

Q3 FY26 Earnings call commentary



Ingrid Goldberg

Good morning and welcome to our fiscal '26 third quarter earnings webcast. I am Ingrid Goldberg, Head of Medtronic Investor Relations. I'm joined by Geoff Martha, chairman and chief executive officer, and Thierry Piéton, chief financial officer.

Geoff and Thierry will provide comments on the results of our third quarter, which ended on January 23, 2026, and our outlook for the remainder of fiscal year '26. After our prepared remarks, we'll take questions from the sellside analysts that cover the company.

Earlier this morning, we issued a press release discussing our quarterly results and several financial schedules. We also posted an earnings presentation that provides additional details on our performance. The presentation can be accessed in our earnings press release or on our website at InvestorRelations.Medtronic.com.

During today's program, many of our statements will be forward-looking, and actual results may differ materially, as explained in our SEC filings. We undertake no obligation to update any forward-looking statements.

Unless otherwise stated, all comparisons are on a year-over-year basis, and revenue comparisons are made on an organic basis, which excludes the impact of foreign exchange, prior year revenue from the divestiture of the Dutch Obesity Clinic, also known as NOK, and third quarter revenue in the current and prior year reported as "Other."

References to sequential revenue changes compare to the second quarter of fiscal '26 and are made on an "as reported" basis. All share references are on a revenue and year-over-year basis and compare our third fiscal quarter to our competitors' fourth calendar quarter.

Reconciliations of all non-GAAP financial measures can be found in our earnings press release or on our website at InvestorRelations.Medtronic.com. And finally, our EPS guidance does not include any charges or gains that would be reported as non-GAAP adjustments to earnings during the fiscal year.

With that, I'm now pleased to hand it over to you, Geoff.

Geoff Martha

Ok, thanks, Ingrid. Hello, everyone.

It's an exciting time for Medtronic. We are unlocking new markets and accelerating our performance. And, Q3 marks the highest growth rate Medtronic has achieved in 10 quarters, with 6% organic revenue growth.

Our end markets are strong, and we're leaning into multiple new opportunities for revenue growth with a continuous pipeline of new and innovative technologies either developed internally, or through venture and M&A in areas core to Medtronic.

This includes four generational growth drivers: our PFA platform for Afib, Symplicity Spyril for hypertension, Altaviva for urge urinary incontinence, and our Hugo surgical robot. Each of these individual products could ultimately drive well over 1 billion dollars in revenue and each serves a large, underpenetrated market, where Medtronic is uniquely positioned to lead and take share.

With 80% growth year over year, our **Cardiac Ablation Solutions** business was once again the fastest growing in the segment, doubling the growth rate of the closest

competitor. This quarter, PFA grew nearly 200% worldwide. We gained 4 points of share in this rapidly growing 13 plus billion-dollar market with our Affera platform and our Sphere-9 catheter. Our catheters continue to demonstrate leading safety and durability. And the versatility of our Sphere-9 catheter is one of the many reasons we continue to see such high physician demand. Today, it is used in a broad range of cases - across persistent and paroxysmal procedures globally. Now, alongside integrated mapping, 50 to 60% of cases now utilize both PFA and RF energies - all with this one singular catheter. We know versatility and efficiency are important for enabling safer cases and improving EP lab workflows.

We significantly added to our installed base, a strong leading indicator for future revenue growth and margin expansion. We have a long runway ahead to expand our footprint and deepen our penetration, and we remain on track to double our revenue in this business – delivering \$2B trailing in total CAS revenue by first half of fiscal year '27. And looking ahead, we are continuing to innovate and expand our current indications and geographies to drive continued growth. We are excited to bring Sphere-9 to Japan and we're pursuing an expanded indication submission in VT - both planned for the first half of calendar '26.

