Medtronic News

Medtronic Reports Second Quarter Financial Results

Revenue of $7.7 Billion Increased 3.0% Reported and 4.1% Organic
GAAP Diluted EPS of $1.01; Non-GAAP Diluted EPS of $1.31
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Cash Flow from Operations of $1.9 Billion Grew 61%; Free Cash Flow of $1.6 Billion Grew 66%
Company Raises FY20 EPS Guidance

DUBLIN, Nov. 19, 2019 (GLOBE NEWSWIRE) -- Medtronic plc (NYSE:MDT) today announced financial results for its second quarter of fiscal year 2020, which ended October 25, 2019.

The company reported second quarter worldwide revenue of $7.706 billion, an increase of 3.0 percent as reported or 4.1 percent on an organic basis, which adjusts for a $97 million negative impact from foreign currency and a $16 million contribution from the company's acquisition of Titan Spine, which is reported in the Spine division in the Restorative Therapies Group. As reported, second quarter GAAP net income and diluted earnings per share (EPS) were $1.364 billion and $1.01, 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 $1.777 billion and $1.31, respectively, increases of 7.0 percent and 7.4 percent, respectively. Adjusting for a negative 2 cent impact from foreign currency, second quarter non-GAAP diluted EPS increased 9.0 percent.

Second quarter U.S. revenue of $4.129 billion represented 54 percent of company revenue and increased 2.1 percent as reported. Non-U.S. developed market revenue of $2.315 billion represented 30 percent of company revenue and increased 1.4 percent as reported and 4.6 percent on a constant currency basis. Emerging Markets revenue of $1.262 billion represented 16 percent of company revenue and increased 9.4 percent as reported and 11.6 percent on a constant currency basis.

"We reported another quarter of solid results, reflecting our continued focus on executing to our commitments across Medtronic," said Omar Ishrak, Medtronic chairman and chief executive officer. "Our broad-based performance this quarter demonstrates the consistency of our execution, the strength of our innovation, and the benefit of our business and geographic 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 second quarter revenue of $2.855 billion decreased 0.1 percent as reported and increased 1.3 percent on a constant currency basis. CVG's revenue performance was driven by high-single digit growth in CSH, offset by flat results in APV and low-single digit declines in CRHF, all on a constant currency basis.

- Cardiac Rhythm & Heart Failure second quarter revenue of $1.426 billion decreased 3.1 percent as reported or 1.9 percent on a constant currency basis. Arrhythmia Management grew in the low-single digits, driven by mid-single digit growth in Pacemakers on continued strength of the Micra™ transcatheter pacing system, as well as low-double 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-thirties declines in sales of left ventricular assist devices (LVADs), both on a constant currency basis.
- Coronary & Structural Heart second quarter revenue of $955 million increased 5.4 percent as reported or 7.2 percent on a constant currency basis, led by low-twenties constant currency growth in sales of transcatheter aortic valves, reflecting expansion into the low risk patient population. Transcatheter aortic valve growth was offset by mid-single digit declines in drug-eluting stents.
- Aortic, Peripheral & Venous second quarter revenue of $474 million decreased 1.3 percent as reported or 0.2 percent on a constant currency basis. Aortic grew in the mid-single digits on a constant currency basis, driven by low-twenties constant currency growth in thoracic aortic stent grafts reflecting strong demand for the Valiant Navion™. Aortic growth was offset by high-single digit constant currency declines in Peripheral, driven by low-thirties constant currency declines in drug-coated balloons.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Innovations (SI) and the Respiratory, Gastrointestinal & Renal (RGR) divisions. MITG second quarter revenue of $2.142 billion increased 4.6 percent as reported or 6.1 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 Innovations second quarter revenue of $1.454 billion increased 4.4 percent as reported or 6.0 percent on a constant currency basis, driven by strong contributions from Advanced Energy and Advanced Stapling. Advanced Energy grew in the mid-single digits on a constant currency basis on continued strength in sales of LigaSure™ vessel sealing instruments, including the Ligasure™ Exact dissector. 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 second quarter revenue of $688 million increased 5.2 percent as reported or 6.1 percent on a constant currency basis, with strength in Respiratory & Patient Monitoring, as well as GI Solutions. Respiratory & Patient Monitoring grew in the high-single digits on a constant currency basis on strong sales of Nellcor™ pulse oximetry, increased adoption of advanced parameters including Microstream™ capnography and BIS™ brain monitoring, as well as Puritan Bennett™ 980 ventilators, and McGRATH™ MAC video laryngoscopes. GI Solutions grew in the high-single digits on a constant currency basis, with solid growth in Bravo™ calibration-free reflux testing systems, EndoFLIP™ imaging systems, and PillCam™ capsule endoscopy systems.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Brain Therapies, Spine, Specialty Therapies, and Pain Therapies divisions. RTG second quarter revenue of $2.112 billion increased 6.0 percent as reported, as well as on an organic basis, which adjusts for the negative impact from foreign currency and the positive contribution from the company's acquisition of Titan Spine. RTG's revenue performance was driven by low-double digit growth in Brain Therapies, mid-single digit growth in Specialty Therapies and Spine, and low-single digit growth in Pain Therapies, all on an organic basis.

