Medtronic News

# Medtronic Reports First Quarter Financial Results

*(GLOBE NEWSWIRE via COMTEX) --- Revenue of $7.4 Billion Decreased 0.1% Reported; Increased 6.8% Organic*
*- GAAP Diluted EPS of $0.79; Non-GAAP Diluted EPS of $1.17*
*- Company Updates FY19 Revenue and EPS Guidance*

DUBLIN - August 21, 2018 - Medtronic plc (NYSE: MDT) today announced financial results for its first quarter of fiscal year 2019, which ended July 27, 2018.

The company reported first quarter worldwide revenue of $7.384 billion, a decrease of 0.1 percent as reported, or an increase of 6.8 percent on an organic basis, which adjusts for the divestiture of its Patient Care, Deep Vein Thrombosis (Compression), and Nutritional Insufficiency businesses to Cardinal Health that occurred in the second quarter of fiscal year 2018, and a $78 million positive impact from foreign currency. As reported, first quarter GAAP net income and diluted earnings per share (EPS) were $1.075 billion and $0.79, 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 $1.601 billion and $1.17, respectively, both increases of 4 percent. Adjusting for the divestiture and a positive 5 cent impact from foreign currency, first quarter non-GAAP diluted EPS increased 9 percent.

First quarter U.S. revenue of $3.864 billion represented 52 percent of company revenue and decreased 4.4 percent as reported, while it increased 6.4 percent on a comparable basis, which adjusts for the divestiture. Non-U.S. developed market revenue of $2.406 billion represented 33 percent of company revenue and increased 4.0 percent as reported and 5.5 percent on a comparable, constant currency basis. Emerging market revenue of $1.114 billion represented 15 percent of company revenue and increased 7.6 percent as reported and 11.2 percent on a comparable, constant currency basis.

"We are executing against our plan, growing our markets and driving share gains across multiple businesses and geographies," said Omar Ishrak, Medtronic chairman and chief executive officer. "Our execution is not only on the top line, but also down the P&L, as we delivered margin expansion through our Enterprise Excellence program while increasing our investment in R&D."

## Cardiac and Vascular Group

The Cardiac and Vascular Group (CVG) includes the Cardiac Rhythm & Heart Failure (CRHF), Coronary & Structural Heart (CSH), and Aortic, Peripheral & Venous (APV) divisions. CVG worldwide first quarter revenue of $2.811 billion increased 6.2 percent, or 5.0 percent on a constant currency basis. CVG revenue performance was driven by strong, low-double digit growth in CSH, mid-single digit growth in APV, and low-single digit growth in CRHF, all on a constant currency basis.

- CRHF first quarter revenue of $1.426 billion increased 2.6 percent, or 1.4 percent on a constant currency basis. Arrhythmia Management grew in the low-single digits on a constant currency basis, driven by high-teens constant currency growth in AF Solutions and the high-thirties constant currency growth of TYRX® in Infection Control. Results were also driven by mid-single digit growth in Pacing, led by the adoption of the Micra® Transcatheter Pacing System and the Azure® wireless pacemaker.

- CSH first quarter revenue of $917 million increased 12.2 percent, or 10.9 percent on a constant currency basis, led by high-teens constant currency growth in transcatheter aortic valves on the global strength of the CoreValve® Evolut® PRO. Coronary grew in the high-single digits on a constant currency basis, driven by double digit constant currency growth of drug-eluting stents and guide catheters.

- APV first quarter revenue of $468 million increased 6.6 percent, or 5.2 percent on a constant currency basis, led by mid-teens constant currency growth in endoVenous on strong demand for the VenaSeal(TM) closure system. Peripheral Vascular grew in the mid-single digits on a constant currency basis, driven by strong PTA balloon growth globally and drug-coated balloon growth

in international markets. Aortic grew in the low-single digits on a constant currency basis, driven by growth in thoracic stent grafts.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Innovations (SI) and the Respiratory, Gastrointestinal & Renal (RGR) divisions. MITG worldwide first quarter revenue of $2.052 billion decreased 17.5 percent as reported, or increased 4.9 percent on a comparable, constant currency basis. MITG revenue performance included mid-single digit growth in SI and low-single digit growth in RGR, both on a comparable, constant currency basis.

- SI first quarter revenue of $1.397 billion increased 5.8 percent on a comparable, constant currency basis, driven by low-double digit constant currency growth in Advanced Energy on the strength of the LigaSure(TM) vessel sealing instruments with innovative nano-coating. Advanced Stapling grew in the mid-single digits, driven by strong demand for Tri-Staple(TM) 2.0 endo stapling specialty reloads and the Signia(TM) powered stapler.

