

ABIOMED INC
Form 424B3
March 13, 2007
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The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed without notice. A registration statement has been filed with the Securities and Exchange Commission and has been declared effective. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and are not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(3)

Registration No. 333-137746

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus Dated October 17, 2006)

Subject to Completion, Dated March 12, 2007

5,000,000 Shares

COMMON STOCK

ABIOMED, Inc. is offering 5,000,000 shares of its common stock.

Our common stock is quoted on the Nasdaq Global Market under the symbol ABMD. The last reported sale price of our common stock on the Nasdaq Global Market on March 9, 2007 was \$13.46 per share.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-9.

PRICE \$ A SHARE

	<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Abiomed</i>
<i>Per Share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

We have granted the underwriters the right to purchase up to an additional 750,000 shares of common stock to cover over-allotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on _____, 2007.

MORGAN STANLEY

UBS Investment Bank

March , 2007

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ABIOMED and ABIOCOR are trademarks of ABIOMED, Inc., and are registered in the U.S.A. and certain foreign countries. BVS is a trademark of ABIOMED, Inc. and is registered in the U.S.A. AB5000 is a trademark of ABIOMED, Inc. IMPELLA and RECOVER are trademarks of Abiomed Europe GmbH, a subsidiary of ABIOMED, Inc., and are registered in the U.S.A. and certain foreign countries. This prospectus supplement may also include trademarks of companies other than ABIOMED.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a shelf registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC. This prospectus supplement describes the specific details regarding this offering, including the price, the amount of common stock being offered and the risks of investing in our common stock. The accompanying prospectus provides more general information. To the extent information in this prospectus supplement is inconsistent with the accompanying prospectus or any of the documents incorporated by reference into the accompanying prospectus, you should rely on this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus together with the additional information about us described in the accompanying prospectus in the section entitled *Where You Can Find More Information*.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights only some of the information included or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should read the entire prospectus carefully, including the section entitled Risk Factors beginning on page S-9 regarding our company and the common stock being sold in this offering. Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriters will not exercise their over-allotment option.

Overview

We are a leading provider of medical devices that provide circulatory support to acute heart failure patients across the continuum of care in heart recovery. Our products are designed to enable the heart to rest, heal and recover by improving blood flow and/or performing the pumping function of the heart. We believe we are currently the only company with commercially available cardiac assist devices approved for heart recovery by the Food and Drug Administration, or FDA, and our products have been used to treat thousands of patients to date. Our products can be used in a broad range of clinical settings, including by heart surgeons for patients in profound shock and by interventional cardiologists for patients who are pre-shock in the cardiac catheterization lab, or cath lab. We are focused on increasing awareness of heart recovery alternatives and establishing recovery as the standard of care for patients with failing but potentially recoverable hearts. We expect this standard of care to significantly increase the number of patients able to return home from the hospital with their own hearts. Since 2004, our new executive team has focused our efforts on expanding our product portfolio, and we currently have eight disposable products that have either been approved or cleared by the FDA or have received CE mark approval, as well as several additional products in development. In addition, we have significantly expanded our global distribution efforts over the past two years and increased revenue by approximately 70% to \$43.7 million in the year ended March 31, 2006 from \$25.7 million in the year ended March 31, 2004.

We currently manufacture and sell the AB5000 Circulatory Support System and the BVS 5000 Biventricular Support System for circulatory support of acute heart failure patients in profound shock, including patients suffering from cardiogenic shock after a heart attack or heart surgery, and patients with myocarditis, or a virus in the heart. These devices, which are used in the surgery suite, can assume the pumping function of the heart, allowing the patient's heart to rest, heal and potentially recover. We began offering the BVS 5000 for post-cardiotomy cardiogenic shock in 1992, and we introduced the AB5000, our next-generation heart recovery system, in 2004. Unlike destination therapy and bridge-to-transplant devices, which are designed for heart patients with irreversible heart damage, our AB5000 and BVS 5000 systems are designed for heart recovery, requiring only a minimal incision in the left ventricle of the heart. We believe these two systems are currently the only commercially available cardiac assist devices approved by the FDA for heart recovery. The AB5000 has several clinical advantages over the BVS 5000, including a higher pulsatile blood flow of up to six liters per minute, the ability to provide a longer duration of support and the facilitation of patient mobility within the hospital. These advantages enable us to offer our heart recovery solution to a broader range of patients, including patients who have had an acute myocardial infarction or are suffering from myocarditis. In addition, we believe these advantages, combined with the AB5000's ease of implant and historically low incidence of adverse events, facilitate heart recovery, potentially avoiding the need for heart transplantation and improving patient outcomes.

In addition to our products for the surgery suite, we offer other circulatory assist devices that can be used in cath labs, where interventional cardiologists treat a larger percentage of heart attack patients and also perform angioplasty and high-risk angioplasty procedures. Our devices designed primarily for pre-shock patients in the cath lab are our Impella 2.5 and Impella 5.0 catheters, which are percutaneous micro heart pumps, providing up to 2.5 and 5.0 liters of blood flow per minute, respectively. These catheters can be quickly inserted through the femoral artery over a guide wire to reach the left ventricle of the heart. Our Impella devices have CE mark

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approval and have been used to treat more than 850 patients in Europe. These devices are not approved for commercial sale in the United States, but we plan to apply for premarket approval, or PMA, of the Impella 2.5 and 5.0 catheters. Since mid-2006, we have been conducting pilot clinical trials in the U.S. for both the Impella 2.5 and 5.0 to support these planned applications for premarket approval from the FDA. The Impella 2.5 trial is designed to study the use of the Impella 2.5 to support high-risk angioplasty. The Impella 5.0 trial will include post-cardiotomy patients who have been weaned from the heart-lung machine. In addition, we are also seeking 510(k) clearance from the FDA of our Impella 2.5 catheter for short duration use. We cannot assure you that we will receive PMA approval or 510(k) clearance for any intended use of the Impella 2.5 or PMA approval for any intended use of the Impella 5.0.

Our other product for the cath lab is our recently introduced percutaneous intra-aortic balloon, or IAB. An IAB is typically used as an initial line of therapy for patients with diminished heart function. To support our IAB, we developed our iPulse combination console, which is also designed to support our AB5000 and BVS 5000 systems, as well as other products we may offer in the future. We believe the iPulse's ability to support multiple devices, including IABs made by other manufacturers, will make it more attractive than consoles designed to operate a single device. In addition, we believe the iPulse will provide our customers additional flexibility in allocating resources between the surgery suite and the cath lab. The iPulse console has CE mark approval in Europe, and we have filed a PMA supplement to obtain FDA approval in the U.S.

Since March 31, 2004, we have increased the number of our direct sales and clinical personnel from 17 to 69 employees covering the U.S., France and Germany. In addition, we use distributors to sell our products in other international markets. We plan to continue to expand our global sales force and increase the number of our distributors over the next few years. We have historically focused our efforts on selling our AB5000 and BVS 5000 systems to cardiac surgeons in open heart centers and transplant centers, of which there are approximately 1,000 in the U.S. However, our recently FDA-cleared IAB product and, if approved by the FDA, our Impella products, will expand our potential target customer base to include interventional cardiologists in the approximately 1,750 U.S. hospitals with cath labs. We estimate that there are approximately 14,000 interventional cardiologists in the U.S.

Industry Background

According to the American Heart Association, or AHA, coronary heart disease is the leading cause of death in the U.S. The AHA estimates that in the United States in 2004 there were approximately two million hospital visits with coronary heart disease as the first-listed diagnosis and approximately 1.1 million hospital visits with congestive heart failure as the first-listed diagnosis. The number of hospital visits with acute myocardial infarction, or heart attack, as the first or second-listed diagnosis was approximately 896,000. Many heart failure patients are sent to the cath lab for treatments such as the implantation of defibrillators or pacemakers, angioplasty procedures and stenting procedures. In more severe cases, patients are sent directly to the surgery suite for coronary bypass or valve replacement surgery. The most severe heart failure patients are patients in profound shock, including those suffering from myocarditis or suffering from cardiogenic shock, or the impaired ability of the heart to pump blood, after a heart attack or heart surgery. For example, according to The New England Journal of Medicine, approximately 7 to 10% of the patients who are hospitalized for a heart attack suffer from cardiogenic shock and 60 to 80% of those patients die. These patients typically require treatments in the surgery suite involving the use of mechanical circulatory support devices that provide increased blood flow and reduce the strain on the heart. However, many less severe patients in the cath lab could also benefit from circulatory support devices, which could potentially prevent them from entering into profound shock.

There are two primary types of devices used in the cath lab and surgery suite for circulatory support for pre-shock and profound shock patients: intra-aortic balloons, or IABs, and ventricular assist devices, or VADs. An IAB is an inflatable balloon inserted by a catheter that is used as an initial line of therapy in the cath lab or the surgery suite for patients with diminished heart function. However, IABs typically provide only limited support

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and depend on the patient's own heart to generate the majority of the patient's blood flow. In addition, IABs are often used in conjunction with inotropes or other drugs that improve heart muscle ejection but significantly increase the risk of mortality. Moreover, IABs can also require significant time to put in place.

