Medtronic News

Medtronic Reports First Quarter Earnings

Revenue of $4.1 Billion Grew 3% at Constant Currency; 2% as Reported
International Revenue Grew 9% at Constant Currency; 6% as Reported
Non-GAAP Diluted EPS of $0.88; GAAP Diluted EPS of $0.93

MINNEAPOLIS - August 20, 2013 - Medtronic, Inc. (NYSE: MDT) today announced financial results for its first quarter of fiscal year 2014, which ended July 26, 2013.

The company reported worldwide first quarter revenue of $4.083 billion, compared to the $4.008 billion reported in the first quarter of fiscal year 2013, an increase of 3 percent on a constant currency basis after adjusting for a $55 million foreign currency impact or 2 percent as reported. As reported, first quarter net earnings were $953 million, or $0.93 per diluted share, an increase of 10 percent and 12 percent, respectively, over the same period in the prior year. As detailed in the attached table, first quarter net earnings and diluted earnings per share on a non-GAAP basis were $898 million and $0.88, an increase of 2 percent and 4 percent, respectively, over the same period in the prior year.

First quarter international revenue of $1.887 billion increased 9 percent on a constant currency basis or 6 percent as reported. International sales accounted for 46 percent of Medtronic's worldwide revenue in the quarter. Emerging market revenue of $504 million increased 15 percent on both a constant currency and as reported basis, and represents 12 percent of company revenue.

"Our Q1 results reflect that we are broadly outperforming our sector," said Omar Ishrak, Medtronic chairman and chief executive officer. "At the same time, we continue to strengthen and geographically diversify our business and remain confident in both our outlook for the remainder of the year and our long-term competitive position in the changing healthcare environment."

Cardiac and Vascular Group

The Cardiac and Vascular Group includes the Cardiac Rhythm Disease Management (CRDM), Coronary, Structural Heart, and Endovascular businesses. The Group had worldwide sales in the quarter of $2.160 billion, representing an increase of 4 percent on a constant currency basis or 2 percent as reported. Group revenue performance on a constant currency basis was driven by solid growth in Structural Heart, Pacing, Endovascular, AF Solutions, and Coronary, partially offset by a modest decline in Implantable Cardioverter Defibrillators (ICDs). Group international sales of $1.234 billion increased 9 percent on a constant currency basis or 6 percent as reported.

CRDM revenue of $1.193 billion grew 2 percent on a constant currency basis or flat as reported. First quarter revenue from ICDs was $655 million, a decrease of 2 percent on a constant currency basis in a market that continues to show relative stability. Pacing revenue was $474 million, an increase of 6 percent on a constant currency basis. International revenues were driven by the continued strength of the Advisa DR MRI(TM) SureScan® pacing system in Japan.

Coronary revenue of $435 million grew 3 percent on a constant currency basis or flat as reported. Sales of drug-eluting stents increased 10 percent on a constant currency basis, driven by continued worldwide share gains of the Resolute® Integrity® drug-eluting stent.

Structural Heart revenue of $313 million grew 13 percent on a constant currency basis or 12 percent as reported. Growth was driven by the continued strength of CoreValve® across global markets, including strong customer demand in Germany in anticipation of potential legal action, which could limit options for physicians and their patients who need transcatheter aortic valve procedures.

Endovascular revenue of $219 million grew 7 percent on a constant currency basis or 5 percent as reported. Growth was driven by the launch of Endurant® II in Japan, continued strength in the Thoracic business, and strong double-digit growth in Drug Eluting Balloons.

Restorative Therapies Group

The Restorative Therapies Group includes the Spine, Neuromodulation, and Surgical Technologies businesses. The Group had worldwide sales in the quarter of $1.554 billion, representing an increase of 3 percent on a constant currency basis or 2 percent as reported. Group revenue performance on a constant currency basis was driven by growth in Surgical Technologies, Neuromodulation, and Core Spine, partially offset by declines in BMP. Group international sales of $492 million increased 9 percent on a constant currency basis or 5 percent as reported.

