

# MEDTRONIC PLC

## Q3 FY19

**EARNINGS PRESENTATION**  
**FEBRUARY 19, 2019**

- Q3 FY19 CONSOLIDATED RESULTS & GROUP REVENUE HIGHLIGHTS
- FREE CASH FLOW
- FY19 GUIDANCE & OTHER ASSUMPTIONS

**Medtronic**  
Further, Together

# FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements. They are based on current assumptions and expectations that involve uncertainties or risks. These uncertainties and risks include, but are not limited to, those described in the filings we make with the U.S. Securities and Exchange Commission (SEC). Actual results may differ materially from anticipated results. Forward-looking statements are made as of today's date, and we undertake no duty to update them or any of the information contained in this presentation.

## **Non-GAAP Financial Measures**

Certain information in this presentation includes calculations or figures that have been prepared internally and have not been reviewed or audited by our independent registered public accounting firm. Use of different methods for preparing, calculating or presenting information may lead to differences and such differences may be material. This presentation contains financial measures and guidance which are considered "non-GAAP" financial measures under applicable SEC rules and regulations. 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. 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 EPS projections exclude the impact of foreign currency fluctuations and 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, we believe 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. GAAP to non-GAAP reconciliations are provided on our website and can be accessed using this [link](#).

## **Financial Comparisons**

References to quarterly results increasing, decreasing, or remaining flat are in comparison to Q3 FY18. References to organic revenue growth exclude the impact of material acquisitions, divestitures, and currency. References to pro-forma or comparable exclude the impact of material divestitures and include the required accounting reclassifications described on slides 15-16 in the Q1 FY19 Earnings Presentation. Unless stated otherwise, quarterly rates and ranges are given on a constant currency basis, which adjusts for the impact of currency and required accounting reclassifications. Unless stated otherwise, annual rates and ranges are given on a comparable, constant currency basis, which adjusts for material divestitures, the impact of currency, and required accounting reclassifications.

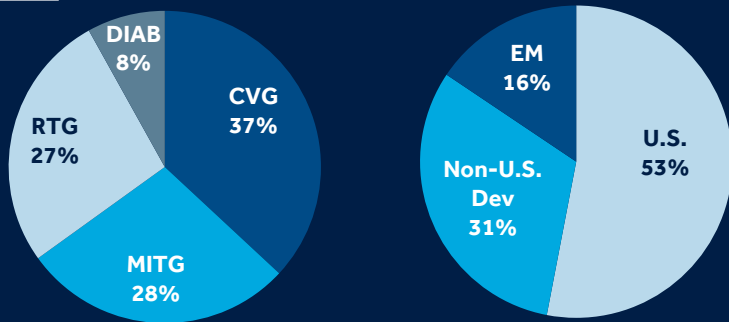
## **Basis of Presentation of Comparable Full Year FY18 Financial Metrics**

Previously disclosed full year FY18 financial metrics have been revised to adjust for (a) the estimated results of the portion of our Patient Monitoring & Recovery division, which was divested to Cardinal Health on July 29, 2017, and (b) the change in the presentation of revenue related to the Advanced Ablation and GI Solutions product lines, which were historically included within the Surgical Solutions division and which, effective Q2 FY18, are now included within the Respiratory, Gastrointestinal, and Renal (RGR) division. The non-GAAP reconciling items remain the same as those presented in previous earnings release materials. The GAAP to Non-GAAP reconciliations are available with previous earnings release materials, available at <http://investorrelations.medtronic.com>.

The revised comparable financial metrics represent estimates based upon available information and certain assumptions which management believes are reasonable under the circumstances. Actual results may have differed materially from the assumptions used to prepare the revised financial metrics. The revised financial metrics are not necessarily indicative of the financial position or results of operations that would have been realized had the divestiture occurred as of the dates or for the periods indicated, nor is it meant to be indicative of any financial position or results of operations that Medtronic plc may have experienced had the divestiture occurred in an earlier period.

