

## Covidien PLC (COV)

Sector: Healthcare (Industry: Health Services)

**Industry Outlook:** Continued economic weakness and high unemployment rates in the US and the European Union (EU), continue to play on the growth prospects for medical device companies.

The drop in hospital capital expenditure had resulted in a slowing in demand for the medical devices industry. Demand has begun to improve selectively for devices that hospitals use to drive volume and that provide a relatively high return on investment. Based on the quarterly results reported by medical device companies up to late July 2012, procedure rates in the EU appear to have slowed further in the second quarter of 2012, hurting medical device sales growth there. The medical devices industry has begun to rely increasingly on other international markets, particularly emerging countries, to compensate for sluggish US and EU growth.

Favorable global demographic trends, such as aging populations, more active seniors, and an expanding middle class in emerging markets, has supported this highly diversified industry. The Patient Protection and Affordable Care Act promises to bring insurance coverage to millions of people who currently do not have it, thereby expanding the potential domestic customer base.

The Medical Device Users Fee Act III (MDUFA III) will shorten the time and cost for device companies to bring products to the US market. This will encourage medical device companies to bring innovative products to the market.

It is our strong conviction that benefits outweigh the pressures medical device companies will face in coming years. These pressures include increased scrutiny and product approval process by the US Food & Drug Administration (FDA); an excise tax enacted to support US healthcare reform measures; and the likelihood of intensified competition among various therapies, partly as a result of the growing role of comparative effectiveness research.

**Company Overview:** Formerly a division of Tyco International, Covidien develops, manufactures and distributes medical devices and supplies, diagnostic imaging agents, pharmaceuticals and other health care products used in clinical and home settings. Covidien, through its predecessors, has 140 years of operating history and boasts a direct sales presence in more than 50 countries. Covidien's strong product pipeline, a management team dedicated to maximizing returns on investment, and favorable secular trends bode well for its prospects. It's

### Recommendation: BUY

#### Total Annual Return Est.:

3 year FV	17.3%
5 year FV	10.8%

#### Financial Snapshot:

Price	\$57.00
DCF Value	\$87.90
Buy Target	\$70.32
Sell Target	\$105.48
P/E	14.66x
Forward P/E	17.53x
Div Yield	1.85%
Market Cap	\$27.51 Billion
52 Wk Range	\$41.69 - \$60.81
EPS Growth	7.0%
PEG	1.62
Credit	5.1 Billion
Current Ratio	1.94x

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well diversified devices business represents a compelling long term investment opportunity. Covidien built its device business on the strength of its technological know-how and distribution network, which resulted in leadership positions across most of its product categories. The company holds top-four market share in virtually all product lines. The competitive environment is largely oligopolistic, where Covidien often shares the market with one or two competitors (Johnson& Johnson JNJ is its chief rival). Covidien's mantra during the last four years has been growth and market share gains. The firm has invested significantly in R&D to inject life in its mature device business; in just over three years the R&D budget has almost doubled. More importantly, the company has been more focused in its capital deployment efforts, with certain product lines getting the lion's share of R&D and sales/marketing dollars. The investment has flown heavily toward soft tissue repair, laparoscopy, energy-base devices, and vascular at the expense of more basic medical products, which the company has placed in "harvest" mode.

Minimally invasive surgery is gaining ground and replacing traditional surgery methods in bariatric, cardiovascular, urological, and other applications. Covidien being a leader in laparoscopy is expected to benefit from these changes. Covidien is particularly proactive in educating its surgeons by hosting seminars and training sessions, which should promote its brand and cement already sticky relationships with practitioners. Covidien has also been steadily shrinking its presence (through outright sale or discontinuation) in areas that they don't consider critical to their long-term growth.

The device business now represents close to two thirds of total sales, up from 50% in 2006, and once the spin-off of the pharmaceutical business is complete by 2012-13, Covidien will become a pure-play device company. Separating itself from the legacy pharma business should unlock Covidien's value.

**2012 Q4 Results:** Fourth-quarter net sales of \$3.00 billion were 3% lower than the \$3.08 billion reported in the fourth quarter 2011. The reported quarterly sales growth rate reflected unfavorable foreign exchange rate movement, which decreased the rate by about three percentage points, and the inclusion of an extra selling week in the fourth quarter of 2011, which reduced the rate by seven to eight percentage points. Gross margins were also lower 90 basis points from corresponding quarter of 2011 due to unfavorable foreign exchange rate movement. Fiscal 2012 diluted GAAP earnings per share from continuing operations were \$3.92, versus \$3.79 in 2011.

