Medtronic News

Medtronic Reports First Quarter Financial Results

Revenue of $7.2 Billion Decreased 1% as Reported; Prior Year Had Extra Selling Week
Revenue Increased Greater than 5 Percent on a Constant Currency, Constant Weeks Basis
GAAP Diluted EPS of $0.66; Non-GAAP Diluted EPS of $1.03
GAAP Cash Flow from Operations of $1.6 Billion; Free Cash Flow of $1.2 Billion
Company Reiterates FY17 Revenue Outlook and EPS Guidance

DUBLIN - August 25, 2016 - Medtronic plc (NYSE: MDT) today announced financial results for its first quarter of fiscal year 2017, which ended July 29, 2016.

The company reported first quarter worldwide revenue of $7.166 billion, a decrease of 1 percent, or an increase greater than 5 percent on a constant currency, constant weeks (CCCW) basis. Foreign currency translation had a negative $7 million impact on revenue. The first quarter of fiscal year 2017 contained 13 weeks, one less week than the first quarter of fiscal year 2016. The extra week occurs every six years as a result of the company's 52-53 week fiscal year calendar. While it is difficult to calculate an exact impact from the extra week, the company estimates that it resulted in an approximate $450 million benefit to revenue and $0.08 to $0.10 benefit to non-GAAP diluted earnings per share (EPS) in the first quarter of the prior fiscal year.

First quarter GAAP net income and diluted EPS were $929 million and $0.66, increases of 13 percent and 16 percent, respectively. As detailed in the financial schedules included through the link at the end of this release, first quarter non-GAAP net income and diluted EPS were $1.444 billion and $1.03, representing increases of approximately 11 to 14 percent and approximately 14 to 16 percent, respectively, on a CCCW basis.

U.S. revenue of $4.002 billion represented 56 percent of company revenue and decreased 3 percent, or increased in the low-single digits on a constant weeks basis. Non-U.S. developed market revenue of $2.231 billion represented 31 percent of company revenue and increased 2 percent, or increased in the mid-single digits on a CCCW basis. Emerging market revenue of $933 million represented 13 percent of company revenue and was flat, or increased in the low-double digits on a CCCW basis.

"Q1 was another strong quarter for Medtronic, where our diversified businesses and geographies delivered solid results," said Omar Ishrak, Medtronic chairman and chief executive officer. "In addition to our solid top- and bottom-line performance, we also continue to generate significant free cash flow, and we continue to strategically deploy our capital against our priorities of reinvesting with discipline in M&A and R&D, returning substantial cash to our shareholders, and deleveraging our balance sheet."

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 revenue of $2.518 billion decreased 2 percent, or increased in the mid-single digits on a CCCW basis, driven by strong, balanced growth across all three divisions.

- CRHF revenue of $1.334 billion decreased 3 percent, or increased in the mid-single digits on a CCCW basis. The division outperformed the market in core implantables on the strength of the Amplia MRI(TM) and Compia MRI(TM) Quad CRT-D, Evera MRI® ICD, and Micra® TPS pacemaker. AF Solutions grew in the mid-thirties on a CCCW basis on the strength of the Arctic Front Advance® cryoballoon and recent FIRE AND ICE clinical data. The Diagnostics business also had a solid quarter, growing in the low-double digits on a CCCW basis, on the continued global adoption of the Reveal LINQ® insertable cardiac monitor.
- CSH revenue of $762 million decreased 3 percent, or increased in the mid-single digits on a CCCW basis, driven by high-twenties growth on a CCCW basis in transcatheter aortic heart valves as a result of strong customer adoption of the CoreValve® Evolut® R. Coronary declined in the mid-single digits on a CCCW basis, but drug-eluting stents grew in the mid-single digits on a CCCW basis in markets outside the United States driven by Resolute Onyx(TM) in Europe and emerging markets.
- APV revenue of $422 million increased 2 percent, or increased in the high-single digits on a CCCW basis, with high-single

digit growth on a CCCW basis in the Aortic business, driven by the continued strength of the Endurant® IIs aortic stent graft, the Heli-FX® EndoAnchor® System, and Valiant® Captivia® thoracic stent graft. The Peripheral Vascular business grew in the high-single digits on a CCCW basis, with strong above-market growth in drug-coated balloons, driven by the clinically differentiated IN.PACT® Admiral® DCB, 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 revenue of $2.424 billion decreased 1 percent, or increased in the mid-single digits on a CCCW basis, another strong quarter for the group with above market growth.

- Surgical Solutions revenue of $1.348 billion was flat, or increased in the mid-single digits on a CCCW basis, driven by high-single digit growth on a CCCW basis in Advanced Stapling and mid-single digit growth on a CCCW basis in Advanced Energy. Early Technologies grew in the high-single digits on a CCCW basis, led by strong growth in GI Solutions.
- PMR revenue of $1.076 billion decreased 3 percent, or increased in the mid-single digits on a CCCW basis, driven by growth in Renal Care Solutions from the recent acquisition of Bellco. The division also returned to market with the Puritan Bennett(TM) 980 ventilator and Capnostream(TM) 20 capnography monitor, which had previously been under shipping holds.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Brain Therapies, Specialty Therapies, and Pain Therapies divisions. This is the first quarter RTG revenue is reported in its new four division structure. RTG worldwide revenue of $1.772 billion decreased 2 percent, or increased in the mid-single digits on a CCCW basis. Group results were driven by strong Brain Therapies and Specialty Therapies growth, as well as by continued improvement in U.S. Spine, offsetting declines in Pain Therapies, all on a CCCW basis.

