

# 2020 MDT INVESTOR DAY

Karen Parkhill, CFO

## Key Takeaways

OCTOBER 14, 2020

Medtronic

### *Key Takeaways*

- We are raising our annual organic revenue growth target to 5%+, from our previous 4%+
- We are confident Medtronic can grow at or above our weighted average market growth rate
  - Near term, we see a great opportunity as the investments that we've made over the past several years come to fruition, generate strong returns, and, at a minimum, close the gap to our WAMGR, which has been approximately 5% prior to the pandemic
- We are investing in our future growth by funding the development of new and disruptive therapies, using our P&L, our balance sheet, and with the help of partners
- We are committed to delivering 8%+ compound annual EPS growth and double-digit shareholder return long-term with >80% FCF conversion and >50% cash returned to shareholders

### *Driving Organic R&D*

- We continue to invest over \$2.5 billion each year over the long range to keep our pipeline full

### *Funding Minority Investments*

- We have invested ~ \$100 million a year taking minority stakes in promising early stage companies
  - Facilitates potential future tuck-in acquisitions in a capital efficient way
- Our current portfolio includes >40 companies and ~\$500 million of invested capital

### *Executing Tuck-In M&A*

- Since January, we've announced six deals totaling over \$1.6 billion, including:
  - Stingenics – proprietary waveform for DTM spinal cord stimulation; at 3-months 80% of patients responded to DTM therapy; 12-month data to be released next Monday
  - Digital Surgery – artificial intelligence and image capturing platform that turns surgical video into CGI interactive training applications with future capabilities in instrumentation and anatomical tracking and procedural analytics
  - Laser Associated Sciences – non-invasive system that is fast, accurate and actionable for monitoring real-time blood flow in peripheral vascular patients

- Medicea<sup>1</sup> – artificial intelligence platform to enable preoperative spine surgery planning to create custom implants
  - Companion Medical – market leading smart pen technology that dramatically increases the TAM for our diabetes business; opportunity to leverage the algorithms and advanced capabilities we’re developing post our acquisitions of Klue and Nutrino
  - Avenu Medical<sup>1</sup> – novel, ultrasound-guided catheter system to less invasively create durable AV fistulas
- We’re focused on tuck-in acquisitions from the tens of millions to low billions

#### *Partnering Strategically*

- We are leveraging our own R&D with third party funding to accelerate growth
  - Partnered with Blackstone to accelerate diabetes technology development
  - Partnered with the Foundry to incubate Half Moon Medical

#### *Driving Operational Excellence*

- We are equally focused on efficiency to drive operating leverage and enable investment
- We’ve recognized over half of our Enterprise Excellence costs to date and forecast savings to surpass our original \$3B estimate by 2022
- Our Simplification program is expected to generate annual ongoing savings of \$450 - \$475M

#### *Remain Focused on Free Cash Flow*

- We’ve improved our free cash flow conversion from 55% in FY18 to >80% the past 2 years
- We expect to be back on track as we emerge from the pandemic and continue to target >80% free cash flow conversion and return >50% of free cash flow to shareholders

#### *Committed to a Strong and Growing Dividend*

- We raised our dividend by 7% in May, despite the pandemic, marking the 43<sup>rd</sup> consecutive year of dividend increases
- We remain committed to growing our dividend roughly in line with earnings
- Our current yield of ~2% is in the upper quartile of S&P 500 health care companies

#### *Robust Financial Position*

- We have a robust balance sheet with ~\$13B in cash and no long-term debt maturing until 2022
- We significantly lowered our interest expense with our capital markets activities
- We continue to target an A credit profile

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<sup>1</sup> Medicea and Avenu Medical transactions have not yet closed