



**COVIDIEN**

## **Acquisition of BARRX Medical, Inc.**

November 21, 2011

# Forward-Looking Statements

This presentation contains certain “forward-looking statements” that are not historical facts. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results to differ materially from anticipated results. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements.

The forward-looking statements in this presentation may include statements addressing the following subjects: the expected timing of the completion of the transaction, the effect of the transaction on Covidien’s business and competitive position, future innovation and market growth, Covidien’s future financial performance, financial condition and operating results, and economic, business, competitive and/or regulatory factors affecting our business. Any of the following factors may affect our future results:

- Uncertainties as to the timing of the transaction
- The risk that competing offers will be made
- The possibility that various closing conditions for the transaction may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction
- The effects of disruption from the transaction making it more difficult to maintain relationships with employees, customers, vendors and other business partners
- The risk that stockholder litigation in connection with the transaction may result in significant costs of defense, indemnification and liability

# Forward-Looking Statements (con't)

- Other business effects, including the effects of industry, economic or political conditions outside of Covidien's and BARRX's control
- Transaction costs

and other risks and uncertainties discussed in Covidien's filings with the U.S. Securities and Exchange Commission, including the "Risk Factors" sections of Covidien's most recent annual report on Form 10-K and subsequent quarterly reports on Form 10-Q. In addition, our historical combined financial information prior to June 29, 2007, is not necessarily representative of the results we would have achieved as an independent, publicly-traded company and may not be a reliable indicator of our future results. Neither Covidien nor BARRX undertakes any obligation to update any forward-looking statements as a result of new information, future developments or otherwise, except as expressly required by law. All forward-looking statements in this announcement are qualified in their entirety by this cautionary statement.

# Non-GAAP Financial Information

**This presentation contains a non-GAAP financial measure. This non-GAAP financial measure, which is used as a measure of Covidien's performance, should be considered in addition to, not as a substitute for, or superior to, measures of Covidien's financial performance prepared in accordance with GAAP. Covidien's non-GAAP measures may be defined differently than similar terms used by other companies, and accordingly, care should be exercised in understanding how Covidien defines its non-GAAP financial measures.**

**Specifically, the Company defines free cash flow as net cash provided by continuing operating activities excluding class action and shareholder settlements minus capital expenditures.**

**This non-GAAP financial measure is also used by Covidien's management in their financial and operating decision-making because management believes it reflects the underlying economics of Covidien's ongoing business in a manner that allows meaningful period-to-period comparisons. Such comparisons may be more meaningful because operating results presented under GAAP may include, from time to time, items that are not necessarily relevant to understand Covidien's business and may, in some cases, be difficult to forecast accurately for future periods. Covidien's management believes that this non-GAAP financial measure provides useful information to investors and others in understanding and evaluating Covidien's current operating performance and future prospects in the same manner as management does if they so choose. Non-GAAP financial measures have limitations, however, because they do not include all items of income and expense that affect Covidien's operations. Covidien's management compensates for this and other limitations by also considering Covidien's financial results as determined in accordance with GAAP.**

# Acquisition of BARRX Medical, Inc.

Leader in Treatment of Barrett's Esophagus



## BARRX Overview

- Business:** Medical device manufacturer, founded in 2000. Focused on eradicating pre-cursors to esophageal cancer
- Products:** HALO System -- comprised of radiofrequency generators, ablation catheters, sizing balloons, guide-wires and caps -- for ablation of Barrett's Esophagus
- Ownership:** Venture-backed and privately-held
- Go-to-Market:** Direct sales in the U.S., through distributors elsewhere
- Employees:** About 125

# Acquisition of BARRX Medical, Inc.

## Leader in Treatment of Barrett's Esophagus



### Strategic Rationale

- **Adds a new growth platform to Covidien**
  - High teens end market growth rate
  - Strong demonstrated clinical/economic value
  - Upside from treatment expansions
- **Offers entry into therapeutic intervention upstream of surgery**
  - Changes surgery paradigm for esophageal diseases
  - Attractive to patients, physicians and payers
- **Radiofrequency technology leverages core strength/competency**
- **Straightforward limited integration**

