First Cut Stock Study Report

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>Edwards Lifesciences</th>
<th>Ticker:</th>
<th>EW</th>
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<tbody>
<tr>
<td>Date of Study:</td>
<td>6/5/2013</td>
<td>Price:</td>
<td>$ 65.40</td>
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<tr>
<td>Your Name:</td>
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<td>Chapter Name (if applicable):</td>
<td>ICLUBcentral Staff</td>
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Discuss why you consider this to be a high quality, growth company that should be investigated further. Please include comments on historical sales and EPS growth, pre-tax profit margin, return on equity, and debt.

Edwards Lifesciences' sales are at a stable 9%. Earnings per Share are 17.8%, after making 2004 an outlier. Although it occurred nine years ago, the Earnings dip in 2004 was apparently due to a March 2004 decision to discontinue sales of the company's endovascular graft program to a detriment of $8.4 million (related primarily to inventory and contractual obligations). Additionally, the company discontinued certain lower margin cardiology products in Japan resulting in a pre-tax calculation loss of $2.2 million. In December 2004, a $5.0 million irrevocable contribution was made to a third party to create a charitable fund.

Both the pre-tax profit margin and return on equity are moving up. Meeting debt maturities in 2010 followed by immediate renewed lease obligations made for a misleading up trend. Debt to Equity shows up for 2012 due to the elimination of all debt in 2010, and figuring the average of the last five years. However, taking into account only of the last four of five years which showed any debt at all, the recent year of 2012 is actually down from the average of those four years.

Briefly describe how the company makes money:

Approximately 300,000 patients worldwide each year undergo heart valve procedures. Edwards Lifesciences is the world’s leading manufacturer of tissue heart valves and repair products used to replace or repair a patient’s diseased or defective heart valve. The Company is also a global leader in hemodynamic monitoring systems used to measure a patient’s cardiovascular function in the hospital setting. The products and technologies provided by Edwards Lifesciences to treat advanced cardiovascular disease or critically ill patients are categorized into three main areas: Surgical Heart Valve Therapy, which combines surgical heart valves and Cardiac Surgery Systems; Transcatheter Heart Valves; and Critical Care, which includes Vascular.
Edwards Lifesciences began in 1958. Corporate headquarters are located in Irvine, California. Products and technologies are supplied to clinicians in nearly 100 countries.

Projected growth rate for sales: 9%
Why did you select this rate? Discuss from where future growth will come.
Historically steady and reliable at 9%, past growth is a safe mirror for the future (in spite of appreciating the company’s prediction of a higher percentage). Sales growth continues through the dramatic increase in the number of patients requiring treatment for cardiovascular disease and critical illnesses. Factors feeding this dynamic are an aging population, high incidences of rheumatic fever in developing nations, and improved diagnostic techniques that allow physicians to detect problems sooner.

Projected growth rate for earnings per share: 9%
Why did you select this rate?
9% keeps it in line with the conservative Sales growth estimate.

Projected High P/E: 30
Why did you select this value?
The average high P/E of the last 5 years, eliminating the highest high P/E, comes to more than 30, but am prudently capping the result at 30.

Projected Low P/E: 20
Why did you select this value?
The average low P/E of last 5 years, eliminating the highest low P/E, comes to just above 20; am limiting the result more reasonably at 20.

Projected Low Price: $52.32
Why did you select this value?
80% of the current price of $65.20 is $52.32

At the current price, the stock is a (check one):
☑Buy  or  ☐Hold  or  ☐Sell

At the current price, the upside-downside ratio is: 3.8 to 1

Projected compounded rate of return: 11.9%

Your final recommendation (check one):
☑Buy  or  ☐Hold  or  ☐Sell

Explain:
The yearly increase in patients worldwide needing heart valve procedures is undisputed. For 2013 Edwards Lifesciences anticipates a 13% to 16%

This stock study reflects the judgment of the contributor(s) only and no investment recommendation is intended. Investors should always conduct their own analysis before making an investment decision.
growth resulting in net sales of $2.1 to $2.2 billion. EPS of $3.21 to $3.31 is expected for 2013 as well, along with a free cash flow of $300 to $340 million (a 20% to 35% increase over 2012). Edwards Lifesciences never stands still; it is dynamic, with an ongoing commitment to continued heavy investing in research and development.

To view an interesting animation of the Transfemoral and Transcapical Procedures, visit: http://www.edwards.com/products/transcathetervalve/Pages/THVcategory.aspx
Growth Analysis

FY 2013 Q1 (Ended 3/31/2013)

RECENT QUARTERLY FIGURES

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<th>SALES ($M)</th>
<th>EARNINGS PER SHARE ($)</th>
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<tr>
<td>Latest Quarter</td>
<td>496.7</td>
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<tr>
<td>Year Ago Quarter</td>
<td>459.2</td>
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<td>Percentage Change</td>
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Projected 5 Year Sales @ 9.0% Less Expenses 18.5% Less Taxes 25.0% Less Preferred Dividends $0.0 Divided by Shares Outs. 113.9

Calculated Growth Rate

178% 9.0% 9.0% -0.44 0.90

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### TOTAL RETURN ANALYSIS

#### A CURRENT YIELD
Present Full Year's Dividend $0.000 + Current Price of Stock $65.400 = 0.0% Present Yield or % Returned on Purchase Price

#### B AVERAGE YIELD - USING FORECAST HIGH P/E
Avg. % Payout 0.0% \* Forecast High P/E 30.0 = Avg. Yield 0.0

#### C % COMPOUND ANNUAL TOTAL RETURN - USING FORECAST HIGH P/E
Average Yield 0.0% \* Annual Appreciation 11.9% \* Compound Annual Total Return 11.9%

#### D % PROJECTED AVERAGE RETURN - USING FORECAST AVERAGE P/E
Average Yield 0.0% \* Annual Appreciation 7.9% = Projected Average Total Return 7.9%

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