

## Medtronic Reports First Quarter Financial Results

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- **Revenue of \$7.3 Billion Grew 12% on a Comparable, Constant Currency Basis Including Extra Week Benefit; 70% as Reported**
- **Non-GAAP Diluted EPS of \$1.02; GAAP Diluted EPS of \$0.57**
- **U.S. Revenue of \$4.1 Billion Grew 14% on a Comparable Basis Including Extra Week Benefit; 78% as Reported**
- **Company Reiterates FY16 Revenue Growth Outlook and EPS Guidance**

**DUBLIN - Sept. 3, 2015** - Medtronic plc (NYSE: MDT) today announced financial results for its first quarter of fiscal year 2016, which ended July 31, 2015.

Unless otherwise noted, all revenue growth rates in this press release are stated on a comparable, constant currency basis, which includes the benefit of the extra week of sales in the first quarter of fiscal year 2016, adjusts for the impact of foreign currency translation, and includes Covidien plc in the prior year comparison, aligning Covidien's prior year monthly revenue to Medtronic's fiscal quarters.

The company reported first quarter worldwide revenue of \$7.274 billion, an increase of 12 percent including the extra week benefit. The extra selling week is a result of the company's 52-53 week fiscal year calendar, which occurs every six years. While it is difficult to calculate an exact impact from the extra week, the company estimates that it benefitted first quarter comparable, constant currency revenue growth by approximately 6 percentage points. After adjusting for the estimated benefit of the extra selling week, first quarter worldwide revenue grew at the upper-end of the mid-single digit range. Foreign currency translation had a negative \$529 million impact on revenue. As reported, revenue increased 70 percent when compared to the \$4.273 billion reported by Medtronic, Inc. in the first quarter of fiscal year 2015. As detailed in the attached table, first quarter non-GAAP income and diluted earnings per share were \$1.462 billion and \$1.02, an increase of 47 percent and 3 percent, respectively. As reported, first quarter net income and diluted earnings per share were \$820 million and \$0.57, a decrease of 6 percent and 34 percent, respectively.

U.S. revenue of \$4.142 billion represented 57 percent of company revenue and increased 14 percent, high-single digit growth adjusted for the extra week, or 78 percent as reported. Non-U.S. developed market revenue of \$2.197 billion represented 30 percent of company revenue and increased 10 percent, mid-single digit growth adjusted for the extra week, or 58 percent as reported. Emerging market revenue of \$935 million represented 13 percent of company revenue and increased 14 percent, high-single digit growth adjusted for the extra week, or 71 percent as reported.

"Our first quarter results represent a strong start to fiscal year 2016, with all four of our groups contributing to revenue growth that was at the upper end of our goal when adjusted for the extra week. We are driving solid growth in the United States and seeing broad acceptance of our innovative therapies around the world," said Omar Ishrak, Medtronic chairman and chief executive officer. "We continue to strengthen and geographically diversify our businesses and remain confident in both our outlook for the remainder of the year and our long-term competitive position in the changing healthcare environment."

### **Cardiac and Vascular Group**

The Cardiac and Vascular Group (CVG) includes the Cardiac Rhythm & Heart Failure, Coronary & Structural Heart, and Aortic & Peripheral Vascular divisions. CVG worldwide revenue of \$2.567 billion increased 15 percent, high-single digit growth adjusted for the extra week, or 14 percent as reported. CVG revenue performance was driven by strong balanced growth across all three divisions.

Cardiac Rhythm & Heart Failure (CRHF) revenue of \$1.369 billion grew 17 percent, low-double digits adjusted for the extra week, or 9 percent as reported. Adjusted for the extra week, CRHF performance this quarter was driven by high-single digit growth in High Power, mid-single digit growth in Low Power, strong above-market growth in the low-thirties in AF Solutions, and a near doubling of revenue in Services & Solutions, which includes the company's Cardiocom and Cath Lab Managed Services businesses. High Power results were driven by low-double digit growth in the U.S. adjusted for the extra week, as the company gained share on the strength of its Viva® XT CRT-D with its AdaptivCRT® algorithm and Attain® Performa® Quadripolar Lead. In Japan, High Power grew in the high-twenties adjusted for the extra week and the company has gained 20 points of ICD share since the launch of the Evera MRI® ICD in the third quarter of last fiscal year. Low Power growth continues to be driven by the global adoption of the Reveal LINQ® insertable cardiac monitor and mid-single digit growth in U.S. pacemakers adjusted for the extra week. AF Solutions results were driven by the continued robust growth of the Arctic Front Advance® CryoAblation System. The division also acquired CardioInsight Technologies and its ECVUE® non-invasive cardiac mapping system, in the quarter.