Spine revenue of $765 million declined 1 percent on a constant currency basis or 3 percent as reported. Core Spine revenue of $641 million grew 1 percent on a constant currency basis. The Core Spine business continues to show signs of stability, with growth driven by new products and procedures, as well as enabling technologies, including imaging, navigation, and powered surgical instruments. BMP revenue of $124 million declined 11 percent on a constant currency basis.

Surgical Technologies revenue of $361 million grew 13 percent on a constant currency basis or 11 percent as reported. Revenue growth was broad-based across all businesses, driven by strong performances in Image-Guided Surgery, sales of the StealthStation® S7® surgical navigation system, and robust sales of Advanced Energy products.

Neuromodulation revenue of $428 million increased 3 percent on a constant currency basis or 2 percent as reported. Growth was driven by strong performance from Activa® deep brain stimulation systems and InterStim® Therapy for both urinary and bowel indications in key geographies. The RestoreSensor® SureScan® MRI-safe system contributed to international growth in the first quarter and launched this month in the United States.

Diabetes Group

Diabetes group revenue of $369 million grew 1 percent on both a constant currency and an as reported basis. International sales of $161 million increased 8 percent on both a constant currency and an as reported basis driven by strong adoption of the Veo(TM) insulin pump with its low-glucose suspend feature and the Enlite® continuous glucose monitoring (CGM) sensor. Slow insulin pump system sales continued in the United States due to the delayed launch of the MiniMed® 530G.

Revenue Outlook and Earnings per Share Guidance

The company reiterated its revenue outlook and diluted earnings per share (EPS) guidance for fiscal year 2014. In fiscal year 2014, the company continues to expect full-year revenue growth in the range of 3 to 4 percent on a constant currency basis, and diluted EPS in the range of $3.80 to $3.85, which implies annual diluted non-GAAP EPS growth in the range of 6 to 8 percent after adjusting for certain items.

"We continue to make progress on our transformational opportunities of globalization and economic value, which we believe will establish durability in our long-term performance and create potential upside to our baseline expectations," said Ishrak. "Ultimately, we intend to transform Medtronic from being primarily a device provider today into the premier global medical technology solutions partner of tomorrow."

Webcast Information

Medtronic will host a webcast today, August 20, at 8 a.m. EDT (7 a.m. CDT), to provide information about its businesses for the public, analysts, and news media. This quarterly webcast can be accessed by clicking on the Investors link on the Medtronic home page at www.medtronic.com and this earnings release will be archived atwww.medtronic.com/newsroom. Within 24 hours, a replay of the webcast and a transcript of the company's prepared remarks will be available in the "Events &

Presentations" section of the Investors portion of the Medtronic website.

Financial Schedules

To view the first quarter financial schedules, click here or visit www.medtronic.com/newsroom.

About Medtronic

Medtronic, Inc., headquartered in Minneapolis is the global leader in medical technology - alleviating pain, restoring health, and extending life for millions of people around the world. The company provides up-to-date news and information via Twitter @Medtronic or its website at www.medtronic.com.

This press release contains forward-looking statements related to product growth drivers, market position, strategies for growth, and Medtronic's future results of operations, which are subject to risks and uncertainties, such as competitive factors, difficulties and delays inherent in the development, manufacturing, marketing and sale of medical products, government regulation and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the Securities and Exchange Commission. Actual results may differ materially from anticipated results. Medtronic does not undertake to update its forward-looking statements.

Earnings per share guidance excludes adjustments relating to the fair value of contingent consideration payments, charitable donations to the Medtronic Foundation, restructuring charges, and any unusual charges or gains that might occur during the fiscal year. The guidance provided only reflects information available to Medtronic at this time.

Unless otherwise noted, all comparisons made in this news release are on an "as reported basis," and not on a constant currency basis. References to quarterly figures increasing or decreasing are in comparison to the first quarter of fiscal year 2013.

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View FY14 First Quarter Financial Schedules

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