.39	\$ 12.20	\$ 12.85	\$ 13.14	\$ 13.46	\$ 13.84

		<u>CV Growth Rate</u>								
		1.00%	1.50%	2.00%	2.50%	2.00%	3.50%	4.00%	4.50%	5.00%
<u>MRP</u>	4.00%	\$ 14.37	\$ 14.73	\$ 15.16	\$ 15.65	\$ 15.16	\$ 16.94	\$ 17.79	\$ 18.86	\$ 20.24
	4.20%	\$ 14.05	\$ 14.38	\$ 14.77	\$ 15.21	\$ 14.77	\$ 16.36	\$ 17.12	\$ 18.05	\$ 19.23
	4.40%	\$ 13.75	\$ 14.06	\$ 14.41	\$ 14.81	\$ 14.41	\$ 15.84	\$ 16.51	\$ 17.33	\$ 18.35
	4.60%	\$ 13.47	\$ 13.75	\$ 14.07	\$ 14.44	\$ 14.07	\$ 15.36	\$ 15.96	\$ 16.68	\$ 17.57
	4.80%	\$ 13.20	\$ 13.46	\$ 13.75	\$ 14.09	\$ 13.75	\$ 14.92	\$ 15.45	\$ 16.09	\$ 16.88
	5.00%	\$ 12.95	\$ 13.19	\$ 13.46	\$ 13.76	\$ 13.46	\$ 14.52	\$ 14.99	\$ 15.56	\$ 16.25
	5.20%	\$ 12.72	\$ 12.93	\$ 13.18	\$ 13.46	\$ 13.18	\$ 14.14	\$ 14.57	\$ 15.08	\$ 15.69
	5.40%	\$ 12.49	\$ 12.69	\$ 12.92	\$ 13.17	\$ 12.92	\$ 13.79	\$ 14.18	\$ 14.63	\$ 15.17
	5.60%	\$ 12.28	\$ 12.47	\$ 12.67	\$ 12.90	\$ 12.67	\$ 13.47	\$ 13.82	\$ 14.23	\$ 14.71
	5.80%	\$ 12.08	\$ 12.25	\$ 12.44	\$ 12.65	\$ 12.44	\$ 13.17	\$ 13.48	\$ 13.85	\$ 14.28
6.00%	\$ 11.89	\$ 12.05	\$ 12.22	\$ 12.42	\$ 12.22	\$ 12.89	\$ 13.17	\$ 13.50	\$ 13.89	

