SCHOOL OF BUSINESS INVESTMENT PROGRAM

Medtronic
October 10, 2017

Katie Perkner
Marketing Manager & Healthcare Analyst

Soraya Sartipi
Fixed Income Manager & Healthcare Analyst

Olivia Talbott
Operations Manager & Healthcare Analyst
Table of Contents

<table>
<thead>
<tr>
<th>Investment Thesis</th>
<th>Technical Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Overview &amp; History</td>
<td>Fundamental Analysis</td>
</tr>
<tr>
<td>Products</td>
<td>Valuation</td>
</tr>
<tr>
<td>Competitors</td>
<td>Recent News</td>
</tr>
<tr>
<td>Global Footprint</td>
<td>Proposal</td>
</tr>
</tbody>
</table>
Medtronic is committed to leading the shift to value-based healthcare. Their delivery of innovative medical technology, expansion into global markets, and diversified growth platform makes them appealing amongst competitors.
- World’s largest standalone technology company
- Headquartered in Dublin, Ireland but its operational headquarters are in Fridley, Minnesota.
- Customers: hospitals, clinics, third-party healthcare providers, distributors, and more
- Has more than 53,000 patients
- **Market Cap: 103.992 B**
- **Dividend Yield: 2.31%**
Company Overview - Business Segments

**BUSINESS REVENUE MIX**
(information reflects FY2017 data)
* The data here has been intentionally rounded and therefore does not sum to 100%.

- **$10.5B** 35% CARDIAC AND VASCULAR GROUP
- **$7.4B** 25% RESTORATIVE THERAPIES GROUP
- **$9.9B** 33% MINIMALLY INVASIVE THERAPIES GROUP
- **$1.9B** 6% DIABETES GROUP
Company Overview - Business Segments

**CARDIAC AND VASCULAR GROUP**
- Aortic and Peripheral Vascular
- Cardiac Rhythm and Heart Failure
- Coronary and Structural Heart

**DIABETES GROUP**
- Diabetes Service and Solutions
- Intensive Insulin Management
- Non-intensive Diabetes Therapies

**MINIMALLY INVASIVE THERAPIES GROUP**
- Early Technologies
- Renal Care Solutions
- Respiratory and Monitoring Solutions
- Surgical Innovations

**RESTORATIVE THERAPIES GROUP**
- Brain Therapies
- Pain Therapies
- Specialty Therapies
- Spine
Company Overview - Business Segments

NET SALES BY OPERATING SEGMENT AND BUSINESS ($ MILLIONS)

FY2012* 4%
FY2013* 3%
FY2014 3%
FY2015** 19%
FY2016 42%

Revenue Growth (as reported)

Cardiac and Vascular
- Cardiac Rhythm and Heart Failure
- Coronary and Structural Heart
- Aortic and Peripheral Vascular

Restorative Therapies
- Spine
- Neuromodulation
- Surgical Technologies
- Neurovascular

Minimally Invasive Therapies
- Surgical Solutions
- Patient Monitoring and Recovery

Diabetes
Company Overview - Products

TECHNOLOGY PLATFORMS FOR THE FUTURE

- Leadless CRM
- Transcatheter Mitral Valves
- LVAD Systems
- Stroke Therapies
- Neuro-stimulation Advancement
- Advanced Surgical Tools and Robotics
- Capsule Endoscopy Solutions
- Closed Looped System for Diabetes Management
- CGM in Standard Use
Mission: To build healthy communities and expand access to healthcare around the world

- 2016: $114.6 million donated
- Financial support and collaboration with local and global partners to overcome obstacles in healthcare systems
- Branches:
  - HealthRise
  - Heart Rescue
  - RHD Action
• 1949: Founded by Earl Bakken, began as a medical equipment repair shop.

• 1957: First wearable external cardiac pacemaker.

• 1960: MDT purchased the exclusive rights to produce and market implantable pacemaker.

• 1977: MDT goes public on the NYSE.


