

First Cut Stock Study Report

Company Name:	Edwards Lifesciences	Ticker:	EW
Date of Study:	6/5/2013	Price:	\$ 65.40
Your Name:	Liz Goode		
City:	Madison Heights	State:	MI
Chapter Name (if applicable):	ICLUBcentral Staff		

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 Transcatheter Aortic Valve Procedures, visit:
<http://www.edwards.com/products/transcathetervalve/Pages/THVcategory.aspx>

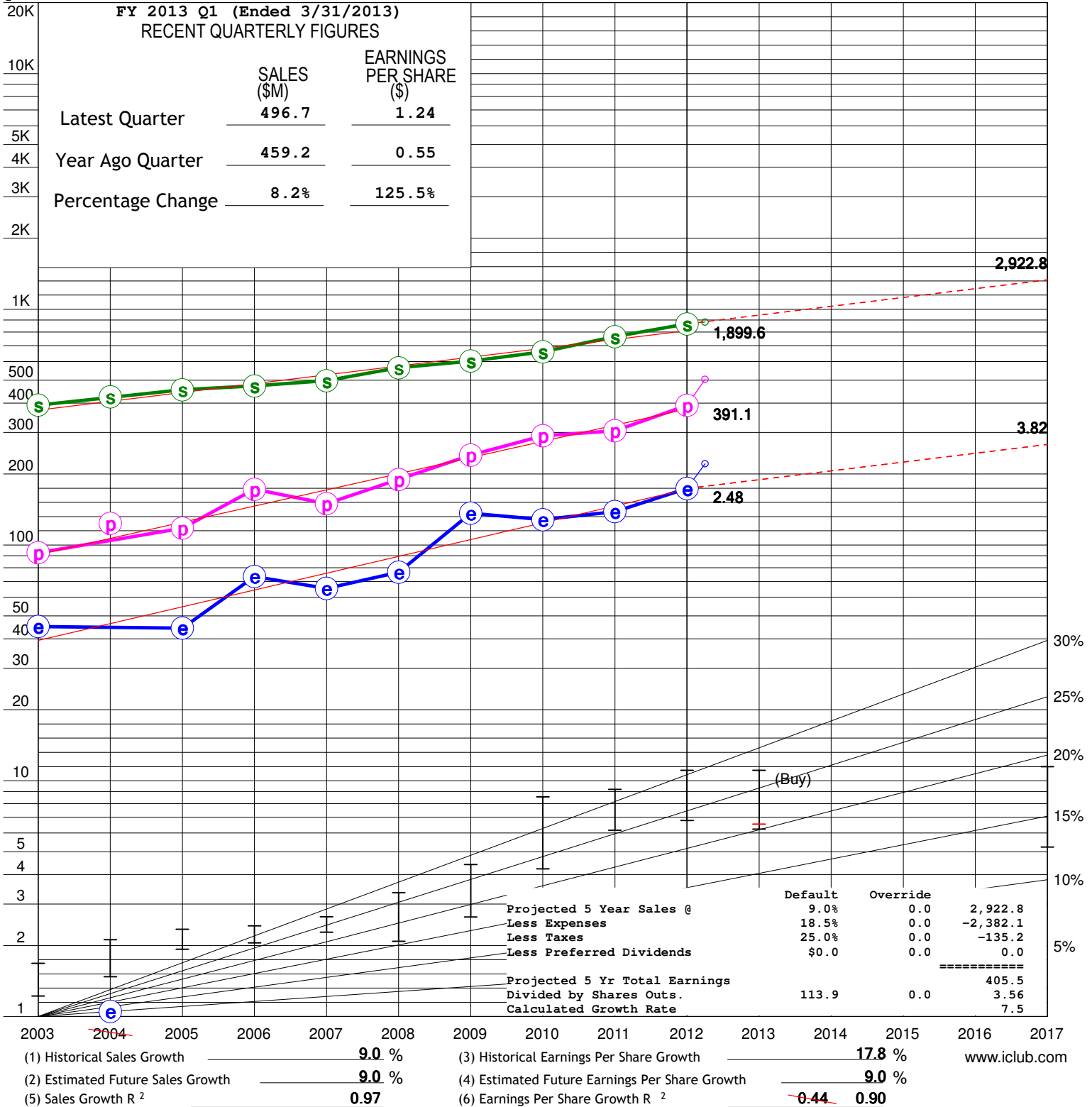


Stock Study

Company	Edwards Lifesciences	Price Date	06/04/13
Study by	Liz Goode	Data Date	06/04/13
Sector	Healthcare	Data Source	BI
Industry	Medical Devices	Reference	Morningsta
Preferred(\$M)	0.0		
Common(M Shares)	113.9	% Insiders	0.9
Debt(\$M)	192.7	% Institutions	91.4
% Debt to Tot.Cap.	11.6	Quality	

1 Growth Analysis

NYSE: EW



2 QUALITY ANALYSIS

Company **Edwards Lifesciences** (EW)

06/04/13

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	10.8	13.3	11.8	16.6	13.7	15.3	18.2	20.1	18.2	20.6	18.5	UP
B % ROE (Beginning Yr)	10.8	0.3	12.0	18.1	14.4	14.9	24.7	18.0	17.4	21.1	19.2	UP
C % Debt to Equity	40.4	42.4	45.7	31.2	7.3	19.9	7.9	0.0	11.2	12.7	10.3	UP

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE (P/E) **65.40 (20.7)** 52-WEEK HIGH (P/E) **110.79 (35.1)** 52-WEEK LOW (P/E) **62.34 (19.7)**

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2008	33.5	20.8	1.10	30.6	19.0	0.000	0.0	0.0
2 2009	44.1	26.4	1.95	22.6	13.5	0.000	0.0	0.0
3 2010	85.5	42.3	1.83	46.7	23.1	0.000	0.0	0.0
4 2011	91.8	61.6	1.98	46.4	31.1	0.000	0.0	0.0