# Acquisition of BARRX Medical, Inc.

Leader in Treatment of Barrett's Esophagus



## Key Deal Terms

- **\$325MM upfront consideration**
- **Potential earn-out based on achievement of specific milestones**
- **Financed with cash on hand**
- **Closing expected by January 31, 2012**

# Financial Overview



- **The combination of Covidien's Energy business with BARRX is expected to enhance our operating profile in the next several years**
  - Accretive to revenue growth and gross margins
  - Attractive expansion opportunities and research capability to drive future growth
- **Expected financial impact**
  - Neutral on a cash basis<sup>1</sup> in the first full year post close
- **Committed to maintaining our current strong investment grade rating while retaining balance sheet flexibility**
  - Expect to manage our cash balance in the \$1 Billion to \$2 Billion range
  - Continue targeting returns of 25% to 40% of free cash flow to shareholders through dividends and share repurchases
  - Balance sheet remains strong after concluding transaction

1. Excluding one-time costs and deal-related amortization



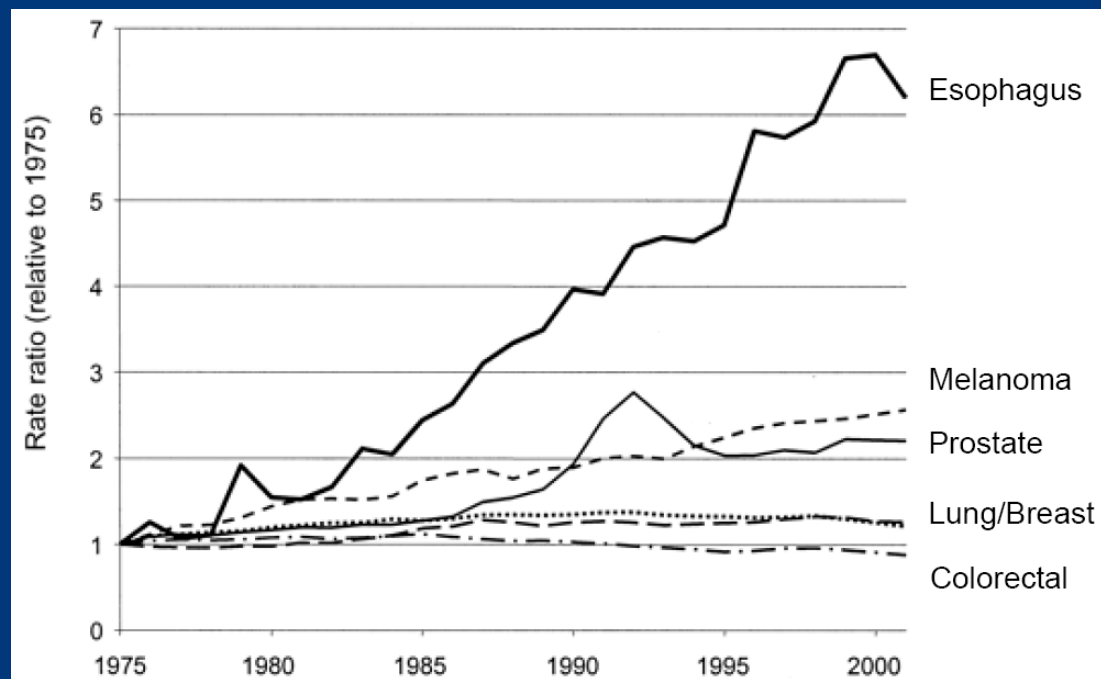
# Covidien Enhances BARRX Medical's Growth