Coronary & Structural Heart (CSH) revenue of \$788 million increased 12 percent, mid-single digit growth adjusted for the extra week, or 3 percent as reported. CSH performance was driven by high-single digit growth in Structural Heart and low-single digit growth in Coronary, adjusted for the extra week. Structural Heart growth was driven by strength in transcatheter heart valves, which grew in the low-thirties globally and the high-thirties in the U.S., adjusted for the extra week. The company launched the CoreValve® Evolut® R recapturable system late in the quarter. Coronary benefitted from low-single digit drug eluting stent (DES) growth adjusted for the extra week driven by the recent launch of Resolute Onyx(TM) in Europe and the continued acceptance of Resolute® Integrity® in the U.S. Coronary also had high-teens growth in balloons adjusted for the extra week as a result of the recent launches of the company's differentiated NC Euphora® and SC Euphora® balloon dilatation catheters.

Aortic & Peripheral Vascular (APV) revenue of \$410 million increased 11 percent, mid-single digit growth adjusted for the extra week, or 77 percent as reported. APV performance was driven by low-double digit growth in Peripheral Vascular, partially offset by low-single digit declines in Aortic, adjusted for the extra week. Growth in the Peripheral Vascular business was driven by the strong adoption of the IN.PACT® Admiral® drug-coated balloon (DCB). The company estimates it continues to have the leading position in the U.S. DCB market. In addition, the business acquired Aptus Endosystems and its Heli-FX® technology in the quarter.

### **Minimally Invasive Therapies Group**

The Minimally Invasive Therapies Group (MITG) includes the Surgical Solutions and the Patient Monitoring & Recovery divisions. The group had worldwide sales in the quarter of \$2.456 billion, representing an increase of 11 percent and mid-single digit growth adjusted for the extra week. MITG revenue performance was driven by high-single digit growth in Surgical Solutions and low-single digit growth in Patient Monitoring & Recovery, adjusted for the extra week.

Surgical Solutions revenue of \$1.352 billion increased 14 percent and grew in the high-single digits adjusted for the extra week. Surgical Solutions performance this quarter was driven by high-single digit growth in Advanced Surgical, low-single digit growth in General Surgical, as well as low-double digit growth in Early Technologies, adjusted for the extra week. Advanced Surgical results were driven by balanced, low-double digit growth in both Advanced Stapling and Advanced Energy adjusted for the extra week, with growth being driven by the continued strong market adoption of the Endo GIA(TM) Reinforced Reload and LigaSure(TM) Maryland Jaw, respectively. In Early Technologies, results were driven by low-double digit growth in GI Solutions and Interventional Lung Solutions, adjusted for the extra week. The Surgical Solutions division announced an agreement to acquire RF Surgical and its innovative RF Assure Detection System in the first quarter, and the transaction was completed recently.

Patient Monitoring & Recovery (PMR) revenue of \$1.104 billion increased 8 percent and grew in the low-single digits adjusted for the extra week. Respiratory & Patient Monitoring, Nursing Care, and Patient Care & Safety all grew in the low-single digits adjusted for the extra week. Respiratory & Patient Monitoring growth was driven by strong U.S. Patient Monitoring sales. Nursing Care had solid growth due to strong sales in enteral feeding.

## **Restorative Therapies Group**

The Restorative Therapies Group (RTG) includes the Spine, Neuromodulation, Surgical Technologies, and Neurovascular divisions. RTG worldwide revenue of \$1.806 billion increased 10 percent, mid-single digit growth adjusted for the extra week, or 13 percent as reported. Group revenue performance was driven by mid-twenties growth in Neurovascular and high-single digit growth in Surgical Technologies, with low-single digit growth in Spine and Neuromodulation, adjusted for the extra week.

Spine revenue of \$763 million increased 7 percent, low-single digit growth adjusted for the extra week, or 3 percent as reported. While BMP grew, Core Spine was flat globally and declined in the mid-single digits in the U.S., and Interventional Spine declined in the mid-single digits globally and high-single digits in the U.S., adjusted for the extra week.

