

# INVESTOR DAY

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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.

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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.

# EXECUTING ON BROAD, SUSTAINABLE GROWTH PLATFORM

## LONG-RANGE PLAN DRIVING SHAREHOLDER VALUE

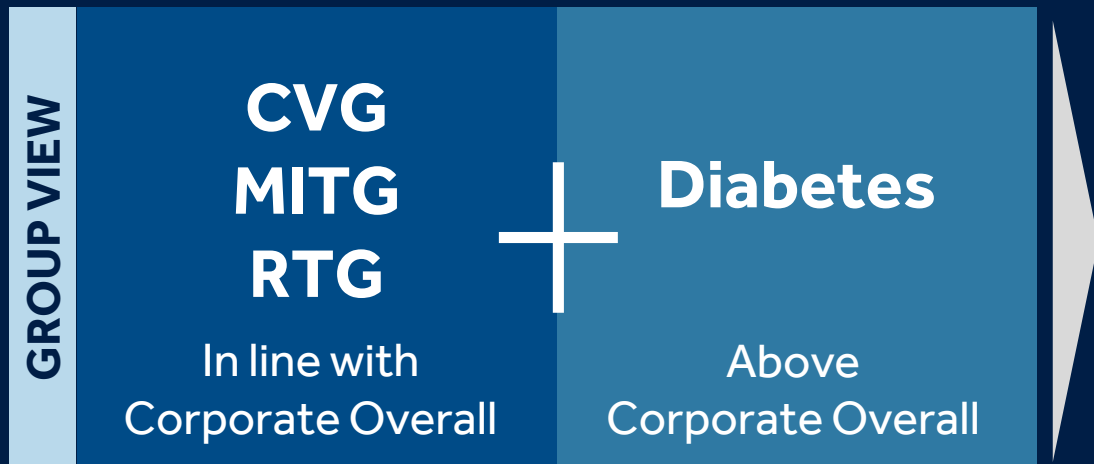


- **Sustainable growth** through innovation and globalization
- Leverage size and scale to **drive margin expansion** and growth
- Improve operational cash flow through **increased discipline and accountability**
- Disciplined approach to increase returns and **drive long-term value**



# MEDTRONIC POSITIONED TO DELIVER SUSTAINABLE REVENUE GROWTH

DIVERSIFIED REVENUE BASE PROVIDES CONFIDENCE IN LONG-TERM PERFORMANCE



**Sustainable**  
**4%+ Organic<sup>1</sup>**  
**Revenue Growth**

<sup>1</sup> Organic: Excludes the impact of material acquisitions, divestitures and currency

# ENTERPRISE EXCELLENCE: LEVERAGING GLOBAL SIZE AND SCALE

## ENABLING REINVESTMENT AND LONG-TERM OPERATING MARGIN EXPANSION

<b>Global Operations</b>	Integrate and evolve global operations to <b>improve quality, delivery, cost, and cash flow</b>
<b>Functional Optimization</b>	Evolve our global functions to <b>support long-term growth and sustained productivity</b>
<b>Commercial Optimization</b>	Operate commercial organization at scale while <b>improving customer service and experience</b>

**Annual Underlying<sup>1</sup>  
Operating Margin  
Expansion  
40 – 50 bps**

<sup>1</sup> Underlying: Excludes the impact of material acquisitions, divestitures and currency

# ENTERPRISE EXCELLENCE

ROBUST STRUCTURE, PROCESSES & TOOLS TO DRIVE ACCOUNTABILITY & RIGOR



- ✓ **PROGRAM RIGOR:** Transparency, consistency and real-time updates to ensure we remain on track to meet commitments
- ✓ **GOAL ORIENTED:** Clear focus on goals and metrics to prioritize investments. Financial targets built into annual operating plan
- ✓ **STRONG OPERATING MECHANISMS:** Full Business, Regional and Functional engagement, accountability and ownership
- ✓ **ORGANIZATIONAL ALIGNMENT:** At all program levels, including critical intersection points and inter-dependencies

# GLOBAL OPERATIONS: IMPROVING QUALITY, DELIVERY, COST AND CASH FLOW

## LEVERAGING SCALE TO OFFSET PRICE PRESSURE

### MANUFACTURING INITIATIVES

*~60% of Global Operations Savings*

#### NETWORK OPTIMIZATION

- Consolidating manufacturing footprint from 92 sites to ~55; 70 current sites
- Leveraging contract manufacturing where competitive advantage exists

