Company Name: Medtronic PLC (MDT)
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<<Unidentified Analyst>>

It's my pleasure to introduce the introducer for our next speaker who is Amy Springsteel with Voya Financial. She happens to be one of our stars on our advisory group, and we're very pleased to have her engagement. She's with Voya Financial.

<<Amy Springsteel, Assistant Vice President-Corporate Responsibility, Voya Financial>>

Thank you. Omar Ishrak became Chairman and CEO of Medtronic in June 2011. He was born in Bangladesh, and his family sent him to live with an uncle in London where he later landed his first job in the mailroom of the London Post Office.

I wonder if he knew then that he later would earn a Ph. D. in Electrical Engineering, hold several patents and lead a global workforce of 84,000 people. He showed early signs of tenacity in college when he chose to hitchhike across the U.S. on a well-planned route visiting electrical engineering university departments along the way to meet with professors to discuss his thesis.

Later, while still a student, he called every electrician in the yellow pages, remember that, the yellow pages, until one finally agreed to meet with him, and the result of that meeting, he landed the job. Skip forward to his days at General Electric, where he was hired by Jack Welch to turn the company's unprofitable ultrasound business into a global market leader in five years. He not only accomplished that target but hit it one year ahead of schedule.

In his book, Jack Welsh says of Dr. Ishrak, we went from nowhere in 1996 to Number 1 in 2000. Omar became a corporate officer, and I got as much out of his success as he did. Today, Omar leads the $29 billion company, Medtronic, which aims to alleviate pain, restore health and extend life for millions around the world via technologies and solutions to treat medical conditions.

During his leadership, Dr. Ishrak focused the company on three core strategies, and he orchestrated the largest medical technology acquisition in the history of the industry. Medtronic purchased Covidien, a $10 billion global manufacturer of surgical products and supplies. The day before Dr. Ishrak started as CEO, the company's stock closed at $38.02. The stock closed last Friday $80.39 an increase of over 90%.

Mr. Ishrak is an avid runner, and he aims for 15,000 steps per day, 20,000 on weekends, even running in between dinner meetings to achieve those numbers. Lastly, I leave you with one hint. When you ask your question today, be deliberate about raising your hand

because one of his dislikes is finger-pointing. Please join me in welcoming Omar Ishrak, Chairman and CEO of Medtronic.

<<Omar Ishrak, Chairman and Chief Executive Officer>>

Well, thank you, Amy. I can tell you with all honesty, no one has given me an introduction as broad and deep and as glowing as that, so thank you. Thank you, really appreciate it.

Look it is a real pleasure to be here and talk to you about Medtronic. Let me start by giving you just a quick overview of what and who Medtronic is, a medical technology company, roughly $30 billion, lots of R&D, lots of engineers and scientists, but also a lot of clinical people, clinical work, clinical trials and health care economics.

Four broad clinical areas: cardiac and vascular; what we call restorative therapies, which include spinal implants as well as some neurovascular work; diabetes; and surgical technologies. So that's what Medtronic is all about. And just to give you an overview of our size, we've got 85,000 employees, 160 countries, and perhaps, the most important metric on that page that I'll refer to a few more times is that we measure and we look at the number of patients we impact every year, and for that matter, every second.

We impact two patients a second, which is about 70 million new patients every year whose lives are altered by some sort of Medtronic therapy. So that's an important sort of integrating element for us in the company. The most important thing about Medtronic actually is the mission. The mission was written in 1960, and the mission is enduring. Now the mission like other companies' missions is inspiring. It inspires people that holds us together, but it does a lot more than that. It actually defines our strategy. It defines our strategy, and our strategy at that level has not changed and we will never change. It's an enduring strategy, and I'll come to it in a second. It also has a set of guiding principles, six guiding principles which defines the way in which we work.

And I often reflect, and you'll hear me kind of repeat this a few times, that this mission was written in 1960 when the company first borrowed money to keep its operations going. It was less than $1 million in sales and losing money, and those six tenets are as valid today as it was in 1960. That's pretty amazing and one that I almost never get over. Let me start with why the mission defines our strategy, and that's written in what's called the first tenet. And essentially says that we're a biomedical engineering company, so we are a technology company, it goes without saying. There are other technology companies, but we're definitely a technology company, that's our lifeblood.

