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Good morning and welcome to Medtronic’s fiscal year 2021 third quarter earnings video webcast. I’m Ryan Weispfenning, Vice President and Head of Medtronic Investor Relations.

Before we start the prepared remarks, I’m going to share with you a few details to keep in mind about today’s webcast:

- Joining me today are Geoff Martha, Medtronic Chairman and Chief Executive Officer and Karen Parkhill, Medtronic Chief Financial Officer. Geoff and Karen will provide comments on the results of our third quarter, which ended on January 29, 2021. After our prepared remarks, we’ll take questions from the sell side analysts that cover the company, and today’s event should last about an hour.

- Earlier this morning, we issued a press release containing our financial statements and divisional and geographic revenue summary. We also posted an earnings presentation that provides additional details on our performance, as well as changes to our future revenue reporting structure, given our new operating model, which will go into effect next quarter. This presentation can be accessed from our earnings press release or on our website at InvestorRelations.Medtronic.com.

- During today’s webcast, many of the statements we make may be considered forward-looking statements, and actual results may differ materially from those projected in any forward-looking statement. Additional information concerning factors that could cause actual results to differ is contained in our periodic reports and other filings that we make with the SEC, and we do not undertake to update any forward-looking statement.

- Unless we say otherwise, all comparisons are on a year-over-year basis, and are given on an organic basis, which adjusts for foreign currency. There were no acquisitions made in the last year that had a significant impact on total company or individual segment quarterly revenue growth. References to sequential improvement compare to the second quarter of fiscal 21 and are made on an as reported basis. All references to share gains or losses are on a revenue and calendar quarter basis, unless otherwise stated.

- Finally, reconciliations of all non-GAAP financial measures can be found in the attachment to our earnings press release or on our website at InvestorRelations.Medtronic.com.

With that, let’s get started.
Geoff Martha
Hello everyone and thank you for joining today. The Q3 results that we reported this morning reflect that our business is well on the way to returning to growth, with a sequential improvement in both revenue and earnings. This happened despite the impact of the COVID resurgence on procedure volumes in late December and January. We’re also outperforming our markets, as our new products are driving share gains in an increasing number of our businesses. In fact, we outperformed the market even if you exclude our strong ventilator sales. And when you consider that we’re going up against a number of our competitors’ year-end pushes, and our results include the month of January when COVID was having an increased impact on procedure volumes – our performance is even more impressive.

We’re also seeing signs that our hospital customers are preparing for a robust recovery. For example, purchases of our capital equipment this past quarter have been notably strong. The use of our capital equipment – such as energy consoles, robotics, and navigation systems – is tied directly to procedures, so it’s telling that hospitals are prioritizing spending on this type of equipment.

Now as we head into our fourth quarter, we’re bullish on the recovery and our ability to return to growth and outpace our competitors. We feel that the momentum we have is going to build over the coming quarters – driven not just by the COVID recovery – but by the strong new product flow that we expect to bring to the market. And we’re supplementing this pipeline with an increasing cadence of tuck-in M&A. We’ve also implemented our new operating model and we’re enhancing our culture, with a sharpened competitive focus. Through the actions we’ve taken over the past year, we are emerging from this pandemic as a stronger Medtronic, and I’m confident that we’re well positioned for both the short- and the long-term.

Now as we’ve done on the past couple of earnings calls, I’m going to lead off with a discussion of market share, which has become an important focus across the company. I acknowledge that the COVID impact on procedures – along with the timing of our quarter – does mask some of the underlying market dynamics. But I hope that you’re now seeing a strong trend of share gains for Medtronic.

And there are multiple drivers for our improved market performance. Our prolific pipeline is key. But also the transformation of our operating model and culture is beginning to drive results. And the changes we’ve made during the pandemic – moving from simply serving as a supplier to our customers, to becoming a true partner – has driven stronger customer relationships and improved business performance.

Our consistent and sustained flow of new products is our engine for growth. In the past quarter alone, we’ve received an additional 46 product approvals, bringing our total to over 220 regulatory approvals in the US, Europe, Japan, and China since January of 2020.
Now turning to share: Let’s start with the businesses where we are gaining share in our Cardiac and Vascular Group. We continue to outperform our competitors in Cardiac Rhythm. We gained another point of share this past quarter on the strength of our Micra™ family of leadless pacemakers and our Cobalt™ and Crome™ high power devices. Micra continues to perform extremely well, with 64% growth globally, including 76% growth in the US.