#### LEAN MANUFACTURING

- Improving both labor productivity and space utilization by ~25%
- Decreasing scrap and obsolescence

### SOURCING & SUPPLY CHAIN INITIATIVES

*~40% of Global Operations Savings*

#### MATERIALS & SERVICES

- Driving growth to preferred suppliers; reducing supply base by ~50% by FY22
- Increasing spend in best-cost countries, pursuing local-for-local

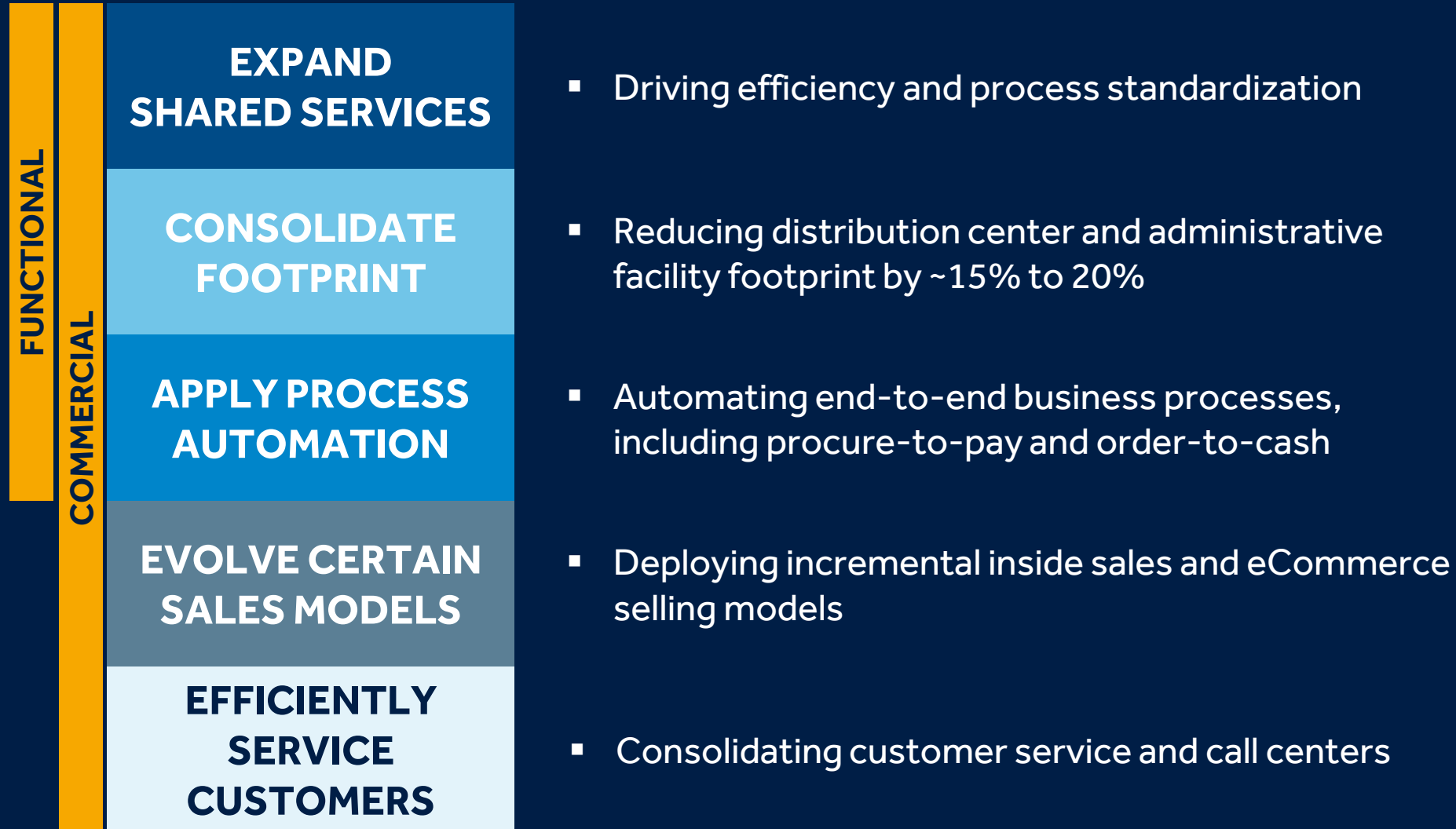
#### FREIGHT & DISTRIBUTION

- Consolidating distribution center network to optimize cost and efficiency
- Implementing global freight management system; utilizing enterprise-wide agreements with preferred shipping vendors to leverage scale



