



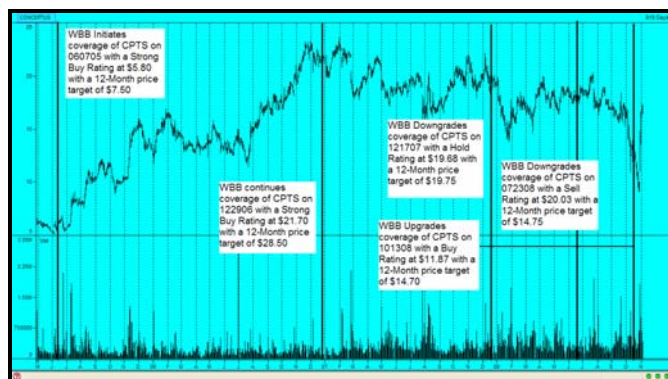
# WBB Securities, LLC

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## Conceptus, Inc. CPTS(NASDAQ) (11/5/08)

### Downgrading to Hold and raising Price Target to \$16.20



40-Month Price and Trading Volume

#### Rating Legend:

**Strong Buy** – Should be aggressively purchased.

**Buy** - Should be purchased on market weakness.

**Hold** - Fairly valued.

**Sell** - Stock should be sold on market strength.

**Sell Short** - Should be aggressively sold.

**Speculative Buy** – For aggressive accounts only.

Current Price	\$16.43		FY:Dec		2007A	2008	2009
12 Month Trading Range	\$9.01 - 22.22		EPS	Q1	(0.14)A	(0.21)A	
Market Capitalization (Mil)	\$498.65			Q2	(0.07)A	(0.05)A	
Shares Outstanding (Mil)	30.35			Q3	(0.09)A	0.10A	
Avg. Daily Volume	445,633			Q4	(0.09)A	0.16E	
L. T. Debt (Mil)	86.25			Year	(0.39)A	(0.00)E	0.26E
Dividend/Yield	N/A						
Book Value P/S	0.702			P/E	NM	NM	62
				EPS Growth	NM	NM	NM
				FY Rev.	\$64.4M	\$103M	\$118M
NASDAQ Composite	1,681.64						
S&P 500	952.77						
12 Month Target Price	\$16.20						

Source: Reuters \*

### Positive Net Income and Continued Growth in Revenue

Conceptus, Inc. (CPTS) recently reported its first ever quarter of positive earnings at \$0.10 per share on revenue of \$26.6 million. Although quarter over quarter growth in revenue was only 3.8%, we expect full year 2008 earnings to come in at the low end of CPTS's guidance. The third quarter is typically a slow quarter in Europe due to long summer vacations. Fourth quarter sales in Europe are expected to be significantly higher, as the fourth quarter is typically the strongest in Europe.

The Essure® procedure is a viable safe alternative to laparoscopic tubal ligation surgery, with significant benefits to patients, physicians and insurers. We would expect CPTS to continue to record strong top line growth both domestically and internationally, as its expanding base of trained physicians continues to recommend Essure as an alternative to tubal ligation surgery.

We are increasing our price target of \$16.20 per share, based on our 2010 EPS estimate of \$0.90E per share with a 5% reduction in our discounted price model to 30%. Based on the recent price appreciation of CPTS's share price, we are downgrading CPTS to a hold rating.

## Management

**Kathryn A. Tunstall, Chairman of Board of Directors** since January 2000, and a director since July 1993. She served as President and Chief Executive Officer from July 1993 to December 31, 1999. Prior to joining CPTS, Ms. Tunstall spent seven years as an executive officer of the Less Invasive Surgery Division of Baxter International, a cardiovascular catheter company. Ms. Tunstall holds a B.A. in Economics from the University of California.

