Medtronic News

Medtronic Reports Fiscal Year and Fourth Quarter 2019 Financial Results

Q4 Revenue of $8.1 Billion, Flat as Reported and Grew 3.6% Organic
Q4 GAAP Diluted EPS of $0.87; Q4 Non-GAAP Diluted EPS of $1.54
FY19 Revenue of $30.6 Billion Grew 2.0% Reported and 5.5% Organic
FY19 GAAP Diluted EPS of $3.41; FY19 Non-GAAP Diluted EPS of $5.22
FY19 Cash Flow from Operations of $7.0 Billion Grew 50%; FY19 Free Cash Flow of $5.9 Billion Grew 62%
Company Issues FY20 Guidance

DUBLIN - May 23, 2019 - Medtronic plc (NYSE:MDT) today announced financial results for its fiscal year and fourth quarter 2019, which ended April 26, 2019.

Medtronic's fiscal year 2019 revenue of $30.557 billion increased 2.0 percent, or 5.5 percent on an organic basis, adjusting for the divestiture of certain businesses to Cardinal Health that occurred in the second quarter of fiscal year 2018 and the $455 million negative impact from foreign currency. As reported, fiscal year 2019 net earnings were $4.631 billion or $3.41 per diluted share. As detailed in the link at the end of this release, fiscal year 2019 non-GAAP earnings and diluted earnings per share (EPS) were $7.089 billion and $5.22, respectively, both representing increases of 9 percent. Adjusting for the divestiture and a positive 7 cent impact from foreign currency, fiscal year 2019 non-GAAP diluted EPS increased 10 percent.

Fiscal year 2019 cash flow from operations was $7.007 billion. Fiscal year 2019 free cash flow was $5.873 billion versus $3.616 billion in the prior year, an increase of 62 percent.

The company reported fourth quarter worldwide revenue of $8.146 billion, flat as reported or 3.6 percent growth on an organic basis, which adjusts for a $289 million negative impact from foreign currency. As reported, fourth quarter GAAP net income and diluted EPS were $1.172 billion and $0.87, respectively. As detailed in the financial schedules included through the link at the end of this release, fourth quarter non-GAAP net income and non-GAAP diluted EPS were $2.077 billion and $1.54, respectively, increases of 7 percent and 8 percent, respectively. Adjusting for a negative 1 cent impact from foreign currency, fourth quarter non-GAAP diluted EPS increased 9 percent.

Fourth quarter U.S. revenue of $4.284 billion represented 52 percent of company revenue and increased 2.3 percent as reported. Non-U.S. developed market revenue of $2.575 billion represented 32 percent of company revenue and decreased 5.3 percent as reported and increased 1.7 percent on a constant currency basis. Emerging market revenue of $1.287 billion represented 16 percent of company revenue and increased 3.9 percent as reported and 12.0 percent on a constant currency basis.

"Q4 was a solid finish to a strong fiscal year for Medtronic. In fiscal year 2019, we executed and delivered revenue growth, EPS, and free cash flow all above the guidance we set at the beginning of the year," said Omar Ishrak, Medtronic chairman and chief executive officer. "Our organization overcame challenges and relied upon the diversification of our business to deliver another quarter of solid top- and bottom-line results, with excellent free cash flow generation."

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 fiscal year 2019 revenue of $11.505 billion increased 1.3 percent as reported and 2.9 percent on a constant currency basis. CVG fourth quarter revenue of $3.050 billion decreased 2.7 percent as reported and increased 1.1 percent on a constant currency basis. CVG fourth quarter 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 fourth quarter revenue of $1.554 billion decreased 4.8 percent as reported 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-twenties growth of the TYRX® Absorbable Antibacterial Envelope, high-teens growth of the Reveal LINQ(TM) Insertable Cardiac Monitoring System, and mid-teens growth in AF Solutions, all on a constant currency basis. This was offset by low-double digit declines in Heart Failure, including high-thirties declines in sales of left ventricular assist devices (LVADs), both on a constant currency basis.

- Coronary & Structural Heart fourth quarter revenue of $994 million decreased 1.1 percent as reported or increased 3.6 percent on a constant currency basis, led by low-double digit constant currency growth in sales of transcatheter aortic valves, reflecting the clinical benefits of the CoreValve® Evolut® PRO platform, and high-single digit growth in Cardiac Surgery. Coronary declined in the low-single digits, as mid-single digit declines in drug-eluting stents offset mid-teens growth in coronary balloons and high-single digit growth in guide catheters, all on a constant currency basis.
- Aortic, Peripheral & Venous fourth quarter revenue of $502 million increased 1.0 percent as reported or 4.4 percent on a constant currency basis. Venous grew in the high-single digits on a constant currency basis on continued strong adoption of the VenaSeal(TM) closure system. Aortic grew in the mid-single digits on a constant currency basis, reflecting strong demand for the Valiant Navion(TM) thoracic stent graft system. Peripheral grew in the low-single digits, as low-double digit growth in PTA balloons and high-single digit growth in atherectomy offset high-single digit declines in drug-coated balloons, all on a constant currency basis.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Innovations (SI) and the Respiratory, Gastrointestinal & Renal (RGR) divisions. MITG fiscal year 2019 revenue of $8.478 billion decreased 2.7 percent as reported and increased 5.8 percent on a comparable, constant currency basis. MITG fourth quarter revenue of $2.255 billion increased 0.8 percent as reported or 5.1 percent on a constant currency basis. MITG fourth quarter revenue was driven by balanced growth across both divisions, with mid-single digit constant currency growth in both SI and RGR.

