Medtronic News

Medtronic Reports Third Quarter Financial Results

Revenue of $7.5 Billion Increased 2.4% Reported; Increased 4.4% Organic
GAAP Diluted EPS of $0.94; Non-GAAP Diluted EPS of $1.29
Operating Margin of 20.4% Increased 90 bps; Non-GAAP Operating Margin of 29.2% Increased 140 bps
Cash Flow from Operations of $4.9 Billion in First Nine Months vs. $3.6 Billion in Prior Year; Free Cash Flow of $4.1 Billion in First Nine Months vs. $2.9 Billion in Prior Yea
Company Raises FY19 EPS and Free Cash Flow Guidance

DUBLIN - February 19, 2019 - Medtronic plc (NYSE: MDT) today announced financial results for its third quarter of fiscal year 2019, which ended January 25, 2019.

The company reported third quarter worldwide revenue of $7.546 billion, an increase of 2.4 percent as reported or 4.4 percent on an organic basis, which adjusts for a $149 million negative impact from foreign currency. As reported, third quarter GAAP net income and diluted earnings per share (EPS) were $1.269 billion and $0.94, respectively. As detailed in the financial schedules included through the link at the end of this release, third quarter non-GAAP net income and non-GAAP diluted EPS were $1.751 billion and $1.29, respectively, both increases of 10 percent. Adjusting for a positive 2 cent impact from foreign currency, third quarter non-GAAP diluted EPS increased 9 percent.

U.S. revenue of $4.001 billion represented 53 percent of company revenue and increased 2.3 percent as reported. Non-U.S. developed market revenue of $2.368 billion represented 31 percent of company revenue and increased 0.6 percent as reported and 3.6 percent on a constant currency basis. Emerging market revenue of $1.177 billion represented 16 percent of company revenue and increased 6.8 percent as reported and 13.9 percent on a constant currency basis.

"Our organization executed on multiple fronts to deliver a strong quarter for Medtronic," said Omar Ishrak, Medtronic chairman and chief executive officer. "Revenue outperformance in our Minimally Invasive Therapies and Restorative Therapies Groups, as well as broad strength across Emerging Markets, helped to offset certain market-specific headwinds we faced during the quarter, reflecting the full benefits of our diversification."

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 revenue of $2.786 billion decreased 0.5 percent as reported, while increasing 1.6 percent on a constant currency basis. CVG revenue performance was driven by mid-single digit growth in APV and CSH, offset by low-single digit declines in CRHF, all on a constant currency basis.

- Cardiac Rhythm & Heart Failure revenue of $1.397 billion decreased 4.1 percent as reported or 2.3 percent on a constant currency basis. Arrhythmia Management grew in the mid-single digits on a constant currency basis, driven by the continued uptake of the Micra® Transcatheter Pacing System and the Azure® wireless pacemaker. Arrhythmia Management results were also driven by mid-twenties growth of the TYRX® Absorbable Antibacterial Envelope and mid-teens growth in AF Solutions, both on a constant currency basis. This was offset by mid-teens declines in Heart Failure, including mid-forties declines in sales of left ventricular assist devices (LVADs).
- Coronary & Structural Heart revenue of $913 million increased 3.0 percent as reported or 5.9 percent on a constant currency basis, led by mid-teens constant currency growth in transcatheter aortic valves, reflecting the clinical benefits of the CoreValve® Evolut® PRO platform. Coronary growth was flat on a constant currency basis, driven by mid-teens growth in guide catheters and low-double digit growth in coronary balloons, offset by mid-single digit declines in drug-eluting stents, all on a constant currency basis.
- Aortic, Peripheral & Venous revenue of $476 million increased 4.2 percent as reported or 6.1 percent on a constant currency basis. The strength in the division was driven by mid-teens growth in Venous, reflecting strong demand for the VenaSeal(TM) closure system, mid-teens growth of drug-coated balloons, and high-single digit growth in thoracic stent graft systems, given the continued launch of Valiant Navion(TM).

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Innovations (SI) and the Respiratory, Gastrointestinal & Renal (RGR) divisions. MITG revenue of $2.124 billion increased 4.1 percent as reported or 6.6 percent on a constant currency basis. MITG revenue was driven by strong performances in both divisions, with high-single digit constant currency growth in RGR and mid-single digit constant currency growth in SI.

- Surgical Innovations revenue of $1.434 billion increased 3.6 percent as reported or 6.4 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.