In Coronary, while we’re dealing with the financial impact of the China drug-eluting stent national tender, we’re still winning share globally. We estimate that our DES unit share is up 3 points year-over-year and 2 points sequentially, led by strong share gains in the US on our one-month dual-antiplatelet therapy labeling and expanded indication for high bleeding risk patients. And in China, we believe that being one of the winners of the DES national tender strategically positions us to maintain our leadership in the China cardiovascular market. Not only do we expect to pull through other products, but we expect to leverage our scale and reach to drive the successful future rollouts of our TAVR and RDN products.

In drug-coated balloons, we’re growing well above the market despite increased competition. We gained a couple points of share on the strength of our market leading IN.PACT™ family. In fact, we’re seeing continued strong adoption of our DCB for AV fistula maintenance for dialysis patients, driven by the publication of our data in the New England Journal of Medicine.

Next, turning to our Minimally Invasive Therapies Group, our Surgical Innovations business had a good quarter against our primary competitor, JNJ. We gained nearly a point of share year-over-year, driven by our energy and endostapling product lines.

Our Respiratory Interventions business had a great quarter, growing over 75%. And this was driven by the importance of our airway and ventilator products in treating COVID patients. As expected, our ventilator sales were down sequentially, but nearly tripled year-over-year, and our PB980 gained share in the high-acuity ventilator market. We also gained share in Airways, driven by our impressive growth of over 60% in video laryngoscopes. Looking ahead, our ventilator revenue should normalize as pandemic-related demand decreases, and we anticipate year-over-year headwinds starting next quarter.

Our Patient Monitoring business also had a strong, double-digit growth quarter. Our Nellcor™ pulse oximetry product lines grew double digits as we won share sequentially from Masimo. In Gastrointestinal, we had some modest share gains, driven in part by our partnership with the NHS in England. The NHS is using our PillCam™ Colon to help reduce large patient backlogs for colorectal screenings. And our Renal Care business grew in the high-single digits, with share gains in Renal Access.
In our Restorative Therapies Group, we’re seeing share gains across several businesses. In Cranial and Spinal Technologies, while share was stable year-over-year, we do believe we’re up sequentially. We had a strong quarter in large capital equipment sales, with a record number of Mazor robotic system unit sales, and near records for our O-arm™ imaging and StealthStation™ navigation systems. And with Mazor, we estimate that we continue to meaningfully outsell our nearest competitor, Globus, in the spine robotics space.

In Neuromodulation, our recent product rollouts are leading to share gains in both Brain Modulation and Pain Stim. In Brain Modulation, our Percept™ PC launch has led to nearly a point of share gain year-over-year, and several points of share gain sequentially, from Boston Scientific and Abbott. Now given our technology differentiation, we expect DBS share gains to be a multi-year trend.

In Pain Stim, we’re gaining strong momentum from our DTM™ launch, with nearly a point of share gain year-over-year, which is even more impressive when you consider that this business is facing a replacement headwind. Our DTM trials surged this quarter after the release of our 12-month data in late October, and overall, our trials are up 10% year-over-year, which is a really good leading indicator for the health of our Pain Stim business.

In Pelvic Health, not only has the market growth accelerated over the past couple of quarters, but we continue to win share back from Axonics based on the differentiation of our InterStim Micro device. Since last quarter, we gained another point of share in Europe and 3 points of share in the US. We’ve now taken back 9 points of share from Axonics over the past two quarters. And when you look specifically at the US rechargeable market, we gained back 14 points of share sequentially this quarter.

So there are a number of businesses where we are gaining or holding share, but there are still some businesses where we’ve got some work to do.

In our Cardiac Ablation Solutions business, we believe we lost about a point of share year-over-year and sequentially, primarily to JNJ’s broad EP product portfolio. Now we expect this share performance to turn around in the quarters ahead, due in part to our DiamondTemp™ cardiac ablation system, which just received FDA approval.

In Cardiac Diagnostics, customer response to our LINQ II™ system has been outstanding, given our remote programming capabilities, enhanced feature set, and 4.5-year longevity. That said, we estimate we lost a few points of share sequentially to Boston Scientific, as they enter this market. We continue now to ramp our unique wafer scale manufacturing for LINQ II, but expect to be supply constrained for the next few quarters. However, we are confident in the competitive differentiation of our LINQ II device. And we expect to maintain our strong leadership position in this market that we created and have innovated for the last 20 years.
In Neurovascular, while we held share year-over-year with strong growth in Aspirations and Coils, we lost a bit of share sequentially. And this was primarily in flow diverters, as new entrants, specifically Terumo and Stryker pick up some share. We have a series of new product launches coming in Neuro later this calendar year, so I’m confident that after the initial impact of competition in flow diverters, that we’ll get back to taking share.