Ventricular assist devices are mechanical devices that help the failing heart pump blood. Historically, VADs have been highly invasive and require implantation in the surgery suite. The use of VADs generally falls into three sub-categories: destination therapy, bridge-to-transplant and recovery. Destination therapy generally involves the implantation of a mechanical support device as the last clinical alternative for a chronic patient with end-stage heart failure who is not eligible for transplantation. Destination therapy only prolongs the end-stage disease, as the patient's condition is terminal and the patient's heart is not expected to recover. In addition, a number of companies have been developing artificial replacement hearts, which are a form of destination therapy.

Bridge-to-transplant VADs are primarily used to support chronic patients eligible to receive a heart transplant. According to the United Network for Organ Sharing, in 2006 there were only approximately 1,850 heart transplants in the U.S. As a result, many patients eligible for transplant must rely on bridge-to-transplant devices for an extended period while waiting for a heart transplant. During this time, these patients frequently experience significant medical complications, such as infection. Moreover, these devices generally require the removal of a portion of the patient's heart tissue, significantly limiting the chance of recovery of the patient's heart.

Recovery VADs are designed to enable the patient's heart to recover so that the patient can return home with his or her own heart. Because recovery is the goal, these devices are designed to minimize damage to heart tissue and be removed once the heart has recovered. If possible, recovery of one's own heart is generally preferred to transplantation or prolonged device implantation, both of which have significant side effects and increase the risk of mortality. Historically, however, recovery devices have not been widely available.

Our Solution

Our product portfolio is designed to provide heart recovery as an option across the continuum of care for acute heart failure patients. We believe our AB5000 and BVS 5000 products are currently the only commercially available cardiac assist devices approved by the FDA for heart recovery. In addition, if approved by the FDA, our Impella products and our iPulse console, together with our recently FDA-cleared IAB, will expand our heart recovery devices beyond the surgery suite by providing circulatory support for pre-shock heart failure patients in the cath lab. This expansion into the cath lab will significantly increase our target market opportunity and will enable us to offer products to interventional cardiologists in the approximately 1,750 U.S. hospitals with cath labs. We estimate that there are approximately 14,000 interventional cardiologists in the U.S. The new target patient population in the cath lab for our Impella and IAB devices includes approximately one million U.S. patients annually who enter the hospital for heart attacks and high-risk angioplasty procedures. This target patient base is in addition to our existing target population of approximately 75,000 patients suffering from cardiogenic shock after a heart attack or heart surgery, or suffering from myocarditis. Our existing target patients are those in the approximately 1,000 open heart centers and transplant centers in the U.S., which continue to represent a significant opportunity for growth as well.

We developed our first heart recovery products for use in open heart centers and transplant centers. Our AB5000 and BVS 5000 are capable of assuming the pumping function of the heart. Unlike destination therapy and bridge-to-transplant devices, which are designed for heart patients with irreversible heart damage, our AB5000 and BVS 5000 systems are designed for heart recovery, requiring only a minimal incision in the left ventricle of the heart. We believe the AB5000's high flow rates, ease of implant, facilitation of patient mobility in the hospital and historically low incidence of adverse events facilitate heart recovery, potentially avoiding the need for heart transplantation and improving patient outcomes. In October 2005, the Centers for Medicare & Medicaid Services, or CMS, increased reimbursement for our AB5000 and BVS 5000 products for patients that

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recover using our devices to levels similar to those for patients who undergo heart transplants. Since its introduction, the BVS 5000 has supported thousands of patients in hundreds of medical centers around the world. The AB5000, our next-generation heart recovery device introduced in 2004, has already supported more than 500 patients globally.

In 2005, we began to expand our product portfolio to include devices that address the larger population of heart attack and high-risk angioplasty patients treated by interventional cardiologists in the cath lab. This population includes patients whose hearts can potentially recover with assistance but without open heart surgery. Our Impella 2.5 and 5.0 catheters are micro heart pumps that can be quickly inserted percutaneously through the femoral artery over a guide wire to reach the left ventricle of the heart. This rapid procedure time facilitates early patient stabilization, giving an interventional cardiologist additional time to evaluate the most effective and clinically prudent treatment option for the patient. These devices allow the heart to rest, heal and potentially recover without the use of inotropes, drugs commonly used with IABs that increase the risk of mortality. In addition, the higher blood flow rate of our Impella 5.0 enables surgeons to use it to treat more severe heart conditions in the surgery suite. We believe our Impella products can provide solutions to patients with less severe heart disease, enhancing patient outcomes and increasing the number of patients who return home with their own hearts.

We expect that our iPulse console, if approved by the FDA, will further expand our product reach into the cath lab. The iPulse console is designed to support our IAB as well as other manufacturers' IABs, which are used primarily in the cath lab. Because our multi-functional console also supports our AB5000 and BVS 5000 blood pumps, we believe the iPulse will provide our customers additional flexibility in allocating console resources between the surgery suite and the cath lab. In addition, because a significant portion of IABs are used in the surgery suite, we believe adoption of our iPulse console will increase utilization of our AB5000 ventricle.

In September 2006, we received Humanitarian Device Exemption, or HDE, approval from the FDA for our AbioCor Implantable Replacement Heart, the first completely self-contained artificial heart. The AbioCor gives chronic patients with biventricular heart failure who are not eligible for a transplant and whose sole alternative is death the opportunity to extend life. The AbioCor has no wires piercing the skin and allows the patient improved quality of life outside the hospital. We currently expect to begin a controlled roll-out of the AbioCor in the quarter ending September 30, 2007 at approximately five heart centers in the U.S. We are also developing our next-generation artificial heart, the AbioCor II, which is approximately 30% smaller than the existing AbioCor and is being designed with a goal of five-year reliability.

Our Strategy

Our strategic objective is to become the global leader in medical devices for heart recovery. To achieve this objective, we intend to:

Expand our global distribution by hiring additional direct sales and clinical personnel and growing our network of international distributors

Promote heart recovery as the standard of care through clinical data and published scientific studies

Enhance our product portfolio to address patients along the entire continuum of care for heart recovery, from the cath lab, to the surgery suite, to the intensive care unit, to home discharge

Evaluate strategic opportunities to add complementary products and technologies

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Risks Related to Our Business

Our business is subject to a number of risks that you should be aware of before making an investment decision. Some of these risks are:

Our products are highly regulated medical devices and face substantial uncertainties relating to product development, clinical trials, regulatory approvals or clearances and commercial acceptance. Several of our products, including our Impella products and iPulse console, are not yet approved or cleared by the FDA, and we cannot assure you that they will ever be approved or cleared.

Historically, we have not been profitable, and we cannot assure you that we will become profitable. Our operating results may continue to fluctuate unpredictably.

The markets for most of our products are unproven, and we may be unable to successfully commercialize those products. We have limited experience selling our products to cath labs.

Any failure on our part to manage growth successfully could adversely affect our business and operating results. We currently manufacture each of our products at only one location, and we may encounter difficulties in increasing our manufacturing capacity to meet anticipated demand.

We may not be successful in expanding our sales activities, developing global distribution of our products, and recruiting and retaining key personnel.

We may not be successful in defending our intellectual property, and we may face substantial claims for intellectual property infringement and product liability.

These and other risks related to our business and this offering are discussed more fully in the section of this prospectus supplement entitled "Risk Factors," beginning on page S-9.

Our Corporate Information

We are a Delaware corporation and commenced operations in 1981. Our principal executive offices are located at 22 Cherry Hill Drive, Danvers, Massachusetts 01923, and our telephone number is (978) 777-5410. Our web address is www.abiomed.com. We make available free of charge through the Investors section of our website all reports that we file with the Securities and Exchange Commission. We do not incorporate the information on our website into this prospectus supplement, and you should not consider it part of this prospectus supplement.

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THE OFFERING

Common stock offered by ABIOMED, Inc.:	5,000,000 shares
Common stock to be outstanding after the offering:	32,226,012 shares
Use of Proceeds	We intend to use the net proceeds we receive from this offering to expand our global sales and distribution, to complete clinical studies and regulatory processes, and invest in research and development and for general corporate purposes, including working capital and potential acquisitions.
Nasdaq Global Market symbol:	ABMD

The number of shares of common stock to be outstanding after the offering is based on the number of shares outstanding as of March 9, 2007 and reflects our sale of 5,000,000 shares of common stock in this offering. This number excludes:

options outstanding on March 9, 2007 to purchase 4,304,245 shares of common stock at a weighted average exercise price of \$11.03 per share;

options and other stock awards with respect to an additional 1,555,450 shares of common stock that may be granted under our stock incentive plans after March 9, 2007;

245,544 shares of common stock issuable under our employee stock purchase plan after March 9, 2007; and

warrants to purchase up to 400,000 shares of common stock issued in connection with the purchase of intellectual property at an exercise price of \$0.01 per share.

