Medtronic News

Medtronic Signs Definitive Agreement to Divest a Portion of Its Patient Monitoring & Recovery Division to Cardinal Health for $6.1 Billion

DUBLIN - April 18, 2017 - Medtronic plc (NYSE: MDT) today announced that it has entered into a definitive agreement with Cardinal Health Inc. (NYSE: CAH) to sell its Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses within the Patient Monitoring & Recovery (PMR) division of its Minimally Invasive Therapies Group (MITG). The transaction is expected to close in Medtronic's second quarter of its fiscal year 2018, subject to receipt of customary regulatory approvals and satisfaction of other customary closing conditions. Headquartered in Dublin, Ohio, Cardinal Health is a global, integrated healthcare services and products company, providing customized solutions for hospitals, health systems, and other clinical entities worldwide.

Upon closing, the transaction is expected to result in an immediate positive impact to Medtronic's comparable, constant currency revenue growth rate and non-GAAP comparable, constant currency operating margin of approximately 50 basis points each.

Under the terms of the definitive agreement, Medtronic will receive $6.1 billion in cash, subject to certain adjustments, with total after-tax proceeds estimated to be approximately $5.5 billion. Medtronic intends to allocate $1 billion of the after-tax proceeds for incremental share repurchases in FY18, with the balance used to reduce its debt. This deployment of proceeds is consistent with Medtronic's near-term capital allocation strategy, improves the company's debt leverage ratio, and enables future investments in higher growth and higher margin opportunities. The company remains committed to a capital allocation policy that balances returns to its shareholders with reinvestment in its businesses.

"This is a positive transaction for all involved - Medtronic, Cardinal Health, and our respective shareholders and employees - who we believe will all thrive under this change in ownership. In addition, it signifies our commitment to disciplined portfolio management," said Omar Ishrak, Medtronic chairman and chief executive officer. "Medtronic has had a specific focus over the past several years on ensuring that we are delivering compelling clinical and economic value to health systems and patients around the world. Ultimately, we came to the conclusion that these products - while truly meaningful to patients in need - are best suited under ownership that can provide the investment and focus that these businesses require. At the same time, we can put these proceeds to work, investing over the long-term in higher returning internal and external opportunities that are more directly aligned with our growth strategies of therapy innovation, globalization, and economic value."

The transaction is expected to result in modest dilution on a net basis to the company's fiscal year 2018 non-GAAP earnings per share in the range of approximately $0.12 to $0.18, with the exact amount primarily dependent on the closing date of the transaction.

Combined, the businesses expected to be divested in the transaction generated approximately $2.4 billion in revenue over the last four reported quarters. Among the product lines included in the transaction are the company's dental/animal health, chart paper, wound care, incontinence, electrodes, SharpSafety(TM), thermometry, perinatal protection, blood collection, compression, and enteral feeding offerings. The transaction also will include 17 dedicated manufacturing facilities. Medtronic will retain its Respiratory & Monitoring Solutions business, which includes its airway, ventilators, monitors, sensors, and health informatics product lines, as well as its Renal Care Solutions business, both of which are within its PMR division.

"This transaction enables our group to better focus on a portfolio that delivers on our global strategic priorities," said Bryan Hanson, executive vice president and president of Medtronic's Minimally Invasive Therapies Group. "We believe both our employees and these businesses will thrive under Cardinal Health's ownership. We sincerely appreciate the countless

contributions of our team throughout the years, as well as the partnership and loyalty of our customers and patients."

Medtronic's financial advisors on the transaction are Piper Jaffray and J.P. Morgan Securities LLC. Its legal advisors on the transaction are Wachtell, Lipton, Rosen & Katz and Baker McKenzie.

Presentation

To view a presentation related to this announcement, click here. The presentation can also be accessed by visiting newsroom.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 the proposed transaction between Medtronic and Cardinal Health, the expected timetable for completing the transaction, strategic and other potential benefits of the transaction, and other statements about future expectations, beliefs, goals, plans or prospects, all of which are subject to risks and uncertainties such as those 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. These forward looking statements speak only as of the date of this press release, and Medtronic does not undertake to update its forward-looking statements or any of the information contained in this press release.

Non-GAAP Financial Measures

This press release contains certain financial measures, including estimated future revenue growth rate and potential margin and dilution impacts of the transaction, which are considered "non-GAAP" financial measures under applicable SEC rules and regulations. Medtronic calculates forward-looking non-GAAP financial measures based on internal forecasts that omit certain amounts that would be included in GAAP financial measures. For instance, forward-looking non-GAAP revenue growth and EPS projections exclude the impact of foreign currency exchange fluctuations. Forward-looking non-GAAP EPS impacts also exclude other potential charges or gains that would be recorded as non-GAAP adjustments to earnings during the fiscal year, such as amortization of intangible assets and acquisition-related, certain tax and litigation, and restructuring charges or gains. Medtronic does not attempt to provide reconciliations of forward-looking non-GAAP financial measures to projected comparable GAAP financial measures because the combined impact and timing of recognition of these potential charges or gains is inherently uncertain and difficult to predict and is unavailable without unreasonable efforts. In addition, we believe such reconciliations would imply a degree of precision and certainty that could be confusing to investors. Such items could have a substantial impact on GAAP measures of financial performance. 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.

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