In Diabetes, we are making considerable progress in our turnaround efforts, and we actually returned to growth this quarter. While we’re still not growing with the market, we’re gaining momentum with the successful launches of our 770G system in the US, and the 780G, which is now available in 26 countries across 4 continents. Now as a result of all this, we estimate we picked up several points of durable insulin pump share sequentially.

Next, let’s turn to our product pipeline. We’re at the front end of a number of large opportunities to win share and create and disrupt big markets, all aimed squarely at accelerating our growth. A number of these catalysts are on deck this calendar year, and the long-term pipeline also remains full.

Starting with CVG, we’re expecting to present our ON MED renal denervation pivotal trial results later this calendar year, likely at the TCT conference in October. This could be one of the most important events in MedTech this year, given the multi-billion dollar addressable market in hypertension. Now depending on the results of our ON MED trial, we’re planning to submit for FDA approval later this calendar year, and we’ve already been granted breakthrough device designation.

In our Cardiac Ablation Solutions business, we are expecting a first line therapy indication for our ArcticFront™ cryoballoon in the first half of this calendar year. We also continue to make good progress on bringing our disruptive pulsed field ablation system to market.

In Structural Heart, we expect to rollout our next-generation Evolut™ FX TAVR valve later this calendar year, with its enhanced deliverability and ease-of-use. We continue to enroll the pivotal trial for our Intrepid™ transcatheter mitral valve as well. And we’re pleased to see that Half Moon Medical – which is our partnership with The Foundry – completed the first-in-human procedure of its differentiated transcatheter mitral repair technology. This unique device has the potential to be very disruptive to current mitral clip technology.

In MITG, we’re really excited as we’re nearing some very important milestones for our Hugo™ soft-tissue robot system. We remain on track to submit for CE Mark and to file for US IDE approval next month.

In RTG, we’re investing heavily in growth opportunities. In Neurosurgery, we’re expanding the capabilities of our Mazor spine robotic system. In Pain Stim, we’re expecting to launch our recharge free device later this calendar year. This is a big opportunity for Medtronic to dramatically increase our share in the recharge free category of pain stim. We also expect
to submit our ECAPS device to the FDA later this calendar year. ECAPS could be a very disruptive technology in pain stim, and we intend to bring it to market combined with all the advantages of our DTM™ therapy and our Intellis™ device platform.

In Brain Modulation, we expect to launch our SenSight™ directional lead later this calendar year, which will close a key competitive gap. In fact, when you combine SenSight with our Percept™ PC device, our deep brain stimulation system will be far ahead of the competition. And we’re not stopping there. We’re now enrolling our ADAPT-PD pivotal trial, which is studying our closed loop, adaptive technology that will further extend our leadership position in DBS.

In Neurovascular, in addition to the flow diverter launches I mentioned earlier, we have five additional products that we plan to launch this calendar year. Now we haven’t disclosed the details of these launches for competitive reasons, but we’re excited about the innovation that we’re bringing into the stroke market.

In Diabetes, we have now submitted the adult and the pediatric 780G insulin pump and Zeus sensor to the FDA to provide them with an efficient means to simultaneously review our multiple submissions. Approval timing – well that’s going to be dependent on the FDA’s bandwidth, as the branch of the FDA responsible for Diabetes product reviews has focused their resources on COVID diagnostic submissions. Regarding our Synergy sensor, which is disposable, easier to apply, and half the size of our current sensor, we’ve completed our pivotal trial and intend to submit it to the FDA once we complete our manufacturing module this summer.

<PAUSE>

I’ll now have Karen take you through a discussion of our third quarter financials and our outlook. And then I’m going to come back with some concluding remarks before we go to Q&A. Karen, over to you.

Karen Parkhill
Thank you.

Our third quarter revenue declined 1% organic and adjusted EPS declined 10%. As Geoff mentioned, we’re well on our way to returning to growth, as sequentially our revenue increased 2% and adjusted EPS grew by 26% on the strength of our new products and execution.

While the resurgence of COVID did impact our performance across several businesses, we continue to view this impact as temporary. It is worth noting that our average daily sales in the third quarter were tracking higher than the second quarter through the latter part of December. However, we saw a step down, driven by the COVID resurgence, starting in the holiday period and continuing through the end of the quarter. Procedure volumes were
light in many geographies and specifically impacted our Surgical Innovations, Spine, and many of our Cardiac and Vascular businesses.