• 2003: Fortune magazine’s survey of 10,000 executives for the “Most Admired” US companies, Medtronic ranked first of the 660 companies for “long-term investment value”.

• 2014: Medtronic buys Covidien for $42.9 Billion.
Leadership

Omar Ishrak: Chairman & CEO
Salary: $1,593,770
Stock Award: $4,500,042
Securities Options: $3,037,488
Non-Equity Comp: $6,136,139
Other: $173,858
Total: $15,686,858

Michael J Coyle: EVP & President, Cardiac & Vascular Group
Salary: $876,923
Stock Award: $5,366,729
Securities Options: $939,375
Non-Equity Comp: $1,721,808
Other: $123,725
Total: $9,028,560

Karen Parkhill: EVP and CFO
Salary: $620,192
Bonus: $1,000,000
Stock Award: $5,400,052
Securities Options: $691,882
Non-Equity Comp: $778,883
Other: $934,554
Total: $9,452,563
Company Overview - 5 Year

Return

<table>
<thead>
<tr>
<th>Year</th>
<th>MDT</th>
<th>$SPXTR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

+97.87% +94%
## Performance

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change</th>
<th>Market Cap</th>
<th>Value Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biotechnology</td>
<td>+0.01%</td>
<td>$1.05T</td>
<td>+21.19%</td>
</tr>
<tr>
<td>Health Care Equipment &amp; Supplies</td>
<td>-0.91%</td>
<td>$826.20B</td>
<td>+14.99%</td>
</tr>
<tr>
<td>Health Care Providers &amp; Services</td>
<td>-1.59%</td>
<td>$710.98B</td>
<td>+23.39%</td>
</tr>
<tr>
<td>Health Care Technology</td>
<td>+0.25%</td>
<td>$59.75B</td>
<td>+16.77%</td>
</tr>
<tr>
<td>Life Sciences Tools &amp; Services</td>
<td>-0.02%</td>
<td>$246.17B</td>
<td>+23.51%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>-0.12%</td>
<td>$2.07T</td>
<td>+6.68%</td>
</tr>
</tbody>
</table>

**Graph:**

- **Medtronic, Inc. / Medtronic plc**
- **S&P 500 Index**
- **S&P 500 Health Care Equipment Index**

**Source:** School of Business Investment Program
Global Reach

- Operating in approx. 160 countries
- Emerging Markets
- Partnerships
  - IBM Watson Health
  - World Economic Forum
- Capacity Building
  - China, Panama, Turkey

**FY2016 NET SALES TO EXTERNAL CUSTOMERS BY REGION**

- Total net sales: $28,833
- Americas: $17,578 (61%)  
- Asia Pacific: $3,060 (11%)  
- Greater China: $1,495 (5%)  
- Europe, Middle East, and Africa: $8,700 (29%)  

<table>
<thead>
<tr>
<th>Health Care Capacity Building</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education for Medical Professionals ($ millions)</td>
<td>$97.5</td>
<td>$108.8</td>
<td>$152.4</td>
</tr>
<tr>
<td>Education for Patients ($ millions)</td>
<td>$23.0</td>
<td>$18.7</td>
<td>$20.3</td>
</tr>
<tr>
<td>Medical Professionals Reached</td>
<td>N/R</td>
<td>50,796</td>
<td>64,233</td>
</tr>
</tbody>
</table>

*Excludes MITG Patient Monitoring and Recovery business
## Metrics for Competitors

