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Medtronic, Inc. F4Q09 (Qtr End 04/24/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Larry Biegelson – Wachovia

Larry Biegelson – Wachovia

I'm trying to understand your fiscal 2010 revenue growth guidance of 5% to 8%. The extra selling week gives you about 2% and CoreValve roughly 50 bps. How are you accounting for that in the 5% to 8% constant currency revenue growth in 2010?

Gary Ellis

The 5% to 8% growth we're talking about constant currency growth we gave in the guidance would include those. From the standpoint of the extra week, you can't just do a mathematical calculation on that because obviously we do have an extra week but there are some of our business are more bulk purchases, not procedure related, it's not a straight percentage calculation. That would obviously be a benefit for us, we agree with that. You're right, the acquisitions give us some additional revenues go forward. All that was contemplated in that 5% to 8% guidance we gave.

Larry Biegelson – Wachovia

On the CoreValve US IDE could you give us an update on that please?

Bill Hawkins

We expect to submit the IDE mid calendar year '10, so next year.

Larry Biegelson – Wachovia

Is there a chance that you'll need a US feasibility study?

Bill Hawkins

I don't know. We can get back to you on that. Our current thinking and the discussions we have with the FDA would suggest that we're on track for a mid calendar year '10 initiation of the IDE.

Operator

Your next question comes from Rick Wise - Leerink, Swann

Rick Wise - Leerink, Swann

Starting with gross margins, if I remember correctly you all were talking about gross margins and guidance that might have been better than 76%. Obviously you got very close at 75.7%. Was this greater challenge from currency, were the savings less than you thought? Related to that, was the pricing environment or mix more challenging than you expected?

Gary Ellis

The biggest impact was currency, as you indicated we had indicated last quarter that again we've been in the 75.5% to 76.5% range but we thought we'd culture to 76%. As you said, 75.7% is off slightly. The revenue impact on currency for example ended up being about \$25 to \$30 million more than we expected and which has an impact obviously on the margin.

Rick Wise - Leerink, Swann

On Spine, you said you still have much work to do. Maybe you could share your thoughts, a little more expansive way, on what the work is. Maybe highlight in your mind what the most important new products are that be accelerated or revitalized or help you regain share over the next one, two years as you discussed.

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