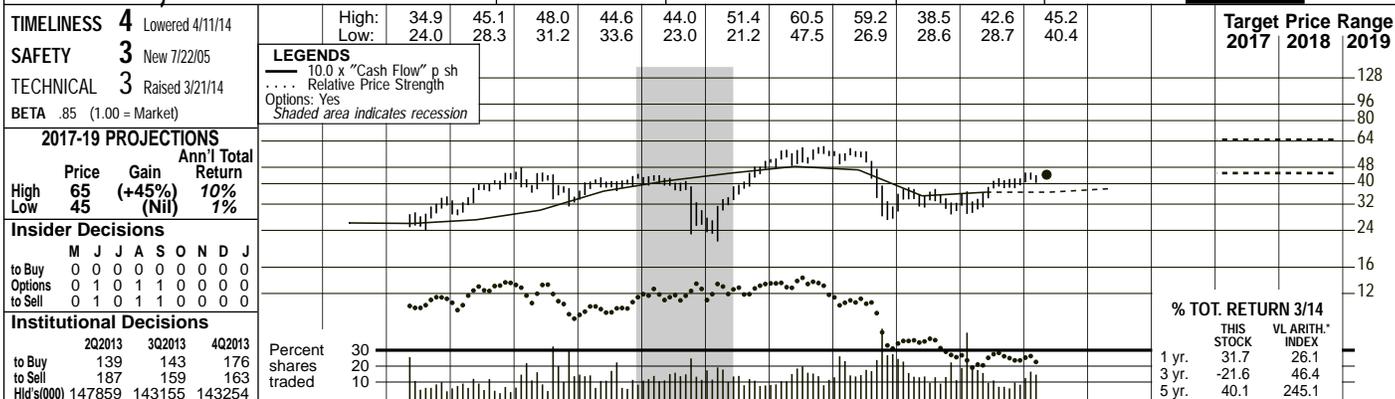


# HOSPIRA, INC. NYSE-HSP

RECENT PRICE **44.27** P/E RATIO **21.0** (Trailing: 21.2) (Median: 17.0) RELATIVE P/E RATIO **1.11** DIV'D YLD **Nil** VALUE LINE



**TIMELINESS** 4 Lowered 4/11/14  
**SAFETY** 3 New 7/22/05  
**TECHNICAL** 3 Raised 3/21/14  
**BETA** .85 (1.00 = Market)

**2017-19 PROJECTIONS**

	Price	Gain	Ann'l Total Return
High	65	(+45%)	10%
Low	45	(Nil)	1%

**Insider Decisions**

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	1	1	0	0	0	0
to Sell	0	1	0	1	1	0	0	0	0

**Institutional Decisions**

	2Q2013	3Q2013	4Q2013	Percent shares traded
to Buy	139	143	176	30
to Sell	187	159	163	20
Hld's(000)	147859	143155	143254	10