And the only other catheter that is generating even more excitement than Sphere-9 is Sphere-360. Last month, we received CE Mark and initiated the U.S. pivotal trial for Sphere-360, which is our next-gen, single-shot, all-in-one PFA and mapping catheter. 360 demonstrated strong European clinical data and drew significant physician interest due to its safety and its durability. Now we will begin commercializing in Europe this spring and we look forward to bringing this unique catheter to the U.S.

Beyond CAS, we're also making material progress with **Symplicity Spyril** for hypertension, and **Altaviva** for urge urinary incontinence.

Symplicity delivers a one-time, durable, minimally-invasive treatment for hypertension and represents one of our largest growth drivers. Now this is going to be a

contributor for years to come given the 18 million U.S. patients with uncontrolled hypertension. We're seeing strong patient outcomes in the field, and the RDN value proposition - it resonates with both physicians and patients. Now we've got strong and growing clinical data, a broad label, and expanding reimbursement all in hand. Look, we have built the foundation. Now, we are focused on growing this new segment and transforming the hypertension treatment paradigm. We have recently activated our direct-to-consumer "Go Beyond" campaign in key markets around the U.S., which is resulting in a 50-times increase in website visits versus the prior quarter, so a lot of interest coming in from patients. Building a new market, it does take time, but that is something Medtronic knows how to do exceptionally well. And in parallel to building out this new market, we are innovating for the long-term. First, with our transradial catheter which is on track to launch in the second half of fiscal year '27, and with our SPYRAL GEMINI trial evaluating multiorgan ablation to further boost efficacy.

Similarly, we are scaling Altaviva - our tibial neurostimulation device. Altaviva is a simple, yet transformational option for treating urge urinary incontinence, which is a condition that affects 16 million people in the U.S. Altaviva is a small device that requires no imaging, no sedation, activates the same day, is MRI-ready, and offers up to 15 years of battery life – the longest in its category. Again, we are receiving great early interest and feedback from both physicians and patients. And we are training doctors, educating and supporting hospital staff, and investing in omni-channel consumer activation.

Look, it is early days for both of these launches, and we are focused on disciplined execution to convert early traction into procedures.

Now, pivoting to **Hugo**. This quarter, our Hugo robot received FDA clearance for urologic surgical procedures, enabling us to begin our purposeful U.S. launch. And

today, I'm excited to share that we've already completed our first installations and initial cases. As noted in our release this morning, last week we completed our first cases at Cleveland Clinic where surgeons echoed the strong feedback we continuously receive on Hugo's differentiation across multiple areas. This includes its flexibility, portability, open console, and of course, our trusted instrumentation. Hugo is especially compelling when paired with our Touch Surgery digital ecosystem – an AI-powered data, connectivity and analytics technology that is unique to Medtronic. This quarter, Touch Surgery installations increased over 20% sequentially and have now surpassed 1,000 systems globally. Further, we continue to evolve our Hugo system with the 4th generation software release and continuous system improvements. We are planning to expand into additional indications in the U.S., like Hernia, part of our broader General Surgery indication, where this system really shines.

Customers value, I mean, they really value having a partner that spans the full continuum of surgical care – and Medtronic is the only company that has approved offerings across open, laparoscopic, and robotic-assisted surgeries – which matters as hospitals build and expand their surgical practices.

Now, we are thrilled with these 4 generational growth drivers, but our innovation pipeline is far broader. We are committed to driving sustained innovation across our portfolio and advancing a steady cadence of new technologies across high-need, high-growth categories where we are well positioned like MMA, Carotid stenting, Thrombectomy, Coronary DCB, Cardiac Rhythm Management, spine surgery, as well as many others.