# FUNCTIONAL & COMMERCIAL OPTIMIZATION

IMPROVING EFFECTIVENESS AND DRIVING SUSTAINED PRODUCTIVITY



# FOCUSED ON DELIVERING ROBUST TOTAL SHAREHOLDER RETURN

## DRIVEN BY CONSISTENT LONG-TERM EPS GROWTH



<sup>1</sup> Non-GAAP basis. Assumes modest currency volatility.

# COMPANY-WIDE FOCUS ON IMPROVING FREE CASH FLOW

## ALIGNING INCENTIVES AND IMPLEMENTING PURPOSEFUL INITIATIVES

### Focused on Driving Accountability Throughout Organization

#### ACCOUNTS PAYABLE

90 day payment  
terms for key  
suppliers

#### ACCOUNTS RECEIVABLE

Reducing  
operational  
drivers of slow  
payment

#### INVENTORY OPTIMIZATION

Reinvigorated  
supply chain  
team and  
programs  
aligned to key  
initiatives

#### CAPITAL EXPENDITURES

Heightened  
scrutiny with  
focus on  
achievable,  
timely savings

#### ONE-TIME ITEMS

Keen focus on  
reducing one-  
time items  
through diligent  
tracking &  
accountability



- ✓ Business, Region and Functional accountability in place
- ✓ Driving working capital improvement; moving away from consistent use of cash
- ✓ Disciplined management of large cash items: capital expenditures, restructuring, legal and tax

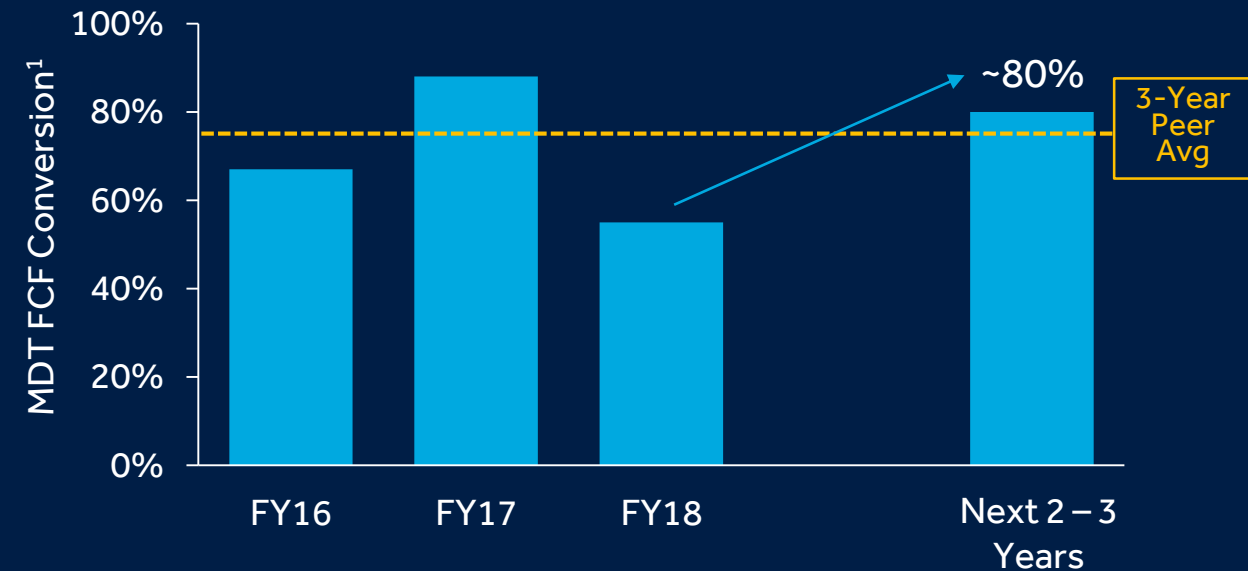
Target **80% Conversion Ratio**  
Within Next 2 – 3 Years