# Q3 FY19 CONSOLIDATED RESULTS & GROUP REVENUE HIGHLIGHTS

### Revenue:



|              | Revenue \$M    | As Rep Y/Y % | CC <sup>1</sup> Y/Y % |
|--------------|----------------|--------------|-----------------------|
| CVG          | 2,786          | (1)          | 2                     |
| MITG         | 2,124          | 4            | 7                     |
| RTG          | 2,026          | 4            | 6                     |
| Diabetes     | 610            | 4            | 7                     |
| <b>Total</b> | <b>\$7,546</b> | <b>2%</b>    | <b>4%</b>             |

|              |                |           |           |
|--------------|----------------|-----------|-----------|
| U.S.         | 4,001          | 2         | 2         |
| Non-U.S. Dev | 2,368          | 1         | 4         |
| EM           | 1,177          | 7         | 14        |
| <b>Total</b> | <b>\$7,546</b> | <b>2%</b> | <b>4%</b> |

### Other Financial Highlights:

|          | Diluted EPS | As Rep Y/Y | CC <sup>1</sup> Y/Y% | Cash Flow from Ops | Free Cash Flow <sup>2</sup> |
|----------|-------------|------------|----------------------|--------------------|-----------------------------|
| GAAP     | \$0.94      | 191%       | NC                   | \$2.1B             | \$1.8B                      |
| Non-GAAP | \$1.29      | 10%        | 9%                   |                    |                             |

- REVENUE:** Delivered 4.4% organic revenue growth; outperformance in MITG & RTG, and broad strength in Emerging Markets, offset tougher CVG quarter
  - MITG growth of 6.6%, led by strength in Advanced Energy, Advanced Stapling, Respiratory, and Renal Care Solutions
  - RTG growth of 5.5%, driven by high-teens growth in Neurosurgery and Neurovascular
  - Emerging Markets grew 13.9%, driven by low-20's growth in South Asia and the Middle East & Africa and low-double digit growth in China
- EPS:** Delivered 10.3% non-GAAP EPS growth (+8.5% cc)
- OP MARGIN:** Delivered 140 bps non-GAAP operating margin expansion (+50 bps cc)
  - SG&A: 70 bps improvement (+70 bps cc), reflecting execution on our company-wide Enterprise Excellence initiatives
- FCF:** Strong YTD Free Cash Flow<sup>2</sup> performance of \$4.1B versus \$2.9B in prior year
- GUIDANCE:** Given the YTD strength of the business, raising FY19 EPS, free cash flow, and lower end of organic revenue growth guidance
  - Organic Revenue Growth: Increasing lower end by 25 bps to 5.25% - 5.5%, top half of our prior range
  - EPS: Increasing to \$5.14 - \$5.16, from \$5.10 - \$5.15 prior
  - Free Cash Flow: Increasing to \$5.0 - \$5.2B, from \$4.7 - \$5.1B prior

<sup>1</sup> Figures represent comparison to Q3 FY18 on a constant currency basis.

<sup>2</sup> Operating cash flows less property, plant equipment additions.

|                                     | Q3 FY18 Revised <sup>1</sup> | Q3 FY19      | Y/Y Growth / Change | FX Impact / Change | Q3 FY19 Constant Currency | Q3 FY19 CC Growth / Change <sup>3</sup> |
|-------------------------------------|------------------------------|--------------|---------------------|--------------------|---------------------------|---|
| <b>Net Sales (\$M)</b>              | <b>7,369</b>                 | <b>7,546</b> | <b>2%</b>           | <b>(149)</b>       | <b>7,695</b>              | <b>4%</b>                               |
| <b>Operating Profit<sup>2</sup></b> | 2,047                        | 2,204        | 8%                  | 29                 | 2,175                     | 6%                                      |
| <b>Operating Margin<sup>2</sup></b> | 27.8%                        | 29.2%        | 140 bps             | 90 bps             | 28.3%                     | 50 bps                                  |
| <b>Diluted EPS<sup>2</sup> (\$)</b> | <b>1.17</b>                  | <b>1.29</b>  | <b>10%</b>          | <b>0.02</b>        | <b>1.27</b>               | <b>9%</b>                               |



<sup>1</sup> Revised Baseline includes the required accounting reclassifications described on slides 15-16 in the Q1 FY19 Earnings Presentation.

<sup>2</sup> Non-GAAP

<sup>3</sup> Figures represent comparison to Q3 FY18 Revised Baseline on a constant currency basis.