Medical Devices sales of \$2.06 billion in the Q4 were 1% lower than the \$2.09 billion in the comparable quarter of last year. Operational sales growth in the quarter was 2%, as foreign exchange rate movement reduced the quarterly sales growth rate by three percentage points.

Pharmaceutical sales also grew 2% operationally in Q4 again foreign exchange rates playing into reduced quarterly sales. Medical supplies Q4 sales of \$439 million fell 9% from \$481 million in the comparable quarter of

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2011, due to broad-based declines in all four product lines.

In Q4, Covidien repurchased approximately 9.6 million ordinary shares under its previously announced share buyback programs.

**Investment Thesis:** Covidien is using a multi-pronged approach to drive growth its topline and bottom line by focusing on broadening its innovation, aggressively managing its portfolio, investing in emerging markets and optimizing its spend to provide for innovation and growth. Covidien holds a diverse portfolio, led by the faster-growing, more profitable medical devices product line

#### **Pros:**

- Competes in attractive, growing markets and holds #1 or #2 position in all product lines
- Focus on broad innovation and latest product launch will contribute to topline
- Portfolio transformation by divesting low margin products and acquiring high margin products. It plans to spin off its Pharmaceutical business by middle of 2013. Recent portfolio additions represent a market opportunity of \$4B +
- Focus on emerging markets, 25% growth in BRIC countries
- Optimize operations by focusing on efficiency improvement across all functions

**Management Review:** Covidien's appointment of Jose Almeida to the CEO position was a logical one given the ongoing focus on the medical device group. Under Almeida's leadership, the device business has made tremendous strides since the spin-off, and now accounts for nearly two thirds of the total business. The first step is Covidien's planned spin-off of its pharmaceutical business. Covidien sticks to its guns when it comes to reinvestment in its business, and tends not to rely too aggressively on acquisitions to bolster its market share. Despite being domiciled outside the U.S., and thus free of certain restrictions regarding corporate governance, Covidien's policies are adequate by U.S. standards. We also believe the company's decision to move its corporate headquarters to Ireland was a positive one, as the resulting tax structure for the company is advantageous relative to its peers.

**Financial Trend Analysis:** Financial trends over the trailing four years have been positive. Revenue has grown at a 3% CAGR over the last four years, while earnings have grown at a rate of 7.4%. We are confident that ESRX will continue to perform at a high level and we project earnings to grow at 33% CAGR during the next five years. Operating and net margins as well as cash flow margins have been trending higher. Returns on equity and total capital are following similar trends.

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**Financial Health:** Covidien maintains a strong balance sheet with sizeable current assets. Its current ratio for the quarter ending June 2012 was 2.4. Taking advantage of the low interest rates ESRX prepaid \$1.5 billion of bonds that were outstanding.

**Competitive Analysis:** In the medical devices business, there is no single company that competes with Covidien over its full product line; however, the medical devices segment of the company competes in certain product areas with diversified health care companies such as Johnson & Johnson, C.R. Bard, and other companies that are more focused on specific fields, such as ConMed. The pharmaceutical division competes primarily with Johnson & Johnson, Siegfried and Johnson Matthey, while major competitors of COV's specialty pharmaceutical product line include Teva, Mylan and Watson. In the medical supplies division, the company primarily competes against branded products offered by Becton Dickinson, 3M, Con-Med, CareFusion and First Quality, as well as private label products provided by low-cost suppliers such as Cardinal Health and Medline.

### **Risk Factors:**

- The medical devices excise tax as part of PPACA will come into effect from 2013 and is expected to impact the profit margins by 100 basis points.
- J&J has a patent infringement lawsuit against COV that might delay launch of a new ultrasonic dissection device
- COV has exited the safety syringes business in Europe and could see further pressure from its chief US rival Becton Dickinson
- Increased competition from J&J in the soft tissue business.

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### DCF Valuation Model:

	Current			Projection Period		
	2012	2013	2014	2015	2016	2017
EBITDA	\$ 2,387.00	\$ 2,091.74	\$ 2,303.60	\$ 2,529.06	\$ 2,699.55	\$ 2,893.60
Taxes	\$ 347.00	\$ 355.60	\$ 391.61	\$ 429.94	\$ 458.92	\$ 491.91
EBIT(1-T)	\$ 2,040.00	\$ 1,736.14	\$ 1,911.99	\$ 2,099.12	\$ 2,240.62	\$ 2,401.69
+Depreciation	\$ 224.00	\$ 496.74	\$ 516.61	\$ 537.28	\$ 558.77	\$ 567.15
-CapEx	\$ 477.64	\$ 496.74	\$ 516.61	\$ 537.28	\$ 558.77	\$ 581.12
-ΔNWC	\$ 289.00	\$ (210.70)	\$ 138.05	\$ 143.57	\$ 149.32	\$ 58.23
Free Cash Flow	\$ 1,497.36	\$ 1,946.84	\$ 1,773.93	\$ 1,955.54	\$ 2,091.31	\$ 2,329.48
Terminal Value		\$ -	\$ -	\$ -	\$ -	\$ 49,995.57
PV of Cash Flows		\$ 1,832.68	\$ 1,571.99	\$ 1,631.31	\$ 1,642.26	\$ 38,680.20
Enterprise Value		\$ 45,358.43				
Implied EV/EBITDA Multiple		18.48				
Plus: Cash		\$ 1,935.00				
Less: LTD		\$ 4,574.00				
Equity Value		\$ 42,719.43				
Current Shares Outstanding		486.00				
Equity Value Per Share		\$ 87.90				
Current (Discount)/Premium from Fair Value		-35.2%				
Buy Price (FV less 20%)		\$ 70.32				
Sell Price (FV plus 20%)		\$ 105.48				

### Sensitivity Analysis:

DISCOUNT RATE	Terminal Growth Rate				
	1.5000%	1.7500%	2%	2.2500%	2.5000%
5.50%	\$ 98.18	\$ 104.18	\$ 111.04	\$ 118.96	\$ 128.19
6.00%	\$ 86.52	\$ 91.14	\$ 96.34	\$ 102.23	\$ 108.96
6.50%	\$ 77.20	\$ 80.85	\$ 84.91	\$ 89.44	\$ 94.54
7.00%	\$ 69.58	\$ 72.52	\$ 75.77	\$ 79.35	\$ 83.33
7.50%	\$ 63.23	\$ 65.65	\$ 68.29	\$ 71.18	\$ 74.36
8.00%	\$ 57.86	\$ 59.88	\$ 62.06	\$ 64.44	\$ 67.03
8.50%	\$ 53.26	\$ 54.96	\$ 56.79	\$ 58.78	\$ 60.92

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### Comparable Analysis:

	Target	Comparables			Average
	COV	J&J	BDX	BCR	
Price	\$57.00	\$70.45	\$77.63	\$97.46	
P/E	14.79	20.19	14.22	26.41	22.07
EV/EBITDA	9.90	12.59	7.58	9.51	9.40
Price/Cash Flow	10.50	15.46	9.24	11.32	11.82
Price/Book	2.50	3.13	3.32	4.06	2.78
PEG	3.59	7.75	3.00	6.82	2.44
Dividend Yield	1.67%	3.46%	2.38%	0.82%	1.22%
Total Debt/Equity	0.41	0.34	0.88	0.68	0.55
Net Margin	16.69%	14.87%	15.47%	11.11%	10.82%
ROA	10.13%	9.83%	12.14%	9.87%	9.16%
ROE	19.44%	17.02%	25.36%	18.86%	16.90%
Beta	0.85	0.54	0.61	0.35	
Market Cap (Billions)	27.50	195.23	15.28	8.00	

### WACC Calculation:

WACC Calculation	
Marginal tax rate	18%
Risk free rate	1.62%
Market risk premium	5.90%
Levered Beta	0.85
<b>Cost of equity</b>	<b>6.64%</b>
Credit Rating (LT Capital Structure)	BBB+
Cost of debt pre-tax	4.92%
After tax cost of debt	4.03%
Cost of debt using YTM	
Share price	\$56.6
Market capitalization	27,517
Total debt	5,085
Total capital	32,602
% equity capital	84.40%
% debt capital	15.60%
<b>Weighted average Cost of capital</b>	<b>6.23%</b>

### Total Return Calculation:

Total Returns Calculation	
Current Price	\$57
Fair Value	\$89.27
Total annual returns 3 Yrs to FV	17.3%
Total annual returns 5 Yrs to FV	10.8%

### Valuation Assumptions:

Assumption Summary	
Current Price	\$56.56
2012 EPS est	\$3.86
2013 EPS est	\$3.23
Revenue Growth	4.00%
Tax Rate	17.00%
WACC	6.23%
Terminal Growth Rate	2.00%

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### Income Statement Projection:

	Est	Projections				
	2012	2013	2014	2015	2016	2017
Net Sales or Revenues	\$11,852.00	\$12,326.08	\$12,819.12	\$13,331.89	\$13,865.16	\$14,419.77
Cost of Goods Sold	\$4,841.00	\$5,053.69	\$5,191.74	\$5,332.76	\$5,476.74	\$5,623.71
Gross Profit	\$7,011.00	\$7,272.39	\$7,627.38	\$7,999.13	\$8,388.42	\$8,796.06
Gross Margin	59.2%	59.0%	59.5%	60.0%	60.5%	61.0%
Selling, General & Admin Expenses	\$4,400.00	\$4,683.91	\$4,807.17	\$4,932.80	\$5,130.11	\$5,335.31
EBITDA	\$2,611.00	\$2,588.48	\$2,820.21	\$3,066.33	\$3,258.31	\$3,460.74
Depreciation	\$224.00	\$496.74	\$516.61	\$537.28	\$558.77	\$567.15
Operating Income (EBIT)	\$2,387.00	\$2,091.74	\$2,303.60	\$2,529.06	\$2,699.55	\$2,893.60
Operating Margin	20.1%	17.0%	18.0%	19.0%	19.5%	20.1%
Interest Expense on Debt	\$206.00	\$199.82	\$193.83	\$188.01	\$182.37	\$176.90
Pretax Income	\$2,222.00	\$1,891.92	\$2,109.77	\$2,341.05	\$2,517.18	\$2,716.70
Income Taxes	\$347.00	\$355.60	\$391.61	\$429.94	\$458.92	\$491.91
Net Income to Common Shareholders	\$1,875.00	\$1,536.32	\$1,718.16	\$1,911.11	\$2,058.25	\$2,224.79
Net Margin	15.8%	12.5%	13.4%	14.3%	14.8%	15.4%
<b>Shareholder Information</b>						
Common Shares Used to Calc Diluted EPS	\$486.00	\$476.28	\$466.75	\$457.42	\$448.27	\$439.31
EPS - Continuing Operations	\$3.86	\$3.23	\$3.68	\$4.18	\$4.59	\$5.06

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### Historical Financial Data:

Annual Income Statement					
	09/28/2012			09/25/2009	
	USD	09/30/2011	09/24/2010	USD	09/26/2008
	preliminary	USD	USD	restated	USD
<b>Income Statement</b>					
Net Sales or Revenues	11,852.0	11,574.0	10,429.0	10,263.0	9,910.0
Operating Expenses - Total	-	9,076.0	8,315.0	8,126.0	7,823.0
Cost of Goods Sold	4,841.0	4,374.0	4,154.0	4,203.0	4,203.0
Selling, General & Admin Expenses	-	4,103.0	3,672.0	3,504.0	3,222.0
Depreciation, Depletion & Amortization	224.0	599.0	489.0	419.0	398.0
Depreciation	-	397.0	360.0	337.0	322.0
Amortization of Intangibles	-	202.0	129.0	82.0	76.0
Amortization of Deferred Charges	-	-	-	-	-
Other Operating Expenses	-	0.0	0.0	0.0	0.0
Operating Income	2,536.0	2,498.0	2,114.0	2,137.0	2,087.0
Extraordinary Credit - Pretax	-	35.0	28.0	47.0	0.0
Extraordinary Charge - Pretax	-	158.0	76.0	359.0	141.0
Non-Operating Interest Income	-	22.0	22.0	24.0	43.0
Interest Expense On Debt	206.0	203.0	199.0	175.0	209.0
Pretax Equity In Earnings	-	0.0	0.0	0.0	0.0
Reserves- Increase(Decrease)	-	-	-	-	-
Other Income/Expense - Net	(81.0)	22.0	37.0	133.0	199.0
Interest Capitalized	-	-	-	-	-
Pretax Income	2,249.0	2,216.0	1,926.0	1,807.0	1,979.0
Income Taxes	347.0	333.0	363.0	865.0	536.0
Current Domestic Income Tax	-	46.0	344.0	714.0	396.0
Current Foreign Income Tax	-	187.0	181.0	278.0	139.0
Deferred Domestic Income Tax	-	117.0	(99.0)	(118.0)	53.0
Deferred Foreign Income Tax	-	(17.0)	(63.0)	(9.0)	(52.0)
Income Tax Credits	-	0.0	0.0	0.0	0.0
Minority Interest	-	0.0	0.0	0.0	0.0
Equity In Earnings	-	0.0	0.0	0.0	0.0
After Tax Other Income/Expense	-	0.0	0.0	0.0	0.0
Discontinued Operations	3.0	0.0	31.0	21.0	0.0
Net Income Before Extra Items/Preferred Div	1,905.0	1,883.0	1,594.0	963.0	1,443.0
Extr Items & Gain(Loss) Sale of Assets	0.0	(15.0)	38.0	(56.0)	(82.0)
Net Income Before Preferred Dividends	1,905.0	1,868.0	1,632.0	907.0	1,361.0
Preferred Dividend Require	-	0.0	0.0	0.0	0.0
<b>Net Income to Common Shareholders</b>	<b>1,905.0</b>	<b>1,883.0</b>	<b>1,594.0</b>	<b>963.0</b>	<b>1,979.0</b>
EPS Incl Extraordinary Items	-	3.8	3.2	1.8	2.7
EPS - Continuing Operations	-	3.8	3.1	1.9	2.9
Dividend Per Share	-	0.9	0.8	0.7	0.6
Common Shares Used to Calc Diluted EPS	486,000,000.0	497,000,000.0	504,000,000.0	505,000,000.0	505,000,000.0