# HISTORICAL CASH CONVERSION AMONG MED TECH PEERS

AVERAGE BELOW MEDTRONIC TARGET OF 80%

	FY16	FY17	FY18	3-Yr Avg <sup>3</sup>
Peer A	36%	65%	39%	47%
Peer B	35%	53%	63%	52%
Peer C	32%	68%	67%	57%
<b>MDT</b>	<b>67%</b>	<b>88%</b>	<b>55%</b>	<b>70%</b>
Peer D	57%	63%	101%	77%
Peer E	77%	100%	88%	89%
Peer F	88%	84%	102%	92%
Peer G	114%	87%	87%	93%
Peer H	88%	100%	100%	95%
Peer I	99%	118%	91%	102%
<b>Average<sup>3</sup></b>	<b>66%</b>	<b>82%</b>	<b>76%</b>	<b>75%</b>

## Near-Term Target 80% FCF Conversion Ratio<sup>1</sup> Above 3-Year Peer Average<sup>2,3</sup>



<sup>1</sup> Free Cash Flow (operating cash flows less property, plant and equipment additions) divided by Non-GAAP Net Income

<sup>2</sup> S&P 500 Medical Supplies Index with Market Cap >\$20B: ABT, BAX, BDx, BSX, DHR, EW, ISRG, MDT, SYK, ZBH

<sup>3</sup> Weighted average based on Free Cash Flow and Non-GAAP Net Income

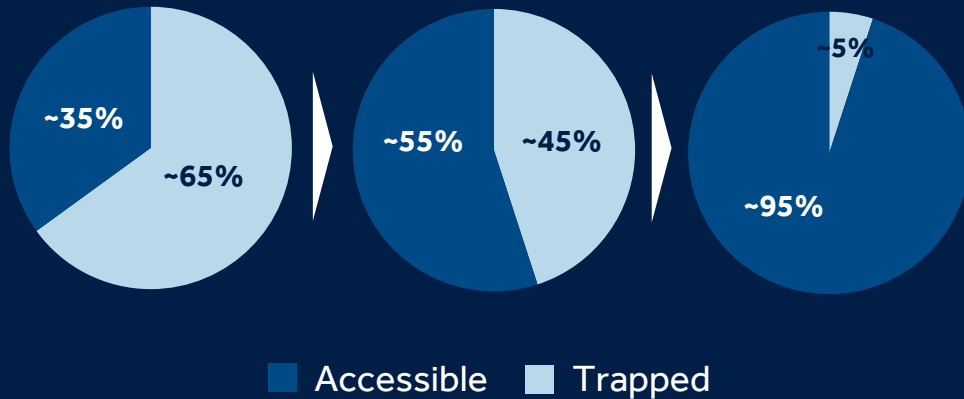
# BALANCED AND DISCIPLINED CAPITAL DEPLOYMENT STARTS WITH IMPROVED CASH FLOW AND ACCESS

## Improvement in Access to Global Cash Flow

Pre-Covidien  
Acquisition

Post-Covidien  
Acquisition

Post-U.S.  
Tax Reform



Improved access to ongoing global cash flow provides significant financial flexibility

## Balanced Capital Deployment Priorities

Reinvestment

Return

✓ **Tuck-In Acquisitions:**  
With strong, strategic fit and financial discipline