- Brain Therapies second quarter revenue of $772 million increased 10.1 percent as reported or 11.3 percent on a constant currency basis, driven by high-teens constant currency growth in Neurovascular and low-double digit constant currency growth in Neurosurgery. Neurovascular results were driven by low-double digit constant currency growth in Hemorrhagic Stroke and high-twenties growth in Ischemic Stroke. Neurosurgery was led by strong, double digit growth of StealthStation™ S8 surgical navigation systems, O-arm™ surgical imaging systems, and Mazor X Stealth™ Edition robotic guidance systems.
- Spine second quarter revenue of $692 million increased 5.5 percent as reported or 3.5 percent on an organic 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. Spine revenue both grew in the high-single digits on an organic basis. Cervical spine products grew mid-single digits on an organic basis, driven by sales of the Infinity™ OCT system and the Prestige LP™ cervical disc system. Spine also benefitted from pull-through of Medtronic core spine implants used in Mazor™ robotic cases, as well as strong sales of Infuse™ bone graft, which grew in the low-double digits on an organic basis.
- Specialty Therapies second quarter revenue of $333 million increased 3.4 percent as reported or 4.3 percent on a constant currency basis. ENT grew in the high-single digits on a constant currency basis, driven by capital equipment sales of the StealthStation™ ENT surgical navigation system, as well as sales of disposables used with the intraoperative NIM nerve monitoring system. Pelvic Health grew in the low-single digits on a constant currency basis, driven by sales of the InterStim™ II sacral neuromodulation system.
- Pain Therapies second quarter revenue of $315 million increased 0.3 percent as reported or 1.3 percent on a constant currency basis. Interventional Pain grew in the low-double digits on the strength of Kyphon™ balloon kyphoplasty and OsteoCool™ RF ablation system sales. This was offset by declines in Pain Stimulation, reflecting the slowdown of the spinal cord stimulation market.

Diabetes Group

Diabetes Group second quarter revenue of $596 million increased 2.2 percent as reported or 4.3 percent on a constant currency basis. Diabetes Group revenue performance was led by international markets, which grew 14.5 percent as reported or 19.3 percent on a constant currency basis, driven by the ongoing launch of the MiniMed™ 670G hybrid closed loop insulin pump system. International growth was offset by high-single digit declines in the U.S., given increased competition as the group awaits its expected upcoming product approvals.

Global 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.

Guidance

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

The company continues to expect revenue growth in its fiscal year 2020 to approximate 4.0 percent on an organic basis and for revenue growth to accelerate in the second half relative to the first. 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 $5.54 to $5.60 to a new range of $5.57 to $5.63, including an estimated 9 cent negative impact from foreign exchange based on current rates.

“The first half of this fiscal year has gone well, as we’ve executed to our commitments and delivered better-than-expected results,” said Ishrak. “As we look forward, we’re even more excited about what lies ahead, as the investments we’ve made in our pipeline begin to pay off by accelerating our revenue growth and creating value for our shareholders.”

Webcast Information

Medtronic will host a webcast today, November 19, at 8:00 a.m. EST (7:00 a.m. CST) to provide information about its businesses for the public, investors, 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 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 second 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 significant 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 Second Quarter Financial Schedules & Non-GAAP Reconciliations
View FY20 Second Quarter Earnings Presentation

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