



NEWS RELEASE

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FOR IMMEDIATE RELEASE

MEDTRONIC REPORTS THIRD QUARTER FINANCIAL RESULTS

- *Revenue of \$7.7 Billion Increased 2.3% Reported and 2.6% Organic*
- *GAAP Diluted EPS of \$1.42 Increased 51%; Non-GAAP Diluted EPS of \$1.44 Increased 12%*
- *Cash Flow from Operations of \$2.4 Billion Increased 17%; Free Cash Flow of \$2.1 Billion Increased 21%*
- *Company Raises Full Year EPS Guidance*

DUBLIN – February 18, 2020 – Medtronic plc (NYSE:MDT) today announced financial results for its third quarter of fiscal year 2020, which ended January 24, 2020.

The company reported third quarter worldwide revenue of \$7.717 billion, an increase of 2.3 percent as reported and 2.6 percent on an organic basis, which adjusts for a \$46 million negative impact from foreign currency and a \$21 million contribution from the company's acquisition of Titan Spine, which is reported in the Spine division in the Restorative Therapies Group. As reported, third quarter GAAP net income and diluted earnings per share (EPS) were \$1.915 billion and \$1.42, 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 \$1.949 billion and \$1.44, respectively, increases of 11.3 percent and 11.6 percent, respectively.

Third quarter U.S. revenue of \$4.021 billion represented 52 percent of company revenue and increased 0.5 percent as reported. Non-U.S. developed market revenue of \$2.377

billion represented 31 percent of company revenue and increased 0.4 percent as reported and 1.5 percent constant currency. Emerging Markets revenue of \$1.318 billion represented 17 percent of company revenue and increased 12.0 percent as reported and 13.6 percent constant currency.

“Organic revenue growth was light this quarter, due largely to transient issues,” said Omar Ishrak, Medtronic chairman and chief executive officer. “However, we continue to feel very good about the fourth quarter, and in the third quarter, a softer top-line was more than offset by significant margin expansion, resulting in better-than-expected earnings per share and free cash flow.”

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 third quarter revenue of \$2.819 billion increased 1.2 percent as reported and 1.8 percent constant currency. CVG’s lower-than-expected revenue growth this quarter reflected customers holding back purchases ahead of new product launches in CRHF, a slower-than-expected recovery in left ventricular assist devices (LVADs), and below-market growth in U.S. transcatheter aortic valves (TAVR). CVG’s performance was driven by mid-single digit growth in CSH and low-single digit growth in APV, offset by flat results in CRHF, all on a constant currency basis.

- **Cardiac Rhythm & Heart Failure** revenue of \$1.393 billion decreased 0.3 percent as reported and increased 0.3 percent constant currency. Arrhythmia Management grew in the low-single digits, driven by high-single digit growth in Pacemakers on the continued adoption of the company’s Micra™ transcatheter pacing system, as well as high-single digit growth in AF Solutions, all on a constant currency basis. Arrhythmia Management growth was offset by low-double digit declines in implantable defibrillators (ICDs) ahead of new product launches. Heart Failure declined low-single digits on a constant currency basis, reflecting declines in

replacement devices of cardiac resynchronization therapy defibrillators (CRT-Ds) and left ventricular assist devices (LVADs).

- **Coronary & Structural Heart** revenue of \$948 million increased 3.8 percent as reported and 4.6 percent constant currency, led by mid-teens constant currency growth in TAVR, reflecting continued expansion into the low risk patient population. TAVR growth was offset by low-single digit declines in drug-eluting stents.
- **Aortic, Peripheral & Venous** revenue of \$478 million increased 0.4 percent as reported and 1.1 percent constant currency. Aortic grew in the mid-single digits, driven by high-single digit growth in thoracic aortic stent grafts and mid-single digit growth in abdominal aortic stent grafts, all on a constant currency basis. Aortic growth was offset by high-single digit constant currency declines in Peripheral, reflecting mid-thirties constant currency declines in drug-coated balloons. Venous grew mid-single digits on a constant currency basis on the strength of the company's VenaSeal™ Closure System.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG) includes the Surgical Innovations (SI) and the Respiratory, Gastrointestinal & Renal (RGR) divisions. MITG third quarter revenue of \$2.176 billion increased 2.4 percent as reported and 3.2 percent constant currency. MITG's lower-than-expected revenue growth this quarter was due to the upgrade of its enterprise resource planning (ERP) system in the U.S. and Canada, which was completed in the quarter. The upgrade and the resulting issues that affected MITG's performance in the third quarter are now fully resolved. MITG's revenue performance was driven by mid-single digit constant currency growth in SI and low-single digit growth in RGR.