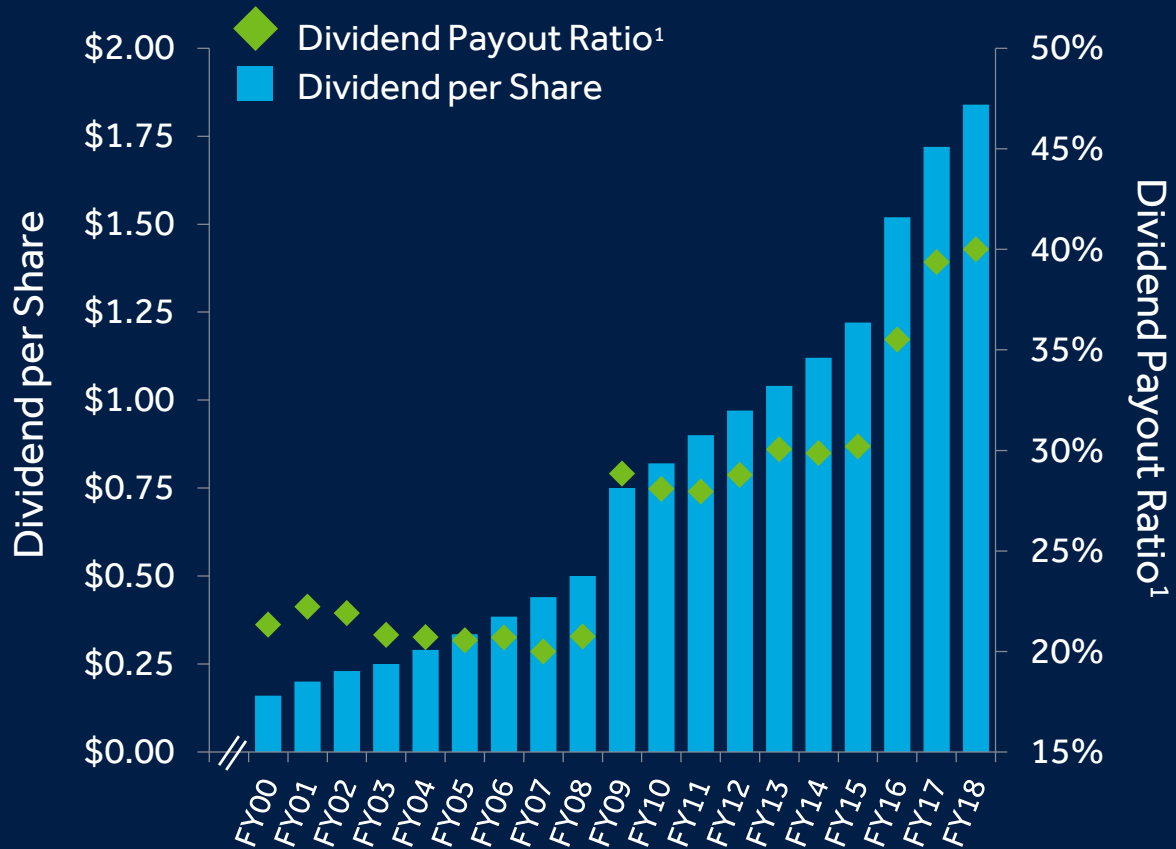
- ✓ **Dividend:** Growth in line with earnings
- ✓ **Share Repurchase:** Opportunistically deploying capital to enhance shareholder returns

