Medtronic News

Medtronic Reports First Quarter Financial Results

Revenue of $7.5 Billion Increased 1.5% Reported; Increased 3.5% Constant Currency
GAAP Diluted EPS of $0.64; Non-GAAP Diluted EPS of $1.26
Company Raises FY20 EPS Guidance by 10 Cents

DUBLIN, Aug. 20, 2019 (GLOBE NEWSWIRE) -- Medtronic plc (NYSE:MDT) today announced financial results for its first quarter of fiscal year 2020, which ended July 26, 2019.

The company reported first quarter worldwide revenue of $7.493 billion, an increase of 1.5 percent as reported or 3.5 percent on a constant currency basis, which adjusts for a $146 million negative impact from foreign currency. As reported, first quarter GAAP net income and diluted EPS were $864 million and $0.64, respectively. As detailed in the financial schedules included through the link at the end of this release, first quarter non-GAAP net income and non-GAAP diluted EPS were $1.703 billion and $1.26, respectively, increases of 6 percent and 8 percent, respectively. Adjusting for a negative2 cent impact from foreign currency, first quarter non-GAAP diluted EPS increased 9 percent.

First quarter U.S. revenue of $3.918 billion represented 52 percent of company revenue and increased 1.4 percent as reported. Non-U.S. developed market revenue of $2.377 billion represented 32 percent of company revenue and decreased 1.2 percent as reported and increased 2.6 percent on a constant currency basis. Emerging market revenue of $1.198 billion represented 16 percent of company revenue and increased 7.5 percent as reported and 12.5 percent on a constant currency basis.

“Medtronic had a solid first quarter, delivering revenue growth, operating margin expansion, and adjusted EPS growth all ahead of expectations,” said Omar Ishrak, Medtronic chairman and chief executive officer. “It’s a good start to our fiscal year.”

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 first quarter revenue of $2.790 billion decreased 0.7 percent as reported and increased 1.4 percent on a constant currency basis. CVG’s revenue performance was driven by mid-single digit growth in CSH and low-single digit growth in APV, offset by low-single digit declines in CRHF, all on a constant currency basis.

- Cardiac Rhythm & Heart Failure first quarter revenue of $1.382 billion decreased 3.1 percent as reported or 1.2 percent on a constant currency basis. Arrhythmia Management grew in the mid-single digits on a constant currency basis, driven by mid-single digit growth in Pacemakers, including mid-twenties growth of the Micra® transcatheter pacing system, as well as mid-thirties growth of the TYRX® absorbable antibacterial envelope, high-single digit growth of the Reveal LINQ™ insertable cardiac monitoring system, and high-single digit growth in AF Solutions, all on a constant currency basis. Arrhythmia Management growth was offset by low-double digit declines in Heart Failure, including high-forties declines in sales of left ventricular assist devices (LVADs), both on a constant currency basis.

- Coronary & Structural Heart first quarter revenue of $941 million increased 2.6 percent as reported or 5.2 percent on a constant currency basis, led by mid-teens constant currency growth in sales of transcatheter aortic valves, reflecting the clinical benefits of the CoreValve® Evolut® PRO platform. Transcatheter aortic valve growth was offset by low-single digit declines in drug-eluting stents, in-line with the market.

- Aortic, Peripheral & Venous first quarter revenue of $467 million decreased 0.2 percent as reported or increased 1.7 percent on a constant currency basis. Venous grew in the high-single digits on a constant currency basis on strong VenaSeal™ and ClosureFast™ system growth. Aortic grew in the mid-single digits on a constant currency basis, reflecting strong demand for the Valiant Navion™ thoracic stent graft system. Peripheral declined in the high-single digits on a constant currency basis, as low-thirties constant currency declines in drug-coated balloons offset growth in other core product segments.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Innovations (SI) and the Respiratory, Gastrointestinal & Renal (RGR) divisions. MITG first quarter revenue of $2.100 billion increased 2.3 percent as reported or 4.8 percent on a

constant currency basis. MITG's revenue performance was driven by balanced growth across both divisions, with mid-single digit constant currency growth in both SI and RGR.

- Surgical Innovationsfirst quarter revenue of $1.417 billion increased 1.4 percent as reported or 4.2 percent on a constant currency basis, driven by strong contributions from Advanced Energy and Advanced Stapling. Advanced Energy grew in the high-single digits on continued strength in sales of LigaSure™ vessel sealing instruments, including the Ligasure™ Exact dissector, and the Valleylab™ FT10 energy platform. Advanced Stapling grew in the mid-single digits on a constant currency basis, driven by strong demand for Tri-Staple™ 2.0 endo stapling specialty reloads and the EEA™ circular stapler with Tri-Staple™ technology for colorectal procedures.