Neuromodulation revenue of \$485 million grew 7 percent, low-single digit growth adjusted for the extra week, or 1 percent as reported. Neuromodulation performance was driven by mid-single digit growth adjusted for the extra week in Gastro/Uro and Deep Brain Stimulation (DBS). Pain Stim had low-single digit growth globally and mid-single digit growth in the U.S., adjusted for the extra week. The U.S. pain stim market is showing signs of stabilization with mid-single digit growth following three consecutive quarters of decline.

Surgical Technologies revenue of \$420 million grew 15 percent, high-single digits adjusted for the extra week, or 10 percent as reported. Surgical Technologies' performance was driven by mid-teens growth in Advanced Energy, high-single digit growth in Neurosurgery, and mid-single digit growth in ENT, adjusted for the extra week. Advanced Energy had strong growth contributions from both the Aquamantys® System and PEAK PlasmaBlade® System. Neurosurgery results were driven by sales of the O-arm® Surgical Imaging System and Visualase® MRI-guided laser ablation. ENT growth reflected continued strong StraightShot® M5 Microdebrider and NuVent® sinus balloon sales, offset partially by the divestiture of the business's manual instruments product line, including MicroFrance instruments, which occurred in the third quarter of fiscal year 2015.

Neurovascular revenue of \$138 million increased 31 percent, or in the mid-twenties adjusted for the extra week, driven by strong double-digit growth in Flow Diversion and Stents. Flow Diversion sales were driven by strong customer adoption of the Pipeline(TM) Flex device for the treatment of intracranial aneurysms. Robust growth in Stents was driven by the Solitaire(TM) FR revascularization device for stent thrombectomy following the publication of several positive clinical studies in the New England Journal of Medicine, including SWIFT PRIME, earlier this year. Use of the Solitaire(TM) FR and Pipeline(TM) Flex devices also resulted in increased sales of neurovascular access products.

## **Diabetes Group**

The Diabetes Group includes the Intensive Insulin Management (IIM), Non-Intensive Diabetes Therapies (NDT), and Diabetes Service & Solutions (DSS) divisions. Worldwide Group revenue in the quarter of \$445 million increased 15 percent, high-single digits growth adjusted for the extra week, or 7 percent as reported.

IIM, which focuses on patients with Type 1 diabetes, posted low-double digit revenue growth, adjusted for the extra week, driven by the continued strong adoption in the U.S. of the MiniMed® 530G System with Enlite® CGM sensor and its proprietary Threshold Suspend technology. Growth was also driven by the ongoing international launch of the next-generation MiniMed® 640G System with a new insulin pump design, user interface, the Enhanced Enlite® CGM sensor, and SmartGuard™ technology, a proprietary algorithm that can automatically suspend insulin delivery when sensor glucose levels are predicted to approach a low limit and resume insulin delivery once sensor glucose levels recover. Medtronic Diabetes also received U.S. FDA approval in the first quarter for the MiniMed® Connect, which allows users to view their insulin pump and CGM data on a smartphone and provides remote monitoring and text message notifications for their care teams. The product is expected to launch in the company's second quarter.

The NDT division, which focuses on Type 2 diabetes, grew revenue in the high-sixties, adjusted for the extra week, and continued its global expansion and now has dedicated resources to distribute the iPro®2 professional CGM and the i-Port Advance® injection port in the Americas, EMEA, and Asia Pacific.

The DSS division, which focuses on offering people with diabetes access to therapy, insights and services, grew revenue in the high-single digits, adjusted for the extra week, reflecting strong consumable sales in the U.S. and continued integration of the recently acquired Diabeter business in the Netherlands. Medtronic and Diabeter are combining the strengths of both companies to create a strong local and international platform to improve outcomes for people with diabetes by further developing and expanding Diabeter's model of care.

The group also announced several additional partnerships in the quarter, including Samsung Electronics and Becton, Dickinson and Company to collaborate on innovative diabetes technology, and with Glooko to improve access to meaningful diabetes health data in a safe and secure way. In addition, the company's partnership with IBM Watson Health announced earlier this year continues to make progress. Together with IBM, the group has signed an agreement with its first health system to bring Medtronic and IBM's collective capabilities to drive care solutions that are expected to improve outcomes and lower costs for this health system.