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
Revenues per sh <sup>D</sup>	16.85	16.24	17.25	21.66	22.74	23.73	23.50	24.63	24.76	24.80	<b>24.85</b>	<b>25.60</b>	Revenues per sh <sup>D</sup>	29.75
"Cash Flow" per sh	2.59	2.69	2.99	3.69	4.14	4.50	4.84	4.65	3.50	3.65	<b>3.65</b>	<b>3.80</b>	"Cash Flow" per sh	5.40
Earnings per sh <sup>A</sup>	1.66	1.73	1.93	2.19	2.53	3.11	3.31	3.04	2.00	2.09	<b>2.15</b>	<b>2.25</b>	Earnings per sh <sup>A</sup>	3.60
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
Cap'l Spending per sh	1.46	1.58	1.51	1.33	1.03	.98	1.25	1.76	1.76	2.13	<b>1.95</b>	<b>2.15</b>	Cap'l Spending per sh	2.50
Book Value per sh <sup>C</sup>	6.27	8.21	8.73	11.00	11.13	16.05	19.10	17.84	18.40	17.89	<b>18.80</b>	<b>20.20</b>	Book Value per sh <sup>C</sup>	25.45
Common Shs Outst'g <sup>B</sup>	156.97	161.70	155.88	158.61	159.60	163.50	166.70	164.70	165.30	165.60	<b>166.00</b>	<b>166.00</b>	Common Shs Outst'g <sup>B</sup>	166.00
Avg Ann'l P/E Ratio	17.5	21.4	20.5	18.1	14.9	11.8	16.6	15.4	16.8	17.6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15.0
Relative P/E Ratio	.92	1.14	1.11	.96	.90	.79	1.06	.97	1.07	.99			Relative P/E Ratio	.95
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
Revenues (\$mill) <sup>D</sup>	2645.0	2626.7	2688.5	3436.2	3629.5	3879.3	3917.2	4057.1	4092.1	4107.1	<b>4125</b>	<b>4250</b>	Revenues (\$mill) <sup>D</sup>	4935
Operating Margin	19.2%	20.0%	18.5%	15.6%	21.2%	18.9%	20.0%	18.7%	9.0%	17.9%	<b>18.5%</b>	<b>18.5%</b>	Operating Margin	22.0%
Depreciation (\$mill)	145.5	156.3	156.7	235.1	251.9	230.1	245.9	256.1	247.6	257.5	<b>250</b>	<b>255</b>	Depreciation (\$mill)	300
Net Profit (\$mill)	261.2	279.4	309.7	350.9	408.1	505.9	561.0	510.3	331.3	347.6	<b>355</b>	<b>375</b>	Net Profit (\$mill)	595
Income Tax Rate	24.7%	23.6%	4.6%	--	--	--	--	--	25.5%	2.2%	<b>18.0%</b>	<b>18.5%</b>	Income Tax Rate	14.0%
Net Profit Margin	9.9%	10.6%	11.5%	10.2%	11.2%	13.0%	14.3%	12.6%	8.1%	8.5%	<b>8.6%</b>	<b>8.8%</b>	Net Profit Margin	12.1%
Working Cap'l (\$mill)	662.1	965.0	916.7	1046.7	1101.8	1644.3	1545.9	1722.9	1731.2	1673.4	<b>1705</b>	<b>1800</b>	Working Cap'l (\$mill)	2170
Long-Term Debt (\$mill)	698.8	695.3	702.0	2184.4	1834.0	1707.3	1714.4	1711.9	1706.8	1747.0	<b>1835</b>	<b>1925</b>	Long-Term Debt (\$mill)	2230
Shr. Equity (\$mill)	983.9	1327.9	1361.1	1745.2	1776.4	2623.7	3183.5	2938.0	3041.7	2961.9	<b>3120</b>	<b>3350</b>	Shr. Equity (\$mill)	4225
Return on Total Cap'l	16.2%	14.5%	15.8%	10.7%	12.7%	12.9%	12.5%	12.0%	7.9%	8.3%	<b>8.0%</b>	<b>8.0%</b>	Return on Total Cap'l	10.0%
Return on Shr. Equity	26.5%	21.0%	22.8%	20.1%	23.0%	19.3%	17.6%	17.4%	10.9%	11.7%	<b>11.5%</b>	<b>11.0%</b>	Return on Shr. Equity	14.0%
Retained to Com Eq	26.5%	21.0%	22.8%	20.1%	23.0%	19.3%	17.6%	17.4%	10.9%	11.7%	<b>11.5%</b>	<b>11.0%</b>	Retained to Com Eq	14.0%
All Div'ds to Net Prof	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

**CAPITAL STRUCTURE as of 12/31/13**  
 Total Debt \$1840.7 mill. Due in 5 Yrs \$550.0 mill.  
 LT Debt \$1747.0 mill. LT Interest \$86.2 mill.  
 (30% of Cap'l)

**Leases, Uncapitalized** Annual rentals \$31.1 mill.  
**Pension Assets** \$507.7 mill. **Oblig.** \$555.4 mill.

**Pfd Stock** None

**Common Stock** 166,461,770 shs. as of 2/10/2014

**MARKET CAP: \$7.4 billion (Large Cap)**

**CURRENT POSITION (\$MILL.)**

	2011	2012	12/31/13
Cash Assets	597.5	772.1	798.1
Receivables	639.9	646.9	574.3
Inventory (FIFO)	1027.0	997.8	1066.2
Other	306.3	343.6	399.9
Current Assets	2570.7	2760.4	2838.5
Accts Payable	241.3	276.0	329.2
Debt Due	36.6	28.9	93.7
Other	569.9	724.3	742.2
Current Liab.	847.8	1029.2	1165.1

**ANNUAL RATES of change (per sh)**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Revenues	4.0%	4.0%	3.0%
"Cash Flow"	4.0%	2.0%	5.5%
Earnings	3.5%	1.5%	7.0%
Dividends	--	--	NMF
Book Value	7.0%	12.0%	6.0%