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## Sector: Healthcare (Industry: Health Services)

### Annual Cash Flow Statement

	09/28/2012 USD preliminary	09/30/2011 USD	09/24/2010 USD	09/25/2009 USD restated	09/26/2008 USD
<b>Operations</b>					
Net Income / Starting Line	-	1,883.0	1,594.0	-	1,443.0
Depreciation, Depletion & Amortization	-	599.0	489.0	419.0	398.0
Depreciation & Depletion	-	397.0	360.0	-	322.0
Amortization of Intangible Assets	-	202.0	129.0	82.0	76.0
Deferred Income Taxes & Investment Tax Crec	-	100.0	(162.0)	(73.0)	(4.0)
Deferred Income Taxes	-	100.0	(162.0)	(73.0)	(4.0)
Investment Tax Credits	-	-	-	-	-
Other Cash Flow	-	151.0	213.0	224.0	94.0
Funds From Operations	2,129.0	2,733.0	2,134.0	1,474.0	1,931.0
Extraordinary Items	-	0.0	0.0	0.0	0.0
Funds From/For Other Operating Activities	-	(551.0)	97.0	401.0	(1,271.0)
Dec(Inc) In Receivables	-	(9.0)	(7.0)	74.0	(138.0)
Dec(Inc) In Inventories	-	(203.0)	(49.0)	(56.0)	(190.0)
Inc(Dec) In Accounts Payable	-	(13.0)	68.0	(61.0)	72.0
Inc(Dec) In Income Taxes Payable	-	(423.0)	312.0	300.0	19.0
Inc(Dec) In Other Accruals	-	69.0	(200.0)	302.0	190.0
Dec(Inc) In Other Assets/Liabilities	-	28.0	(27.0)	(165.0)	(1,224.0)
<b>Net Cash Flow - Operating Activities</b>	<b>-</b>	<b>2,182.0</b>	<b>2,231.0</b>	<b>1,875.0</b>	<b>660.0</b>
<b>Investing</b>					
Capital Expenditures (Addition to Fixed Assets)	-	(467.0)	(401.0)	(412.0)	(409.0)
Additions To Other Assets	-	(6.0)	(70.0)	(56.0)	-
Net Assets From Acquisitions	-	(13.0)	(3,012.0)	(608.0)	(157.0)
Increase In Investments	-	0.0	0.0	0.0	0.0
Decrease In Investments	-	17.0	54.0	48.0	0.0
Disposal of Fixed Assets	-	8.0	263.0	6.0	263.0
Other Use/(Source) - Investing	-	19.0	40.0	5.0	(1,269.0)
Other Uses - Investing	-	(19.0)	(40.0)	(9.0)	(30.0)
Other Sources - Investing	-	0.0	0.0	4.0	1,299.0
<b>Net Cash Flow - Investing</b>	<b>-</b>	<b>(480.0)</b>	<b>(3,206.0)</b>	<b>(1,027.0)</b>	<b>966.0</b>
<b>Financing</b>					
Net Proceeds From Sale/Issue of Com & Pref	-	176.0	107.0	19.0	157.0
Proceeds From Stock Options	-	176.0	107.0	19.0	157.0
Other Proceeds From Sale/Issuance of Stoc	-	0.0	0.0	0.0	0.0
Com/Pfd Purchased	-	(955.0)	(331.0)	(232.0)	0.0
Long Term Borrow ings	-	0.0	1,735.0	0.0	2,899.0
Reduction In Long Term Debt	-	(540.0)	(88.0)	(39.0)	(4,008.0)
Inc(Dec) In Short Term Borrow ings	-	0.0	0.0	0.0	0.0
Cash Dividends Paid - Total	-	(396.0)	(360.0)	(322.0)	(320.0)
Common Dividends (Cash)	-	396.0	360.0	322.0	320.0
Preferred Dividends (Cash)	-	0.0	0.0	0.0	0.0
Other Source (Use) - Financing	-	(56.0)	(3.0)	(1.0)	(11.0)
Other Sources - Financing	-	15.0	0.0	0.0	38.0
Other Uses - Financing	-	(71.0)	(3.0)	(1.0)	(49.0)
<b>Net Cash Flow - Financing</b>	<b>-</b>	<b>(1,771.0)</b>	<b>1,060.0</b>	<b>(575.0)</b>	<b>(1,283.0)</b>
Effect of Exchange Rate On Cash	-	7.0	13.0	(14.0)	(7.0)
<b>Inc(Dec) In Cash &amp; Short Term Investmei</b>	<b>-</b>	<b>(62.0)</b>	<b>98.0</b>	<b>259.0</b>	<b>336.0</b>