Unless otherwise noted, the information in this prospectus supplement assumes that the underwriters' over-allotment option will not be exercised.

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You should read the following summary consolidated financial data together with Management's discussion and analysis of financial condition and results of operations and our financial statements and the related notes included or incorporated by reference in this prospectus supplement and the accompanying prospectus. The consolidated statement of operations data include the results of operations attributable to our acquisition of all of the outstanding stock of Impella CardioSystems AG as of May 10, 2005. Our Impella acquisition was accounted for under the purchase method of accounting.

	Nine months ended				
	Year ended March 31,			December 31,	
	2004	2005	2006	2005	2006
	(in thousands, except per share data)				
Statement of operations data:					
Total revenues	\$ 25,739	\$ 38,216	\$ 43,670	\$ 29,874	\$ 36,798
Costs and expenses ⁽¹⁾ :					
Cost of product revenues excluding amortization ⁽¹⁾	7,591	9,366	11,685	7,851	9,281
Research and development ⁽¹⁾	14,150	13,350	16,739	12,517	16,329
Selling, general and administrative ⁽¹⁾	14,037	18,566	30,923	21,558	31,355
Expensed in-process research and development			13,306	13,306	800
Amortization of intangibles	213	187	1,308	955	1,243
Total costs and expenses ⁽¹⁾	35,991	41,469	73,961	56,187	59,008
Loss from operations	(10,252)	(3,253)	(30,291)	(26,313)	(22,210)
Interest and other income, net	806	911	1,198	799	1,022
Net loss before provision for income taxes	(9,446)	(2,342)	(29,093)	(25,514)	(21,188)
Tax provision			356	253	344
Net loss	\$ (9,446)	\$ (2,342)	\$ (29,449)	\$ (25,767)	\$ (21,532)
Basic and diluted net loss per share	\$ (0.45)	\$ (0.11)	\$ (1.15)	\$ (1.01)	\$ (0.81)
Weighted average shares outstanding	21,153	21,845	25,649	25,447	26,602
				December 31, 2006	
				Actual	As adjusted ⁽²⁾
Balance sheet data:					
Cash, cash equivalents, and short-term marketable securities				\$ 17,241	\$79,435
Working capital				23,995	86,189
Total assets				74,534	136,728
Long-term liabilities				6,456	6,456
Stockholders' equity				57,079	119,273

- (1) Costs and expenses for the nine months ended December 31, 2006 include stock-based compensation expense of \$4.6 million, or approximately \$0.17 per share, as a result of the adoption of SFAS No. 123(R), Share-Based Payment, in fiscal 2007. Approximately \$3.1 million of this expense is included in selling, general and administrative expenses, approximately \$1.3 million of this expense is included in research and development expenses and approximately \$0.2 million of this expense is included in cost of product revenues excluding amortization.

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- (2) Reflects the sale of 5,000,000 shares of our common stock in this offering at an assumed public offering price of \$13.46 per share (based on the last reported sale price on March 9, 2007), after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each \$0.50 increase (decrease) in the assumed public offering price of \$13.46 per share would increase (decrease) each of cash, cash equivalents and short-term marketable securities; working capital; total assets; and

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stockholders' equity by approximately \$2.3 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) each of cash, cash equivalents and short-term marketable securities; working capital; total assets; and total stockholders' equity by approximately \$12.6 million. The as adjusted information discussed above is illustrative only and will adjust based on the actual public offering price and other terms of this offering determined at pricing.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. Before making an investment decision, you should carefully consider these risks as well as the other information we include or incorporate by reference in this prospectus supplement, including our consolidated financial statements and the related notes. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties of which we are unaware or that we currently deem immaterial may also adversely affect our business. If any of these risks materializes, the trading price of our common stock could fall and you might lose all or part of your investment.

This section includes or refers to forward-looking statements. You should read the explanation of the qualifications and limitations on such forward-looking statements discussed elsewhere in this prospectus supplement.

Risks Related to Our Business

We have not operated at a profit and do not expect to be profitable in the foreseeable future.

We have had net losses in each of the past three fiscal years and in the nine months ended December 31, 2006. We plan to make large expenditures in fiscal 2007 and subsequent fiscal years for, among other things, the expansion of our global distribution network and ongoing product development, which we expect will result in losses in future periods. These expenditures include costs associated with hiring additional personnel, performing clinical trials, continuing our research and development relating to our products under development, seeking regulatory approvals and, if we receive these approvals, commencing commercial manufacturing and marketing. The amount of these expenditures is difficult to forecast accurately, and cost overruns may occur. We also expect that we will need to make significant expenditures to begin to market and manufacture in commercial quantities our Impella products, our IAB, the AbioCor and any other new products for which we may receive regulatory approvals or clearances in the future.

If we fail to obtain and maintain necessary governmental approvals for our products and indications, we may be unable to market and sell our products in certain jurisdictions.

Medical devices such as ours are extensively regulated by the FDA in the United States and by other federal, state, local and foreign authorities. Governmental regulations relate to the testing, development, manufacturing, labeling, design, sale, promotion, distribution, importing, exporting and shipping of our products. In the United States, before we can market a new medical device, or a new use of, or claim for, or significant modification to, an existing product, we must generally first receive either a premarket approval, or PMA, or 510(k) clearance from the FDA. Both of these processes can be expensive and lengthy and entail significant expenses. The FDA's 510(k) clearance process usually takes from three to 12 months, but it can last longer. The process of obtaining premarket approval is much more costly and uncertain than the 510(k) clearance process. It generally takes from one to three years, or even longer, from the time the PMA application is submitted to the FDA. We cannot assure you that any regulatory clearances or approvals, either foreign or domestic, will be granted on a timely basis, if at all. If we are unable to obtain regulatory approvals or clearances for use of our products under development, or if the patient populations for which they are approved are not sufficiently broad, the commercial success of these products could be limited. The FDA may also limit the claims that we can make about our products.

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For example, we plan to pursue premarket approval for each of our Impella 2.5 and Impella 5.0, and we are seeking 510(k) clearance of our Impella 2.5. In addition, we have submitted for premarket approval of our iPulse console.

We cannot assure you that we will receive any of these approvals or clearances. For example, in response to our 510(k) submission for the Impella 2.5 for short duration use, the FDA recently responded with a letter indicating that the FDA believes that the technological characteristics of the Impella 2.5 raise new questions of safety and effectiveness that are not addressed by the predicate devices we identified in our 510(k) submission.

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The FDA stated it is unaware of a predicate device raising the same questions and asked us to identify a predicate device that does so. We intend to respond to the FDA's letter by submitting additional data attempting to demonstrate that the device does not raise a new question of safety or effectiveness, and we believe we will be successful in answering the FDA's concerns. We may also amend our 510(k) submission to identify additional predicate devices. If we succeed in addressing these concerns, we expect to receive additional questions and requests for information from the FDA as we pursue 510(k) clearance of the Impella 2.5. If the FDA deems any of our responses unsatisfactory, we will not receive 510(k) clearance. We cannot assure you that we will successfully address the FDA's concerns or obtain 510(k) clearance for the Impella 2.5 on a timely basis, or at all. If we do not receive 510(k) clearance for our Impella 2.5 device, then based on our plan to continue with our PMA strategy, the commercial launch of the Impella 2.5 in the U.S. could take an additional 12 months or more. If we do not receive FDA approval or clearance for one or more of our products, we will be unable to market and sell those products in the U.S., which would have a material adverse effect on our operations and prospects.

We intend to market our new products in international markets, including the European Union and Japan. Approval processes differ among those jurisdictions, and approval in the U.S. or any other single jurisdiction does not guarantee approval in any other jurisdiction. Obtaining foreign approvals could involve significant delays, difficulties and costs for us and could require additional clinical trials.

Our current and planned clinical trials may not begin on time, or at all, and may not be completed on schedule, or at all.

In order to obtain premarket approval and, in some cases, a 510(k) clearance, we may be required to conduct well-controlled clinical trials designed to test the safety and effectiveness of the product. In order to conduct clinical studies, we must generally receive an investigational device exemption, or IDE, for each device from the FDA. An IDE allows us to use an investigational device in a clinical trial to collect data on safety and effectiveness that will support an application for premarket approval or 510(k) clearance from FDA. We have received IDE approval and are currently conducting pilot clinical trials for each of our Impella 2.5 and Impella 5.0.

