

Medtronic Reports Fourth Quarter and Fiscal Year 2015 Financial Results

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- **Q4 Worldwide Revenue of \$7.3 Billion Grew 7% on a Comparable, Constant Currency Basis; 60% as Reported**
- **Q4 Non-GAAP Diluted EPS of \$1.16; GAAP EPS were Break-even**
- **Q4 U.S. Revenue of \$4.1 Billion Grew 8% on a Comparable Basis; 67% as Reported**
- **FY15 Revenue of \$20.3 Billion Grew 19% as Reported, or 6% on a Comparable, Constant Currency Basis**
- **Q4 Free Cash Flow of \$1.7 Billion; GAAP Cash Flow from Operations of \$1.9 Billion**
- **Company Sets Initial FY16 Revenue Growth Outlook and EPS Guidance**

DUBLIN - June 2, 2015 - Medtronic plc (NYSE: MDT) today announced financial results for its fourth quarter and fiscal year 2015, which ended April 24, 2015, finalizing the preliminary revenue issued by the company on May 19, 2015.

Unless otherwise noted, all revenue growth rates in this press release are stated on a comparable, constant currency basis, which includes Covidien plc in the prior year comparison and aligns 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.

The company reported fourth quarter worldwide revenue of \$7.304 billion, compared to \$7.257 billion on a comparable basis in the fourth quarter of fiscal year 2014, an increase of 7 percent after adjusting for a \$483 million negative foreign currency impact. As reported, revenue increased 60 percent when compared to the \$4.566 billion reported by Medtronic, Inc. in the fourth quarter of fiscal year 2014. As detailed in the attached table, fourth quarter non-GAAP earnings and diluted earnings per share were \$1.678 billion and \$1.16, an increase of 41 percent and a decrease of 2 percent, respectively. As reported, the fourth quarter net loss was \$1 million and \$0.00 per diluted share, respectively.

Fourth quarter U.S. revenue of \$4.057 billion increased 8 percent, or 67 percent as reported. Fourth quarter non-U.S. developed market revenue of \$2.324 billion increased 5 percent, or 48 percent as reported. Fourth quarter emerging market revenue of \$923 million increased 11 percent, or 62 percent as reported, and represented approximately 13 percent of company revenue.

As reported, Medtronic's fiscal year 2015 revenue of \$20.261 billion, increased 19 percent, or 6 percent on a comparable, constant currency basis. As detailed in the attached table, fiscal year 2015 non-GAAP earnings and diluted earnings per share were \$4.744 billion and \$4.28, an increase of 16 percent and 6 percent, respectively. As reported, fiscal year 2015 net earnings were \$2.675 billion or \$2.41 per diluted share, a decrease of 13 percent and 20 percent, respectively.

"I am encouraged by our strong fourth quarter performance, the first quarter that reflects the combined results of Medtronic and Covidien. In addition to making solid progress on our integration of Covidien, these results reflect disciplined execution across our three core strategies of therapy innovation, globalization, and economic value," said Omar Ishrak, Medtronic chairman and chief executive officer. "Our results reflect the dedication and passion of over 85,000 employees collaborating with our partners in healthcare to deliver therapies and services to millions of patients around the globe, to fulfill our Mission of alleviating pain, restoring health, and extending life."

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 had worldwide revenue in the quarter of \$2.596 billion, representing an increase of 10 percent on both a comparable, constant currency basis and as reported. CVG revenue performance was driven by strong balanced growth across all three divisions.

Fourth quarter CVG U.S. revenue of \$1.301 billion increased 15 percent, or 28 percent as reported. Fourth quarter CVG non-U.S. developed market revenue of \$903 million increased 5 percent, or decreased 7 percent as reported. Fourth quarter CVG emerging market revenue of \$392 million increased 11 percent, or 4 percent as reported.

Cardiac Rhythm & Heart Failure (CRHF) revenue of \$1.398 billion grew 11 percent, or 4 percent as reported. CRHF performance this quarter was driven by low-teens growth in Low Power, mid-single digit growth in High Power, and strong growth of over 30 percent in AF Solutions. Geographically, the CRHF division benefitted from mid-teens growth in the U.S. and Japan. Low Power results were driven by the continued ongoing acceptance of the Reveal LINQ™ insertable cardiac monitor and solid performance in the U.S. Pacing business, which grew in the upper-single digits. High Power results were driven by mid-single digit growth in the U.S. and double-digit growth in Japan. The Viva™ XT CRT-D with its AdaptivCRT® algorithm and Attain® Performa™ Quadripolar Lead continue to show strong market acceptance. AF Solutions results were driven by continued robust growth of our Arctic Front Advance® CryoAblation System.

