Medtronic News

Medtronic Reports Second Quarter Financial Results

Revenue of $7.5 Billion Increased 6.1% Reported; Increased 7.5% Organic
GAAP Diluted EPS of $0.82; Non-GAAP Diluted EPS of $1.22
Cash Flow from Operations of $2.9 Billion in First Six Months vs. $1.6 Billion in Prior Year; Free Cash Flow of $2.4 Billion in First Six Months vs. $1.1 Billion in Prior Year
Company Increases FY19 Organic Revenue Growth Guidance

DUBLIN - November 20, 2018 - Medtronic plc (NYSE: MDT) today announced financial results for its second quarter of fiscal year 2019, which ended October 26, 2018.

The company reported second quarter worldwide revenue of $7.481 billion, an increase of 6.1 percent as reported or 7.5 percent on an organic basis, which adjusts for a $95 million negative impact from foreign currency. As reported, second quarter GAAP net income and diluted earnings per share (EPS) were $1.115 billion and $0.82, respectively. As detailed in the financial schedules included through the link at the end of this release, second quarter non-GAAP net income and non-GAAP diluted EPS were $1.660 billion and $1.22, respectively, both increases of 14 percent. Adjusting for a positive 1 cent impact from foreign currency, second quarter non-GAAP diluted EPS increased 13 percent.

Second quarter U.S. revenue of $4.045 billion represented 54 percent of company revenue and increased 8.3 percent as reported. Non-U.S. developed market revenue of $2.282 billion represented 31 percent of company revenue and increased 1.8 percent as reported and 3.1 percent on a constant currency basis. Emerging market revenue of $1.154 billion represented 15 percent of company revenue and increased 7.3 percent as reported and 13.5 percent on a constant currency basis.

"This was an outstanding quarter for Medtronic. We are executing on multiple fronts, resulting in robust top-line growth, solid margin expansion, and increasing free cash flow," said Omar Ishrak, Medtronic chairman and chief executive officer. "Yet, even more exciting than our results this quarter is the progress we are making on our new product pipeline, which is stronger than at any time in our company's history."

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 second quarter revenue of $2.858 billion increased 3.1 percent, or 4.4 percent on a constant currency basis. CVG revenue performance was driven by high-single digit growth in CSH and APV, and low-single digit growth in CRHF, all on a constant currency basis.

- CRHF second quarter revenue of $1.472 billion increased 0.3 percent, or 1.4 percent on a constant currency basis. Arrhythmia Management grew in the mid-single digits on a constant currency basis, driven by high-single digit constant currency growth in Pacing on strong sales of the Micra® Transcatheter Pacing System and the Azure® wireless pacemaker. Arrhythmia Management results were also driven by high-twenties growth of the TYRX® Absorbable Antibacterial Envelope and mid-teens growth in AF Solutions, both on a constant currency basis.
- CSH second quarter revenue of $906 million increased 6.1 percent, or 7.8 percent on a constant currency basis, led by mid-teens constant currency growth in transcatheter aortic valves resulting from the global strength of the CoreValve® Evolut® PRO. Coronary grew in the mid-single digits on a constant currency basis, driven by mid-single digit growth of drug-eluting stents, low-double digit growth of coronary balloons, and high-teens growth of guide catheters, all on a constant currency basis.
- APV second quarter revenue of $480 million increased 6.2 percent, or 7.3 percent on a constant currency basis. The strength in the division was broad based, with high-teens growth in endoVenous given strong demand for the VenaSeal(TM) closure system, low-double digit growth of the IN.PACT(TM) Admiral(TM) drug-coated balloon (DCB) with continued strength in Japan, and mid-single digit growth in abdominal aortic aneurysm (AAA) stent graft systems.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Innovations (SI) and the Respiratory, Gastrointestinal &

Renal (RGR) divisions. MITG worldwide second quarter revenue of $2.047 billion increased 4.9 percent, or 6.8 percent on a constant currency basis. MITG revenue performance was balanced by high-single digit constant currency growth in both SI and RGR.

- SI second quarter revenue of $1.393 billion increased 4.4 percent, or 6.6 percent on a constant currency basis, driven by low-double digit constant currency growth in Advanced Energy resulting from the strength of the LigaSure(TM) vessel sealing instruments with innovative nano-coating and Valleylab(TM) FT10 energy platform. Advanced Stapling grew in the high-single digits on a constant currency basis, driven by strong demand for Tri-Staple(TM) 2.0 endo stapling specialty reloads and the Signia(TM) powered stapler.
- RGR second quarter revenue of $654 million increased 5.8 percent, or 7.3 percent on a constant currency basis. Growth was driven by Patient Monitoring, which grew in the high-single digits on a constant currency basis as a result of strength in Nellcor(TM) pulse oximetry. GI Solutions grew in the low-double digits on a constant currency basis, led by a strong performance in GI Diagnostics. Renal Care Solutions grew in the mid-single digits on a constant currency basis, driven by strength in renal access products.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Brain Therapies, Specialty Therapies, and Pain Therapies divisions. RTG worldwide second quarter revenue of $1.993 billion increased 7.0 percent, or 7.8 percent on a constant currency basis. Group results were driven by high-teens growth in Pain Therapies, low-double digit growth in Specialty Therapies, high-single digit growth in Brain Therapies, and flat results in Spine, all on a constant currency basis.