But we're a technology company whose technology is applied to alleviate pain, restore health and extend life. That defines a strategy. We're not a diagnostic-only company. Diagnostics is technology, but it doesn't change outcomes. If we were able to acquire a diagnostic company, we would have to have a line of sight through which that diagnostics, alleviated pain, restored health or extended life. We're not just a monitoring

company alone. What technology – or even a hospital, which does alleviate pain, restore health and extend life but doesn't develop technology.

So it defines a strategy, and I think -- and I'll share with you why I believe so strongly in that, but that strategy is, in fact, enduring. And I don't require any workouts. I don't require any groups to figure out what our strategy is going to be. This is it. It was written in 1960. We're not changing it, and it's something that served the company well. Let me go now and give you some perspective as to why we think it is indeed enduring. It's enduring because there's some health care needs, and I'll convince you in a minute that these health care needs will never go away.

And the first is our overall quest to improve clinical outcomes using technology. Our desire, our collective desire, to live longer, to get better from illnesses more quickly, to make that recovery less painful, is a quest that will never go away. It's all relative. Compared to what it was a few centuries ago, today is like a miracle. And I can tell you, a century from now would be a miracle as to what we go through today and what things that we will see.

And I'll show you some distinct examples so you can really understand that and how we can all relate to that, not simply in centuries but in decades. So our quest to improve clinical outcomes in itself is a growth strategy in that if you are in the business of health care to improve health care, no one is going to tell me that we're in a mature market. It's not mature. It's by definition, growth.

Equally, our ability to deliver that at a cost profile that's affordable, that makes sense in itself is a journey because health care is full of waste if you don't deliver it properly, and I'll talk more about it. And finally, to equalize access. I mean, you probably don't realize, but there are people around the world who can pay out of pockets for treatment today, and treatment that has been established in certain countries for decades, they do not have access to that technology and treatment even if they can pay out of their pocket. And so that's a simple example. There are examples where within cities, I'm sure within New York, there are pockets of New York where the health span, the quality of life, the quality of health is better than other pocket.

So expanding access and equalizing access is a never-ending journey in health care, and again, another opportunity for growth. So what I want to leave you in this slide is that if you're in health care, you're by definition in a growth industry. And it's up to us to figure out how to do it, not blame the market. And so that's a basic element of working at Medtronic. You're in a growth industry, figure out how to grow.

So that leads us to what are our growth strategies. And tied to those three areas, those three universal needs are our therapy innovation strategy through – and a program through which we continuously use technology to improve clinical outcomes, very much in line with the mission that I talked about.

Equally to improve access, and although we are focused in every country, even in developed markets, globalization and reaching the emerging markets, I think you'll agree, is a biggest opportunity for equalization of access. And then understanding the economic value of what we do. In other words, how does it translate? How does your clinical value or the value that you're creating to improve the outcomes, how does that translate into financials? It's important to define affordability of health care, and that's what we call economic value, which happens to be an accelerator for therapy innovation because if you know how to afford it, you'll probably buy it; and globalization for that same reason.

So these are the three, if you like, intermingled growth strategies that are designed to fulfill the universal health care needs, which I explained a few minutes ago. So let's talk about it in a little greater depth. Therapy innovation, and this is just more color to what I just said. These are all products that you probably want to understand what they are, but they are all things that are pretty new today. These will become ancient 30 years from now.

First, which I'll talk about more in a minute, is the leadless pacemaker, a pacemaker that you inject through a catheter. There are valves, artificial valves which you put in through a catheter. There are actual artificial heart pumps, which, today, are external; they'll soon be implanted. There are diabetes devices, which control glucose automatically so that the pump gives insulin and a sensor detects the level of glucose and it's control and aware that a diabetic can almost live a completely normal life. There are other things here like robotics and surgery which are to improve the pace of surgery.

There are pills that you can swallow that will give you pictures as the pills are swallowed and can do colon cancer or colorectal examination non-invasively. So these are technologies that are embryonic today. They're in the market, most of these, but they're embryonic. These are mature, and over time, they will get disrupted. And so in the story of disruption,

I'll give you the history of Medtronic. Medtronic was invented with the invention of a battery-powered pacemaker in 1950. Before 1950, a pacemaker was to be plugged into the wall. The inventor, the founder of Medtronic founded this box that you see in the top left, which is a box with knobs in the front which got attached to an individual, and that freed up the individual from being strapped in a bed when they required a pacemaker. That immediately opened up a whole slew of new patients whose lives got extended because of the availability of the pacemaker.