- Surgical Innovations fourth quarter revenue of $1.529 billion increased 1.1 percent as reported or 5.8 percent on a constant currency basis, driven by high-single digit constant currency growth in Advanced Energy on continued strong sales of LigaSure(TM) vessel sealing instruments with innovative nano-coating and Valleylab(TM) FT10 energy platform. Advanced Stapling grew in the mid-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. Surgical Innovations managed through a difficult issue in its sterilization supply chain, which had no net impact on revenue but did impact quarterly operating profit.
- Respiratory, Gastrointestinal & Renal fourth quarter revenue of $726 million increased 0.3 percent as reported or 3.6 percent on a constant currency basis. Respiratory and Patient Monitoring grew in the mid-single digits on a constant currency basis on strong sales of Puritan Bennett(TM) 980 ventilators, McGRATH(TM) MAC video laryngoscopes, Microstream(TM) capnography monitoring products, and INVOS(TM) cerebral oximetry systems. Renal Care Solutions grew mid-single digits on a constant currency basis, and GI Solutions grew low-single digits on a constant currency basis, with solid growth in PillCam(TM) systems.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Brain Therapies, Spine, Specialty Therapies, and Pain Therapies divisions. RTG fiscal year 2019 revenue of $8.183 billion increased 5.7 percent as reported and 6.6 percent on a constant currency basis. RTG fourth quarter revenue of $2.215 billion increased 4.1 percent as reported or 6.5 percent on a constant currency basis. RTG fourth quarter results were driven by low-double digit growth in Brain Therapies, high-single digit growth in Specialty Therapies, mid-single digit growth in Pain Therapies, and low-single digit growth in Spine, all on a constant currency basis.

- Brain Therapies fourth quarter revenue of $737 million increased 9.7 percent as reported or 12.8 percent on a constant currency basis, driven by high-teens constant currency growth in Neurovascular and mid-teens constant currency growth in Neurosurgery. Neurovascular results were broad-based, with low-twenties growth in stent retrievers, coils, flow diversion, and high-teens growth in neuro access, all on a constant currency basis. Neurosurgery was led by strong capital equipment sales of Mazor X(TM) robotic guidance systems, StealthStation® S8 surgical navigation systems, Midas Rex® powered surgical instrument systems, and O-arm® surgical imaging systems.
- Spine fourth quarter revenue of $691 million decreased 1.1 percent as reported and or increased 0.7 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 mid-single digits and U.S. Core Spine revenue grew in the low-double digits on a constant currency basis. Cervical spine products grew mid-single digits on a constant currency basis, driven by the continued launch of the Infinity(TM) OCT system and solid growth of the Prestige LP(TM) cervical disc system.
- Specialty Therapies fourth quarter revenue of $445 million increased 5.0 percent as reported or 6.8 percent on a constant

currency basis. Results were led by high-teens constant currency growth in Transformative Solutions, on strong sales of Aquamantys(TM) bipolar sealers and PlasmaBlade(TM) dissection devices, and high-single digit constant currency growth in ENT.
- Pain Therapies fourth quarter revenue of $342 million increased 3.0 percent as reported or 5.4 percent on a constant currency basis. The division had high-single digit constant currency growth in Targeted Drug Delivery, and mid-single digit constant currency growth in Pain Stimulation on the continued strength of the Intellis(TM) platform.

Diabetes Group

The Diabetes Group includes the Advanced Insulin Management (AIM) and Emerging Technologies divisions. Diabetes Group fiscal year 2019 revenue of $2.391 billion increased 11.7 percent as reported and 13.4 percent on a constant currency basis. Diabetes Group fourth quarter revenue of $626 million decreased 2.9 percent as reported or increased 0.6 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 2.6 percent versus the prior quarter as reported.

- Advanced Insulin Management fourth quarter revenue decreased low-single digits constant currency. Strong, mid-teens growth in international markets, driven by the ongoing launch of the MiniMed(TM) 670G hybrid closed loop insulin pump system with the Guardian(TM) Sensor 3, was offset by difficult comparisons and increased competition in the U.S. Global adoption of sensor-augmented insulin pump systems has resulted in strong sensor attachment rates, with integrated CGM sales growing in the high-teens on a constant currency basis.
- Emerging Technologies fourth quarter revenue grew in the low-sixties on a constant currency basis, driven by the ongoing launch of the Guardian(TM) Connect CGM system with Sugar.IQ(TM) personal diabetes assistant, which grew triple digits for the fourth consecutive quarter.

Guidance

The company today issued its fiscal year 2020 revenue and EPS growth guidance.

The company expects revenue growth in its fiscal year 2020 to approximate 4.0 percent on an organic basis. If current exchange rates hold, revenue growth in fiscal year 2020 would be negatively affected by 1.0 to 1.5 percent.

In fiscal year 2020, the company expects diluted non-GAAP EPS in the range of $5.44 to $5.50, including an estimated 10 cent negative impact from foreign exchange based on current rates.

"The company continues to make significant progress on our pipeline," said Ishrak. "We expect our revenue growth to accelerate over the course of fiscal year 2020 and into fiscal year 2021, driven by the anniversary of recent headwinds, combined with a series of major product launches over the next 12 months."

Webcast Information

Medtronic will host a webcast today, May 23, 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 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 fourth quarter and fiscal year 2019 financial schedules and non-GAAP reconciliations, click here. To view the fourth quarter and fiscal year 2019 earnings presentation, click here. Both documents 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 90,000 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 fourth quarter of fiscal year 2018, and references to annual figures increasing or decreasing are in comparison to 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 organic revenue growth guidance excludes the impact of foreign currency fluctuations, as well as material acquisitions or divestitures. Forward-looking diluted 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 Fourth Quarter and FY19 Financial Schedules & Non-GAAP Reconciliations

View Fourth Quarter and FY19 Earnings Presentation

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