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## Sector: Healthcare (Industry: Health Services)

### Annual Balance Sheet

	09/28/2012 USD preliminary	09/30/2011 USD	09/24/2010 USD	09/25/2009 USD restated	09/26/2008 USD
<b>Assets</b>					
Cash & ST Investments	-	1,544.0	1,581.0	1,496.0	1,235.0
Cash	-	-	-	-	-
Short Term Investments	-	-	-	-	-
Receivables (Net)	-	1,748.0	1,953.0	1,755.0	1,809.0
Inventories - Total	-	1,513.0	1,381.0	1,272.0	1,280.0
Raw Materials	-	316.0	283.0	285.0	256.0
Work In Process	-	310.0	315.0	326.0	238.0
Finished Goods	-	887.0	783.0	661.0	786.0
Progress Payments & Other	-	0.0	0.0	0.0	0.0
Prepaid Expenses	-	-	-	-	-
Other Current Assets	-	968.0	825.0	1,140.0	965.0
<b>Current Assets - Total</b>	-	<b>5,773.0</b>	<b>5,740.0</b>	<b>5,663.0</b>	<b>5,289.0</b>
Long Term Receivables	-	654.0	664.0	838.0	711.0
Investment In Unconsolidated Subsidiaries	-	-	-	-	-
Other Investments	-	85.0	83.0	81.0	60.0
Property Plant & Equipment - Net	-	2,705.0	2,608.0	2,542.0	2,476.0
Property Plant & Equipment - Gross	-	5,335.0	4,993.0	4,744.0	4,490.0
Land	-	134.0	128.0	129.0	130.0
Buildings	-	1,333.0	1,254.0	1,216.0	830.0
Construction Work In Progress	-	403.0	358.0	-	378.0
Machinery & Equipment	-	3,396.0	3,179.0	3,002.0	2,753.0
Rental/Lease Property	-	-	-	-	-
Transportation Equipment	-	-	-	-	-
PP&E - Other	-	-	-	-	175.0
PP&E Under Capitalized Leases	-	69.0	74.0	77.0	224.0
(Less) Accumulated Depreciation	-	2,630.0	2,385.0	2,202.0	2,014.0
Accum Depr-Land	-	-	-	-	-
Accum Depr-Buildings	-	-	-	-	-
Accum Depr-Machinery & Equip.	-	-	-	-	-
Accum Depr-Rental/Lease Property	-	-	-	-	-
Accum Depr-Transport Equip.	-	-	-	-	-
Accum Depr-PP&E Other	-	-	-	-	-
Accum Depr-PP&E Under Cap	-	-	-	-	-
Leases	-	-	-	-	-
Other Assets	-	10,975.0	11,104.0	7,907.0	7,403.0
Deferred Charges	-	-	-	-	-
Tangible Other Assets	-	528.0	480.0	374.0	364.0
Intangible Other Assets	-	10,447.0	10,624.0	7,533.0	7,039.0
<b>Total Assets</b>	-	<b>20,192.0</b>	<b>20,199.0</b>	<b>17,031.0</b>	<b>15,939.0</b>
<b>Liabilities</b>					
Accounts Payable	-	576.0	586.0	471.0	522.0
ST Debt & Current Portion of LT Debt	-	11.0	255.0	30.0	19.0
Accrued Payroll	-	468.0	435.0	374.0	357.0
Income Taxes Payable	-	100.0	549.0	41.0	96.0
Dividends Payable	-	-	-	-	-
Other Current Liabilities	-	1,245.0	1,301.0	1,372.0	1,104.0

