

Medtronic Reports Fourth Quarter and Fiscal Year 2014 Earnings

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- **Q4 Revenue of \$4.6 Billion Grew 3% at Constant Currency; 2% as Reported**
- **Q4 Non-GAAP Diluted EPS of \$1.12; GAAP Diluted EPS of \$0.44**
- **FY14 Revenue of \$17.0 Billion Grew 4% at Constant Currency; 3% as Reported**
- **FY14 Free Cash Flow of \$4.6 Billion; GAAP Cash Flow from Operations of \$5.0 Billion**
- **Company Sets Initial FY15 Revenue Growth Outlook and EPS Guidance**

MINNEAPOLIS - May 20, 2014 - Medtronic, Inc. (NYSE: MDT) today announced financial results for its fourth quarter and fiscal year 2014, which ended April 25, 2014.

The company reported worldwide fourth quarter revenue of \$4.566 billion, compared to the \$4.459 billion reported in the fourth quarter of fiscal year 2013, an increase of 3 percent on a constant currency basis after adjusting for a \$39 million negative foreign currency impact or 2 percent as reported. Including a one-time, non-cash \$746 million pre-tax certain litigation charge, primarily related to the company's global patent agreement reached with Edwards Lifesciences Corporation, as well as the company's INFUSE product liability settlement, fourth quarter net earnings as reported were \$448 million, or \$0.44 per diluted share, both decreasing 54 percent over the same period in the prior year. After adjusting for this charge and other items detailed in the attached table, fourth quarter net earnings and diluted earnings per share on a non-GAAP basis were \$1.135 billion and \$1.12, an increase of 1 percent and 2 percent, respectively, over the same period in the prior year.

The company reported fiscal year 2014 revenue of \$17.005 billion, an increase of 4 percent on a constant currency basis after adjusting for a \$175 million negative foreign currency impact or 3 percent as reported. As reported, fiscal year 2014 net earnings were \$3.065 billion or \$3.02 per diluted share, a decrease of 12 percent and 10 percent, respectively. As detailed in the attached table, fiscal year 2014 non-GAAP net earnings and diluted earnings per share were \$3.868 billion and \$3.82, flat and an increase of 2 percent, respectively.

Fourth quarter international revenue of \$2.145 billion increased 5 percent on a constant currency basis or 3 percent as reported. International sales accounted for 47 percent of Medtronic's worldwide revenue in the quarter. Emerging market revenue of \$571 million increased 14 percent on a constant currency basis or 10 percent as reported and represents 13 percent of company revenue.

"In our fourth quarter, our overall organization once again delivered balanced growth, with strong performances in some areas more than offsetting challenges in other parts of our business," said Omar Ishrak, Medtronic chairman and chief executive officer. "We remain focused on delivering consistent and dependable growth across all of our businesses through our three growth vectors: new therapies, emerging markets, and independent services and solutions."

Cardiac and Vascular Group

The Cardiac and Vascular Group includes the Cardiac Rhythm Disease Management (CRDM), Coronary, Structural Heart, and Endovascular businesses. The Group had worldwide sales in the quarter of \$2.369 billion, representing an increase of 2 percent on a constant currency basis or 1 percent as reported. Group revenue performance was driven by growth in Structural Heart, Endovascular, and AF and Other, which included growth from Hospital Solutions and Cardiocom®, partially offset by declines in Coronary and Defibrillation Systems. Group international sales of \$1.355 billion increased 3 percent on a constant currency basis or 1 percent as reported.

CRDM revenue of \$1.346 billion grew 2 percent on a constant currency basis or 1 percent as reported. Fourth quarter revenue from Defibrillation Systems was \$734 million, a decline of 2 percent on a constant currency basis. In international markets, the business continues to see strong adoption of the Viva(TM) XT CRT-D, with its AdaptivCRT(TM) algorithm and Attain® Performa(TM) quadripolar lead. Late in the fourth quarter, the business started the launch of the world's only full-body MRI-compatible ICD system, Evera MRI(TM) in Europe. Pacing revenue of \$503 million was flat on a constant currency basis. The strong global launch of the Reveal LINQ(TM) contributed to growth in the quarter, which nearly doubled the business's

diagnostics revenue. AF Solutions grew over 20 percent on a constant currency basis, driven by robust global growth of our Arctic Front® CryoAblation System and fourth quarter international launch of PVAC® Gold.

Coronary revenue of \$446 million declined 2 percent on a constant currency basis or 4 percent as reported, driven by growth in drug-eluting stents offset by declines in bare-metal stents and renal denervation. Sales of drug-eluting stents increased 2 percent on a constant currency basis, driven by continued broad worldwide share gains of the Resolute® Integrity® drug-eluting stent.

Structural Heart revenue of \$337 million grew 9 percent on both a constant currency basis and as reported. Results were driven by growth from the U.S. launch of the self-expanding transcatheter CoreValve® System, a differentiated therapy for severe aortic stenosis patients who are too ill or frail to have their aortic valves replaced through traditional open-heart surgery.