# STRONG TRACK RECORD OF RETURNING CAPITAL TO SHAREHOLDERS

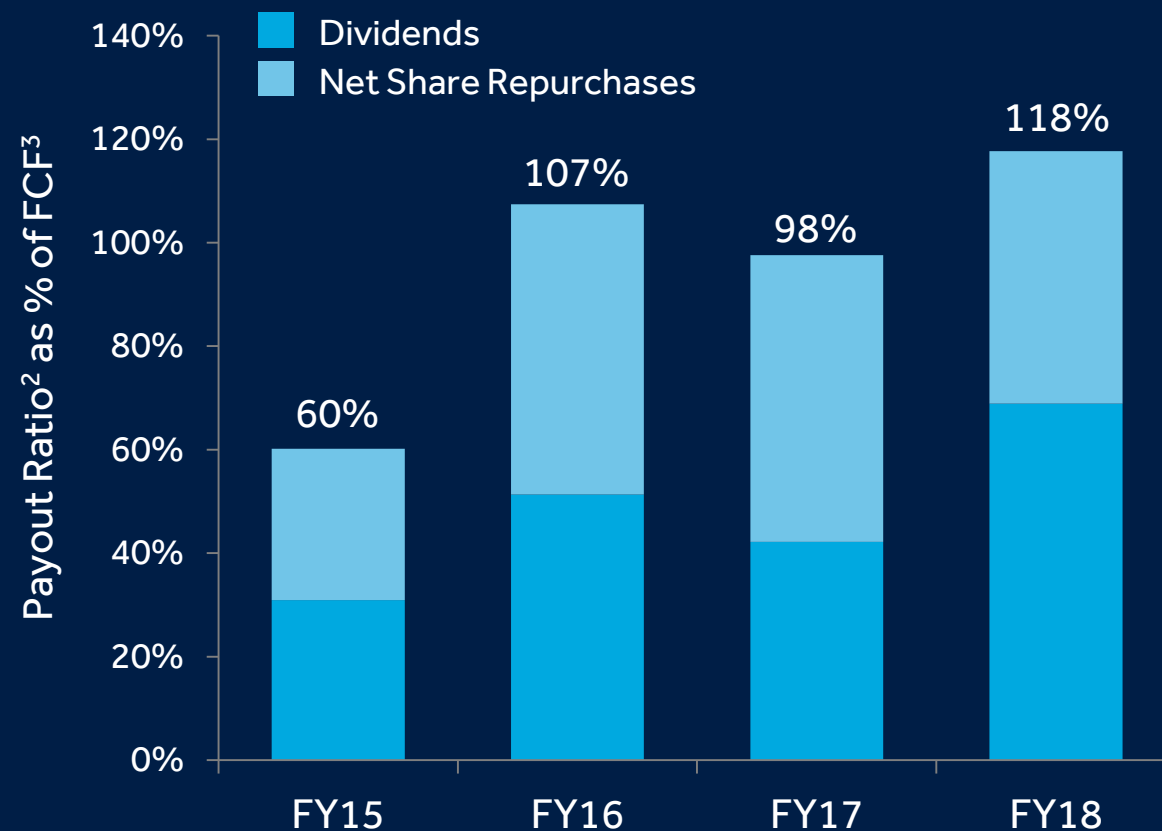
FULFILLING COMMITMENT TO RETURN AT LEAST 50% OF FREE CASH FLOW ANNUALLY

18% Dividend per Share CAGR over 40 Year History

Member of S&P 500 Dividend Aristocrats



Supplementing Dividend with Share Repurchase



1 Annual dividend per share divided by prior year non-GAAP diluted earnings per share.

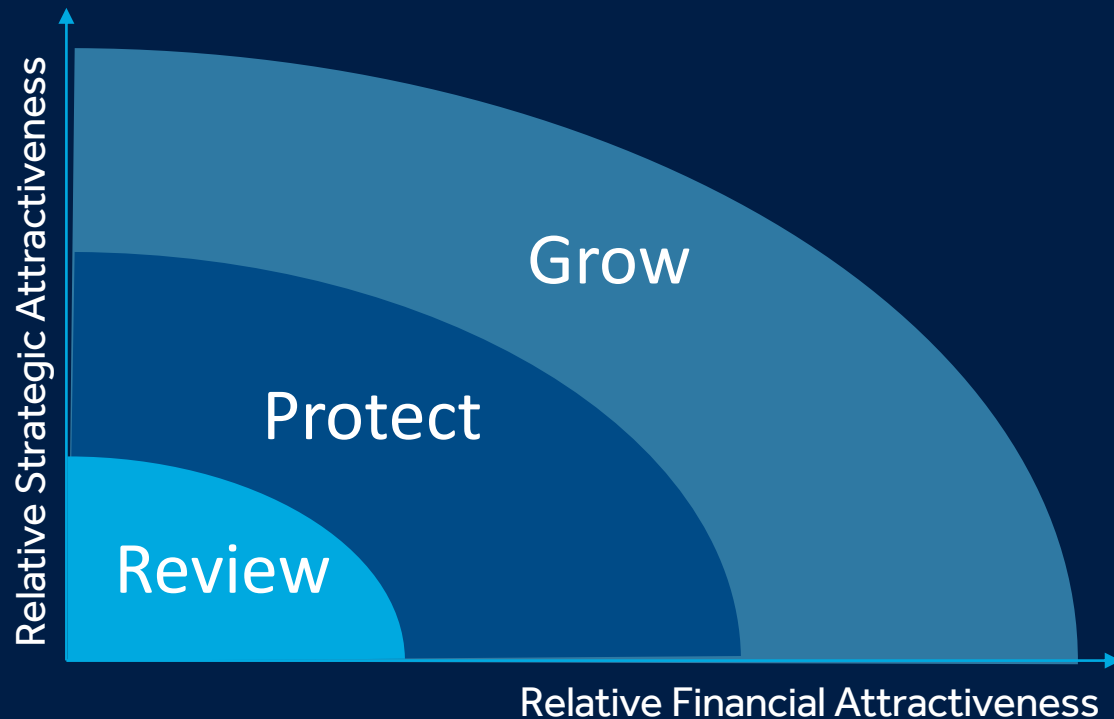
2 Dividends plus net share repurchases, divided by free cash flow.