## Q3 FY19 GAAP TO NON-GAAP SELECT FINANCIAL INFORMATION

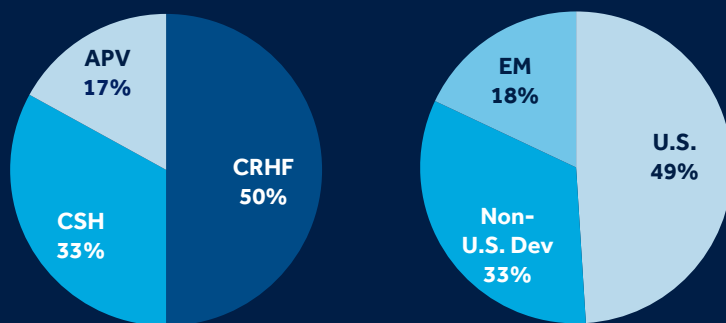
|   | Non-GAAP Adjustments |              |               |             |                     |                                  |               |                  |                         | Q3 FY19 Non -GAAP | Q3 FY18 Revised <sup>2</sup> | Y/Y Growth / Change |
|---|----------------------|--------------|---------------|-------------|---------------------|----------------------------------|---------------|------------------|-------------------------|-------------------|------------------------------|---------------------|
|   | Q3 FY19 GAAP         | Amortization | Restructuring | Litigation  | Acquisition-Related | Gain/Loss on Minority Investment | IPR&D Charges | Exit of Business | Certain Tax Adjustments |                   |                              |                     |
| <b>Net Sales (\$M)</b>                      | <b>7,546</b>         |              |               |             |                     |                                  |               |                  |                         | <b>7,546</b>      | <b>7,369</b>                 | <b>2%</b>           |
| Cost of Products Sold                       | 2,265                |              | (21)          |             | (1)                 |                                  |               |                  |                         | 2,243             | 2,177                        | 3%                  |
| <i>Gross Margin</i>                         | <i>70.0%</i>         |              |               |             |                     |                                  |               |                  |                         | <i>70.3%</i>      | <i>70.5%</i>                 | <i>(20 bps)</i>     |
| SG&A  | 2,596                |              | (19)          |             | (77)                |                                  |               |                  |                         | 2,500             | 2,492                        | 0%                  |
| <i>% of Sales</i>                           | <i>34.4%</i>         |              |               |             |                     |                                  |               |                  |                         | <i>33.1%</i>      | <i>33.8%</i>                 | <i>70 bps</i>       |
| R&D   | 561                  |              |               |             |                     |                                  |               |                  |                         | 561               | 559                          | 0%                  |
| <i>% of Sales</i>                           | <i>7.4%</i>          |              |               |             |                     |                                  |               |                  |                         | <i>7.4%</i>       | <i>7.6%</i>                  | <i>20 bps</i>       |
| Other Operating Expense, Net                | 57                   |              |               |             | 61                  |                                  | (11)          | (69)             |                         | 38                | 94                           | -60%                |
| <i>% of Sales</i>                           | <i>0.8%</i>          |              |               |             |                     |                                  |               |                  |                         | <i>0.5%</i>       | <i>1.3%</i>                  | <i>80 bps</i>       |
| Amortization of Intangible Assets           | 436                  | (436)        |               |             |                     |                                  |               |                  |                         | --                | --                           | --                  |
| Restructuring Charges, Net                  | 26                   |              | (26)          |             |                     |                                  |               |                  |                         | --                | --                           | --                  |
| Certain Litigation Charges                  | 63                   |              |               | (63)        |                     |                                  |               |                  |                         | --                | --                           | --                  |
| <b>Operating Profit</b>                     | <b>1,542</b>         | <b>436</b>   | <b>66</b>     | <b>63</b>   | <b>17</b>           | <b>--</b>                        | <b>11</b>     | <b>69</b>        | <b>--</b>               | <b>2,204</b>      | <b>2,047</b>                 | <b>8%</b>           |
| <b>Operating Margin</b>                     | <b>20.4%</b>         |              |               |             |                     |                                  |               |                  |                         | <b>29.2%</b>      | <b>27.8%</b>                 | <b>140 bps</b>      |
| Other Non-Operating Income, Net             | (71)                 |              |               |             |                     | 7                                |               |                  |                         | (64)              | (105)                        | -39%                |
| <b>Net Income Attributable to MDT (\$M)</b> | <b>1,269</b>         | <b>371</b>   | <b>54</b>     | <b>51</b>   | <b>12</b>           | <b>(6)</b>                       | <b>8</b>      | <b>56</b>        | <b>(64)</b>             | <b>1,751</b>      | <b>1,592</b>                 | <b>10%</b>          |
| <b>Diluted EPS (\$)<sup>1</sup></b>         | <b>0.94</b>          | <b>0.27</b>  | <b>0.04</b>   | <b>0.04</b> | <b>0.01</b>         | <b>--</b>                        | <b>0.01</b>   | <b>0.04</b>      | <b>(0.05)</b>           | <b>1.29</b>       | <b>1.17</b>                  | <b>10%</b>          |

1 The data in this row has been intentionally rounded to the nearest \$0.01 and, therefore, may not sum.

2 Revised Baseline includes the required accounting reclassifications described on slides 15-16 in the Q1 FY19 Earnings Presentation.