**Mark M. Sieczkarek, President and Chief Executive Officer** since April 2003. Prior to joining CPTS he was President, Americas, of Bausch and Lomb, Inc., having worked at Bausch and Lomb since 1995. Other positions include President and Chief Financial Officer of KOS Pharmaceuticals, positions in Finance and Commercial Operations with several Bristol Myers-Squibb subsidiaries and Sanofi Diagnostics Pasteur. Mr. Sieczkarek holds a B.S. in Accounting from the State University of New York at Buffalo and an MBA degree in Finance from Canisius College.

**Gregory E. Lichtwardt, Executive Vice President, Treasurer and Chief Financial Officer** since November 2003. He was previously Executive Vice President, Finance, Chief Financial Officer and Corporate Secretary of Innoventry, Inc., a financial services company and Vice President, Finance, Chief Financial Officer and Treasurer of Ocular Sciences, Inc., a developer and marketer of soft contact lenses. He also worked for Allergan Inc., AST Research, Inc. and American Hospital Supply Corporation. He holds a BBA degree from the University of Michigan and MBA degree from Michigan State University.

**Spencer Roeck, Vice President of International** since October 2007. Prior to joining CPTS, Mr. Roeck was Senior Director of International Sales and Marketing at VNUS Medical Technologies. Mr. Roeck's background includes extensive experience in sales, marketing and operations for a variety of medical device and healthcare markets. He received a Bachelor's degree in International Business from California State University, San Jose and attended Thunderbird, American Graduate School of International Management.

**Ulric Coté, Vice President, Sales** since April 2004. Prior to joining CPTS he was Senior Director of Sales, Gynecology Division at American Medical Systems. Other positions include President and Chief Executive Officer of Collagenesis, Inc., a developer and marketer of products derived from re-engineered and processed human tissue and Director of Sales and Marketing for Influence, a medical company developing a treatment for incontinence. He holds a BS degree in Business Administration from California State University at Sacramento.

## Third Quarter 2008 Earnings

CPTS continues to report strong growth in sales of the Essure system, driven by increased utilization by trained physicians, growth in international sales associated with the acquisition of CPTS SAS, and transitioning physicians into performing the Essure procedure in an office setting, where productivity and utilization are higher. Net sales for the third quarter of 2008 were \$26.6A million, up just 3.8% compared with net sales of \$25.7A million for the second quarter of 2008. Net income of \$0.10A per share represents the first time in the company's history that they recorded a profitable quarter. CPTS expects fourth quarter 2008 net sales of between \$29.5E and \$30.5E million and net income of between \$0.16E and \$0.21E per share.

Although on the surface, quarter-over-quarter growth appears to have slowed, we remain confident that CPTS will be able to meet at least the low end of its fourth quarter 2008 sales guidance. Third quarter sales in Europe are typically the lowest of the year, as Europeans take long summer vacations. In the past two years, fourth quarter sales in Europe have been sharply higher than third quarter, and we would expect this trend to continue in 2008. We are somewhat concerned about recent unfavorable changes in the exchange rate, but would not expect the overall negative currency impact in the fourth quarter to exceed \$0.5 million in total sales.

## Valuation

With CPTS recording its first ever quarter of positive net income on continued growth in sales, we are revising our Q4 and full year 2008 estimates upward. We now expect full year 2008 revenue of \$103E million, based on Q4 revenue of \$29.5E million. We are also revising our full year 2008 earnings estimate to break-even.

With over 7,000 physicians trained to perform the Essure procedure, CPTS is focused on driving utilization rates, as well as converting physicians to office-based procedures. We expect sales of the Essure system to continue to grow, both domestically and internationally.

We are raising our previous one-year price target of \$16.20 per share. This model is again based on our 2010 estimated EPS of \$0.90E. We are still applying a 35 multiple to earnings, but are reducing our discount modeling to 30% for 2 ½ years to arrive at our one-year price target of \$16.20. Based on the recent price of CPTS, we are now downgrading CPTS to a hold rating.

## TRADEMARKS

ESSURE is a registered trademark of Conceptus, Inc.

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	<b>Percentage of Covered Securities</b>	<b>Percentage of Banking Clients</b>
Buy	70%	21%
Hold	20%	0%
Sell	10%	0%

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