Conducting clinical trials is a long, expensive and uncertain process that is subject to delays and failure at any stage. Clinical trials can take months or years to complete. The commencement or completion of any of our clinical trials may be delayed or halted for numerous reasons, including:

the FDA may not approve a clinical trial protocol or a clinical trial, or may place a clinical trial on hold;

subjects may not enroll in clinical trials at the rate we expect and/or subjects are not followed-up at the rate we expect;

subjects may experience adverse side effects or events related or unrelated to our products;

third-party clinical investigators may not perform our clinical trials on our anticipated schedule or consistent with the clinical trial protocol and good clinical practices, or other third-party organizations may not perform data collection and analysis in a timely or accurate manner;

the interim results of any of our clinical trials may be inconclusive or negative;

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regulatory inspections of our clinical trials or manufacturing facilities may require us to undertake corrective action or suspend or terminate our clinical trials if investigators find us not to be in compliance with regulatory requirements;

our manufacturing process may not produce finished products that conform to design and performance specifications; or

governmental regulations or administrative actions may change and impose new requirements.

The results of pre-clinical studies do not necessarily predict future clinical trial results, and predecessor clinical trial results may not be repeated in subsequent clinical trials. A number of companies in the medical industry have suffered delays, cost overruns and project terminations despite achieving promising results in

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pre-clinical testing or early clinical testing. In addition, the data obtained from clinical trials may be inadequate to support approval or clearance of a submission. The FDA may disagree with our interpretation of the data from our clinical trials, or may find the clinical trial design, conduct or results inadequate to demonstrate the safety and effectiveness of the product candidate. The FDA may also require us to conduct additional pre-clinical studies or clinical trials, which could further delay approval of our products. If we are unable to receive FDA approval of an IDE to conduct clinical trials or the trials are halted by the FDA or others, or if we are unsuccessful in receiving FDA approval of a product candidate, we would not be able to sell or promote the product candidate in the U.S., which would seriously harm our business. Moreover, we face similar risks in each other jurisdiction in which we sell or propose to sell our products.

If we make modifications to a product, whether in response to results of clinical testing or otherwise, we could be required to start our clinical trials over, which could cause serious delays that would adversely affect our results of operations. Even modest changes to certain components of our products could result in months or years of additional clinical trials.

If we do not effectively manage our growth, we may be unable to successfully develop, market and sell our products.

Our future revenue and operating results will depend on our ability to manage the anticipated growth of our business. Since 2004, we have experienced significant growth in the scope of our operations and the number of our employees, including the addition of our operations in Germany and France. This growth has placed significant demands on our management, as well as our financial and operations resources. In order to achieve our business objectives, we will need to continue to grow. However, continued growth presents numerous challenges, including:

developing our global sales and marketing infrastructure and capabilities;

expanding manufacturing capacity and increasing production;

expansion of foreign regulatory compliance capabilities;

implementing appropriate operational and financial systems and controls;

identifying, attracting and retaining qualified personnel, particularly experienced clinical staff; and

training, managing and supervising our personnel worldwide.

Any failure to manage our growth effectively could impede our ability to successfully develop, market and sell our products, which could seriously harm our business.

The markets for most of our products and products under development are unproven, and we may be unable to successfully commercialize our products.

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Our products and products under development may not enjoy commercial acceptance or success, which would adversely affect our business and results of operations. We need to create markets for our Impella micro heart pumps, AB5000, IAB, iPulse console, AbioCor, AbioCor II and other new products, including achieving market acceptance among physicians, medical centers, patients and third-party payers. In particular, we need to gain acceptance of our Impella products among interventional cardiologists, who have not previously been users of our other devices. The obstacles we will face in trying to create successful commercial markets for our products include:

limitations inherent in first-generation devices, and the potential failure to develop successive improvements, including increases in service life;

the introduction by other companies of new treatments, products and technologies that compete with our products;

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the timing and amount of reimbursement for these products, if any, by third-party payers;

the potential reluctance of clinicians to obtain adequate training to use our products;

the lifestyle limitations that patients will have to accept for our AbioCor and AbioCor II products; and

the potential reluctance of physicians, patients and society as a whole to accept medical devices that replace or assist the heart or the finite life and risk of mechanical failure inherent in such devices.

The commercial success of our products will require acceptance by surgeons and interventional cardiologists, a limited number of whom have significant influence over medical device selection and purchasing decisions.

We may achieve our business objectives only if our products are accepted and recommended by leading cardiovascular surgeons and interventional cardiologists, whose decisions are likely to be based on a determination by these clinicians that our products are safe and cost-effective and represent acceptable methods of treatment. Although we have developed relationships with leading cardiac surgeons, the commercial success of our Impella products, IAB and iPulse console will require that we also develop relationships with leading interventional cardiologists in cath labs, where we do not yet have a significant presence. We cannot assure you that we can maintain our existing relationships and arrangements or that we can establish new relationships in support of our products. If cardiovascular surgeons and interventional cardiologists do not consider our products to be adequate for the treatment of our target cardiac patient population or if a sufficient number of these clinicians recommend and use competing products, it would seriously harm our business.

The training required for clinicians to use our products could reduce the market acceptance of our products and reduce our revenue.

Clinicians must be trained to use our products proficiently. It is critical to the success of our sales efforts that we ensure that there are a sufficient number of clinicians familiar with, trained on and proficient in the use of our products. Convincing clinicians to dedicate the time and energy necessary to obtain adequate training in the use of our products is challenging, and we may not be successful in these efforts. If clinicians are not properly trained, they may misuse or ineffectively use our products. Any improper use of our products may result in unsatisfactory outcomes, patient injury, negative publicity or lawsuits against us, any of which could harm our reputation and product sales. Furthermore, our inability to educate and train clinicians to use our products may lead to inadequate demand for our products.

Our products are subject to extensive regulatory requirements, including continuing regulatory review, which could affect the manufacturing and marketing of our products.

The FDA and other regulatory agencies continue to review products even after they have received initial approval. If and when the FDA or another regulatory agency clears or approves our products under development, the manufacture and marketing of these products will be subject to continuing regulation, including compliance with the FDA's adverse event reporting requirements, prohibitions on promoting a product for unapproved uses, and Quality System Regulation, or QSR, requirements, which obligate manufacturers, including third-party and contract manufacturers, to adhere to stringent design, testing, control, documentation and other quality assurance procedures during the design and manufacture of a device.

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Any modification to an FDA-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or PMA approval. The FDA requires each manufacturer to make this determination in the first instance, but the FDA may review any such decision. Modifications of this type are common with new products, and we anticipate that the first generation of each of our products will undergo a number of changes, refinements and improvements over time. For example, the current configuration of the AbioCor's thoracic unit, or replacement heart, is sized for patients with relatively large chest cavities, and we anticipate that we will need to obtain regulatory approval of thoracic units

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of other sizes, such as the AbioCor II. If the FDA requires us to seek clearance or approval for modification of a previously cleared product for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties, which could have a material adverse effect on our financial results and competitive position. We also cannot assure you that we will be successful in obtaining clearances or approvals for our modifications, if required. We and our third-party suppliers of product components are also subject to inspection and market surveillance by the FDA and other regulatory agencies for QSR and other requirements, the interpretation of which can change. Compliance with QSR and similar legal requirements can be difficult and expensive. Enforcement actions resulting from failure to comply with government requirements could result in fines, suspensions of approvals or clearances, recalls or seizure of products, operating restrictions or shutdown, and criminal prosecutions, and could adversely affect the manufacture and marketing of our products. The FDA or another regulatory agency could withdraw a previously approved product from the market upon receipt of newly discovered information, including a failure to comply with regulatory requirements, the occurrence of unanticipated problems with products following approval, or other reasons, which could adversely affect our operating results.

Even after receiving regulatory clearance or approval, our products may be subject to product recalls, which may harm our reputation and divert our managerial and financial resources.

The FDA and similar governmental authorities in other countries have the authority to order mandatory recall of our products or order their removal from the market if the governmental entity finds that our products might cause adverse health consequences or death. A government-mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors or design defects, including labeling defects. We have in the past initiated voluntary recalls of some of our products, and we could do so in the future. Any recall of our products may harm our reputation with customers and divert managerial and financial resources.

Our principal products and current primary source of revenues, the AB5000 and BVS 5000, are vulnerable to competitive pressures.

To date, we have derived most of our product revenues from sales of the AB5000 and BVS 5000. We believe that we will continue to rely heavily on these products for at least the next several years until we obtain U.S. regulatory approval for new products, including our Impella products and iPulse console. Moreover, we expect to rely increasingly on sales of the AB5000, as sales of the BVS 5000 have been declining. If another company were to introduce new treatments, products or technologies that compete with our products, add new features to its existing products or reduce its prices to make its products more financially attractive to customers, revenue from our AB5000 and BVS 5000 could decline. For example, in the event of the expansion of technologies that allow heart surgical procedures to be performed without stopping the heart, a reduction in the market for these products could result. In addition, variations in the quantity and timing of sales of our AB5000 consoles have a disproportionate effect on our revenues, because the price of the console is substantially greater than the price of our disposable blood pumps. If we cannot maintain and increase our disposable revenues from our AB5000 and BVS 5000, our overall business and financial condition could be adversely affected.

If we are unable to develop additional, high-quality manufacturing capacity, our growth may be limited and our business could be seriously harmed.