# GROWTH IN LINE WITH REVISED FORECAST HEADWINDS OFFSET BY STRENGTH IN TAVR AND PACING

### Growth Driven by CSH, APV and Emerging Markets



|              | Revenue \$M    | As Rep Y/Y % | CC <sup>1</sup> Y/Y % |
|--------------|----------------|--------------|-----------------------|
| CRHF         | 1,397          | (4)          | (2)                   |
| CSH          | 913            | 3            | 6                     |
| APV          | 476            | 4            | 6                     |
| <b>Total</b> | <b>\$2,786</b> | <b>-1%</b>   | <b>2%</b>             |

|              |                |            |           |
|--------------|----------------|------------|-----------|
| U.S.         | 1,369          | (2)        | (2)       |
| Non-U.S. Dev | 924            | (1)        | 2         |
| EM           | 493            | 5          | 11        |
| <b>Total</b> | <b>\$2,786</b> | <b>-1%</b> | <b>2%</b> |

### ■ **Coronary & Structural Heart:** +5.9% growth driven by strength in TAVR, guide catheters, and coronary balloons

- **TAVR:** Above-market, mid-teens WW growth (16% US, 15% international), driven by clinical characteristics of Evolut<sup>®</sup> PRO valve; Low Risk trial results coming at ACC on March 17
- Mid-teens guide catheter growth and LDD coronary balloon growth
- **DES:** LSD growth in the U.S. from Resolute Onyx<sup>™</sup>; WW LSD decline
- **Cardiac Surgery:** MSD growth led by ongoing launch of Bio-Medicus<sup>™</sup> NextGen cannulae

### ■ **Cardiac Rhythm & Heart Failure:** -2.3% decline driven by Heart Failure and Services & Solutions, partially offset by Arrhythmia Management

- **Arrhythmia Management:** MSD growth
  - MSD growth in Pacing, driven by Micra<sup>®</sup> and Azure<sup>®</sup>; LSD growth in ICDs
  - Mid-teens growth in AF, driven by Cryoballoon
  - Mid-20's growth of TYRX<sup>®</sup> absorbable antibacterial envelope; WRAP-IT trial results coming at ACC on March 17
- **Heart Failure:** Declined in the mid-teens due to CRT-D replacement and LVAD headwinds; LVADs declined mid-40's WW, high-50's U.S.
- **Services & Solutions:** Declined low-30's WW, low-50's U.S. from difficult comparisons (revenue recognition change, large U.S. VA order, and SEEQ product line exit)

### ■ **Aortic, Peripheral & Venous:** +6.1% growth driven by mid-teens growth in endoVenous & DCB and HSD growth in TAA

- HSD TAA growth led by the launch of the Valiant Navion<sup>™</sup> thoracic stent graft system
- Global demand for VenaSeal<sup>™</sup> drove strong, mid-teens growth in endoVenous
- IN.PACT<sup>™</sup> Admiral<sup>™</sup> DCB grew mid-teens; maintain US & global SFA share leadership

CoreValve<sup>®</sup>  
Evolut<sup>®</sup> PRO



Bio-Medicus<sup>™</sup>  
NextGen Cannulae



Micra<sup>®</sup>  
Transcatheter  
Pacing System



Azure<sup>™</sup>  
Wireless  
Pacemaker



IN.PACT  
Admiral<sup>™</sup>



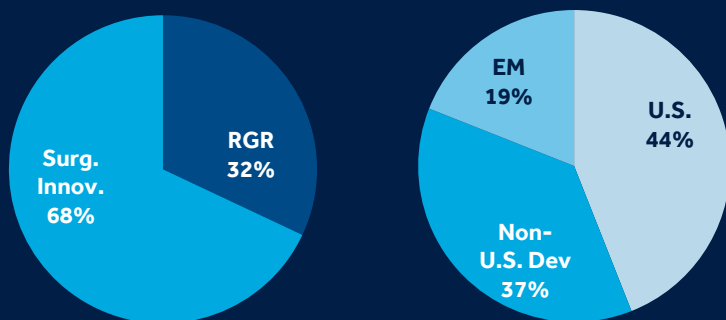
VenaSeal<sup>™</sup>  
Closure System



<sup>1</sup> Figures represent comparison to Q3 FY18 on a constant currency basis.