And to that point, I'm extremely excited to highlight a major milestone in our Neuroscience business. Just last week, we secured FDA clearance for our Stealth AXiS Surgical System for spinal procedures. Stealth AXiS is a new, transformative platform that unifies AI-powered planning, robotics, and navigation into one seamless system - elevated by the entire AiBLE ecosystem. Stealth AXiS was

designed around Navigation which is paramount to surgeons' workflow in the OR. Today, navigation - which we pioneered and we lead - drives 70% of U.S. spine procedures and really, it just dictates the workflow in the spine OR. So Stealth is two things - it is about taking share as a new platform with improved functionality and it brings down barriers for physicians to step into Robotics without disrupting their workflow. Now building on our 10K unit installed base, we are expanding and opening this segment and extending our leadership. And we're not stopping in Spine. We anticipate pursuing future cranial and ENT indications for Stealth AXiS. This is an important driver for our CST business and an exciting step forward to improve precision, predictability, and personalization of care.

And, we are executing our M&A strategy as well with the CathWorks acquisition in CRDN. And we continue to build out our venture and minority investment portfolio with the Anteris investment in Structural Heart. Both transactions underscore our long-term strategy to digitize, enable, and build effective and efficient ecosystems within our core markets.

So, before I turn to Thierry to walk through the details of our business performance, our financials, and the guidance, I would like to close with the following remarks:

At Medtronic, we are translating the breadth and the depth of innovation across the portfolio into durable growth. We have businesses at different stages of their growth journey, but the cadence of innovation across our portfolio suggests a steadily improving growth outlook for total Medtronic.

We have businesses that are executing exceptionally well *today*, and are positioned to be meaningful contributors for a very long time – this includes CAS, with its strong PFA pipeline; CST, with Stealth AXiS; and of course CRM, a large and steady growth engine with meaningful innovation in defibrillation, leadless, and conduction system pacing.

We have businesses where the pipeline is just now activating, where we have clear line of sight to meaningful, *tangible* opportunities that will enhance growth. From CRDN with the ramp of Symplicity; Pelvic Health with Altaviva; Peripheral Vascular Health with Neuroguard and Liberant; and Neurovascular with innovation like Artisse, Neuroguard, and expanding indication for Onyx into MMAe. And Surgical, where the launch of Hugo in the U.S. is just beginning. These are all real drivers with tangible reasons for improvement and the potential to impact growth in the coming quarters and years.

We also have areas where there is work to do and we have defined plans underway. Like in Structural Heart, where we are taking specific actions to fill out the portfolio and improve the trajectory.

So, with strong contributors delivering today, businesses on the cusp of step-change improvement, and segments where we are taking deliberate actions to strengthen long-term competitiveness, we are confident in our ability to deliver durably.

So, with that, I'll turn it over to Thierry to walk through the details of our business performance. So, over to you, Thierry.

Thierry Piéton

Thank you, Geoff. Hi everyone. I appreciate all of you joining today.

Let's start with our **Cardiovascular** portfolio where this quarter we delivered 11% year-over-year revenue growth, with 13% growth in the U.S. This represents the strongest growth we've seen in cardiovascular in the last 10 years - excluding COVID comps.

CAS grew 80% year-over-year, with PFA revenue accounting for 80% of that revenue. Beyond CAS, the remainder of the cardiovascular portfolio delivered combined mid-single digit growth.

Cardiac Rhythm Management also had a strong quarter. CRM continued to contribute 15% of our total revenue *and* it grew a healthy 5%. This was primarily driven by continued double-digit growth in Micra, mid-teens growth in 3830 CSP Lead, and over 70% growth in Aurora EV-ICD.

In Peripheral Vascular Health, we posted high-single digit growth, driven by broad strength across our EndoVenous portfolio. We look forward to the continued launch of Neuroguard IEP carotid stent and to the full market release of our Liberant mechanical thrombectomy system.

In Structural Heart, Q3 was a little softer, as expected, and grew low single digits. We had a stronger quarter internationally and continued to gain share in Europe. This was partially offset in the U.S. where we annualized our Evolut FX+ launch and saw some competitive pressure.

I will now pivot to our Neuroscience Portfolio, which grew 3%. Growth was a little below our expectations this quarter, but Neuroscience is also where we have one of our broadest pipelines and some of our most exciting opportunities. Importantly, we expect that pipeline to begin impacting growth in Q4.