To be successful, we believe we will need to increase our manufacturing capacity. We do not have experience in manufacturing our Impella products in the commercial quantities that might be required if we receive FDA approval of those products, nor do we have experience manufacturing our AB5000, IAB and AbioCor in large quantities. We may encounter difficulties in scaling up manufacturing of our products, including problems related to product yields, quality control and assurance, component and service availability, adequacy of control policies and procedures, and lack of skilled personnel. If we cannot hire, train and retain

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enough experienced and capable scientific and technical workers, we may not be able to manufacture sufficient quantities of our current or future products at an acceptable cost and on time, which could limit market acceptance of our products or otherwise damage our business.

Each of our products is manufactured in a single location, and any significant disruption in production could impair our ability to deliver our products.

We manufacture our Impella micro heart pumps at our facility in Aachen, Germany, and we manufacture our other products at our facility in Danvers, Massachusetts. Events such as fire, flood, power loss or other disasters could prevent us from manufacturing our products in compliance with applicable FDA and other regulatory requirements, which could result in significant delays before we restore production or commence production at another site. These delays may result in lost sales. Our insurance may not be adequate to cover our losses resulting from disasters or other business interruptions. Any significant disruption in the manufacturing of our products could seriously harm our business and results of operations.

Any failure to achieve and maintain the high manufacturing standards that our products require may seriously harm our business.

Our products require precise, high-quality manufacturing. Achieving precision and quality control requires skill and diligence by our personnel. Our failure to achieve and maintain these high manufacturing standards, including the incidence of manufacturing errors, design defects or component failures, could result in patient injury or death, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously hurt our business. We have from time to time voluntarily recalled certain products. Despite our very high manufacturing standards, we cannot completely eliminate the risk of errors, defects or failures. If we are unable to manufacture the AB5000, BVS 5000, Impella products and our iPulse consoles in accordance with necessary quality standards, or if we are unable to procure additional high-quality manufacturing facilities, our business and results of operations may be negatively affected.

Our AbioCor products involve even greater manufacturing complexities than our current commercial products. Our AbioCor products must be significantly more durable and meet different standards, which may be more difficult to achieve, than those that apply to our current products. If we are unable to manufacture our AbioCor products or other future products on a timely basis at acceptable quality and cost, or if we experience unanticipated technological problems or delays in production, our business will suffer.

We depend on third-party reimbursement to our customers for market acceptance of our products. If third-party payers fail to provide appropriate levels of reimbursement for purchase and use of our products, our sales and profitability would be adversely affected.

Sales of medical devices largely depend on the reimbursement of patients' medical expenses by government health care programs and private health insurers. The cost of our AB5000 systems, BVS 5000 systems, Impella micro heart pumps and iPulse consoles is substantial, and the cost of implanting the AbioCor in a patient will also be substantial. Without the financial support of government reimbursement or third-party insurers' payments for patient care, the market for our products will be limited. Medical products and devices incorporating new technologies are closely examined by governments and private insurers to determine whether the products and devices will be covered by reimbursement, and if so, the level of reimbursement which may apply. With regard to the AbioCor, there is a Medicare noncoverage decision for artificial hearts that would prevent Medicare coverage of the services related to the implantation of that device, and that may deter coverage by private insurers. We cannot be sure that third-party payers will cover and/or adequately reimburse sales of our Impella products, iPulse console, AbioCor or other products under development, to enable us to sell them at profitable prices.

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In addition, third-party payers are increasingly requiring evidence that medical devices are cost-effective. If we are unable to meet the standards of a third-party payer, that payer may not reimburse the use of our products, which could reduce sales of our products to health care providers who depend upon reimbursement for payment. We also cannot be sure that third-party payers will continue the current level of reimbursement to physicians and medical centers for use of our AB5000, BVS 5000, Impella products and iPulse consoles. Any reduction in the amount of this reimbursement could harm our business.

Changes in health care reimbursement systems in the United States and abroad could reduce our revenues and profitability.

The federal government has considered ways to change, and has changed, the manner in which healthcare services are provided and paid for in the U.S. Occasionally, Congress passes laws that impact reimbursement for health care services, including reimbursement to hospitals and physicians. States may also enact legislation that impacts Medicaid payments to hospitals and physicians. In addition, the Centers for Medicare & Medicaid Services, the federal agency responsible for administering the Medicare program, establishes payment levels for hospitals and physicians on an annual basis, which can increase or decrease payment to such entities. Future legislative and regulatory initiatives could be introduced that adversely affect demand for our products and have a material adverse impact on our revenues. Our business and results of operations could therefore be adversely affected by future healthcare reforms.

Internationally, medical reimbursement systems vary significantly from country to country, with some countries limiting medical centers spending through fixed budgets, regardless of levels of patient treatment, and other countries requiring application for, and approval of, government or third-party reimbursement. Even if we succeed in bringing our new products to market, uncertainties regarding future healthcare policy, legislation and regulation, as well as private market practices, could affect our ability to sell our products in commercially acceptable quantities at profitable prices.

We must comply with healthcare fraud and abuse laws, and we could face substantial penalties for non-compliance and be excluded from government healthcare programs, which would adversely affect our business, financial condition and results of operations.

Our business is regulated by laws pertaining to healthcare fraud and abuse, including:

the federal Anti-Kickback Statute, which prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, in exchange for or to induce either the referral of an individual for, or the furnishing, recommending, or arranging for, a good or service for which payment may be made under a federal healthcare program such as Medicare and Medicaid; and

state law equivalents to the Anti-Kickback Statute, which may not be limited to government-reimbursed items.

We have various arrangements with customers that may implicate these laws. For example, some physicians who use our products also provide medical advisory and other consulting and personal services. Some of these physician arrangements may not meet Anti-Kickback Statute safe harbor requirements, which may result in increased scrutiny by government authorities having responsibility for enforcing these laws. Additionally, we do not maintain a formal compliance plan concerning interactions with healthcare professionals nor have we formally adopted the recommendations issued by the Office of Inspector General of the U.S. Department of Health and Human Services, or OIG. The OIG may interpret the absence of such formal plan negatively in the case of an enforcement action, which could result in a material adverse effect on our financial condition and results of operations.

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If our operations are found to be in violation of any of these or similar laws or regulations, we or our officers may face significant civil and criminal penalties, damages, fines, imprisonment and exclusion from the Medicare and Medicaid programs. Any violations may lead to curtailment or restructuring of our operations, which could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of these laws are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and damage our reputation. If enforcement action were to occur, our reputation and our business and financial condition may be harmed, even if we were to prevail or settle the action. Similarly, if the physicians or other providers or entities with whom we do business are found not to comply with applicable laws, they may be subject to sanctions, which could also have a negative impact on our business.

If we cannot attract and retain the management, scientific, sales and other personnel we need, we will not be successful.

We depend heavily on the contributions of the principal members of our business, financial, technical, sales and support, regulatory and clinical, operating and administrative management and staff, many of whom would be difficult to replace. For example, many of the members of our clinical staff are registered nurses with experience in the surgery suite or cath lab, only a limited number of whom seek employment with a company like ours. Competition for skilled and experienced management, scientific, clinical and sales personnel in the medical devices industry is intense. If we lose the services of any of the principal members of our management and staff, or if we are unable to attract and retain qualified personnel in the future, especially scientific and sales personnel, our business could be adversely affected.

If our suppliers cannot provide the components we require, our ability to manufacture our products could be harmed.

We rely on third-party suppliers to provide us with some components used in our existing products and products under development. For example, we outsource the manufacturing of all of our consoles, other than final assembly and testing. Relying on third-party suppliers makes us vulnerable to component part failures and to interruptions in supply, either of which could impair our ability to conduct clinical tests or to ship our products to our customers on a timely basis. Using third-party vendors makes it difficult and sometimes impossible for us to test fully certain components, such as components on circuit boards, maintain quality control, manage inventory and production schedules, and control production costs. Manufacturers of our product components may be required to comply with the FDA or other regulatory manufacturing regulations and to satisfy regulatory inspections in connection with the manufacture of the components. Any failure by a supplier to comply with applicable requirements could lead to a disruption in supply. Vendor lead times to supply us with ordered components vary significantly and can exceed six months or more. Both now and as we expand our manufacturing capacity, we cannot be sure that our suppliers will furnish us with required components when we need them. These factors could make it more difficult for us to effectively and efficiently manufacture our products, and could adversely impact our results of operations.

Some of our suppliers may be the only source for a particular component, which makes us vulnerable to significant cost increases. Sole-source vendors may decide to limit or eliminate sales of certain components to the medical industry due to product liability or other concerns, and we might not be able to find a suitable replacement for those products. Our inventory may run out before we find alternative suppliers, and we might be forced to purchase substantial inventory, if available, to last until we qualify an alternate supplier. If we cannot obtain a necessary component, we may need to find, test and obtain regulatory approval or clearance for a replacement component, produce the component ourselves or redesign the related product, which would cause significant delay and could increase our manufacturing costs. Any of these events could adversely impact our results of operations.