<table>
<thead>
<tr>
<th></th>
<th>Current Price</th>
<th>Market Cap</th>
<th>P/E TTM</th>
<th>EPS TTM</th>
<th>Div. Yield</th>
<th>Debt/Equity</th>
<th>ROE TTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>JNJ</td>
<td>$133.66</td>
<td>$358.69 B</td>
<td>22.61</td>
<td>$5.91</td>
<td>2.54%</td>
<td>0.48</td>
<td>%22.82</td>
</tr>
<tr>
<td>BSX</td>
<td>$29.39</td>
<td>$40.32 B</td>
<td>52.57</td>
<td>$0.56</td>
<td>N/A</td>
<td>0.81</td>
<td>%11.68</td>
</tr>
<tr>
<td>ABT</td>
<td>$54.82</td>
<td>$95.246 B</td>
<td>76.78</td>
<td>$0.71</td>
<td>1.93%</td>
<td>0.76</td>
<td>%4.69</td>
</tr>
<tr>
<td>MDT</td>
<td>$77.57</td>
<td>$105.11 B</td>
<td>26.12</td>
<td>$2.97</td>
<td>2.31%</td>
<td>0.67</td>
<td>8.19%</td>
</tr>
</tbody>
</table>
Fundamental Analysis
## Sensitivity Analysis

<table>
<thead>
<tr>
<th>WACC</th>
<th>1.00%</th>
<th>1.25%</th>
<th>1.50%</th>
<th>1.75%</th>
<th>2.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.57%</td>
<td>185.68</td>
<td>198.37</td>
<td>213.12</td>
<td>230.49</td>
<td>251.24</td>
</tr>
<tr>
<td>5.57%</td>
<td>143.32</td>
<td>150.65</td>
<td>158.89</td>
<td>168.20</td>
<td>178.81</td>
</tr>
<tr>
<td>6.57%</td>
<td>116.17</td>
<td>120.88</td>
<td><strong>126.05</strong></td>
<td>131.75</td>
<td>138.08</td>
</tr>
<tr>
<td>7.57%</td>
<td>97.29</td>
<td>100.53</td>
<td>104.03</td>
<td>107.83</td>
<td>111.97</td>
</tr>
<tr>
<td>8.57%</td>
<td>83.40</td>
<td>85.73</td>
<td>88.24</td>
<td>90.92</td>
<td>93.81</td>
</tr>
</tbody>
</table>
News & Outlook
Recent News

- **Acquisitions**
  - Acquisition of *HeartWare International*
    - Integrated into the Cardiac and Vascular Group
  - Acquisition of *Smith & Nephew’s Gynecology Business*
    - Integrated into Medtronic’s Minimally Invasive Therapy Group to expand and strengthen their minimally invasive surgery offerings and expand their global gynecology business.

- **Divestiture**
  - Anticipated for 2018 to Cardinal Health Inc
### 2016
- Genetic risks for sudden cardiac death
- Process towards artificial pancreas
- Minimally Invasive Therapies Group launched a study on early detection of lung cancer
- Treatment for stroke patients

### New Products
- **Product Innovation**
  - Evera MRI SureScan ICD System
  - IN.PACT Admiral Drug Eluting Balloon
  - Micra Transcatheter Pacing System
  - Nuro System
- **Data Driven Products**
  - CareLink iPro Pattern Snapshot
  - MiniMed Connect
  - MyCareLink Smart Monitor
● 1Q2018 Earnings Call Forward Outlooks
  ○ Reported earnings of $7.390 Billion, a 3% increase from last quarter
  ○ Continued expansion in markets and geographies around the world
    ■ foundations of sustainable and diversified growth platform.

● Economic Cycle

● Driving growth in Diabetes sector
  ○ Aim to develop next-generation systems for type-one diabetes patients.
Strengths:
● Global growth
● Brand name recognition
● Employee satisfaction and retention
● Strong supply chain

Weaknesses:
● More than 50% reliance on US markets
● Highly competitive industry

Opportunities:
● Acquisitions and mergers provide advantage
● Product Quality
● Ethics in sales and marketing

Threats:
● American market is saturated
● Short term impact from Hurricane Maria
● Political risk
Investment Proposal
We propose to buy 186 shares of MDT at a cost of $14,345.
Portfolio Configuration

Portfolio Allocation:

- Cash: 13%
- NEE: 14%
- TGT: 11%
- ANDV: 12%
- MDT: 9%
- CTL: 9%
- CVS: 8%
- PBI: 5%
- DEO: 7%
- BAC: 6%
- ELY: 6%
Thank you for your time. We would now like to open the presentation to any questions.