**QUARTERLY REVENUES (\$mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1002.3	1064.1	976.7	1014.0	4057.1
2012	965.9	1033.3	994.0	1098.9	4092.1
2013	988.3	1026.2	1008.2	1084.4	4107.1
2014	<b>1030</b>	<b>1040</b>	<b>1000</b>	<b>1055</b>	<b>4125</b>
2015	<b>1060</b>	<b>1075</b>	<b>1030</b>	<b>1085</b>	<b>4250</b>

**EARNINGS PER SHARE<sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	.93	.94	.66	.51	3.04
2012	.47	.51	.47	.55	2.00
2013	.52	.55	.51	.51	2.09
2014	<b>.55</b>	<b>.55</b>	<b>.50</b>	<b>.55</b>	<b>2.15</b>
2015	<b>.55</b>	<b>.55</b>	<b>.55</b>	<b>.60</b>	<b>2.25</b>

**QUARTERLY DIVIDENDS PAID**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010					
2011					
2012					
2013					
2014					

NO CASH DIVIDENDS BEING PAID

**BUSINESS:** Hospira, Inc. engages in the manufacture and marketing of specialty injectable pharmaceuticals and medication delivery systems that deliver drugs and intravenous (I.V.) fluids. It also provides contract manufacturing services to pharmaceutical and biotechnology companies for formulation development, filling, & finishing of injectable pharmaceuticals. Organized into three report-

**Hospira reported mixed fourth-quarter results.** Revenues hit \$1.08 billion, while adjusted earnings per share were \$0.51. Though these figures represent modest declines from the year prior, the company has further opportunity to expand adjusted earnings in 2014. Profits will have some variability over the coming year as *Precedex*, the company's blockbuster proprietary sedation agent, will have some generic competition. The timing of this remains uncertain, and will have a significant impact on whether the top line expands or declines. At this point, we are projecting a later entry date, which would allow revenues to reach \$4.125 billion. Too, we project adjusted earnings per share of \$2.15 for 2014.

**The Sapphire infusion system should lead to device gains over the next few years.** The product has launched in Europe, which should help sales, and the company is looking to transition US Gemstar customers to the device. The consolidation in infusion devices should allow for streamlined operations, ultimately aiding long-term bottom-line expansion. *Infectra* should provide some upside over

able segments: Americas (79% of 2013 revenues), EMEA (13%), and Asia/Pacific (8%). Has about 17,000 employees. BlackRock, Inc. owns 6.6% of common stock; officers and directors, less than 1% (3/14 proxy). Chief Executive Officer: F. Michael Ball, Inc.: DE. Address: 275 North Field Drive, Lake Forest, Illinois 60045. Telephone: (224) 212-2000. Internet: www.hospira.com.

the coming years, as well. It received approval from Health Canada for four indications. As this was launched in Europe during 2013, the top line should grow from a full year of sales.

**The company continues to deal with operational matters.** A \$60 million lawsuit was settled with shareholders over previous quality control issues. Management anticipates insurance will cover the cost of settlement. The company received an additional warning letter on its Rocky Mount facility. Corrective actions will add to the expense total.

**Hospira has a Timeliness rank of 4 (Below Average).** This issue is trading at an above-historical-average price-to-earnings ratio and has little appreciation potential. Too, this company continues to have operational concerns, which result in additional expenses. This company has many challenges ahead of it. This issue has been subject to several bouts of intraday volatility, despite its below-average Beta. For most, this issue can be avoided, as the potential reward will not justify the risks.

*John E. Seibert III*  
 April 11, 2014

(A) Diluted earnings per share. Excl. nonrecurring gains (losses): '04, (\$0.26); '05, (\$0.27); '06, (\$0.45); '07, (\$1.34); '08, (\$0.54); '09, (\$0.63); '10, (\$1.20); '11, (\$3.10); '12, (\$1.73); '13 (\$2.14) Earnings may not sum due to rounding. Next earnings report due late April. (B) In millions. (C) Includes intangibles. In 2013: \$1229.9 million, \$7.23 per share. (D) '04 Pro forma data.

Company's Financial Strength	B+
Stock's Price Stability	70
Price Growth Persistence	45
Earnings Predictability	70

To subscribe call 1-800-833-0046.