### Strong Results in Both SI and RGR Drove Outperformance



|              | Revenue \$M    | As Rep Y/Y % | CC <sup>1</sup> Y/Y % |
|--------------|----------------|--------------|-----------------------|
| SI           | 1,434          | 4            | 6                     |
| RGR          | 690            | 5            | 7                     |
| <b>Total</b> | <b>\$2,124</b> | <b>4%</b>    | <b>7%</b>             |

|              |                |           |           |
|--------------|----------------|-----------|-----------|
| U.S.         | 930            | 8         | 8         |
| Non-U.S. Dev | 796            | (1)       | 1         |
| EM           | 398            | 7         | 15        |
| <b>Total</b> | <b>\$2,124</b> | <b>4%</b> | <b>7%</b> |

### ■ Surgical Innovations (SI): +6.4% growth driven by Advanced Energy and Advanced Stapling

- Emerging Market momentum continued with strong, mid-teens growth
- **Advanced Surgical:** HSD growth, driven by conversion of surgical procedures from open to minimally invasive
  - **Advanced Energy:** LDD growth led by strength in:
    - LigaSure™ vessel sealing instruments with nano-coating
    - Valleylab™ FT10 energy platform
  - **Advanced Stapling:** HSD growth driven by:
    - Tri-Staple™ 2.0 endo stapling specialty reloads
    - Signia™ powered stapler
- **General Surgical:** MSD growth with strength in wound closure

### ■ Respiratory, Gastrointestinal, & Renal (RGR): +7.0% growth led by HSD strength in Respiratory and mid-teens growth in Renal Care

- **Respiratory:** HSD growth with strength in Puritan Bennett™ 980 ventilators, McGRATH™ MAC video laryngoscopes, and Nellcor™ pulse oximetry products
- **GI Solutions:** MSD growth driven by a solid performance in GI Diagnostics
- **Renal Care Solutions:** Strong performance driven by MSD growth in core renal access and Bellco product lines

Signia™ Stapling System



LigaSure™ Exact Dissector



Puritan Bennett™ 980



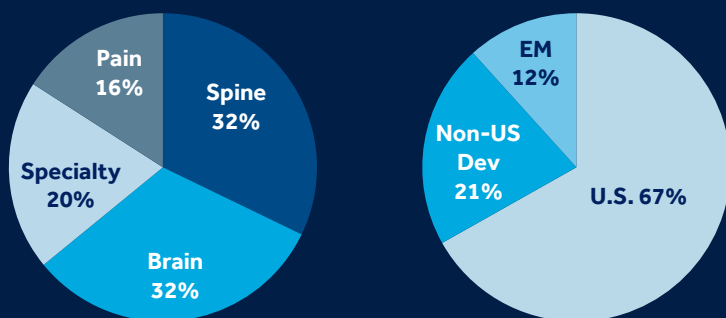
Nellcor™ Pulse Oximeter



<sup>1</sup> Figures represent comparison to Q3 FY18 on a constant currency basis.



### Continued Strength in Brain & Pain; Flat Overall Spine Growth



|              | Revenue \$M    | As Rep Y/Y % | CC <sup>1</sup> Y/Y % |
|--------------|----------------|--------------|-----------------------|
| Spine        | 655            | (1)          | Flat                  |
| Brain        | 650            | 11           | 13                    |
| Specialty    | 407            | 2            | 3                     |
| Pain         | 314            | 5            | 6                     |
| <b>Total</b> | <b>\$2,026</b> | <b>4%</b>    | <b>6%</b>             |

|              |                |           |           |
|--------------|----------------|-----------|-----------|
| U.S.         | 1,354          | 4         | 4         |
| Non-U.S. Dev | 435            | 1         | 4         |
| EM           | 237            | 10        | 16        |
| <b>Total</b> | <b>\$2,026</b> | <b>4%</b> | <b>6%</b> |