- In the Spine division, which now includes the Core Spine, BMP, and Kanghui businesses, revenue of $645 million decreased 6 percent, or was flat on a CCCW basis. The Core Spine business grew in the low-single digits in the U.S. on a constant weeks basis, in-line with the market, as a number of new products and focus on procedural innovation is driving improved results. BMP grew in the mid-single digits on a CCCW basis, with high-single digit growth in the U.S. on a constant weeks basis partially offset by the continued loss of InductOs(TM) sales in Europe as a result of a shipping hold.
- In the Brain Therapies division, which now includes the Neurovascular, Brain Modulation, and Neurosurgery businesses, revenue of $489 million increased 6 percent, or increased in the low-double digits on a CCCW basis. All three businesses had strong quarters, with Neurovascular growing in the high-teens, Neurosurgery growing in the low-double digits, and Brain Modulation growing in the mid-single digits, all on a CCCW basis.
- In the Specialty Therapies division, which now includes the Pelvic Health, Advanced Energy, and ENT businesses, revenue of $356 million increased 3 percent, or increased in the low-double digits on a CCCW basis. All three businesses delivered strong quarters, with Advanced Energy growing in the high-teens, and Pelvic Health and ENT both growing in the high-single digits, all on a CCCW basis.
- In the Pain Therapies division, which now includes the Pain (Spinal Cord Stimulation and Drug Pumps) and Interventional Spine businesses, revenue of $282 million decreased 9 percent, or decreased in the low-single digits on a CCCW basis. After adjusting for the divestiture of our drug business, which occurred in the third quarter of fiscal year 2016, Pain Therapies revenue was flat on a CCCW basis. Spinal Cord Stimulation declined in the mid-single digits on a CCCW basis, as the business faced competitive pressures. Drug Pumps grew in the mid-single digits on a CCCW basis, as the business returned to growth following declines over the past year as a result of its April 2015 U.S. FDA consent decree. Interventional Spine grew in the low-single digits on a CCCW basis.

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 revenue of $452 million increased 2 percent, or increased in the high-single digits on a CCCW basis. The group had strong, broad-based performance across all three divisions.

- IIM grew in the high-single digits on a CCCW 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 in the mid-seventies on a CCCW 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 CCCW 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, which over 18,000

people with diabetes are now using to view their insulin pump and CGM information on a smartphone.

Revenue Outlook and EPS Guidance

The company today reiterated its fiscal year 2017 revenue outlook and EPS guidance. Consistent with the company's long-term, mid-single digit constant currency revenue growth expectation, the company continues to expect fiscal year 2017 revenue growth to be in the range of 5 to 6 percent on a CCCW basis, which excludes the benefit of the extra selling week in the company's first quarter of fiscal year 2016, as well as the estimated benefit from foreign currency in fiscal year 2017.

In addition, the company reiterated its diluted non-GAAP EPS guidance for fiscal year 2017. The company expects fiscal year 2017 diluted non-GAAP EPS growth in the range of 12 to 16 percent on a CCCW basis, which excludes the estimated negative impact of foreign currency translation, as well as the benefit from the extra selling week in the company's first quarter of fiscal year 2016. This annual EPS growth range is consistent with the company's long-term, double digit constant currency EPS growth expectation, and continues to imply fiscal year 2017 diluted non-GAAP EPS in the range of $4.60 to $4.70. Other than as noted, EPS guidance does not include charges or gains that would be recorded as non-GAAP adjustments to earnings during the fiscal year.

"We feel very good about our momentum to start our fiscal year, and we are confident in our ability to sustain this performance over the coming quarters," said Ishrak. "We also remain focused on fully understanding and leading the shift to value-based healthcare systems that reward value and patient outcomes over volume, and we continue to develop partnerships and insights into how we can utilize our expertise to play a role in this evolution. We feel the appropriate application of medical technology can help address inefficiencies and improve outcomes in healthcare delivery, driving new forms of value creation - for both our customers and our shareholders."

Webcast Information

Medtronic will host a webcast today, August 25, 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 first quarter financial schedules and non-GAAP reconciliations, click here. To view the first 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 88,000 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 and service 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 and other filings with the U.S. Securities and Exchange Commission (the "SEC"). Anticipated results only reflect information available to Medtronic at this time and may differ from actual 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.

NON-GAAP FINANCIAL MEASURES

This press release contains financial measures and guidance, including free cash flow figures (defined as operating cash flows less property, plant and equipment additions), revenue and growth rates on a constant currency and constant weeks 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 figures increasing or decreasing are in comparison to the first quarter of fiscal year 2016.

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 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 FY17 First Quarter Financial Schedules & Non-GAAP Reconciliations
View FY17 First Quarter Earnings Presentation

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