### **Revenue Outlook and Earnings per Share Guidance**

The company today reiterated its fiscal year 2016 revenue outlook and non-GAAP earnings per share (EPS) guidance. In fiscal year 2016, the company continues to expect full-year revenue growth in the range of 4 to 6 percent on a comparable, constant currency basis, which excludes the estimated incremental 1.5 percent benefit on full-year revenue growth due to the extra selling week in the first quarter of fiscal year 2016, as well as an estimated \$1.3 to \$1.5 billion negative foreign currency impact based on [current] exchange rates. The company also expects diluted non-GAAP EPS in the range of \$4.30 to \$4.40, which includes an expected \$0.40 to \$0.50 negative foreign currency impact based on [current] exchange rates.

"We are confident that our three growth strategies - therapy innovation, globalization, and economic value - will further strengthen the market-leading competitive position of our combined organization," said Ishrak. "Our strong innovation pipeline and focus on value-based healthcare initiatives are aimed at ensuring Medtronic remains the partner of choice for hospitals, payers and governments around the world."

### **Webcast Information**

Medtronic will host a webcast today, September 3, 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 Investors link on the Medtronic home page at [www.medtronic.com](http://www.medtronic.com) and this earnings release will be archived at [www.medtronic.com/newsroom](http://www.medtronic.com/newsroom). Medtronic will be live tweeting during the webcast on our 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 through the Investors section of the Medtronic website.

### **Financial Schedules**

To view the first quarter financial schedules, [click here](#) or visit [www.medtronic.com/newsroom](http://www.medtronic.com/newsroom).

### **About Medtronic**

Medtronic plc, headquartered in Dublin, Ireland, is the global leader in medical technology - alleviating pain, restoring health, and extending life for millions of people around the world.

**This press release contains forward-looking statements related to product growth drivers, market position, strategies for growth, benefits from collaborations and acquisitions, product launches, and Medtronic's future results of operations, which are subject to risks and uncertainties, such as competitive factors, difficulties and delays inherent in the development, manufacturing, marketing and sale of medical products, government regulation and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the U.S. Securities and Exchange Commission (the "SEC"). Actual results may differ materially from anticipated 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.

Unless otherwise noted, all revenue amounts given in this news release are on a GAAP basis, and all comparisons and growth rates made in this news release are stated on a "comparable, constant currency basis" and not an as reported basis. "Comparable, constant currency basis" includes Covidien plc in the prior year comparison, aligning Covidien's prior year monthly revenue to Medtronic's fiscal quarters. Aligning historic Covidien revenue to Medtronic's fiscal quarters is different than the pro forma revenue information previously included within certain SEC filings, which combined revenues from the closest historical reported quarters of both companies. Management believes that referring to comparable, constant currency revenue growth rates is a more useful way to evaluate the underlying performance of Medtronic's revenue. For additional revenue detail and the reconciliation of these revenue amounts and growth rates to the most directly comparable GAAP financial measures, please refer to the link at the end of this release.

References to quarterly figures increasing or decreasing are in comparison to the first quarter of fiscal year 2015.

#### **NON-GAAP FINANCIAL MEASURES**

This press release contains financial measures and guidance, including revenue on a comparable, constant currency basis and comparable, constant currency growth rates, net income, and diluted EPS, which are considered "non-GAAP" financial measures under applicable SEC rules and regulations.

These non-GAAP financial measures should be considered supplemental to and not a substitute for financial information prepared in accordance with generally accepted accounting principles (GAAP). The company's definition of these non-GAAP measures may not be the same or similar to measures presented by other companies.

Medtronic management believes that in order to properly understand its short-term and long-term financial trends, investors may find it useful to consider the impact of aligning historical Covidien revenues to Medtronic's fiscal calendar and excluding specified items that can be highly variable or difficult to predict. The company generally uses these non-GAAP financial measures to facilitate management's review of the operational performance of the company and as a basis for strategic planning. Management believes that the resulting non-GAAP financial measures provide useful information to investors regarding the underlying business trends and performance of the company's ongoing operations and is useful for period over period comparisons of such operations. These non-GAAP financial measures reflect an additional way of viewing aspects of the company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting Medtronic's business.

Because non-GAAP financial measures exclude the effect of items that will increase or decrease the company's reported results of operations, 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.

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[View FY16 First Quarter Financial Schedules](#)

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