5 2012	110.8	67.9	2.48	44.7	27.4	0.000	0.0	0.0
6 AVERAGE		43.8		38.2	22.8		0.0	
AVERAGE P/E RATIO		30.5	PROJECTED P/E RATIO		19.0	TTM EPS		3.16
CURRENT P/E RATIO		20.7	PEG RATIO		2.1	FTM EPS		3.44
RELATIVE VALUE		67.9	PROJ. RELATIVE VALUE		62.3	AVG TTM + FTM EPS		3.30

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~38.2~~ **30.0** X Estimated High Earnings/Share **3.82** = Forecast High Price \$ **114.6**

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Sel. Low P/E ~~22.8~~ **20.0** X Estimated Low Earnings/Share **2.48** = \$ **49.6**

(b) Average 5-Year Low Price = ^(as adj.) **43.8**

(c) Recent Severe Low Price = **61.6**

(d) Price Dividend Will Support = Present Divd. ÷ High Yield = **0.000 ÷ 0.000 = 0.0**

Selected Estimated Low Price = \$ **52.3**

C PRICE RANGES

Forecast High Price **114.6** - Estimated Low Price **52.3** = Range **62.3** 25% of Range = **15.6**

BUY (Lower 25% of Range) = **52.3** to **67.9**

MAYBE (Middle 50% of Range) = **67.9** to **99.0**

SELL (Upper 25% of Range) = **99.0** to **114.6**

Current Price **65.400** is in the **Buy** Range

D REWARD/RISK ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price **114.6** - Current Price **65.400**) ÷ (Current Price **65.400** - Estimated Low Price **52.3**) = **3.8** To 1

5 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**

AVERAGE YIELD - USING FORECAST AVERAGE P/E

Avg. % Payout **0.0** ÷ Forecast Avg P/E **25.0** = 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** %