

V.I.M.COR
BUY RECOMMENDATION

ST. JUDE MEDICAL			STJ		\$ 24.062		ATTRIBUTE	
			EPS				AVERAGE	
52 WK			LATEST		1998	1999	DAILY	
PRICE	DIV	YIELD	1997	12 MO			VOLUME	
RANGE							MILL \$	
\$19.18-39.68	\$ 0.00	0.00 %	\$0.58	\$ 1.04	\$ 1.45	\$ 1.83	\$ 991.3	
		P/E :	41.5 x	23.3 x	16.6 x	13.1 x		
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EPS COMPOUND GROWTH RATE								
VAL	P/E LEAST	PAST	LATEST	THIS	NEXT	NEXT		
MODEL	GROWTH RT	5 YRS.	QUARTER	YEAR	YEAR	5 YRS.		
57.0 %	1.64 x	-15 %	640.0 %	35 %	24.0 %	17.6 %		

BASIS OF RECOMMENDATION

STJ is the leader in the heart valve market, currently commanding over 60% of the market. The company has been hit by the defection of its sales force to a competitor, slow new product introductions, and the overall market decline. STJ has new product in the pipeline about to be released. I believe that Wall Street is under valuing this company in consideration of its market share and the temporary setback of the sales force defection. STJ also has an estimated breakup value of over \$40, and a valuation model price of \$47.12 over the next 12 months.

POSITIVES

- * Market leader in it major product category..
- * Strong break up value of over \$40.
- Management has publicly stated the desire to work on shareholder value.

NEGATIVES

- * Sales force defection may hurt the company's relationship with its customers.
- * Slow product introduction gives competitors a foothold in the marketplace.

ANALYST	DATE OF STOCK PRICE	SPX PRICE THAT DATE	DATE OF THIS REPORT
Gary Vassalotti	November 13, 1998	\$ 1125.72	November 16, 1998

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SAINT JUDE MEDICAL

STJ is a leading medical products company producing mechanical heart valves (over 60% market share) and pacemakers, implantable cardioverter defibrillators and related specialty cardiac products mainly through a number of acquisitions in the cardiac rhythm management (CRM) field. Overseas business is significant, accounting for about 41% of sales and 42% of profits in 1997. Sales by product segment in recent years were:

	1997	1996
Cardiac rhythm products	72%	69%
Heart valves	28%	31%

St. Jude has experienced difficulties in integrating the acquisitions of Ventritex and Telectronics. However, the company's longer-range prospects remain favorable. Ranking as the leading producer of mechanical heart valves, St. Jude also plans to rejuvenate its pacing, ICD and other cardiac lines through new product introductions and improved marketing strategies.

VALUATION

The shares declined sharply, reflecting disappointment with second quarter operating earnings, heightened competitive pressures from rivals such as Guidant and Medtronic, and the defection of sales personnel to the competition. St. Jude has been at a competitive disadvantage in the ICD market because it lacks a dual chamber defibrillator, while its pacemaker line has been impacted by new pacers from Medtronic.

The VIMCOR valuation model considers STJ a timely buy at this time. Reviewing the statistical data, you can see that STJ is currently trading near the low end of its average 5 year P/E range, and 5 year average Price/Sales range in the value model. STJ is also favorable in the Growth Model, although it is a bit high priced for the growth purchase range at this time (P/E least growth of <1.5x signifies a purchase, while a number of 2.0 or greater is a sell candidate).

VIMCOR VALUATION MODEL

Ticker	Name	Price	Attribute	Institutional Ownership	62.0%
STJ	ST JUDE MEDICAL	30.000	SPEC SIT	LT Debt / Tot Cap	18.0%

P/E			P/BK			P/CF			Dividends		Price/Sales		
Low	High	Current	Low	High	Current	Low	High	Current	Dollars	Yield	Low	High	Current
28.33	46.09	28.8	2.38	3.94	2.80	16.30	26.77	23.26	0.00	0.00%	2.93	4.88	2.78

Historical Earnings		Estimated Earnings								Dividend Growth	
Ltst Qtr	Ltst 12 Mths	Currnt Qtr	% Chg	Currnt Yr	% Chge	Next Yr	% Chge	Future 5	% Chge	Last 5 yrs	Next 5Yr
\$0.33	\$1.04	\$0.37	640%	\$1.43	35%	\$1.78	24%	\$ 2.89	17.60%	0.0%	0.0%

Projected Values - Value Model			
	End of YR	Next YR	5 Years
Price	\$47.12	\$54.08	\$74.61
Return	57%	80%	149%

Growth Model Predictions			
	End of Yr	Next YR	5 Years
Price	50.34	62.66	101.90
Return	68%	109%	240%
P/E Least Growth Rate:			1.64

Pros:

- STJ is highly respected in the medical community for its heart valves (witnessed by the large percentage of market share)
- STJ is well liked by the value model, and has a positive standing with the growth model.
- STJ has been disappointing Wall Street, although this is usually a negative, if STJ turns in positive earnings in the next couple of quarters, the stock price should react very favorably.

Cons:

- Share price has been volatile in the last year, with STJ seeing a low of \$19, and a high of \$39.
- The company has had some difficulties integrating prior acquisitions. Management may not be able to quickly turn these into positive contributors.
- Guidant has introduced some competitive products, and has stolen a large percentage of STJ's sales force.