- Respiratory, Gastrointestinal & Renal revenue of $690 million increased 5.0 percent as reported or 7.0 percent on a constant currency basis. Respiratory grew in the high-single digits on a constant currency basis, with strength in Puritan Bennett(TM) 980 ventilators, McGRATH(TM) MAC video laryngoscopes, and Nellcor(TM) pulse oximetry products. Renal Care Solutions grew mid-teens on a constant currency basis, with strength in both renal access products and the Bellco product line. GI Solutions grew mid-single digits on a constant currency basis, led by a solid performance in GI Diagnostics.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Brain Therapies, Specialty Therapies, and Pain Therapies divisions. RTG revenue of $2.026 billion increased 4.2 percent as reported or 5.5 percent on a constant currency basis. Group results were driven by low-double digit growth in Brain Therapies, mid-single digit growth in Pain Therapies, low-single digit growth in Specialty Therapies, and flat results in Spine, all on a constant currency basis.

- Spine revenue of $655 million decreased 0.9 percent as reported and was flat 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 and U.S. Core Spine revenue both grew in the mid-single digits on a constant currency basis. Posterior Cervical grew in the mid-teens on a constant currency basis, driven by the continued launch of the Infinity(TM) OCT System.

- Brain Therapies revenue of $650 million increased 11.1 percent as reported or 13.2 percent on a constant currency basis, driven by high-teens constant currency growth in both Neurovascular and Neurosurgery. Neurovascular delivered mid-twenties constant currency growth in stent retrievers for acute ischemic stroke, on the strength of Solitaire(TM) Platinum. The business also had double-digit growth on a constant currency basis in neuro access, flow diversion, and embolic products. Neurosurgery was led by strong capital equipment sales of StealthStation® S8 surgical navigation systems, O-arm® surgical imaging systems, Mazor X(TM) robotic guidance systems, and Midas Rex® powered surgical instrument systems.

- Specialty Therapies revenue of $407 million increased 2.3 percent as reported or 3.3 percent on a constant currency basis. Results were led by mid-teens constant currency growth in Transformative Solutions on strong sales of the Aquamantys(TM) bipolar sealers.

- Pain Therapies revenue of $314 million increased 4.7 percent as reported or 5.7 percent on a constant currency basis. The division had high-single digit constant currency growth in Pain Stimulation on the continued strength of the Intellis(TM) platform for spinal cord stimulation. The division also had mid-single digit constant currency growth in Interventional Pain.

Diabetes Group

The Diabetes Group includes the Advanced Insulin Management (AIM) and Emerging Technologies divisions. Diabetes Group revenue of $610 million increased 4.5 percent as reported or 6.5 percent on a constant currency basis. Despite facing more difficult comparisons on pump sales given the backlog of patient orders that the company cleared in the prior year, revenue increased 4.6 percent versus the prior quarter as reported.

- Advanced Insulin Management revenue grew mid-single digits constant currency, driven by the sustained global market demand for the MiniMed® 670G hybrid closed loop insulin pump system with the Guardian® Sensor 3. While the division faced more difficult comparisons versus the prior year, it grew mid-single digits versus the prior quarter as reported, including high-single digit growth in insulin pumps versus the prior quarter as reported. The global adoption of its sensor-augmented insulin pump systems has resulted in strong sensor attachment rates, with integrated CGM sales growing in the high-twenties on a constant currency basis.
- Emerging Technologies revenue grew in the low-fifties on a constant currency basis, driven by the ongoing launch of the Guardian® Connect CGM system with Sugar.IQ(TM) personal diabetes assistant, which grew triple digits for the third consecutive quarter.

Guidance

The company today updated its revenue growth guidance and raised its EPS and free cash flow guidance for fiscal year 2019.

For fiscal year 2019, the company updated its organic revenue growth guidance from a range of 5.0 to 5.5 percent to a range of 5.25 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 $425 million to $475 million.

The company increased its fiscal year 2019 diluted non-GAAP EPS guidance from the prior range of $5.10 to $5.15 to the new range of $5.14 to $5.16. If recent exchange rates hold for the remainder of the fiscal year, foreign exchange would have a modest positive impact on the company's fiscal year 2019 EPS.

The company also increased its fiscal year 2019 free cash flow guidance from the prior range of $4.7 billion to $5.1 billion to the new range of $5.0 billion to $5.2 billion.

"We continue to make progress on our robust and exciting pipeline, which contains more opportunities for growth than at any time in our company's history," said Ishrak. "We expect this forthcoming innovation to disrupt existing markets and invent new markets, all with the goal of creating significant value - for patients, physicians, healthcare systems, and for our shareholders."

Webcast Information

Medtronic will host a webcast today, February 19, 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 third quarter financial schedules and non-GAAP reconciliations, click here. To view the third 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 third 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 Third Quarter Financial Schedules & Non-GAAP Reconciliations

View FY19 Third Quarter Earnings Presentation

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