Medtronic News

Medtronic Reports Fourth Quarter and Fiscal Year 2016 Financial Results

Q4 Revenue of $7.6 Billion Grew 4% as Reported; 6% at Constant Currency
Q4 GAAP Diluted EPS of $0.78; Q4 Non-GAAP Diluted EPS of $1.27
FY16 Revenue of $28.8 Billion Grew 42% as Reported; 7% on a Comparable, Constant Currency Basis Including the Q1 Extra Week Benefit
FY16 GAAP Diluted EPS of $2.48; FY16 Non-GAAP Diluted EPS of $4.37
Company Sets Initial FY17 Revenue Growth Outlook and EPS Guidance

DUBLIN - May 31, 2016 - Medtronic plc (NYSE: MDT) today announced financial results for its fourth quarter and fiscal year 2016, which ended April 29, 2016.

The company reported fourth quarter worldwide revenue of $7.567 billion, compared to the $7.304 billion reported in the fourth quarter of fiscal year 2015, an increase of 4 percent, or 6 percent on a constant currency basis. Foreign currency translation had a negative $179 million impact on fourth quarter revenue. As detailed in the financial schedules included through the link at the end of this release, fourth quarter non-GAAP net income and diluted earnings per share (EPS) were $1.796 billion and $1.27, an increase of 7 percent and 9 percent, respectively. As reported, fourth quarter GAAP net income and diluted EPS were $1.104 billion and $0.78.

Fourth quarter U.S. revenue of $4.217 billion represented 56 percent of company revenue and increased 4 percent. Non-U.S. developed market revenue of $2.393 billion represented 31 percent of company revenue and increased 3 percent, or 6 percent on a constant currency basis. Emerging market revenue of $957 million represented 13 percent of company revenue and increased 4 percent, or 15 percent on a constant currency basis.

Medtronic's fiscal year 2016 revenue of $28.833 billion increased 42 percent, or 7 percent on a comparable, constant currency basis, which adjusts for the impact of foreign currency translation and includes Covidien plc in the prior year comparison, aligning Covidien's prior year monthly revenue to Medtronic's fiscal quarters. 2016 revenue growth rates include the benefit from the extra week in the first quarter. Foreign currency translation had a negative $1.502 billion impact on fiscal year 2016 revenue. As detailed in the link at the end of this release, fiscal year 2016 non-GAAP earnings and diluted EPS were $6.228 billion and $4.37, an increase of 31 percent and 2 percent, respectively. As reported, fiscal year 2016 net earnings were $3.538 billion or $2.48 per diluted share, an increase of 32 percent and 3 percent, respectively.

"Our organization once again successfully delivered strong, balanced revenue growth across our groups and geographic regions - growing above the market and exceeding our revenue growth projections," said Omar Ishrak, Medtronic chairman and chief executive officer. "This quarter caps a transformative year for Medtronic, our first full year after closing the largest ever MedTech acquisition. I am pleased with the execution and focus of our teams around the world who delivered sustained revenue growth and exceeded our Covidien cost synergy commitments."

Cardiac and Vascular Group

The Cardiac and Vascular Group (CVG) includes the Cardiac Rhythm & Heart Failure (CRHF), Coronary & Structural Heart (CSH), and Aortic & Peripheral Vascular (APV) divisions. CVG worldwide fourth quarter revenue of $2.736 billion increased 5 percent, or 8 percent on a constant currency basis. CVG revenue performance was driven by strong, balanced growth across all three divisions.

- CRHF fourth quarter revenue of $1.492 billion grew 7 percent, or 9 percent on a constant currency basis, significantly outperforming the market on the strength of the Amplia MRI(TM) and Compia MRI(TM) Quad CRT-D launches and ongoing Evera MRI® ICD launch in the U.S., adoption of the Micra® TPS pacemaker in Europe, continued global adoption of the Reveal LINQ® insertable cardiac monitor, and mid-thirties growth in AF Solutions on a constant currency

basis.
- CSH fourth quarter revenue of $816 million increased 3 percent, or 7 percent on a constant currency basis, led by high-twenties growth on a constant currency basis in transcatheter valves as a result of strong customer adoption of the CoreValve® Evolut® R. Coronary grew in the low-single digits on a constant currency basis driven by Resolute Onyx(TM) in Europe and emerging markets.
- APV fourth quarter revenue of $428 million increased 5 percent, or 8 percent on a constant currency basis, driven by mid-single digit growth on a constant currency basis in Aortic, led by the continued strength of the Endurant® IIs aortic stent graft and solid adoption of the Heli-FX® EndoAnchor® System, as well as strong above-market growth of the clinically differentiated IN.PACT® Admiral® drug-coated balloon, which holds the leading market position in the U.S. and globally.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Solutions and the Patient Monitoring & Recovery (PMR) divisions. MITG worldwide fourth quarter revenue of $2.460 billion increased 3 percent, or 6 percent on a constant currency basis. MITG had a strong quarter of above-market growth in Surgical Solutions and low-single digit growth on a constant currency basis in PMR.