As Geoff mentioned, despite the slowdown in procedures, sales of our capital equipment were strong and point to a turn soon.

While our third quarter revenue was in line with Street expectations, we came in 14 cents ahead of consensus on EPS, with an 11 cent beat on better operating margins and 3 cents on tax. FX, which was a greater-than-expected tailwind to revenues, was a headwind to EPS – 2 cents more than our November expectations.

We continued to see strong sequential improvement in our adjusted margins: 180 basis points on our gross margin and 430 basis points on our operating margin. Our operating margin improvement was faster than expected, driven in part by expense controls in SG&A.

Down the P&L, our tax rate came in lower than we expected, as we finalized taxes owed on certain prior years’ returns during the quarter.

Turning to our balance sheet, our cash position is strong, and we remain focused on investing – both organically and inorganically through tuck-in acquisitions and minority investments – to drive our long-term growth. We recently announced another acquisition – of the radial artery access portfolio from privately-held RIST Neurovascular – and now have 8 tuck-ins since the beginning of last calendar year, with combined total consideration of approximately $1.7 billion.

We expect these investments to fuel revenue growth acceleration and create strong returns for our shareholders. And we continue to supplement these returns with a strong and growing dividend. We are an S&P Dividend Aristocrat, having increased our dividend for 43 years, and our yield of 2% places us in the top quintile of all S&P 500 Healthcare companies.

Now, turning to our outlook. While we expect the impact from the COVID resurgence to diminish, the effect from the ongoing pandemic to our businesses remains challenging to predict. So, we will continue to not provide our typical guidance. That said, I do want to give you our sense of the trends ahead.

We continued to see a lag in our average daily sales in the first couple of weeks of February. But we expect that to steadily improve – not only as we exit the month, but throughout the quarter – as COVID hospitalizations decrease, ICU capacity increases, and hospitals return to more normal procedure volumes. Said a different way, we expect March to be stronger than February, and April to be stronger than March.
As we look at fourth quarter Street expectations, and from where we sit today, we are comfortable with Street consensus on revenues and EPS. Within this, it’s reasonable to think about organic revenue growth in a range between 30 and 34%, if the recovery trends follow our expectations. In that case, by group, RTG organic growth would be around 50%, CVG around 40%, and MITG around 15%, reflecting the continued ramp down in ventilator revenues and a tough year-over-year comparison. And, Diabetes organic growth would be in the high-single digits.

On the P&L, while we continue to invest in our product pipeline and launches, we do expect sequential operating leverage as our revenue improves. Therefore, we would expect around a point to a point and a half improvement on gross margin and a point and a half to two points improvement on operating margin, both on a sequential basis. Regarding currency, assuming recent rates hold constant, the tailwind to revenue would be roughly 250 million dollars. On the bottom line, we expect an approximate 4 cent headwind.

I’d like to end by reminding you that our new operating model became effective earlier this month, and I am excited by the impact it will have on our culture and our ability to drive growth acceleration. It will have minimal impact, however, on our external reporting, and you can refer to the slides in our earnings presentation for details on the minor changes going forward.

Back to you, Geoff.

**Geoff Martha**
OK. Thank you, Karen.

Now to wrap up, we’re continuing to put points on the board with strong execution across the organization. We’re winning share in an increasing number of our businesses. We’re executing on a record number of product launches. We’re accelerating our growth, our end markets are coming back, and we have exciting opportunities ahead of us. And importantly, we’re positioning the company for long-term success as we continue to invest in our pipeline, enhance our culture, and execute our new operating model. We’re empowering our 20 operating units. We’ve delayered and decentralized the organization, giving us greater visibility into our end markets and increasing our speed, decisiveness, and competitiveness, while at the same time leveraging the strengths of our enterprise in areas like manufacturing and core technology development. And we’re able to accomplish all of this because of our talented organization. I want to thank all of our employees for another great quarter, and their continued hard work and commitment to the Medtronic Mission.

So with that, let’s now move to Q&A.
Following Q&A:
Geoff Martha
OK. Thanks for the questions. We really appreciate your support and continued interest in Medtronic. We hope that you'll join us on our Q4 earnings webcast – which we anticipate holding on May 27th – where we’ll update you on our quarterly progress and look ahead to fiscal 2022. So, thanks for tuning in today, stay healthy and safe, and have a great day.