- **Surgical Innovations** revenue of \$1.474 billion increased 2.8 percent as reported and 3.6 percent constant currency, reflecting the impact of the ERP system upgrade this quarter. Advanced Energy grew in the high-single digits on a constant

currency basis on continued strength in sales of LigaSure™ vessel sealing instruments and Valleylab™ FT10 Energy Platform.

- **Respiratory, Gastrointestinal & Renal** revenue of \$702 million increased 1.7 percent as reported and 2.2 percent constant currency, reflecting the impact of the ERP system upgrade this quarter. GI Solutions grew in the low-double 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 third quarter revenue of \$2.111 billion increased 4.2 percent as reported and 3.6 percent 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 lower-than-expected revenue growth this quarter reflected customer buying patterns in Bone Morphogenetic Protein (BMP) and the continued market slowdown and slight share loss in Pain Stimulation ahead of its DTM™ therapy launch. RTG's performance this quarter was driven by high-single digit growth in Brain Therapies, mid-single digit growth in Specialty Therapies, and flat results in Spine, offset by low-single digit declines in Pain Therapies, all on an organic basis.

- **Brain Therapies** revenue of \$795 million increased 8.6 percent as reported and 9.2 percent constant currency, reflecting mid-teens constant currency growth in Neurovascular and low-double digit constant currency growth in Neurosurgery. Neurovascular results were driven by high-single digit constant currency growth in Hemorrhagic Stroke and mid-twenties growth in Ischemic Stroke. Neurosurgery had strong growth across StealthStation™ S8 surgical navigation systems, O-arm™ surgical imaging systems, Midas Rex™ MR8™ high speed drill system, and Mazor X Stealth™ Edition robotic guidance systems.

- **Spine** revenue of \$674 million increased 2.9 percent as reported and declined 0.2 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 Core Spine revenue and U.S. Core Spine revenue both grew in the mid-single digits on an organic basis. This growth was offset by high-single digit declines in bone morphogenetic protein (BMP), driven by customer buying patterns of Infuse™ bone graft.
- **Specialty Therapies** revenue of \$340 million increased 4.6 percent as reported and 4.9 percent constant currency. ENT grew in the low-double 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 declined in the low-single digits on a constant currency basis.
- **Pain Therapies** revenue of \$303 million decreased 3.5 percent as reported and 3.2 percent constant currency. Pain Stimulation declined, reflecting the slowdown of the spinal cord stimulation market and slight share loss. Targeted Drug Delivery grew in the low-single digits on a constant currency basis on strong sales of the SynchroMed™ II drug infusion system.

Diabetes Group

Diabetes Group third quarter revenue of \$610 million was flat as reported and increased 0.8 percent constant currency. Diabetes Group revenue performance was led by international markets, which grew 13.7 percent as reported and 15.6 percent constant currency, driven by the ongoing launch of the MiniMed™ 670G hybrid closed loop insulin pump system. International growth was offset by low-double digit declines in the U.S., owing to increased competition as the group awaits upcoming new 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 issued fourth quarter revenue growth guidance and raised its full year EPS guidance for fiscal year 2020.

The company indicated that it is comfortable with current Street consensus calling for fourth quarter organic revenue growth of approximately 4.5 percent and EPS of \$1.64, excluding any impact from COVID-19. If current exchange rates hold, fourth quarter revenue growth would be negatively affected by 0.8 to 1.4 percent.

The company increased its fiscal year 2020 diluted non-GAAP EPS guidance from the prior range of \$5.57 to \$5.63 to a new range of \$5.63 to \$5.65, including an estimated 7 cent negative impact from foreign exchange based on current rates and excluding any impact from COVID-19. This implies fourth quarter diluted non-GAAP EPS in the range of \$1.62 to \$1.64, including an estimated 3 cent negative impact from foreign exchange based on current rates and excluding any impact from COVID-19.

While COVID-19 is expected to negatively affect the company's fourth quarter financial results, the situation is fluid, and the duration and magnitude of the impact are difficult to quantify at this time. The company continues to monitor and assess business impact daily and will provide an update later in the quarter.

"We delivered robust margin expansion and free cash flow growth this quarter," said Ishrak. "As we look ahead to the fourth quarter and fiscal year 2021, our top-line growth acceleration is on track as we begin to realize the benefits of new product launches and put the challenges of the third quarter behind us."

Webcast Information

Medtronic will host a webcast today, February 18, 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 at newsroom.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 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 third 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 Third Quarter Financial Schedules & Non-GAAP Reconciliations](#)

[View FY20 Third Quarter Earnings Presentation](#)