## Covidien PLC (COV)

### Sector: Healthcare (Industry: Health Services)

<b>Current Liabilities - Total</b>	-	<b>2,400.0</b>	<b>3,126.0</b>	<b>2,288.0</b>	<b>2,098.0</b>
Long Term Debt	-	4,197.0	4,451.0	2,961.0	2,986.0
LT Debt Excl Capital Leases	-	4,154.0	4,415.0	2,920.0	2,941.0
Non-Convertible Debt	-	4,154.0	4,415.0	2,920.0	2,941.0
Convertible Debt	-	0.0	0.0	0.0	0.0
Capitalized Lease Obligations	-	43.0	36.0	41.0	45.0
Provision for Risks & Charges	-	1,629.0	1,565.0	1,768.0	0.0
Deferred Income	-	-	-	-	-
Deferred Taxes	-	563.0	485.0	351.0	270.0
Deferred Taxes - Credit	-	745.0	673.0	459.0	334.0
Deferred Taxes - Debit	-	182.0	188.0	108.0	64.0
Deferred Tax Liability In Untaxed Reserves	-	-	-	-	-
Other Liabilities	-	1,586.0	1,598.0	1,662.0	2,838.0
<b>Total Liabilities</b>	-	<b>10,375.0</b>	<b>11,225.0</b>	<b>9,030.0</b>	<b>8,192.0</b>
<b>Shareholders' Equity</b>					
Non-Equity Reserves	-	0.0	0.0	0.0	0.0
Minority Interest	-	0.0	0.0	0.0	0.0
Preferred Stock	-	0.0	0.0	0.0	0.0
Preferred Stock - Non Redeemable	-	0.0	0.0	0.0	0.0
Preferred Stock - Redeemable	-	0.0	0.0	0.0	0.0
Common Equity	-	9,817.0	8,974.0	8,001.0	7,747.0
Common Stock	-	103.0	101.0	101.0	101.0
Capital Surplus	-	6,844.0	6,563.0	6,344.0	172.0
Revaluation Reserves	-	0.0	0.0	0.0	0.0
Other Appropriated Reserves	-	(163.0)	(184.0)	(154.0)	5,982.0
Unappropriated (Free) Reserves	-	0.0	0.0	0.0	0.0
Retained Earnings	-	3,908.0	2,444.0	1,182.0	681.0
Equity In Untaxed Reserves	-	-	-	-	-
ESOP Guarantees	-	0.0	0.0	0.0	0.0
Unrealized Foreign Exchange Gain(Loss)	-	561.0	534.0	683.0	811.0
Unrealized Gain(Loss) on Marketable Securities	-	0.0	0.0	0.0	0.0
(Less) Treasury Stock	-	1,436.0	484.0	155.0	0.0
<b>Total Shareholders Equity</b>	-	<b>9,817.0</b>	<b>8,974.0</b>	<b>8,001.0</b>	<b>7,747.0</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	-	<b>20,192.0</b>	<b>20,199.0</b>	<b>17,031.0</b>	<b>15,939.0</b>
Common Shares Outstanding	-	482.0	495.1	499.0	503.2

## Covidien PLC (COV)

Sector: Healthcare (Industry: Health Services)

Annual Ratios					
	09/28/2012 USD preliminary	09/30/2011 USD	09/24/2010 USD	09/25/2009 USD restated	09/26/2008 USD
<b>Valuation Measures</b>					
Market Cap	-	21,692.9	22,605.4	23,899.5	18,234.6
Net Sales or Revenues	11,852.0	11,574.0	10,429.0	10,263.0	9,910.0
Total Debt	-	4,208.0	4,706.0	2,991.0	3,005.0
Net Assets	†	20,192.0	20,199.0	17,031.0	15,939.0
Enterprise Value	-	23,918.3	23,022.3	23,112.9	28,820.0
EBITDA	2,679.0	3,018.0	2,614.0	2,401.0	2,586.0
EBIT	2,455.0	2,419.0	2,125.0	1,982.0	2,188.0
Capital Expenditure	-	467.0	401.0	412.0	409.0
<b>Valuation</b>					
Price/Earnings	15.2	11.6	12.5	21.7	19.2
Price/Sales	-	1.8	1.9	2.0	2.8
Price/Cash Flow	13.6	8.0	9.3	-	14.4
Price/Book Value	-	2.2	2.2	2.6	3.6
Price/Tangible BV	-	NEG	NEG	-	39.0
<b>Enterprise Value</b>					
Enterprise Value / Sales	-	2.1	2.2	2.3	2.9
Enterprise Value/ EBITDA	-	7.9	8.8	9.6	11.1
Enterprise Value / EBIT	-	9.9	10.8	11.7	13.2
Enterprise Value / Cash Flow	-	8.8	10.8	15.6	14.9
Enterprise Value / Free Cash Flow	-	18.1	15.7	20.3	-
<b>Credit Statistics</b>					
Total Debt/ Enterprise Value	-	0.2	0.2	0.1	0.1
Net Debt/ Enterprise Value	-	0.1	0.1	0.1	0.1
Total Debt/ EBITDA	-	1.4	1.8	1.2	1.2
Net Debt/ EBITDA	-	0.9	1.2	0.6	0.7
EBITDA / Interest Expense	13.0	14.9	13.1	13.7	12.4
EBITDA - Capex / Interest Expense	-	12.6	11.1	11.5	10.4
EBIT/ Interest Expense	11.9	11.9	10.7	11.3	10.5
<b>Liquidity Leverage</b>					
Quick Ratio	-	1.4	1.1	1.4	1.5
Current Ratio	-	2.4	1.8	2.5	2.5
Cash Flow/Current Liabilities	-	0.9	0.7	0.8	0.3
Long Term Debt/ Equity	-	42.8	49.6	37.0	38.5
Total Debt/ Equity	-	42.9	52.4	37.4	38.8
Long Term Debt/ Total Capital	-	29.9	33.2	27.0	27.8
Total Debt/ Total Capital	-	30.0	34.4	27.2	27.9
Working Capital/ Total Capital	-	24.1	19.5	30.8	29.7
<b>Profitability Ratios</b>					
Gross Margin	57.26%	57.03%	55.48%	54.96%	53.57%
Gross Margin - 5 Yr Average	55.42%	53.48%	51.37%	-	49.22%
EBITDA Margin	22.60%	26.08%	25.06%	23.39%	26.09%
EBITDA Margin - 5 Yr Average	24.55%	21.67%	21.36%	21.00%	21.81%
EBIT Margin	20.71%	20.90%	20.38%	19.31%	22.08%
EBIT Margin - 5 Yr Average	20.60%	17.24%	17.29%	17.19%	18.14%
Pre-Tax Margin	18.98%	19.15%	18.47%	17.61%	19.97%