# REVENUE OUTPERFORMANCE

## GREW 5.5% ORGANIC

### Brain Therapies: +13.2% growth from strength in Neurovascular & Neurosurgery

- **Neurosurgery:** High-teens growth driven by continued strong demand for StealthStation<sup>®</sup> S8 navigation systems, Mazor X<sup>™</sup> robotic guidance systems, and O-arm<sup>®</sup> imaging systems
  - Received FDA approval and launched the Mazor X Stealth<sup>™</sup> Edition for spine surgery
- **Neurovascular:** High-teens growth broad-based across stent retriever, neuro access, flow diverter, and embolic protection products

### Pain Therapies: +5.7% growth driven by Spinal Cord Stimulation

- **Pain Stim:** HSD growth from Intellis<sup>™</sup>, Evolve<sup>SM</sup> workflow, and Snapshot<sup>™</sup> reporting
- **Interventional Pain:** MSD growth, with strength in vertebroplasty

### Spine: Flat growth, with strength in BMP, other biologics, & cervical products

- Spine revenue combined with Spine enabling technologies<sup>2</sup> grew 4.6%, including 5.4% growth in U.S. Core Spine, driven by the ongoing success of the Surgical Synergy strategy
- Recently launched products including Infinity<sup>™</sup> OCT System and Solera<sup>®</sup> Voyager<sup>®</sup> 5.5/6.0 fixation system contributing incremental revenue

### Specialty Therapies: +3.3% driven by growth in ENT and Transformative Solutions

- **ENT:** MSD growth from powered systems, monitoring, and image-guided surgery products
- **Transformative Solutions:** Mid-teens growth on strong Aquamantys<sup>™</sup> Bipolar Sealers performance

Enabling Technologies



Intellis<sup>™</sup> Spinal Cord Stimulator



Infinity<sup>™</sup> OCT System



Aquamantys<sup>™</sup> Bipolar Sealer



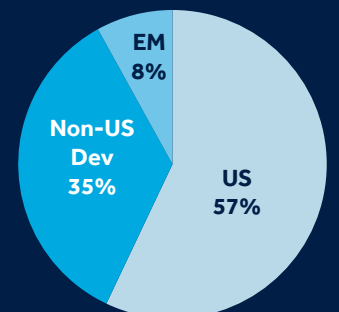
<sup>1</sup> Figures represent comparison to Q3 FY18 on a constant currency basis.

<sup>2</sup> Spine-related enabling technologies revenue reflected in Neurosurgery business within Brain division.

# DIABETES

## Q3 FY19 HIGHLIGHTS

670G Installed Base Expands;  
Strong Growth in CGM



|               | Revenue \$M  | As Rep Y/Y % | CC <sup>1</sup> Y/Y % |
|---------------|--------------|--------------|-----------------------|
| AIM           | --           | MSD          | MSD                   |
| Emerging Tech | --           | >50          | >50                   |
| <b>Total</b>  | <b>\$610</b> | <b>4%</b>    | <b>7%</b>             |

|              |              |           |           |
|--------------|--------------|-----------|-----------|
| U.S.         | 348          | (2)       | (2)       |
| Non-U.S. Dev | 213          | 15        | 19        |
| EM           | 49           | 11        | 20        |
| <b>Total</b> | <b>\$610</b> | <b>4%</b> | <b>7%</b> |

## GREW 6.5% ORGANIC

SOLID 5% SEQUENTIAL GROWTH; DIFFICULT COMPARISONS AS EXPECTED

▪ **Advanced Insulin Management:** MSD growth driven by integrated CGM and ongoing MiniMed® 670G system launch in international markets

- **Integrated CGM:** Strong growth driven by increased CGM penetration within installed base and new patient acquisitions with high 670G attachment rates
- **Insulin Pumps:**
  - Solid growth from 670G international sales; preparing to introduce in additional regions in Q4 FY19 and early FY20
  - As expected, faced difficult comparisons on pump sales in the US given the sales backlog addressed in the prior year upon reaching full sensor manufacturing capacity
    - Despite difficult year-over-year comparisons, U.S. pump sales increased HSD sequentially
  - Over 157,000 trained, active users benefiting from 670G's SmartGuard™ technology
    - Real-world data continues to showcase time-in-range exceeding 70%, delivering unsurpassed glucose control

▪ **Emerging Technologies:** >50% growth driven by worldwide strength of the Guardian® Connect CGM system

- Guardian® Connect installed base continues to expand with strong sequential growth
- Released IQcast, a new Sugar.IQ™ feature, aiming to predict the likelihood of an individual experiencing a low glucose event within an upcoming 1-4 hour window

MiniMed® 670G



MiniMed® 640G



Guardian® Sensor 3



Guardian Connect w/ Sugar.IQ™



<sup>1</sup> Figures represent comparison to Q3 FY18 on a constant currency basis.