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We may not be successful in expanding our direct sales activities into international markets.

We are seeking to expand our international sales of the AB5000, BVS 5000 and Impella circulatory assist systems, as well as our iPulse console, by recruiting direct sales and support teams in Germany and France. Our international operations will be subject to a number of risks, which may vary from the risks we experience in the U.S., including:

the need to obtain regulatory approvals in foreign countries before our products may be sold or used;

the need to procure reimbursement for our products in each foreign market;

the generally lower level of reimbursement available in foreign markets relative to the U.S.;

longer sales cycles;

limited protection of intellectual property rights;

difficulty in collecting accounts receivable;

fluctuations in the values of foreign currencies; and

political and economic instability.

If we are unable to effectively expand our sales activities in international markets, our results of operations could be negatively impacted.

We intend to expand our reliance on distributors in some international markets, and poor performance by a distributor could reduce our sales and harm our business.

We rely on distributors to market and sell our products in parts of Europe, Asia, South America and Australia. Many of these distributors have the exclusive right to distribute our products in their territory. We may hire distributors to market our products in additional international markets. Our success in these markets will depend almost entirely upon the efforts of our distributors, over whom we have little or no control. If a distributor does not market and sell our products aggressively, we could lose sales and impair our ability to compete in that market.

Our operating results may fluctuate unpredictably.

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Historically, our annual and quarterly operating results have fluctuated widely, and we expect these fluctuations to continue. Among the factors that may cause our operating results to fluctuate are:

the timing of customer orders and deliveries, particularly for our consoles, which are substantially more expensive than our disposable products;

competitive changes, such as price changes or new product introductions that we or our competitors may make;

the timing of regulatory actions, such as product approvals or recalls;

costs we incur developing and testing our Impella micro heart pumps, IAB, iPulse console, AbioCor, AbioCor II and other new products or product enhancements;

costs we incur in anticipation of future sales, such as inventory purchases, expansion of manufacturing facilities, or establishment of international sales offices;

economic conditions in the health care industry; and

efforts by governments, insurance companies and others to contain health care costs, including changes to reimbursement policies.

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We believe that period-to-period comparisons of our historical results are not necessarily meaningful, and investors should not rely on them as an indication of our future performance. To the extent we experience the factors described above, our future operating results may not meet the expectations of securities analysts or investors from time to time, which may cause the market price of our common stock to decline.

We may be unable to obtain any benefit from our net operating loss carryforwards and research and experimentation credit carryforwards.

At March 31, 2006, we had federal and state net operating loss carryforwards of approximately \$67.9 million and \$24.1 million, respectively, which begin to expire in fiscal 2007. At March 31, 2006, we also had foreign net operating loss carryforwards of approximately \$24.8 million that can be carried forward indefinitely. Additionally, at March 31, 2006, we had federal and state research and experimentation credit carryforwards of approximately \$5.6 million and \$3.8 million, respectively, which begin to expire in fiscal 2007. Ownership changes, as defined in Section 382 of the Internal Revenue Code, may have limited the amount of net operating loss carryforwards and research and experimentation credit carryforwards that we can use each year to offset future taxable income and taxes payable. Subsequent ownership changes could impose additional limitations. We have not done a complete analysis to determine whether changes in the composition of our stockholders, including as a result of our acquisition of Impella and this offering, have resulted or will result in an ownership change for purposes of Section 382. We cannot assure you that we will obtain any benefit from any of our net operating loss carryforwards and research and experimentation credit carryforwards.

Our future success depends in part on the development of new circulatory assist products, and our development efforts may not be successful.

We are currently devoting our major research and development and regulatory efforts, and significant financial resources, to the development of our Impella micro heart pumps, iPulse console, AbioCor, AbioCor II and product extensions of existing commercial products and new products. The development of new products and product extensions presents enormous challenges in a variety of areas, many or all of which we may have difficulty in overcoming, including blood compatible surfaces, blood compatible flow, manufacturing techniques, pumping mechanisms, physiological control, energy transfer, anatomical fit and surgical techniques. We may be unable to overcome all of these challenges, which could adversely affect our results of operations and prospects.

We may not have sufficient funds to develop and commercialize our new products.

The development, manufacture and sale of any medical device in the United States and abroad is very expensive. We cannot be sure that we will have the necessary funds to develop and commercialize our new products, or that additional funds will be available on commercially acceptable terms, if at all. If we are unable to obtain the necessary funding to develop and commercialize our products, our business may be adversely affected.

We own patents, trademarks, trade secrets, copyrights and other intellectual property and know-how that we believe gives us a competitive advantage. If we cannot protect our intellectual property and develop or otherwise acquire additional intellectual property, competition could force us to lower our prices, which could hurt our profitability.

Our intellectual property rights are and will continue to be a critical component of our success. A substantial portion of our intellectual property rights relating to the AB5000, BVS 5000, Impella products, AbioCor, AbioCor II and other products under development is in the form of trade

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secrets, rather than patents. Unlike patents, trade secrets are only recognized under applicable law if they are kept secret by restricting their disclosure to third parties. We protect our trade secrets and proprietary knowledge in part through confidentiality agreements with employees, consultants and other parties. However, certain consultants and third parties with whom we have business relationships, and to whom in some cases we have disclosed trade secrets and other

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proprietary knowledge, may also provide services to other parties in the medical device industry, including companies, universities and research organizations that are developing competing products. In addition, some of our former employees who were exposed to certain of our trade secrets and other proprietary knowledge in the course of their employment may seek employment with, and become employed by, our competitors. We cannot assure you that consultants, employees, and other third parties with whom we have entered into confidentiality agreements will not breach the terms of such agreements by improperly using or disclosing our trade secrets or other proprietary knowledge, that we will have adequate remedies for any such breach, or that our trade secrets will not become known to or be independently developed by our competitors. The loss of trade secret protection for technologies or know-how relating to the AB5000, BVS 5000, Impella products, AbioCor or AbioCor II could adversely affect our business and our prospects.

Our business position also depends in part on our ability to maintain and defend our existing patents and obtain, maintain, and defend additional patents and other intellectual property rights. We intend to seek additional patents, but our pending and future patent applications may not be approved, may not give us a competitive advantage, and could be challenged by others, or, if issued, could be deemed invalid or unenforceable. Patent prosecution, related proceedings, and litigation in the U.S. and in other countries may be expensive, time consuming and ultimately unsuccessful. In addition, patents issued by foreign countries may afford less protection than is available under U.S. patent law, and may not adequately protect our proprietary information. Our competitors may independently develop proprietary technologies and processes that are the same as or substantially equivalent to ours, or design around our patents. Finally, the expiration of patents on which we rely for protection of key products could diminish our competitive advantage and adversely affect our business and our prospects.

We may face claims of intellectual property infringement, which could result in significant expenses or the payment of damages or require us to stop selling our products.

Companies in the medical device industry typically obtain patents and frequently engage in substantial intellectual property litigation. Our products and technologies could infringe on the rights of others. If a third party successfully asserts a claim for infringement against us, we may be liable for substantial damages, be unable to sell products using that technology, or have to seek a license or redesign the related product. These alternatives may be uneconomical or impossible. Intellectual property litigation could be costly, result in product development delays and divert the efforts and attention of management from our business.

Product liability claims could damage our reputation and hurt our financial results.

The clinical use of medical products, even after regulatory approval, poses an inherent risk of product liability claims. We maintain limited product liability insurance coverage, subject to deductibles and exclusions. We cannot be sure that product liability insurance will be available in the future or will be available on acceptable terms or at reasonable costs, or that such insurance will provide us with adequate coverage against potential liabilities. Claims against us, regardless of their merit or potential outcome, may also hurt our ability to obtain physician endorsement of our products or expand our business. As we continue to introduce more products, we face an increased risk that a product liability claim will be brought against us.

Many of our products are designed for patients who suffer from late-stage or end-stage heart failure, and many of these patients do not survive, even when supported by our products. There are many factors beyond our control that could result in patient death, including the condition of the patient prior to use of the product, the skill and reliability of physicians and hospital personnel using and monitoring the product, and product maintenance by customers. However, the failure of the products we distribute for clinical testing or sale could give rise to product liability claims and negative publicity.

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The risk of product liability claims will increase as we sell more products that are intended to support a patient until the end of life. The finite life of our products, as well as complications associated with their use, could give rise to product liability claims whether or not the products have extended or improved the quality of a

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patient's life. For example, the AbioCor will have a finite life and could cause unintended complications to other organs and may not be able to support all patients successfully. Its malfunction could give rise to product liability claims whether or not it has extended or improved the quality of the patient's life. If we have to pay product liability claims in excess of our insurance coverage, our financial condition will be adversely affected.

Off-label use of our products may result in injuries that lead to product liability suits, which could be costly to our business.