Over the next – over the following 60, 70 years, the pacemaker evolved from an external battery-powered device to one that's implanted, one that only does pacing to one that is shocking in terms of defibrillation of the heart, one that affects the heart rate so you resynchronize the different portions of the heart to make it function better. So a whole series of device has evolved. The device has become implantable with leads that are attached to the heart to make the heart function properly.

By about 2010, this market was viewed as being saturated in technology. That means that's all you could do. You couldn't think of anything else. Not for Medtronic. We had engineers, we were thinking of disrupting that. And in 2015, we introduced the leadless pacemaker, which is introduced through a catheter, which is about the size of a pill, which doesn't have any leads, which when introduced, the patient doesn't have any surgery or anything like that, just introduced through a catheter and the patient is functioning just fine as soon as the pill or the device is inserted.

In the next decade, my challenge to our team, and we're well underway to do that, is to replace all these devices so that leadless pacemakers and leadless cardiac devices are made obsolete. What makes me proud about this chart is that here's a company which was invented with the pacemaker in 1950, and in 2015, we reinvented the pacemaker. And taking a market that was viewed as mature and just gave the proof point that health care is never mature, the true technology, you should never accept maturity but you should always drive for the quest to improve clinical outcomes, and here is a real proof point of how that can work.

And I can tell you the entire organization is galvanized, this portion of the organization is galvanized on trying to do this in the next 10, 15 years whatever it takes.

Let me move on now. I talked a lot about clinical value. But clinical value has to be tied to economic value; otherwise, people will not be able to afford the care that we try to provide. And there's no need to run away from that because in clinical value, there's economic value, inherently. If someone gets better quicker, that's saving money. Even – and then you're just going to make sure that the amount that you charge to make the person better is in line with what you save; and in fact, a little less than what you save so that the health care system sees it as a driver as opposed to a burden.

Unfortunately, in today's world, we live in a world where we get paid for our technology with a promise to improve outcomes, not a guarantee, a promise. It's incredible promise. It's grounded in clinical trials. It's grounded in research papers. Doctors vouch for it, but it's still a promise. And guess what, the hospital does the same thing. A hospital goes in, charges your fee – or your insurance company a fee with a promise that you will heal. Not a guarantee, a promise.

And if you come back, you are not healed again, they get paid again. And if our stuff doesn't work right and they come back and they get new device, we get paid again. That's what called fee-for-service. And you can understand that, that is not a sustainable environment for health care. I'm not the only one saying this, people recognize this quite generally. And so we we're moving to a system called value-based health care where you get paid for the outcome. In that world, we would get paid or at least a portion of our payment will be paid when the outcome is realized as opposed to promised. Change of one word, a massive difference in business model, and I'd say the net efficiency of the health care system.

And so moving to a fee fee-for-service – fee-for-value world, we have to then understand what happens to the patient after a device is implanted. So we need to understand care management. We need to work with artificial intelligence and machine learning companies, develop some of that ourselves and understand other parameters which drive the cure or the improvement of a patient's outcome. We also have to work with payers and payment models and not simply physicians. So that changes the business construct that we work in.

We're early in this journey, but a few things have become clear. You can only create business models like this if you can define outcomes. And by defining outcomes, I mean that you can retrospectively baseline a condition and you can prospectively monitor that condition. Now that's not going to happen through surveys. It's going to have real markers, which are meaningful for patients that has data through which you can do that. There's relatively a few things that, that can be done with today, but that's something that we're building towards.

The other thing that's clear is that who you apply that technology to has to be important because you cannot over-treat. The outcome may not change, but maybe what you did was just cost and nothing would've changed anyway. So you have to figure out where the most efficient usage of treatment is as well. Then you have to determine how many variables are there. Do I put a technology and I get a benefit? Or do I need a doctor skill in this? Do I need patient endurance? Do I need an administrative methodology through which the care pathway is adhered to? All of that has to be understood.

But these are things that we're working on, but medical technology companies should be in a leadership position, why, in this journey. Because we have a strong relationship with physicians, without whom health care doesn't work. We do clinical trials with them. We can explain to them why a clinical trial will result in a guaranteed benefit. We have expertise in clinical trials that can translate to this, and we have health care economics expertise.