## Covidien PLC (COV)

### Sector: Healthcare (Industry: Health Services)

Pre-Tax Margin - 5 Yr Average	18.78%	15.28%	15.30%	-	16.13%
Net Margin	16.07%	16.14%	15.65%	8.84%	13.73%
Net Margin - 5 Yr Average	14.02%	10.13%	9.61%	-	10.02%
<b>Efficiency Ratios</b>					
Sales Per Employee	-	0.3	0.3	0.2	0.2
Operating Profit Per Employee	-	0.1	0.1	0.0	0.1
Net Income Per Employee	-	0.0	0.0	0.0	0.0
Assets Per Employee	-	0.5	0.5	0.4	0.4
Total Asset Turnover	-	0.6	0.5	0.6	0.6
Inventory Turnover	-	3.0	3.1	-	3.2
Receivable Turnover	-	6.3	5.4	-	3.8
Payable Turnover	-	7.5	7.7	-	8.0
<b>Management Effectiveness</b>					
Return on Equity	-	19.88%	19.23%	11.52%	18.79%
Return on Equity - 5 Yr Average	-	12.87%	12.42%	-	-
Return On Assets	-	9.90%	9.46%	6.19%	8.76%
Return On Assets - 5 Yr Average	-	6.59%	6.66%	-	-
Return On Invested Capital	-	14.44%	14.28%	9.39%	13.87%
Return On Invested Capital - 5 Yr Average	-	10.00%	9.75%	-	-
<b>Dividend Ratios</b>					
Dividend Per Share	0.9	0.8	0.7	-	0.6
Dividend Yield	1.57%	1.87%	1.87%	-	1.17%
Dividend Payout Ratio	23.85%	21.77%	23.42%	-	22.38%
<b>Growth Rates</b>					
Sales	2.40%	10.98%	1.62%	7.74%	(2.56%)
Sales - 5 Yr	3.11%	3.71%	1.81%	3.23%	-
EBITDA	(11.23%)	15.46%	6.00%	-	245.72%
EBITDA - 5 Yr	29.07%	4.29%	3.14%	-	-
Net Income	1.98%	14.46%	79.93%	(33.36%)	-
Net Income - 5 Yr	-	7.45%	9.54%	(8.33%)	-
EPS	-	22.60%	73.51%	(31.73%)	-
EPS - 5 Yr	-	-	-	-	-
Capital Expenditure	-	16.46%	(2.67%)	-	5.41%
Capital Expenditure - 5 Yr	-	-	-	-	-
Research & Development	-	23.94%	2.05%	-	24.45%
Research & Development - 5 Yr	-	16.16%	14.02%	-	-
<b>Stock Performance</b>					
Price Close	59.4	44.1	39.5	41.4	54.9
% Change	34.74%	11.65%	(4.50%)	(24.68%)	32.31%
Total Return	36.86%	13.73%	(2.71%)	(23.47%)	33.86%