The use of our products outside the indications cleared for use, or off-label use, may increase the risk of injury to patients. Clinicians may use our products for off-label uses, as the FDA does not restrict or regulate a clinician's choice of treatment within the practice of medicine. Off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could divert our management's attention and result in substantial damage awards against us.

If the FDA or another regulatory agency determines that we have promoted off-label use of our products, we may be subject to various penalties, including civil or criminal penalties.

The FDA and other regulatory agencies actively enforce regulations prohibiting promotion of off-label uses and the promotion of products for which marketing clearance has not been obtained. If the FDA or another regulatory agency determines that our promotional materials or training constitutes promotion of an unapproved use, it could request that we modify our training or promotional materials or subject us to regulatory enforcement actions, including the issuance of a warning letter, injunction, seizure, civil fine and criminal penalties. Although our policy is to refrain from statements that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion.

Quality problems can result in substantial costs and write-downs.

Government regulations require us to track materials used in the manufacture of our products, so that any problem identified in one product can be traced to other products that may have the same problem. An identified quality problem may require reworking or scrapping related inventory and recalling previous shipments. Because a malfunction in our products can be life-threatening, we may be required to recall and replace, free of charge, products already in the marketplace. Any quality problem could cause us to incur significant expenses, lead to significant write-offs, injure our reputation and harm our business and financial results.

Future milestone payments relating to our acquisition of Impella could harm our financial position or result in dilution.

We may be required to make additional contingent payments of up to \$11.2 million under the terms of our acquisition of Impella, based on our future stock price performance and milestones related to FDA approval of Impella's products. If we pay any milestone payment in shares of our common stock, our stockholders may experience dilution. If we use cash to make any such payment, our financial resources will be diminished and we may be unable to pursue other activities, such as research and development, the expansion of our sales force or the acquisition of other new products.

If we fail to compete successfully against our existing or potential competitors, our product sales or operating results may be harmed.

Competition from other companies offering circulatory care products is intense and subject to rapid technological change and evolving industry requirements and standards. We compete with companies that have substantially greater or broader financial, product development, sales and marketing resources and experience than we do. These competitors may develop superior products or products of similar quality at the same or lower prices. Moreover, improvements in current or new technologies may make them technically equivalent or superior to our products in addition to providing cost or other advantages.

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Our customers frequently have limited budgets. As a result, our products compete against a broad range of medical devices and other therapies for these limited funds. Our success will depend in large part upon our ability to enhance our existing products, to develop new products to meet regulatory and customer requirements, and to achieve market acceptance. We believe that important competitive factors with respect to the development and commercialization of our products include the relative speed with which we can develop products, establish clinical utility, complete clinical trials and regulatory approval processes, obtain reimbursement, and supply commercial quantities of the product to the market.

Our AB5000 and BVS 5000 systems compete with a temporary cardiac assist device from Thoratec Corporation, which is approved for post-cardiotomy support. In addition, the AB5000 and BVS 5000 compete with other blood pumps that are used in medical centers for a variety of applications, such as intra-aortic balloon pumps, including those offered by Datascope and Arrow International, and centrifugal pumps. Levitronix is conducting clinical trials in the U.S. for a device that may compete with our current heart assist products in some applications. Levitronix has licensed this product to Thoratec Corporation for distribution in the U.S. The FDA recently approved a product designed by CardiacAssist, Inc. that may compete with our Impella products, and Jarvik Heart is conducting clinical trials for a new ventricular assist device that may compete with our AB5000 and Impella products. Approval by the FDA of products that compete directly with our products would increase competitive pricing and other pressures.

Advances in medical technology, biotechnology and pharmaceuticals may reduce the size of the potential markets for our products or render those products obsolete. We are aware of other heart replacement device research efforts in the U.S., Canada, Europe and Japan. In October 2004, the FDA approved Syncardia Systems' CardioWest Total Artificial Heart for use as a bridge to transplantation in cardiac transplant-eligible candidates at risk of imminent death from non-reversible biventricular failure. In addition, there are a number of companies including Thoratec Corporation, World Heart Corporation, MicroMed Technology, Ventracor and several early-stage companies that are developing permanent heart assist products, including implantable left ventricular assist devices and miniaturized rotary ventricular assist devices.

If we acquire other companies or businesses, we will be subject to risks that could hurt our business.

We may pursue acquisitions to obtain complementary businesses, products or technologies. Any such acquisition may not produce the revenues, earnings or business synergies that we anticipate, and an acquired business, product or technology might not perform as we expect. Our management could spend a significant amount of time, effort and money in identifying, pursuing and completing the acquisition. If we complete an acquisition, we may encounter significant difficulties and incur substantial expenses in integrating the operations and personnel of the acquired company into our operations while striving to preserve the goodwill of the acquired company. In particular, we may lose the services of key employees of the acquired company, and we may make changes in management that impair the acquired company's relationships with employees and customers.

Any of these outcomes could prevent us from realizing the anticipated benefits of an acquisition. To pay for an acquisition, we might use stock or cash. Alternatively, we might borrow money from a bank or other lender. If we use our stock, our stockholders would experience dilution of their ownership interests. If we use cash or debt financing, our financial liquidity would be reduced. We may be required to capitalize a significant amount of intangibles, including goodwill, which may lead to significant amortization charges. In addition, we may incur significant, one-time write-offs and amortization charges, such as our \$13.3 million write-off of in-process research and development expenses in connection with the Impella acquisition. These amortization charges and write-offs could decrease our future earnings or increase our future losses.

Fluctuations in foreign currency exchange rates could result in declines in our reported sales and earnings.

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Because some of our international sales are denominated in local currencies and not in U.S. dollars, our reported sales and earnings are subject to fluctuations in foreign currency exchange rates, primarily the Euro. The

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functional currency of Abiomed Europe is the Euro. At present, we do not hedge our exposure to foreign currency fluctuations. As a result, sales occurring in the future that are denominated in foreign currencies may be translated into U.S. dollars at less favorable rates, resulting in reduced revenues and earnings.

Risks Related to the Offering

Management will have broad discretion over the use of proceeds of this offering and could apply the proceeds to uses that do not increase our market value or improve our operating results.

Management will have broad discretion over the use of proceeds of this offering, including the use of proceeds for making acquisitions of assets, businesses or securities, share repurchases, repayment of debt, capital expenditures, and for working capital. We have not reserved or allocated the proceeds for any specific purpose.

The market price of our common stock is volatile.

The market price of our common stock has fluctuated widely and may continue to do so. For example, from December 31, 2005 to December 31, 2006 the price of our stock ranged from a high of \$16.19 per share to a low of \$9.12 per share. Many factors could cause the market price of our common stock to rise and fall. Some of these factors are:

- variations in our quarterly results of operations;
- the status of regulatory approvals for our products;
- the introduction of new products by us or our competitors;
- acquisitions or strategic alliances involving us or our competitors;
- changes in accounting principles;
- changes in health care policy or third-party reimbursement practices;
- changes in estimates of our performance or recommendations by securities analysts;
- the hiring or departure of key personnel;

future sales of shares of common stock in the public market; and

market conditions in the industry and the economy as a whole.

In addition, the stock market in general and the market for shares of medical device companies in particular have experienced extreme price and volume fluctuations in recent years. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company's stock drops significantly, stockholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management and other resources, or otherwise harm our business.

The sale of additional shares of our common stock, or the exercise of currently outstanding options and warrants to purchase our common stock, could dilute your ownership interest.

We have issued a substantial number of options and warrants to acquire our common stock, and we expect to continue to issue options to our employees and others. If all currently outstanding stock options and warrants were exercised, you would suffer dilution of your ownership interest. In addition, in connection with our acquisition of Impella CardioSystems AG in 2005, we may be obligated to make certain milestone payments. These payments may be made in stock, which would also result in a dilution of your ownership interest.

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The sale of material amounts of common stock could encourage short sales by third parties and depress the price of our common stock. As a result, you may lose all or part of your investment.

The downward pressure on our stock price caused by the sale of a significant number of shares of our common stock, or the perception that such sales could occur, pursuant to this offering or by any of our significant stockholders could cause our stock price to decline, thus allowing short sellers of our stock an opportunity to take advantage of any decrease in the value of our stock. The presence of short sellers in our common stock may further depress the price of our common stock.

Our rights distribution, certificate of incorporation and Delaware law could make it more difficult for a third party to acquire us and may prevent our stockholders from realizing a premium on our stock.

Our rights distribution and provisions of our certificate of incorporation and of the Delaware General Corporation Law may make it more difficult for a third party to acquire us, even if doing so would allow our stockholders to receive a premium over the prevailing market price of our stock. Our rights distribution and those provisions of our certificate of incorporation and Delaware law are intended to encourage potential acquirers to negotiate with us and allow our Board of Directors the opportunity to consider alternative proposals in the interest of maximizing stockholder value. However, such provisions may also discourage acquisition proposals or delay or prevent a change in control, which could negatively affect our stock price.