Cranial and Spinal Technologies continues to be a powerful engine for Medtronic. This large business delivered mid-single digit growth, including 8% growth from strong pull through in Core Spine. We are excited to offer customers our new navigation and robotics platform, Stealth AxIS which Geoff just mentioned. With FDA clearance achieved, we expect to see Stealth AXiS contribute to neurosurgery and CST overall as soon as Q4.

Specialty Therapies delivered flat results in Q3. This is an area we expect improved performance in the coming quarters given the series of new product developments. **Neurovascular** has been challenged over the last several quarters due to China VBP and the recall of Vantage, both of which are now mostly behind us. We also have line of sight to a higher level of growth from the contribution of Onyx's expanded indication. The Neuroguard carotid stent launch will also contribute, as it is being commercialized by both our **Neurovascular** and **Peripheral Vascular** businesses. In **Pelvic Health**, we saw a slightly softer sacral nerve stimulation market environment, but look forward to seeing the increased contribution from Altaviva.

Lastly, in **Neuromodulation**, we grew 4% driven by the continued roll-out of our differentiated, fully closed-loop technologies, Inceptiv SCS and BrainSense aDBS.

Next, our MedSurg portfolio grew 3%, ahead of expectations.

First, Endoscopy and ACM had strong quarters. **Endoscopy** revenue grew 10%, led by mid-teens growth in our Esophageal portfolio, driven by Nexpowder and strong market adoption of Endoflip 300. **Acute Care and Monitoring** saw a 7% growth led by strength in blood oxygen management and airway access.

And finally, our **Surgical** business grew by 1%. We saw strength in energy, in wound management, and hernia, with expected softness in stapling. The next phase of growth for this business is the roll-out of Hugo. And we're thrilled to see our first installations and first cases so swiftly after the US launch.

Wrapping up our business performance is MiniMed, our **Diabetes** business, which delivered 15% reported and over 8% organic growth. Performance was led by double-digit strength in International markets. We also saw acceleration in the U.S. with strong sequential lift driven by Simplera Sync and Instinct - which both just launched in December.

Our Diabetes business continues its strong innovation cycle, supported by multiple recent regulatory and pipeline milestones. In addition to introducing Instinct and Simplera to the market, we secured several FDA clearances that further expand 780's indications. We also announced that the 780G system is now available through pharmacy, with agreements that cover the majority of commercially-insured lives in the U.S. And we submitted MiniMed Flex to the U.S. FDA and began the U.S. pivotal study for Vivera, our third generation fully closed-loop algorithm, which we believe will help maintain our leadership in delivering industry leading outcomes. Finally, our MiniMed Fit, patch pump remains on track, and we intend to submit it to the U.S. FDA by this fall.

The planned separation of MiniMed is perfectly on track. Our preferred path continues to be a two-step, IPO and split. We continue to expect the separation to be complete by the end of calendar year '26.

Now, turning to the financials. This quarter, revenue of \$9.0 billion grew 8.7% reported and 6.0% organic, a 50 basis point acceleration from prior quarter, and 50 basis points above our guidance. Geographically, performance was balanced, led by high-single digit growth in Western Europe, with mid-single digit growth across the U.S. and Japan. U.S. growth was 6% year-over-year, the strongest performance we have delivered since fiscal year 2019, excluding COVID comps. In China, we delivered low-single digit growth while navigating ongoing, but manageable, volume-based procurement in a few businesses. Excluding VBP, our growth rate in China was mid-single digit.

Our adjusted gross margin was 64.9%, ahead of expectations. As I have done the last several quarters, let me walk you through the rough breakout of the components:

- We realized 30 basis points of benefit from pricing.