- **Covidien infrastructure will accelerate BARRX growth**
  - Expand sales and marketing footprint in the U.S.
  - Leverage Covidien's OUS sales and marketing infrastructure
  - Support from Covidien's national/strategic accounts, clinical, regulatory and healthcare economics functions
  - Use of Covidien's sales operations and professional training functions
- **Covidien will accelerate investments driving further expansion**
  - Technology related to radiofrequency
  - Development of additional clinical applications and products
- **Covidien will continue investments in GI space to expand offering spectrum**
  - e.g. radiofrequency hemostasis in upper and lower GI procedures

# Background

## Esophageal cancer is the fastest growing cancer



- **Barrett's Esophagus is one of the main causes of esophageal cancer**
- **BARRX treats Barrett's Esophagus**

Source: Pohl H and Welch HG. *J Natl Cancer Inst* 2005; 95:142-146

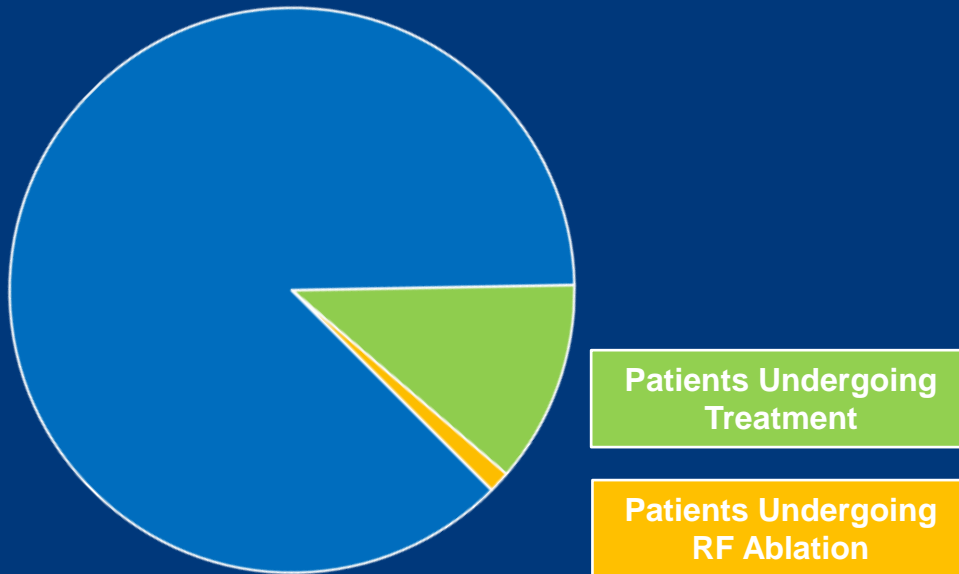
# Attractive Market Opportunity



## Barrett's Esophagus

## Market Drivers

**Patients Available for Treatment: 2.8 Million Globally**  
*Growing at ~2-3%*



- Increasing prevalence and incidence of Barrett's Esophagus (high unmet need with 6 MM people WW affected, growing at mid-single digits)
  - RFA treatment rate in the US <1%
- Incidence rate to accelerate with:
  - Increased awareness
  - Better screening / diagnostics
- Macro trends driving prevalence at mid-single digits (aging population and obesity)

Notes: Growth CAGRs are on 2011-2021 and exclude results of better screening

# Critical Success Factors



- **BARRX has good momentum**
  - Suite of products to treat Barrett's Esophagus with clinical evidence
  - 65 peer-reviewed publications
  - Six ongoing clinical trials
  - Strong society support
  - Strong sales, clinical and reimbursement resources
    - Access to Key Opinion Leaders in Gastroenterology
- **Augmented by Covidien capabilities**
  - Sales and marketing infrastructure
  - World-class physician training program
    - Leverage Professional Affairs and Clinical Education in major markets
  - Extended reach through broader and deeper global presence
  - Ability to invest in high-growth emerging markets (indications, product developments)



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