Endovascular revenue of \$240 million grew 3 percent on a constant currency basis or 2 percent as reported. Results were driven by solid procedure growth in both abdominal aortic aneurysms and thoracic aortic diseases, with the continued global adoption of the business's market-leading Endurant® II and Valiant® Captivia® stent grafts. In Peripheral, the IN.PACT® Admiral® and Pacific® drug-coated balloons for the SFA had strong growth in international markets, and the company expects U.S. approval for IN.PACT® Admiral® in early fiscal year 2016.

Restorative Therapies Group

The Restorative Therapies Group includes the Spine, Neuromodulation, and Surgical Technologies businesses. The Group had worldwide sales in the quarter of \$1.737 billion, representing an increase of 2 percent on both a constant currency basis and as reported. Group revenue was driven by growth in Surgical Technologies and Neuromodulation, offset by declines in Spine.

Group international sales of \$600 million increased 8 percent on a constant currency basis or 5 percent as reported.

Spine revenue of \$786 million declined 2 percent on a constant currency basis or 3 percent as reported. Core Spine revenue of \$662 million was flat on a constant currency basis. Excluding sales of balloon kyphoplasty, Core Spine grew in the low-single digits on a constant currency basis globally. The company estimates the global and U.S. spine markets were relatively flat on a year-over-year basis, a slight deceleration from the low-single digit market growth last quarter. The Core Spine business continues to differentiate itself from the competition through its leading technology and procedural innovation, enhanced by its Surgical SynergySM program of enabling technologies, including imaging, navigation and powered surgical instruments. BMP revenue of \$124 million declined 11 percent on a constant currency basis, due to difficult comparisons following the resolution of a supply disruption in the prior year.

Surgical Technologies revenue of \$438 million grew 9 percent on a constant currency basis or 8 percent as reported. Revenue growth was strong and balanced across the business, driven by the StealthStation® S7® surgical navigation systems, NIM® ENT nerve monitoring capital equipment, Midas Rex® power equipment, and continued strong performance from Aquamantys® Transcollation® and PEAK PlasmaBlade® technologies.

Neuromodulation revenue of \$513 million increased 4 percent on both a constant currency basis and as reported. Growth was driven by strong performance from the Activa® deep brain stimulation system, as well as continued adoption of the RestoreSensor® SureScan® MRI spinal cord stimulator.

Diabetes Group

Diabetes revenue of \$460 million grew 13 percent on both a constant currency basis and as reported. Growth in the quarter was driven by strong performance from the ongoing U.S. launch of the MiniMed® 530G with Enlite® CGM sensor, the first and only system that automatically stops insulin delivery if glucose levels fall below a predetermined threshold. Since launching the MiniMed® 530G System, the business estimates it has gained over 5 percentage points of U.S. insulin pump share and over 6 percentage points of U.S. CGM share.

Revenue Outlook and Earnings per Share Guidance

The company today provided its fiscal year 2015 revenue outlook and diluted earnings per share (EPS) guidance. In fiscal year 2015, the company expects full-year revenue growth in the range of 3 to 5 percent on a constant currency basis and diluted EPS in the range of \$4.00 to \$4.10. Based on current exchange rates, the company indicated this would imply diluted EPS growth in the range of 6 to 9 percent on a constant currency basis.

"As we look ahead to fiscal year 2015, we remain focused on striving to reliably deliver on our baseline expectations," said Ishrak. "Furthermore, Medtronic intends to play a leading role in the transformations being undertaken in healthcare systems

around the world. We are committed to deploying our technology, services, and people into partnerships with physicians, providers, payers, and governments to help them achieve their goals. We are confident that we can play an integral role in helping them drive more value into their systems and ultimately, achieve better patient access and outcomes around the world. There are tremendous opportunities ahead as we transform Medtronic from being primarily a device provider today into the premier global medical technology solutions partner of tomorrow."

Webcast Information

Medtronic will host a webcast today, May 20, at 8 a.m. EDT (7 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, a replay of the webcast and a transcript of the company's prepared remarks will be available in the "Events & Presentations" section of the Investors portion of the Medtronic website.

Financial Schedules

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

About Medtronic

Medtronic, Inc., headquartered in Minneapolis 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 leadership, 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, the outcome of litigation matters, government regulation and general economic conditions and other risks and uncertainties described in Medtronic's periodic reports on file with the Securities and Exchange Commission. Actual results may differ materially from anticipated results. Medtronic does not undertake to update its forward- looking statements.

Earnings per share guidance excludes any unusual charges or gains that might occur during the fiscal year. The guidance provided only reflects information available to Medtronic at this time.

Unless otherwise noted, all comparisons made in this news release are on an "as reported basis," and not on a constant currency basis. References to quarterly or annual figures increasing or decreasing are in comparison to the fourth quarter and full fiscal year 2013, respectively.

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[View FY14 Fourth Quarter Financial Schedules](#)

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