- Surgical Solutions fourth quarter revenue of $1.358 billion increased 5 percent, or 9 percent on a constant currency basis, driven by double-digit growth on a constant currency basis in Advanced Energy and upper-single digit growth on a constant currency basis in Advanced Stapling. Early Technologies grew double-digits on a constant currency basis, led by strong growth in GI Solutions.
- PMR fourth quarter revenue of $1.102 billion increased 1 percent, or 3 percent on a constant currency basis, driven by growth in Renal Care Solutions from the recent acquisition of Bellco, which offset negative revenue impacts resulting from the product hold of the Puritan Bennett(TM) 980 ventilator and recall of the battery pack in the Capnostream(TM) 20 capnography monitor.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Neuromodulation, Surgical Technologies, and Neurovascular divisions. RTG worldwide fourth quarter revenue of $1.875 billion increased 1 percent, or 3 percent on a constant currency basis. Group results were driven by strong growth in Neurovascular and Surgical Technologies and improved results in Spine, which offset low-single digit declines on a constant currency basis in Neuromodulation.

- Spine fourth quarter revenue of $737 million declined 1 percent, or was flat on a constant currency basis. Core Spine and Interventional Spine both delivered improved growth. BMP declined in the low-single digits on a constant currency basis, as mid-single digit growth in the U.S. only partially offset the continued loss of BMP sales in Europe as a result of a product hold.
- Neuromodulation fourth quarter revenue of $494 million declined 5 percent, or declined 3 percent on a constant currency basis. In Drug Pumps, the business was negatively affected by challenges related to its April 2015 U.S. FDA consent decree as well as by a recent divestiture of its intrathecal baclofen drug. In addition, Pain Stim and Deep Brain Stimulation (DBS) declined, driven by competitive challenges.
- Surgical Technologies fourth quarter revenue of $485 million increased 5 percent, or increased 7 percent on a constant currency basis, with high-teens growth on a constant currency basis in Advanced Energy and high-single digit growth on a constant currency basis in Neurosurgery, offsetting low-single digit declines on a constant currency basis in ENT.
- Neurovascular fourth quarter revenue of $159 million increased 20 percent, or 23 percent on a constant currency basis, driven by continued strong growth in stents and flow diversion as a result of customer adoption of the company's Solitaire(TM) FR revascularization device for the treatment of ischemic stroke, as well as the Pipeline(TM) Flex device in the U.S. and Japan and Pipeline(TM) Shield in Europe for the treatment of intracranial aneurysms.

Diabetes Group

The Diabetes Group includes the Intensive Insulin Management (IIM), Diabetes Service & Solutions (DSS), and Non-Intensive Diabetes Therapies (NDT) divisions. Diabetes Group worldwide fourth quarter revenue of $496 million increased 6 percent, or 10 percent on a constant currency basis. The group had strong, broad-based performance across all three divisions.

- IIM grew in the high-single digits on a constant currency basis, driven by continued strong sales in Europe and Asia Pacific of the MiniMed® 640G System with the enhanced Enlite® sensor and SmartGuard(TM) technology.
- NDT grew over 230 percent on a constant currency basis, led by strong U.S. sales of the iPro®2 Professional Continuous Glucose Monitor (CGM) technology with Pattern Snapshot.
- DSS grew in the high-single digits on a constant currency basis as a result of solid growth of consumables, revenue from the company's acquisition of Diabeter in Europe, and continued strong growth of the MiniMed® Connect, where now over

16,000 people with diabetes are using the product to view their insulin pump and CGM information on a smartphone.

Revenue Outlook and EPS Guidance

The company today provided its initial 2017 revenue outlook and EPS guidance. The company's baseline goal is to consistently grow revenue in the mid-single digits on a constant currency basis. In fiscal year 2017, given current trends, the company expects constant currency revenue growth to be in the upper-half of the mid-single digit range, which is in the range of 5 to 6 percent and excludes the estimated negative 150 basis point impact from the extra selling week the company had in the first quarter of fiscal year 2016. The company expects a negative impact from foreign currency in fiscal year 2017 of approximately $25 to $75 million based on current exchange rates.