- Respiratory, Gastrointestinal & Renal first quarter revenue of $683 million increased 4.3 percent as reported or 6.1 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 Nellcor™ pulse oximetry, Microstream™ capnography, and INVOS™ cerebral oximetry systems, Puritan Bennett™ 980 ventilators, and McGRATH™ MAC video laryngoscopes. GI Solutions grew in the low-double digits on a constant currency basis, with solid growth in PillCam™ systems, Emprint™ ablation systems, and Beacon™ endoscopic ultrasound products. Renal Care Solutions grew mid-single digits on a constant currency basis on strength in renal access products.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Brain Therapies, Spine, Specialty Therapies, and Pain Therapies divisions. RTG first quarter revenue of $2.012 billion increased 3.2 percent as reported or 4.6 percent on a constant currency basis. RTG's revenue performance was driven by low-double digit growth in Brain Therapies, mid-single digit growth in Specialty Therapies, and low-single digit growth in Spine, offset by mid-single digit declines in Pain Therapies, all on a constant currency basis.

- Brain Therapies first quarter revenue of $740 million increased 9.8 percent as reported or 11.4 percent on a constant currency basis, driven by mid-teens constant currency growth in Neurovascular and low-double digit constant currency growth in Neurosurgery. Neurovascular results were broad-based, with high-teens growth in stent retrievers and flow diversion and low-double digit growth in coils, all on a constant currency basis. In addition, the company is seeing rapid adoption of the Riptide™ aspiration system and React™ aspiration catheters. Neurosurgery was led by strong, double digit growth of StealthStation® S8 surgical navigation systems, O-arm® surgical imaging systems, and Mazor X™ robotic guidance systems.

- Spine first quarter revenue of $658 million increased 0.9 percent as reported or 2.0 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 and U.S. Core Spine revenue both grew in the mid-single 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™ OCT system and solid growth of the Prestige LP™ cervical disc system. Sales of Infuse™ bone graft grew in the low-double digits on a constant currency basis.

- Specialty Therapies first quarter revenue of $322 million increased 4.2 percent as reported or 5.5 percent on a constant currency basis. ENT grew in the mid-single digits on a constant currency basis, driven by capital equipment sales of the StealthStation® ENT surgical navigation system and intraoperative NIM nerve monitoring systems. Pelvic Health grew in the mid-single digits on the strength of InterStim™ II system sales.

- Pain Therapies first quarter revenue of $292 million decreased 7.0 percent as reported or 6.1 percent on a constant currency basis. Pain Stimulation declined in the low-double digits, reflecting channel destocking and the overall slowdown of the spinal cord stimulation market.

Diabetes Group

Diabetes Group first quarter revenue of $592 million increased 3.5 percent as reported or 5.4 percent on a constant currency basis. Diabetes Group revenue performance was led by international markets, which grew 15.3 percent as reported or 19.8 percent on a constant currency basis, driven by the ongoing launch of the MiniMed™ 670G hybrid closed loop insulin pump system with the Guardian™ Sensor 3.

Sales of integrated continuous glucose monitoring (CGM) sensors grew in the mid-teens on a constant currency basis, driven by global adoption of sensor-augmented insulin pump systems and the resulting strong sensor attachment rates. The Diabetes

Group also continued to see strong adoption of the Guardian™ Connect Smart CGM system, which grew in the high-eighties.

Guidance

The company today reiterated its revenue growth guidance and raised its EPS guidance for fiscal year 2020.

The company continues to expect 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 0.8 to 1.2 percent.

The company increased its fiscal year 2020 diluted non-GAAP EPS guidance from the prior range of $5.44 to $5.50 to the new range of $5.54 to $5.60, including an estimated 10 cent negative impact from foreign exchange based on current rates.

“As a result of our first quarter outperformance and confidence in our outlook, we are raising our full year EPS guidance,” said Ishrak. “We’re excited about what lies ahead, as we expect the investments we’ve made in our pipeline to begin to pay off with multiple pipeline catalysts, accelerating revenue growth, and value creation for our shareholders.”

Webcast Information

Medtronic will host a webcast today, August 20, 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 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 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 first quarter of fiscal year 2019.

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 FY20 First Quarter Financial Schedules & Non-GAAP Reconciliations
View FY20 First Quarter Earnings Presentation

Francesca DeMartino
Public Relations
+1-763-505-2029

Ryan Weispfenning
Investor Relations
+1-763-505-4626

Medtronic

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