# FREE CASH FLOW

## COMPONENTS OF FREE CASH FLOW

|   | FY16         | FY17         | FY18         | FY18<br>Q3 YTD | FY19<br>Q3 YTD |
|---|--------------|--------------|--------------|----------------|----------------|
| <i>\$ Billions</i>  |              |              |              |                |                |
| Operating Cash Flow   | \$5.2        | \$6.9        | \$4.7        | \$3.6          | \$4.9          |
| CAPEX   | (\$1.0)      | (\$1.3)      | (\$1.1)      | (\$0.8)        | (\$0.8)        |
| <b>Free Cash Flow</b>   | <b>\$4.2</b> | <b>\$5.6</b> | <b>\$3.6</b> | <b>\$2.9</b>   | <b>\$4.1</b>   |
| Non-GAAP Net Income   | \$6.2        | \$6.4        | \$6.5        | \$4.6          | \$5.0          |
| <b>Conversion Ratio<sup>4</sup></b>                               | <b>67%</b>   | <b>88%</b>   | <b>55%</b>   | <b>63%</b>     | <b>82%</b>     |
| <i>Conversion Ratio adjusted to include post-tax amortization</i> | <i>88%</i>   | <i>114%</i>  | <i>72%</i>   | <i>83%</i>     | <i>106%</i>    |
| <b><i>Included in Operating Cash Flow:</i></b>                    |              |              |              |                |                |
| <b>Pre-Tax</b> Certain Litigation Payments, net <sup>1,2</sup>    | \$0.2        | \$0.3        | \$0.3        | \$0.3          | \$0.2          |
| Restructuring Payments <sup>1</sup>                               | \$0.2        | \$0.2        | \$0.2        | \$0.2          | \$0.2          |
| Other Payments <sup>1,3</sup>                                     | \$0.2        | \$0.3        | \$0.3        | \$0.3          | \$0.1          |
| Puerto Rico IRS Pre-Payment                                       | --           | --           | \$1.1        | --             | --             |
| Certain Other Tax Payments  | \$0.8        | \$0.4        | \$0.4        | \$0.3          | \$0.4          |

1 Cash flow impact does not reflect associated tax cost / benefit, as timing and amount are difficult to estimate.

2 Includes payments accrued as "Non-GAAP" charges, as well as COV acquisition opening balance sheet adjustments.

3 Includes acquisition-related and divestiture-related charges, as well as contributions to the Medtronic Foundation.

4 Conversion Ratio = Free Cash Flow divided by Non-GAAP Net Income.

# FY19 GUIDANCE & OTHER ASSUMPTIONS

## FY19 GUIDANCE & OTHER ASSUMPTIONS

| REVENUE                 | FY18 Comparable Base <sup>2</sup> | Organic Growth Guidance    | FX <sup>1</sup>        | Implied Revenue Range    | Implied Revenue Growth             |
|-------------------------|-----------------------------------|----------------------------|------------------------|--------------------------|------------------------------------|
| Q4 Earnings Call        | \$29,403M                         | 4.0 - 4.5%                 | (-\$50M) to (-\$150M)  | \$30.4 - \$30.7B         | 3.5% - 4.3%                        |
| Q1 Earnings Call        |                                   | 4.5 - 5.0%                 | (-\$420M) to (-\$520M) | \$30.2 - \$30.5B         | 2.7% - 3.6%                        |
| Q2 Earnings Call        |                                   | 5.0 - 5.5%                 | (-\$420M) to (-\$520M) | \$30.4 - \$30.6B         | 3.2% - 4.1%                        |
| <b>Q3 Earnings Call</b> |                                   | <b>5.25 - 5.5%</b>         | (-\$425M) to (-\$475M) | \$30.5 - \$30.6B         | 3.6% - 4.1%                        |
| OPERATING MARGIN        | FY18 Comparable Base <sup>2</sup> | Constant Currency Guidance | FX <sup>1</sup>        | Implied Operating Margin | Implied Operating Margin Expansion |
| Q4 Earnings Call        | 27.8%                             | <b>+50 bps</b>             | +10 – 20 bps           | ~28.5%                   | +60 – 70 bps                       |
| Q1 Earnings Call        |                                   |                            | +30 – 40 bps           | ~28.7%                   | +80 – 90 bps                       |
| Q2 Earnings Call        |                                   |                            | +40 – 50 bps           | ~28.8%                   | +90 – 100 bps                      |
| <b>Q3 Earnings Call</b> |                                   |                            |                        |                          |                                    |
| EPS                     | FY18 Comparable Base <sup>2</sup> | Implied Constant Currency  | FX <sup>1</sup>        | EPS Guidance             | Implied EPS Growth                 |
| Q4 Earnings Call        | \$4.68                            | 8 – 9%                     | +\$0.05                | <b>\$5.10 - \$5.15</b>   | 9 – 10%                            |
| Q1 Earnings Call        |                                   | 9 – 10%                    | +\$0.00                |                          |                                    |
| Q2 Earnings Call        |                                   | 9.0 – 9.4%                 | +\$0.04                | <b>\$5.14 - \$5.16</b>   | 10%                                |
| <b>Q3 Earnings Call</b> |                                   |                            |                        |                          |                                    |