- Net of inflation, cost down was negative 20 basis points as Q3 is typically our lowest quarter for generating cost efficiency savings and we had some prior year non-recurring items.
- Mix was negative 100 basis points, mostly driven by CAS and Diabetes. As discussed in prior disclosures, with CAS in the early stages of launch, this business is currently impacted by the mix of lower margin capital to higher margin catheters, and Diabetes is early in its manufacturing ramp of Simplera. Over time, as you know, we expect this mix dynamic to improve, as we scale CAS and separate the Diabetes business.
- Tariffs impacted the business \$93 million or 110 basis points, in line with forecast.
- And finally, foreign exchange provided an approximate 40 basis points tailwind.

Adjusted R&D was 8.0% of revenue and increased 7.4%. On an organic basis, this outpaced revenue by 50 basis points. Adjusted SG&A was 32.3% of revenue, which is 30 basis points lower than the Q3 last year. We continue to fuel our PFA launch and develop and build the markets for Symplicity, Altaviva, and Hugo, but at the same time, deliver disciplined leverage in G&A.

Our adjusted operating profit was \$2.2 billion, resulting in an adjusted operating margin of 24.1%, ahead of expectations. Our adjusted tax rate was 17.3%, about 100 basis points higher than forecast, largely due to jurisdictional mix of profits.

All in all, adjusted EPS was \$1.36, three cents above the midpoint of our guidance range.

Now turning to guidance...

On the top line, we are reiterating fiscal '26 organic revenue growth guidance of approximately 5.5%. In the fourth quarter, we expect revenue growth similar to Q3, so around 6%, off a stronger Q4'25 comp.

Moving down the P&L, we expect our fiscal '26 gross margin to increase slightly, ex-tariffs. Pricing, FX, and COGS efficiency programs are expected to more than offset the negative impacts of business mix, primarily from Cardiac Ablation and Diabetes. We anticipate a tariff impact to COGS of approximately 185 million, including ~\$75 million in the fourth quarter. Including tariffs, we expect a fiscal '26 gross margin decrease of roughly 30 basis points.

We expect fiscal '26 adjusted operating profit to grow approximately 5%, or 7% excluding tariffs. Our fiscal '26 operating margin is expected to be roughly flat excluding tariffs, and down about 50 basis points including the tariff impact. In totality, we expect these results to deliver gross margin and operating margin leverage, ex-tariffs, in the second half of fiscal '26, as we stated last quarter.

Turning to EPS, this quarter we saw a beat of 3 cents. This was largely due to slightly better than expected revenue in the quarter, mainly from CRM and ACM. This was partially offset by the aforementioned tax pressure that we saw in the quarter. As we expect CRM and ACM to normalize, and the tax pressure to carry into Q4, we are maintaining our fiscal '26 EPS guidance in the range of \$5.62 to \$5.66.

Look, we are excited about the quarter and we think Q4 is going to be another robust quarter and that we will sustain our growth at a higher level and into the next year. We are making progress on margin expansion and the negative mix effect from CAS and diabetes are going to get better. We are going to continue to invest in growth areas like R&D, sales and marketing and M&A to capitalize on the opportunities ahead of us. And, we will also continue to drive efficiency in functional areas. All told,

we are committed to our guidance, and we maintain our expectation for high single digit EPS growth in fiscal year 27.

Back to you, Geoff.

Geoff Martha

Okay, thank you, Thierry.

Before we go to Q&A, let me close with a few final thoughts...

So, we're encouraged by the progress across the business Thierry just said, and we remain committed to stronger, durable revenue and earnings growth. Our PFA trajectory is strong and we're progressing on multiple billion-dollar opportunities. We're reinforcing our future pipeline and we are committed to organic and inorganic investment to further bolster the portfolio. Bottom line: we are delivering.

Now to our Medtronic colleagues around the world: thank you for your unwavering commitment to our Mission and to the patients we serve. You're delivering for customers and for patients and you're turning our strategy into performance. So, thank you.

With that, let's turn to Q&A. So first, Ingrid, welcome to your first earnings call. Can you please provide the instructions and queue up the analysts?