The market value of our common stock could vary significantly, based on market perceptions of the status of our development efforts.

The perception of securities analysts regarding our product development efforts could significantly affect our stock price. As a result, the market price of our common stock has and could in the future change substantially when we or our competitors make product announcements. Many factors affecting our stock price are industry related and beyond our control.

We have not paid and do not expect to pay dividends, and any return on your investment will likely be limited to the value of our common stock.

We have never paid dividends on our common stock and do not anticipate paying dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on our earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission, or SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This prospectus supplement contains such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this prospectus supplement, and they may also be made a part of this prospectus supplement by reference to other documents filed with the SEC, which is known as incorporation by reference.

Words such as may, anticipate, estimate, expects, projects, intends, plans, believes and words and terms of similar substance used in with any discussion of future operating or financial performance identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks include, but are not limited to, the risks and uncertainties set forth in Risk Factors, beginning on page S-9 of this prospectus supplement, as well as those set forth in our other SEC filings incorporated by reference herein.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this prospectus supplement or in any document incorporated by reference might not occur. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this prospectus supplement or the date of the document incorporated by reference in the accompanying prospectus. We do not undertake any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of the 5,000,000 shares of common stock we are offering will be approximately \$62.2 million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses we expect to pay and assuming a public offering price of \$13.46 per share (based on the last reported sale price on March 9, 2007). Each \$0.50 increase (decrease) in the assumed public offering price of \$13.46 per share would increase (decrease) the net proceeds to us from this offering by approximately \$2.3 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same and after deducting estimated underwriting discounts and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$12.6 million. We do not expect that a change in the offering price or the number of shares by these amounts would have a material effect on our uses of the proceeds from this offering.

We intend to use the net proceeds from the sale of our securities to expand our global sales and distribution, to complete clinical studies and regulatory processes, to invest in research and development to continue to broaden our portfolio of products across the continuum of care, and for general corporate purposes, including, without limitation, making acquisitions of assets, businesses, or securities, capital expenditures, and for working capital. Pending the application of our net proceeds, we intend to invest our net proceeds in short-term, investment-grade securities, interest-bearing securities, or guaranteed obligations of the United States or its agencies.

For risks associated with our use of proceeds, see [Risk Factors](#). Management will have broad discretion over the use of proceeds of this offering and could apply the proceeds to uses that do not increase our market value or improve our operating results.

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Our common stock is traded on the Nasdaq Global Market under the symbol ABMD. The following table sets forth the range of high and low sales prices per share of common stock, as reported by the Nasdaq Global Market for the periods indicated:

	High	Low
Fiscal Year Ended March 31, 2005		
First Quarter	\$ 14.63	\$ 7.80
Second Quarter	12.64	8.63
Third Quarter	17.70	8.88
Fourth Quarter	15.97	9.92
Fiscal Year Ended March 31, 2006		
First Quarter	\$ 11.91	\$ 7.75
Second Quarter	10.97	8.31
Third Quarter	10.15	7.81
Fourth Quarter	13.40	9.12
Fiscal Year Ending March 31, 2007		
First Quarter	\$ 14.08	\$ 11.48
Second Quarter	16.19	12.25
Third Quarter	15.65	12.07
Fourth Quarter through (March 9, 2007)	15.10	12.94

On March 9, 2007, the closing sale price of our common stock as reported on the Nasdaq Global Market was \$13.46 per share. As of March 1, 2007, there were approximately 721 holders of record of our common stock. Many beneficial holders hold their stock through depositories, banks and brokers included as a single holder in the single street name of each respective depository, bank, or broker.

We have never declared or paid any cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future. We anticipate that we will retain all of our future earnings, if any, to support operations and to finance the growth and development of our business. Our payment of any future dividends will be at the discretion of our board of directors and will depend upon our financial condition, operating results, cash needs and growth plans.

Table of Contents**CAPITALIZATION**

The following table summarizes our capitalization as of December 31, 2006 on an actual basis and as adjusted to reflect our sale of 5,000,000 shares of common stock at an assumed public offering price of \$13.46 per share (based on the last reported sale price on March 9, 2007), after deducting the estimated underwriting discounts and commissions and estimated offering expenses we expect to pay. You should read this information in conjunction with our consolidated financial statements and the related notes beginning on page SF-1.

Amounts representing common stock outstanding on December 31, 2006 exclude the following:

options outstanding on December 31, 2006 to purchase 4,471,277 shares of common stock at a weighted average exercise price of \$11.02 per share;

options and other stock awards with respect to an additional 1,449,596 shares of common stock that may be granted under our stock incentive plans after December 31, 2006;

245,544 shares of common stock issuable under our employee stock purchase plan after December 31, 2006; and

warrants to purchase up to 400,000 shares of common stock issued in connection with the purchase of intellectual property at an exercise price of \$0.01 per share.

	As of December 31, 2006	
	Actual	As adjusted ⁽¹⁾
	(in thousands, except share data)	
Cash, cash equivalents, and short-term marketable securities	\$ 17,241	\$ 79,435
Stockholders' equity:		
Class B preferred stock, \$0.01 par value; 1,000,000 shares authorized; no shares issued and outstanding	\$	\$
Common stock, \$0.01 par value; 100,000,000 shares authorized; 26,764,455 shares issued and outstanding, actual; 31,764,455 shares issued and outstanding, as adjusted	268	318
Additional paid-in capital	221,438	283,582
Accumulated other comprehensive loss	329	329
Accumulated deficit	(164,840)	(164,840)
Treasury stock	(116)	(116)
Stockholders' equity	57,079	119,273
Total capitalization	\$ 57,079	\$ 119,273

- (1) Each \$0.50 increase (decrease) in the assumed public offering price of \$13.46 per share would increase (decrease) each of cash, cash equivalents, and short-term marketable securities; additional paid-in capital; stockholders' equity; and total capitalization by approximately \$2.3 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase (decrease) of 1,000,000 shares in the number of shares offered by us would increase (decrease) each of cash, cash equivalents, and short-term marketable securities; additional paid-in capital; stockholders'

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equity; and total capitalization by approximately \$12.6 million. The as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

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If you invest in our common stock in this offering, your ownership interest will be diluted to the extent of the difference between the public offering price per share and the net tangible book value per share of our common stock after this offering. Our net tangible book value on December 31, 2006 was approximately \$23.1 million, or \$0.86 per share. Net tangible book value is equal to our total assets at December 31, 2006 minus the sum of liabilities and intangible assets at December 31, 2006. Net tangible book value per share is net tangible book value divided by the total number of shares of our common stock outstanding on December 31, 2006.

Investors participating in this offering will incur immediate, substantial dilution. After giving effect to adjustments relating to the offering, our adjusted net tangible book value on December 31, 2006 would have been \$85.3 million, or \$2.69 per share. The adjustments made to determine adjusted net tangible book value per share consist of:

an increase in total assets to reflect the net proceeds to us of the offering as described under Use of Proceeds

the addition of the number of shares offered by us in this prospectus supplement to the number of shares outstanding

The following table illustrates the increase in net tangible book value of \$1.83 per share and the dilution (the difference between the offering price per share and net tangible book value per share) to new investors:

Assumed public offering price per share	\$ 13.46
Net tangible book value per share as of December 31, 2006	\$ 0.86
Increase in net tangible book value per share attributable to the offering	1.83
Adjusted net tangible book value per share as of December 31, 2006 after giving effect to the offering	2.69
Dilution per share to new investors in the offering	\$ 10.77

Each \$0.50 increase (decrease) in the assumed public offering price of \$13.46 per share would increase (decrease) our as adjusted net tangible book value by approximately \$2.3 million, or approximately \$0.07 per share, and the dilution per share to investors in this offering by approximately \$0.43 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus supplement, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. An increase of 1,000,000 shares in the number of shares offered by us would result in an as adjusted net tangible book value of approximately \$97.9 million, or \$2.99 per share, and the dilution per share to investors in this offering would be \$10.47 per share. Similarly, a decrease of 1,000,000 shares in the number of shares offered by us would result in an as adjusted net tangible book value of approximately \$72.7 million, or \$2.36 per share, and the dilution per share to investors in this offering would be \$11.10 per share. The as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

If the underwriters exercise their option to purchase additional shares in this offering in full, our adjusted net tangible book value at December 31, 2006 would have been \$94.8 million, or \$2.91 per share, representing an immediate increase in net tangible book value to our

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existing stockholders of \$2.05 per share and an immediate dilution to new investors of \$10.55 per share.

The preceding discussion and tables assume no exercise of any stock options or warrants outstanding as of December 31, 2006. As of December 31, 2006, there were outstanding options to purchase a total of 4,471,277 shares of common stock at a weighted average exercise price of \$11.02 per share and warrants to purchase a total of 400,000 shares of common stock at an exercise price of \$0.01 per share. To the extent any of these options or warrants are exercised, there