3 Operating cash flows less property, plant and equipment additions.

# DISCIPLINED PORTFOLIO MANAGEMENT

## INVESTMENT FOCUSED ON SHAREHOLDER VALUE

### Robust Portfolio Management Framework

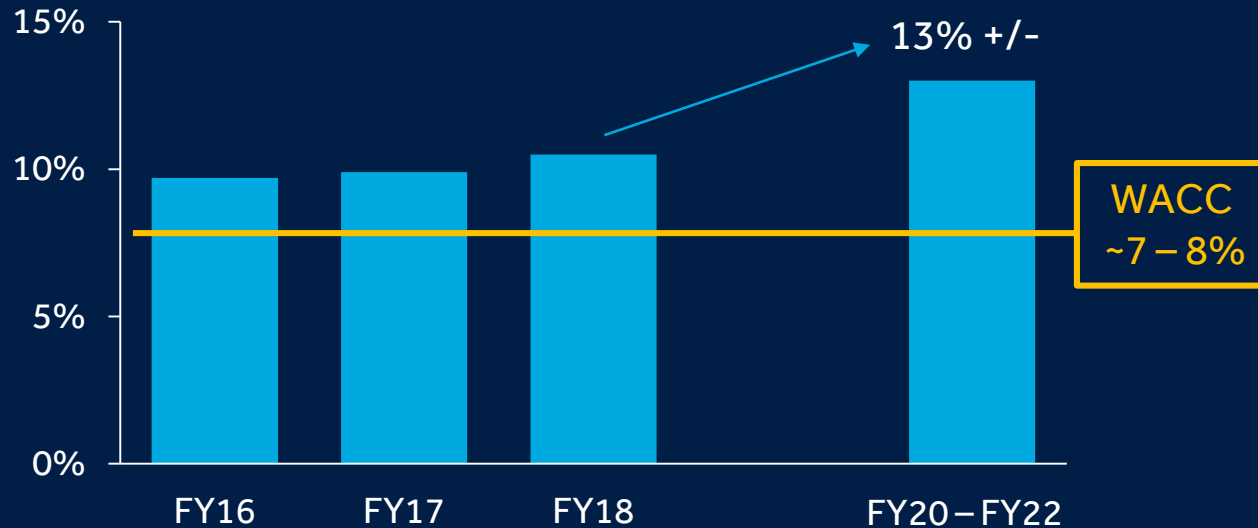


### Systematic Approach to Allocating Capital

- **GROW:** Drives important future growth – Differentially Invest
- **PROTECT:** Sustains our long-term viability, supports strong cash generation – Invest to Protect
- **REVIEW:** Ensure valid plan in place to improve over reasonable horizon – Invest to Plan or Divest

