Medtronic News

Medtronic Reports Second Quarter Earnings

(Thomson Reuters ONE via COMTEX) --- Revenue of $4.2 Billion Grew 3.3% on a Constant Currency Basis; 2.4% as Reported
- Non-GAAP Diluted EPS of $0.91; GAAP Diluted EPS of $0.89
- Free Cash Flow of $0.9 Billion; GAAP Cash Flow from Operations of $1.0 Billion

MINNEAPOLIS - Nov. 19, 2013 - Medtronic, Inc. (NYSE: MDT) today announced financial results for its second quarter of fiscal year 2014, which ended October 25, 2013.

The Company reported worldwide second quarter revenue of $4.194 billion, compared to the $4.095 billion reported in the second quarter of fiscal year 2013, an increase of 3.3 percent on a constant currency basis after adjusting for a $38 million negative foreign currency impact or 2.4 percent as reported. As reported, second quarter net earnings were $902 million, or $0.89 per diluted share, an increase of 40 percent and 41 percent, respectively, over the same period in the prior year. Second quarter net earnings and diluted earnings per share on a non-GAAP basis were $919 million and $0.91, an increase of 2 percent and 3 percent, respectively, over the same period in the prior year.

Second quarter international revenue of $1.867 billion increased 5 percent on a constant currency basis or 3 percent as reported. International sales accounted for 45 percent of Medtronic's worldwide revenue in the quarter. Emerging market revenue of $513 million increased 13 percent on a constant currency basis or 11 percent as reported and represented 12 percent of Company revenue.

"Our second quarter revenue growth was in-line with our outlook for the year, and we are performing at or better than the market in almost every one of our business lines," said Omar Ishrak, Medtronic chairman and chief executive officer. "This quarter also represented another quarter where our overall organization delivered consistent, dependable growth, with strong performances in some areas offsetting challenges in other parts of our business."

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 $2.199 billion, representing an increase of 4 percent on a constant currency basis or 3 percent as reported. Group revenue performance was driven by growth across all businesses. Group international sales of $1.195 billion increased 5 percent on a constant currency basis or 2 percent as reported.

CRDM revenue of $1.273 billion grew 5 percent on a constant currency basis or 4 percent as reported. Second quarter revenue from Implantable Cardioverter Defibrillators (ICDs) was $713 million, an increase of 4 percent on a constant currency basis in a market that continues to show a trend toward stabilization. Pacing revenue was $477 million, an increase of 2 percent on a constant currency basis. CRDM delivered improved performance, and its markets reflect continued stability.

Coronary revenue of $427 million grew 1 percent on a constant currency basis or flat as reported. Sales of drug-eluting stents increased 8 percent on a constant currency basis, driven by continued worldwide share gains of the Resolute® Integrity® drug-eluting stent.

Structural Heart revenue of $281 million grew 4 percent on both a constant currency and an as reported basis. Growth was driven by global strength of the CoreValve® transcatheter aortic heart valve. Data from the CoreValve U.S. pivotal trial for extreme risk patients were presented recently at the Transcatheter Cardiovascular Therapeutics (TCT) meeting, and the U.S. Food and Drug Administration (FDA) decided it will conduct separate reviews for the extreme and high risk studies, and it also determined that no panel review is necessary for extreme risk approval. Given these developments, the Company expects U.S.

approval of CoreValve for extreme risk patients by the end of fiscal year 2014.

Endovascular revenue of $218 million grew 5 percent on a constant currency basis or 4 percent as reported. Growth was driven by strong performance in both the Aortic and Peripheral businesses. The business continued to see strong global acceptance of the Endurant® II aortic abdominal stent graft.

Restorative Therapies Group

The Restorative Therapies Group includes the Spine, Neuromodulation and Surgical Technologies businesses. The Group had worldwide sales in the quarter of $1.602 billion, representing an increase of 2 percent on a constant currency basis or 1 percent as reported. Group revenue was driven by growth in Surgical Technologies and Neuromodulation, partially offset by declines in Spine. Group international sales of $508 million increased 7 percent on a constant currency basis or 4 percent as reported.

Spine revenue of $746 million declined 3 percent on a constant currency basis or 5 percent as reported. Core Spine revenue of $636 million decreased 1 percent on a constant currency basis. The Thoracolumbar, Cervical, and Other Biologic product lines all grew this quarter, both globally and in the U.S., driven by procedural innovation and new technologies. This was offset by declines in Balloon Kyphoplasty and Interbody devices. BMP revenue of $110 million declined 17 percent on a constant currency basis.

Surgical Technologies revenue of $377 million grew 11 percent on a constant currency basis or 10 percent as reported. Revenue growth was broad-based across all three businesses: ENT, Neurosurgery, and Advanced Energy. Revenue growth was driven by sales of Fusion(TM) image-guided surgery systems, upgrades of the StealthStation® S7® surgical navigation systems, Aquamantys® Transcollation®, and PEAK PlasmaBlade® technologies.

Neuromodulation revenue of $479 million increased 6 percent on both a constant currency and an as reported basis. Growth was driven by strong performance from Activa® deep brain stimulation systems, as well as the launch of the RestoreSensor® SureScan® MRI spinal cord stimulator in the United States.

Diabetes Group

Diabetes revenue of $393 million grew 3 percent on a constant currency basis or 4 percent as reported. Late in the quarter, the group launched the MiniMed® 530G insulin pump with Enlite® CGM sensor in the United States, a breakthrough, first-generation artificial pancreas system with threshold suspend automation for people with diabetes.

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.

"As we look ahead, we are on the verge of bringing a number of new therapies to market over the coming quarters," said Ishrak. "Innovative therapies have fueled growth in our industry for decades and will remain a central element to our success. However, to realize the full potential of medical technology, we will need to continue the work we have started to expand our capabilities and offerings, to improve the value of these offerings to various healthcare system stakeholders, and to localize these offerings to individual markets around the globe, thereby transforming ourselves 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, Nov. 19, at 8 a.m. EST (7 a.m. CST), 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 at newsroom.medtronic.com. 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 second quarter financial schedules, click here or visit newsroom.medtronic.com.

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.

This press release contains forward-looking statements related to product growth drivers, market position, timing for regulatory approvals, 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, delays in the FDA approval process, 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, certain litigation 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 second quarter of fiscal year 2013.

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View FY14 Second Quarter Financial Schedules

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