<sup>1</sup> While FX rates are fluid, assumptions above are based on current rates.

<sup>2</sup> Comparable baseline represents management's best estimate to exclude the impact of the Patient Care, Deep Vein Thrombosis & Nutritional Insufficiency divestiture to Cardinal Health per 8-K issued on May 15, 2018 and includes the required accounting reclassifications described on slides 15-16 in the Q1 FY19 Earnings Presentation.

# APPENDIX

## ACRONYMS / ABBREVIATIONS

### Growth

|     |                   |
|-----|-------------------|
| HSD | High-Single Digit |
| LDD | Low-Double Digit  |
| LSD | Low-Single Digit  |
| MSD | Mid-Single Digit  |

### Other

|       |                                |
|-------|--------------------------------|
| ACC   | American College of Cardiology |
| bps   | Basis Points                   |
| CAPEX | Capital Expenditures           |
| CC    | Constant Currency              |
| COV   | Covidien                       |
| Dev   | Developed                      |
| EM    | Emerging Markets               |
| EPS   | Earnings Per Share             |
| FCF   | Free Cash Flow                 |
| FX    | Foreign Exchange               |
| FY    | Fiscal Year                    |

### Other

|       |  |
|-------|--|
| GAAP  | Generally Accepted Accounting Principles |
| GM    | Gross Margin                             |
| IPR&D | In-process Research & Development        |
| IRS   | Internal Revenue Service                 |
| Op    | Operating                                |
| NC    | Not Comparable                           |
| Q     | Quarter                                  |
| R&D   | Research & Development                   |
| Rep   | Reported                                 |
| SEC   | U.S. Securities & Exchange Commission    |
| SG&A  | Selling, General & Administrative        |
| U.S.  | United States                            |
| VA    | U.S. Department of Veterans Affairs      |
| WW    | Worldwide                                |
| YTD   | Year to Date                             |
| Y/Y   | Year-over-Year                           |
| \$M   | Millions of Dollars                      |

### Business Specific

|       |   |
|-------|---|
| AF    | Atrial Fibrillation                               |
| AIM   | Advanced Insulin Management                       |
| APV   | Aortic, Peripheral & Venous                       |
| BMP   | Bone Morphogenetic Protein                        |
| CGM   | Continuous Glucose Monitoring                     |
| CRHF  | Cardiac Rhythm & Heart Failure                    |
| CRT-D | Cardiac Resynchronization Therapy - Defibrillator |
| CSH   | Coronary & Structural Heart                       |
| CVG   | Cardiac & Vascular Group                          |
| DCB   | Drug Coated Balloon                               |
| DES   | Drug Eluting Stent                                |
| ENT   | Ear, Nose, & Throat                               |

### Business Specific

|                 |  |
|-----------------|--|
| GI              | Gastrointestinal                       |
| ICD             | Implantable Cardioverter Defibrillator |
| LVAD            | Left Ventricular Assist Device         |
| MDT             | Medtronic                              |
| MITG            | Minimally Invasive Therapies Group     |
| OCT             | Occipitocervical-Upper Thoracic        |
| RGR             | Respiratory, Gastrointestinal, & Renal |
| RTG             | Restorative Therapies Group            |
| SFA             | Superficial Femoral Artery             |
| Surg Innov / SI | Surgical Innovations                   |
| TAA             | Thoracic Aortic Aneurysm               |
| TAVR            | Transcatheter Aortic Valve Replacement |