# STRONG FOCUS ON CONTINUED ROIC IMPROVEMENT THROUGH EXECUTION AND DISCIPLINED REINVESTMENT

## Expect Continued Improvement in ROIC

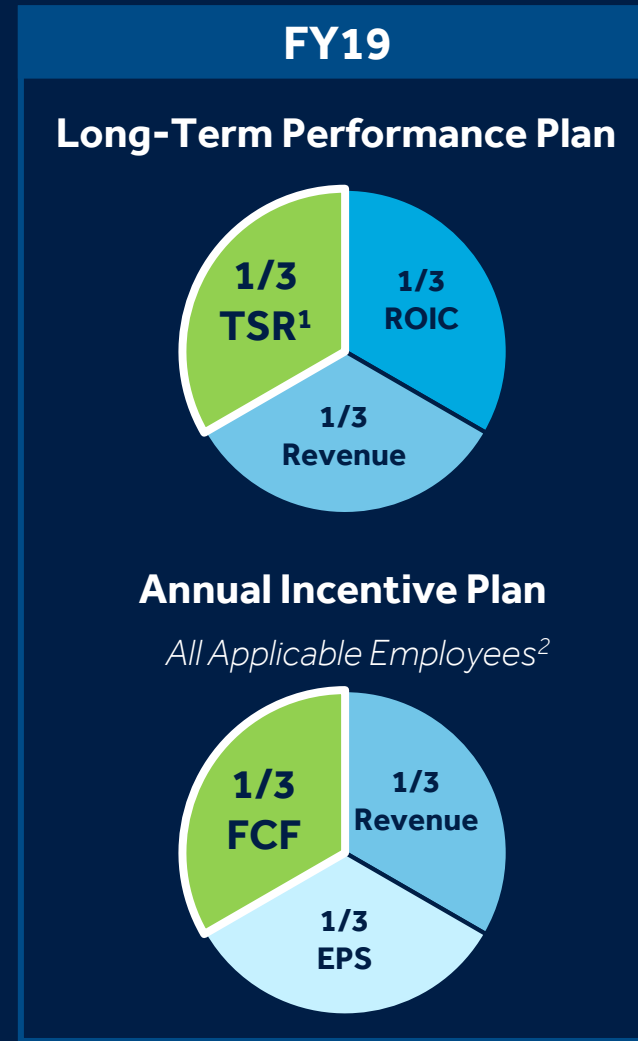
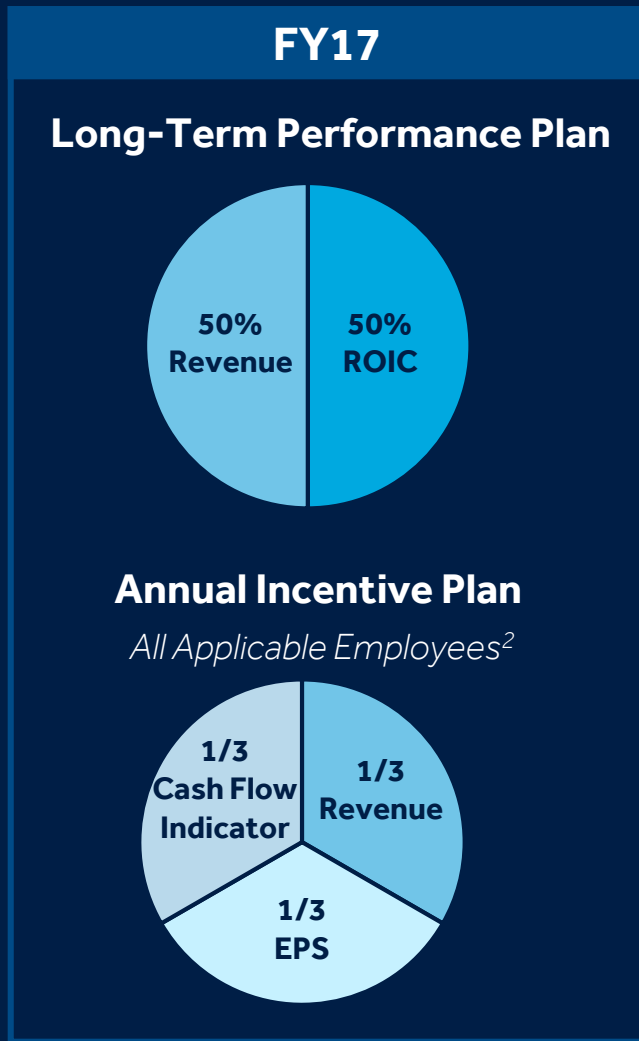


- Target ROIC<sup>1</sup> of 13%
- Embedded in management long-term compensation plans



# COMPANY-WIDE INCENTIVES ALIGNED WITH SHAREHOLDERS

## INCREASED FOCUS ON FREE CASH FLOW AND TOTAL SHAREHOLDER RETURN



<sup>1</sup> Relative Total Shareholder Return (TSR) = (End Average Share Price x Dividend Re-Investment Factor) / Start Average Share Price  
<sup>2</sup> Operating Units' Annual Incentive Plan includes quality modifier

# EXECUTING ON BROAD, SUSTAINABLE GROWTH PLATFORM

## LONG-RANGE PLAN DRIVING SHAREHOLDER VALUE

<b>REVENUE GROWTH</b>	✓ 4%+ Organic <sup>1</sup> Revenue Growth
<b>MARGIN EXPANSION</b>	✓ 40 – 50 bps Annual Underlying <sup>1</sup> Operating Margin Expansion
<b>EPS GROWTH</b>	✓ Target 8% Adjusted EPS Growth over Planning Period <sup>2</sup>
<b>HEALTHY CASH CONVERSION</b>	✓ Target 80% Conversion Ratio within Next 2 – 3 Years
<b>PURPOSEFUL CAPITAL DEPLOYMENT</b>	✓ Minimum 50% Free Cash Flow Returned to Shareholders

<sup>1</sup> Organic / Underlying: Excludes the impact of material acquisitions, divestitures and currency  
<sup>2</sup> Non-GAAP basis. Assumes modest currency volatility.



# FINANCIAL Q&A

## PANELISTS

**Omar Ishrak**

Chairman and CEO

**Karen Parkhill**

EVP and CFO

**Moderated by**

**Ryan Weispfenning**

VP, Investor Relations