Coronary & Structural Heart (CSH) revenue of \$792 million increased 9 percent, or 1 percent as reported. CSH performance was driven by upper-teens growth in Structural Heart and low-single digit growth in Coronary. Structural Heart growth was driven by Transcatheter Valves, which grew approximately 50 percent globally and approximately 30 percent in the U.S. based on the ongoing success of CoreValve® in the U.S. and the launch of the CoreValve® Evolut™ R recapturable system in CE Mark countries. Coronary benefitted from mid-single digit Drug Eluting Stent (DES) growth driven by the recent launch of Resolute Onyx™ in Europe and the continued acceptance of Resolute Integrity® DES in the U.S. The business also had low-double digit growth in balloons as a result of the recent launches of the company's differentiated NC Euphoro® and Euphoro® SC balloon dilatation catheters.

Aortic & Peripheral Vascular (APV) revenue of \$406 million increased 9 percent, or 69 percent as reported. APV performance was driven by very strong mid-teens growth in the Peripheral business, which is comprised of the legacy Medtronic peripheral business and a portion of the legacy Covidien Peripheral business, and low-single digit growth in Aortic. Growth in the Peripheral business was driven by the IN.PACT® Admiral® drug-coated balloon, which was launched at the beginning of the fiscal fourth quarter. The company estimates it now has the leading position in the U.S. Drug Coated Balloon market. This leadership position was attained without the benefit of having a full quarter of a combined Medtronic and legacy Covidien peripheral salesforce. Peripheral was also driven by strong double-digit growth in Chronic Venous Insufficiency (CVI) reflecting the continued acceptance of ClosureFast™ in Japan.

Minimally Invasive Therapies Group

The Minimally Invasive Therapies Group (MITG), formerly referred to as the Covidien Group following completion of the Covidien acquisition, includes both the Surgical Solutions division and the Patient Monitoring & Recovery division, formerly referred to as Medical Care Solutions by Covidien prior to the acquisition. The group had worldwide sales in the quarter of \$2.387 billion, representing an increase of 6 percent. Incremental revenue from acquisitions contributed just over 1 percent to MITG growth. MITG revenue performance was driven by strong double-digit growth in Surgical Solutions and low-single digit growth in Patient Monitoring & Recovery.

Fourth quarter MITG revenue in the U.S. of \$1.230 billion increased 6 percent. Fourth quarter MITG non-U.S. developed market revenue of \$856 million increased 4 percent. Fourth quarter MITG emerging market revenue of \$301 million increased 11 percent.

Surgical Solutions revenue of \$1.293 billion increased 10 percent. 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 growth of over 40

percent in Early Technologies, which benefitted significantly from acquisitions. Advanced Surgical results were driven by balanced low-double digit growth in both Stapling and Energy. Stapling growth reflected continued strong market adoption in the U.S. of new product introductions including the Endo GIA™ Reinforced Reload. Energy results were driven by continued robust procedural growth in Vessel Sealing. Early Technologies results included strong growth across all three product lines: GI Solutions, Advanced Ablation, and Interventional Lung Solutions.

Patient Monitoring & Recovery (PMR) revenue of \$1.094 billion increased 2 percent. Patient Monitoring grew in the mid-single digits, and both Airway & Ventilation and Nursing Care grew in the low-single digits, offsetting low-single digit declines in Patient Care. The strong U.S. flu season drove pulse oximetry sales.

Restorative Therapies Group

The Restorative Therapies Group (RTG) includes the Spine, Neuromodulation, Surgical Technologies, and Neurovascular divisions. The group had worldwide revenue in the quarter of \$1.854 billion, representing an increase of 5 percent, or 7 percent as reported. Group revenue performance was driven by growth in Surgical Technologies, Neuromodulation, and Neurovascular, partially offset by modest declines in Spine.

Fourth quarter RTG U.S. revenue of \$1.233 billion increased 4 percent, or 8 percent as reported. Fourth quarter RTG non-U.S. developed market revenue of \$426 million increased 4 percent, or declined 4 percent as reported. Fourth quarter RTG emerging market revenue of \$195 million increased 12 percent, or 25 percent as reported.

Spine revenue of \$743 million declined 2 percent, or 5 percent as reported. Core Spine and Interventional revenue both declined in the low-single digits, offsetting low-single digit growth in Bone Morphogenetic Protein (BMP). The Core Spine business is focused on differentiating itself from the competition over the long-term through leading new technologies and minimally invasive procedure innovation, which are both enhanced by its Surgical Synergy(TM) program that integrates imaging, navigation, and powered surgical instruments.