- Spine second quarter revenue of $656 million decreased 0.5 percent or increased 0.2 percent on a constant currency basis. When combined with the company's sales of enabling technology used in spine surgeries, including robotics, navigation, imaging, and powered surgical instruments that are recognized in the Brain Therapies division, global Spine revenue grew in the low-single digits on a constant currency basis and U.S. Core Spine increased in the mid-single digits on a constant currency basis. Posterior Cervical grew in the low-double digits on a constant currency basis, driven by the recent launch of the Infinity(TM) OCT System.
- Brain Therapies second quarter revenue of $618 million increased 7.5 percent, or 8.7 percent on a constant currency basis. Neurovascular grew in the mid-teens on a constant currency basis, with high-twenties constant currency growth of stents for acute ischemic stroke, including the Solitaire(TM) Platinum. Neurovascular also had strength in neuro access products, coils and intrasaccular therapies, and flow diversion products. Neurosurgery grew in the high-single digits, led by strong capital equipment sales of the StealthStation® S8 surgical navigation system, Mazor X(TM) robotic guidance system, and Visualase® MRI-guided laser ablation system.
- Specialty Therapies second quarter revenue of $405 million increased 11.0 percent, or 11.5 percent on a constant currency basis. Results were led by mid-teens constant currency growth in Pelvic Health on strong sales of the InterStim(TM) II system.
- Pain Therapies second quarter revenue of $314 million increased 18.9 percent, or 19.7 percent on a constant currency basis. The division had strong, mid-thirties constant currency growth in Pain Stimulation on the continued strength of the Intellis(TM) platform for spinal cord stimulation, as well as low-double digit constant currency growth in Targeted Drug Delivery.

Diabetes Group

The Diabetes Group includes the Advanced Insulin Management (AIM) and Emerging Technologies divisions. Diabetes Group worldwide second quarter revenue of $583 million increased 26.2 percent, or 27.5 percent on a constant currency basis. The group is experiencing strong, sustained global demand for its sensor-augmented insulin pump systems.

- AIM second quarter revenue grew in the mid-twenties on a constant currency basis, driven by the sustained U.S. market demand for the MiniMed® 670G hybrid closed loop insulin pump system with the Guardian® sensor 3. AIM launched the MiniMed® 670G in several European countries in the quarter, and initial user feedback has been very positive. The global adoption of its sensor-augmented insulin pump systems has resulted in strong sensor attachment rates, with integrated CGM sales growing in the mid-sixties on a constant currency basis.
- Emerging Technologies second quarter revenue more than doubled on a constant currency basis, driven by the ongoing launch of the Guardian® Connect CGM system with Sugar.IQ(TM) personal diabetes assistant.

Guidance

The company today updated its fiscal year 2019 guidance.

For fiscal year 2019, the company is increasing its organic revenue growth guidance from a range of 4.5 to 5.0 percent to a

range of 5.0 to 5.5 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.

Medtronic's operational outperformance in the first half of fiscal year 2019 is allowing the company to absorb incremental expenses, including an increased impact of foreign exchange since the beginning of the fiscal year and expected impacts of China tariffs and the pending Mazor acquisition in the second half of the fiscal year, such that the company is maintaining its fiscal year 2019 diluted non-GAAP EPS guidance in the range of $5.10 to $5.15. If recent exchange rates hold for the remainder of the fiscal year, foreign exchange would have a neutral impact on the company's fiscal year 2019 EPS, implying a constant currency EPS growth forecast of 9 to 10 percent.

"Our end markets are strong, and we are leading in most of the fastest growing markets in medical technology," said Ishrak. "Over the remainder of this fiscal year and into fiscal 2020, we expect to develop and bring to market a number of innovative new technologies, which will improve the lives of millions of people around the world, help healthcare systems become more efficient, and generate significant value for our shareholders."

Webcast Information

Medtronic will host a webcast today, November 20, at 8:00 a.m. EST (7:00 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 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 its 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 second quarter financial schedules and non-GAAP reconciliations, click here. To view the second 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 second 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, the company believes 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 Second Quarter Financial Schedules & Non-GAAP Reconciliations
View FY19 Second Quarter Earnings Presentation

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