In fiscal year 2017, the company expects non-GAAP diluted EPS in the range of $4.60 to $4.70, which includes an expected $0.20 to $0.25 negative foreign currency impact based on current exchange rates. The company indicated this guidance would imply diluted EPS growth in the range of 12 to 16 percent, after adjusting for the estimated impact of foreign currency translation and the extra selling week in the company's first quarter of fiscal year 2016.

"As we enter our new fiscal year, we look forward to delivering on our robust pipeline of products and services, expanding our global reach to serve more patients, and partnering with others around the world to develop new value-based business models," said Ishrak. "We believe that Medtronic can play a meaningful leadership role with others in healthcare that can lead to better outcomes for patients, while improving overall healthcare system performance."

Webcast Information

Medtronic will host a webcast today, May 31, at 8:00 a.m. EDT (7:00 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 Investor Events link at investorrelations.medtronic.com and this earnings release will be archived atnewsroom.medtronic.com. Medtronic will be live tweeting during the webcast on our Newsroom Twitter account, @Medtronic. Within 24 hours of the webcast, a replay of the webcast and transcript of the company's prepared remarks will be available by clicking on the Investor Events link at investorrelations.medtronic.com.

Financial Schedules

To view the fourth quarter financial schedules and non-GAAP reconciliations, click here. To view the fourth quarter earnings presentation, click here. Both of these documents can also be accessed by visitingnewsroom.medtronic.com.

About Medtronic

Medtronic plc (www.medtronic.com), headquartered in Dublin, Ireland, is among the world's largest medical technology, services and solutions companies - alleviating pain, restoring health and extending life for millions of people around the world. Medtronic employs more than 85,000 people worldwide, serving physicians, hospitals and patients in approximately 160 countries. The company is focused on collaborating with stakeholders around the world to take healthcare Further, Together.

FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements related to product growth drivers, market position and opportunities, the transforming healthcare environment, strategies for and sustainability of growth, benefits from collaborations and acquisitions, availability of and plans for cash, product launches, 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, challenges with respect to third-party collaborations and integration of acquired businesses, effectiveness of growth strategies, challenges relating to our worldwide operations, challenges or unforeseen risks in implementing our growth strategies, government regulation, fluctuations in foreign currency exchange rates, and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the U.S. Securities

and Exchange Commission (the "SEC"). Actual results may differ materially from anticipated results. Medtronic does not undertake to update its forward-looking statements or any of the information contained in this press release. Certain information in this press release includes calculations or figures that have been prepared internally and have not been reviewed or audited by our independent registered public accounting firm, including but not limited to, certain information in the financial schedules accompanying this press release. Use of different methods for preparing, calculating or presenting information may lead to differences and such differences may be material. Earnings per share guidance excludes any unusual charges or gains that might occur during the fiscal year. The guidance provided only reflects information available to Medtronic at this time.

NON-GAAP FINANCIAL MEASURES

This press release contains financial measures and guidance, including free cash flow figures, revenue and growth rates on a comparable, constant currency basis, and constant currency growth rates, net income, and diluted EPS, all of which are considered "non-GAAP" financial measures under applicable SEC rules and regulations. Unless otherwise noted, all revenue amounts given in this press release are stated in accordance with U.S. generally accepted accounting principles (GAAP). References to quarterly or annual figures increasing or decreasing are in comparison to the fourth quarter of fiscal year 2015 and full fiscal year 2015, respectively.

Medtronic management believes that in order to properly understand its short-term and long-term financial trends, including period over period comparisons of the company's operations, investors may find it useful to consider the impact of aligning historical Covidien revenues to Medtronic's fiscal calendar and to exclude the effect of certain charges or gains that contribute to or reduce earnings but that result from transactions or events that management believes may or may not recur with similar materiality or impact to operations in future periods (Non-GAAP Adjustments). Medtronic generally uses non-GAAP financial measures to facilitate management's review of the operational performance of the company and as a basis for strategic planning. Non-GAAP financial measures should be considered supplemental to and not a substitute for financial information prepared in accordance with GAAP, and investors are cautioned that Medtronic may calculate non-GAAP financial measures in a way that is different from other companies. Management strongly encourages investors to review the company's consolidated financial statements and publicly filed reports in their entirety. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the financial schedules accompanying this press release.

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View FY16 Fourth Quarter Financial Schedules & Non-GAAP Reconciliations
View FY16 Fourth Quarter Earnings Presentation

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