Neuromodulation revenue of \$518 million grew 6 percent, or 1 percent as reported. Neuromodulation performance was driven by mid-teens growth in Gastro/Uro and double-digit growth in Deep Brain Stimulation (DBS). Pain Stim was flat in the quarter, in-line with the market. Geographically, the Neuromodulation division benefitted from strong growth of over 30 percent in emerging markets, low-single digit growth in the U.S., and mid-single digit growth in Europe.

Surgical Technologies revenue of \$461 million grew 9 percent, or 5 percent as reported. Surgical Technologies' performance was driven by solid, balanced growth across all three businesses. Neurosurgery grew in the mid-single digits reflecting record worldwide O-arm® surgical imaging unit sales, continued strength in StealthStation® navigation service revenue, and the contribution of Visualase® MRI-guided laser ablation. ENT low-double digit growth reflected continued strong StraightShot® M5 Microdebrider and NuVent(TM) sinus balloon penetration offset partially by the MicroFrance divestiture, which occurred in the third quarter of fiscal year 2015. Advanced Energy grew in the upper-teens driven by the continued adoption of PEAK PlasmaBlade®. Geographically, the division had mid-teens growth in the U.S. on the strength of new products.

Neurovascular revenue of \$132 million increased 23 percent. The division, formerly part of legacy Covidien, posted strong double-digit growth across coils, stents, flow diversion, and access product lines. Robust growth in neurovascular stents was driven by the Solitaire™ FR revascularization device following the publication of several positive clinical studies in the New England Journal of Medicine, including SWIFT PRIME. Flow diversion growth benefitted from the third quarter U.S. launch of the Pipeline™ Flex embolization device.

Diabetes Group

The Diabetes Group includes the Intensive Insulin Management, Non-Intensive Diabetes Therapies, and Diabetes Services & Solutions divisions. The group had worldwide revenue in the quarter of \$467 million, representing an increase of 8 percent, or 2 percent as reported.

Fourth quarter Diabetes U.S. revenue of \$293 million increased 8 percent as reported. Fourth quarter Diabetes non-U.S.

developed market revenue of \$139 million increased 8 percent, or decreased 9 percent as reported. Fourth quarter Diabetes emerging market revenue of approximately \$35 million increased 5 percent, or decreased 5 percent as reported.

Diabetes Group revenue in the quarter was driven by 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 continued 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. The Intensive Insulin Management division continued to progress toward the development of an artificial pancreas system, with a minority investment in, and licensing of the DreaMed algorithm for a next generation closed loop system. The group continues to grow its Diabetes Services & Solutions division as evidenced by the recently announced partnership with IBM Watson Health and its minority investment in Glooko. The recent Diabeter acquisition also marks an important first move into the diabetes integrated care service space in the pediatric Type 1 population.

Revenue Outlook and Earnings per Share Guidance

The company today provided its fiscal year 2016 revenue outlook and diluted cash earnings per share (EPS) guidance. In fiscal year 2016, the company expects full-year underlying operational revenue growth in the range of 4 to 6 percent, and in addition, the company expects an incremental 1.0 to 1.5 percent of full-year revenue growth due to the extra selling week in the first quarter of fiscal year 2016. These revenue growth rates are on a comparable, constant currency basis, and exclude an estimated \$1.3 to \$1.5 billion negative foreign currency impact based on current exchange rates. The company also expects diluted cash 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. This foreign currency impact is \$0.10 more negative than the amount previously estimated by the company in February.

"As we look ahead to fiscal year 2016, we remain focused on consistently delivering on our strategic and financial commitments," said Ishrak. "We feel the company is well positioned to be a catalyst in transforming healthcare to a value-based model, using medical technology and services to deliver improved outcomes and efficiency, together with our provider partners around the world."

Webcast Information

Medtronic will host a webcast today, June 2, 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 and this earnings release will be archived at www.medtronic.com/newsroom. 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 fourth quarter and fiscal year financial schedules, [click here](#) or visit 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, 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. References to quarterly figures increasing or decreasing are in comparison to the fourth quarter of fiscal year 2014. References to annual figures increasing or decreasing are in comparison to fiscal year 2014.

NON-GAAP FINANCIAL MEASURES

This press release contains financial measures, including revenue on a comparable, constant currency basis and comparable, constant currency growth rates, free cash flow, net earnings, 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 FY15 Fourth Quarter Financial Schedules](#)

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