We obviously have the technology knowledge, and technology can create an inflection point, and most importantly, medical technology has outcomes with relatively short time frame, I mean, months and years as opposed to decades, with very definable and measurable benefits through which you can create business models. Other industries like pharma are also trying to do this, but it's much more difficult because the outcomes aren't quite that clear and it's not engineered products. Ours are very specifically engineered products.

So it's an area that we feel strongly that we should lead in and should set the stage. We made a lot of progress – I mean, the first step we made is taking on areas where the therapy and the outcome are linked one to one, and there's no other variables. I can create a business model for that. That's a guarantee. And we have done that. And today, like this one example of an antibacterial sleeve on cardiac devices, we have over 1,000 accounts. We have about $600 million of revenue tied to products like this, which have features. So I won't bore you with the whole list, but this is something that's ongoing.

In many ways, this is a low-hanging fruit for us in principle because we're just guaranteeing the result that we know will occur. And even that, to convince health care system that, that will actually happen requires a lot of kind of administrative work, which we're rapidly learning how to deal with. More challenging is if you look at the entire episode of care. That means can I guarantee a result of a hospital stay when they've had a certain procedure done to them? There are more variables. And we're working on that through working with hospital, managing the cath labs in their operating rooms and building a structure through which we can deliver that.

We're also working in chronic care, which are easier for us to own outright; clinics, where we have technicians who follow up with patients with our devices, and through that, we can guarantee an outcome. We are doing that in diabetes. We are doing that in obesity management. Globalization is the other effort. We've got a $4 billion global sort of enterprise growing in the double digits consistently. So that's a big piece of our business. It gives us a threshold of growth that we can bank on that's independent from new products. We – it's very important for us to go direct in these markets.

So that's a big deal for us to make sure that we have good relationships with these emerging markets. If they're going to be the world's biggest markets. We need to treat them like developed markets, and it starts with going direct with our distributors. That will also give us better margins, better usage of the money that we make there for reinvestment in technology for those markets.

And then we have lots of private partnerships as well doing these hospital solutions, like I talked about, managing cath labs in many countries and also opening up these clinics, especially in the Middle East for both diabetes and for obesity. So globalization is a big aspect of our future. Our size is something that we intend to use, our breadth. We use that in a variety of ways, starting with technology sharing between our divisions to sharing our clinical trial expertise. We do clinical trials ourselves.

And all our new divisions don't have to go externally. They can use our internal process, which is cheaper. We can harmonize our factories. There's quality systems that we can put together. There's sales programs where we can go together or separately, depending on what we need to sell. That's tricky because physicians are different and have different skill sets. And you don't want to homogenize them because an electrophysiologist is completely different from an interventional cardiologist who is different from a neurosurgeon, and you can't treat them all the same.

But at the same time, a hospital might employ all of them and buy our products. So you're going to draw a balance between that, and that's what we call commercial excellence. So we're using our enterprise synergies to drive, give us an advantage in terms of cost position overall because of our scale and drive enhanced growth. We create cash. So I'm flipping over to the financial side of this a little bit. Our goal here is to create free cash flow because of our growth rates and then return to shareholders, and then the return to shareholders, we have a balance of dividends and share repurchases.

We haven't talked about it a lot in this meeting, but reinvestment is one of our highest-return ways of dealing with our cash, reinvestment in new technologies. We recognize we aren't going to invent everything. We just won't. And we've got to be able to identify companies who are good acquisition targets and execute those properly. We have clear goals. We have financial goals around that to create discipline. We have long-term return goals as well as short-term dilution management goals. And most importantly, a team – which is not written down here, but a team which comes to me for an acquisition has to earn the right to do it.

That means they've proven that they can manage these things and work our way through that because the management bandwidth required to do acquisitions successfully is, in fact, important, in addition to the financial bandwidth, which I think is obvious. In terms of return to shareholders, we've increased our dividend consistently over the last, I don't know, 43 years or something years. So it's been a long, long process of increasing our dividend. It's 40% payout ratio on dividends, took a step up there when we acquired Covidien. That gave us access to trapped cash. And then in share buybacks, also our main commitment is to return 50% of our free cash flow to shareholders. And we've been doing that. There was a onetime benefit that we had to return a little extra.