- RGR first quarter revenue of $655 million increased 2.9 percent on a comparable, constant currency basis. GI grew in the mid-single digits on a comparable, constant currency basis. Respiratory and Patient Monitoring grew in the low-single digits on a comparable, constant currency basis, with high-single digit constant currency growth in capnography and ventilation.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Brain Therapies, Specialty Therapies, and Pain Therapies divisions. RTG worldwide first quarter revenue of $1.949 billion increased 7.7 percent, or 6.8 percent on a constant currency basis. Group results were driven by mid-teens growth in Brain Therapies and Pain Therapies, with low-single digit growth in Specialty Therapies and flat results in Spine, all on a constant currency basis.

- Spine first quarter revenue of $652 million increased 0.5 percent, or decreased 0.3 percent on a constant currency basis. When combined with the company's sales of enabling technology used in spine surgeries, which is recognized in the Brain Therapies division, global Spine revenue increased in the mid-single digits on a constant currency basis, driven by the success of the company's Surgical Synergy strategy.

- Brain Therapies first quarter revenue of $599 million increased 14.8 percent, or 13.6 percent on a constant currency basis, driven by high-teens constant currency growth in Neurovascular and Neurosurgery. Neurovascular had strong growth in stents, flow diversion, and access products. Neurosurgery growth was led by strong capital equipment sales of the O-arm®2 surgical imaging system, StealthStation® S8 surgical navigation system, Mazor X(TM) robotic guidance system, and Visualase® MRI-guided laser ablation system.

- Specialty Therapies first quarter revenue of $384 million increased 4.1 percent, or 3.3 percent on a constant currency basis. Results were led by mid-single digit constant currency growth in ENT.

- Pain Therapies first quarter revenue of $314 million increased 16.7 percent, or 15.6 percent on a constant currency basis. The division had strong, low-twenties growth in Pain Stimulation on the strength of the recently launched Intellis(TM) platform for spinal cord stimulation, as well as low-double digit growth in Targeted Drug Delivery and high-single digit growth in Interventional Pain, all on a constant currency basis.

Diabetes Group

The Diabetes Group is now organized into the Advanced Insulin Management (AIM) and Emerging Technologies divisions. Diabetes Group worldwide first quarter revenue of $572 million increased 27.4 percent, or 26.3 percent on a constant currency basis. The group is experiencing strong global demand for its new sensor-augmented insulin pump systems.

- AIM first quarter revenue grew in the mid-twenties on a constant currency basis, driven by the ongoing U.S. launch of the MiniMed® 670G hybrid closed loop insulin pump system with the Guardian® sensor 3 continuous glucose monitor (CGM). In international markets, AIM delivered high-teens constant currency growth on the continued strength of the MiniMed® 640G system.

- Emerging Technologies first quarter revenue grew in the high-sixties on a constant currency basis, driven by the U.S. launch of the Guardian® Connect CGM system with Sugar.IQ(TM) personal diabetes assistant.

Guidance

The company today updated its fiscal year 2019 revenue growth and EPS guidance.

For fiscal year 2019, the company is increasing its organic revenue growth guidance from a range of 4.0 to 4.5 percent to a range of 4.5 to 5.0 percent. If recent exchange rates hold for the remainder of the fiscal year, the company's fiscal year 2019 revenue would be negatively affected by approximately $420 million to $520 million.

For fiscal year 2019, the company is increasing its implied constant currency non-GAAP diluted EPS growth forecast from a range of 8 to 9 percent to a range of 9 to 10 percent. At recent rates, foreign exchange is expected to be neutral to fiscal year 2019 EPS versus a 5 cent benefit prior. As such, despite the increased constant currency EPS growth outlook, the company is maintaining its diluted non-GAAP EPS guidance in the range of $5.10 to $5.15.

"We are excited about the growth opportunities in our end markets, and we are bullish about our competitive position," said Ishrak. "Our pipeline of innovation, invention, and disruption has never been stronger. We are also putting the pieces in place to improve free cash flow conversion, creating additional capital that can be returned to shareholders and reinvested to drive future growth, all with a goal of creating long-term shareholder value."

Webcast Information

Medtronic will host a webcast today, August 21, 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 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 86,000 people worldwide, serving physicians, hospitals and patients in more than 150 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, which are subject to risks and uncertainties, including those 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 adjusted net income and adjusted diluted EPS, which are considered "non-GAAP" financial measures under applicable SEC rules and regulations. References to quarterly figures increasing, decreasing or remaining flat are in comparison to the first quarter of fiscal year 2018.

Medtronic management believes that non-GAAP financial measures provide information useful to investors in understanding the company's underlying operational performance and trends and to facilitate comparisons with the performance of other companies in the med tech industry. Non-GAAP net income and diluted EPS 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 U.S. generally accepted accounting principles (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.

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 revenue growth projections exclude the impact of foreign currency fluctuations. Forward-looking non-GAAP EPS guidance also excludes other potential charges or gains that would be recorded as Non-GAAP Adjustments to earnings during the fiscal year. Medtronic does not attempt to provide reconciliations of forward-looking non-GAAP EPS guidance to projected GAAP EPS guidance 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.

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View FY19 First Quarter Financial Schedules & Non-GAAP Reconciliations

View FY19 First Quarter Earnings Presentation

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