So we do, we do balance reinvestment, internal, inorganic as well as return to shareholders in a way that can sustain our long-term agenda. So that's extremely important. The team, we're paid – I mean, I'm paid and our team is largely paid, the executive team, largely paid on incentive compensation. You can read the different items there. They are pretty much in line with what competitive practice are. It's aligned to shareholders.

Our payments are both short term and long term. Our revenue as well as earnings per share, return on invested capital as well as free cash flow are all included in these measures in some sort, but the main point here is that it's in line with effective practices. They are well understood, and they're understood, and they're mostly variable.

A little more detail into that as to what the composition is. There's the long-term performance plan, which has in it ROIC, or return on invested capital. In the short-term plan, we've got revenue growth, that's a yearly plan, revenue growth in equal amounts of adjusted EPS, that's the EPS that we report; and free cash flow. And free cash flow is as we get it. So those are important elements there. Equal measures of each is the way in which we're incentivizing ourselves.

In terms of our population, diversity is very important. And we've talked a lot about it today, but there's no secret about the changing demographics in the U.S. And for us to be a successful company with a population that's in line with our customers and patients, we should mimic the population. More than that, we're a firm believer that a diverse team is a better team; a better team because they make better judgment calls because of broader perspectives. So diverse culture usually has broader perspectives than making the

thousands of decisions that one makes every day, that a company makes every day than an insular team. And so diversity is important. It's easier said than done.

And so those are some numbers that we have today. For ethnic diversity, the gender diversity, the ultimate goal is 50%. We've set a short-term goal for 2020 of 40%. But the important qualifier for that is that we intend to have this – measure this across all levels of management, every level of management. That makes it difficult. If you average it, it's not easy, but it's more doable. But at every level of management, including my direct reports and certainly the board, that's a different challenge, one that we are facing, and we've got all kinds of processes and operating mechanisms through which we're trying to develop that.

We've been recognized in a variety of different magazines and the feel good, but we've got a long way to go. I mean, I am much more sort of humble about this. The task in front of us is far greater than what we've achieved. But still, it's good to get occasional awards. Now moving on in terms of corporate governance. Our board is – I'm really very pleased with the board. It's a very balanced board with ex-CEOs, academics as well as ex-government officials. I value them highly, and our agenda is usually – it's diverse. We've got both ethnic diversity, a little more gender diversity. We need – we're about 25%. It needs to go higher, but it's a starting point.

The agenda of the board, the – every board meeting, four to six hours of every board meeting is spent on strategy. Every group and every region presents their strategy. The strategy is a written document, about 35 pages, that's given to the board in front and a list of questions that we have for the board, and then the board can have other questions and we have a discussion. So every board meeting, four to six hours strategic discussion in every business unit on every group of businesses and every region. So we have a discussion – this coming board meeting, we'll have a discussion on China.

So the Chinese team will present a strategy. And we'll have a discussion on our Minimally Invasive Therapies Group and Surgical Technologies. Prior to that, we have committee meetings which are all sequential so that we can have full attendance and that I can attend every committee meeting. So it's two-day board meeting. I think that's important. I think as board operates well, we've got all the other governance principles in there. We've got a fairly balanced look here. We've got an age limit on this, so people roll off with that.

And it’s something that we keep working on improving the diversity. I think that still needs more work, but still, it’s a good start. So that’s the board. It seems to function well. It’s certainly long-term oriented. It’s got enough rotation in it. And some of the longer-term ones you do need because some of this requires a lot of depth.

In terms of sustainability and risk, I mean, I’ll just gloss over these things quickly, but it’s something that’s top of mind for us. Access to care, obviously, is important, product quality. There are wastage involved in some products as they get obsolete, and then ethics

in sales and marketing, which I talked about, going direct. These are all sustainability issues which would kill the company if not done right.

I'm going to finish with our mission and talk about the six other points – or the five other points that are not in the first tenet as to why they create the guiding principles of our company. But before I do this, I show this picture because it's a medallion. And every employee in Medtronic receives a medallion. And that medallion is received by an employee either given directly by me or one of my direct reports. And the way they get it is that we have a ceremony. And in the first part of the ceremony, I talk to them about the six tenets of our mission and what I think it means and why that is the most important thing in Medtronic.

And you may have good days and you have bad days, but if you live the mission, you'll do the right thing, and that's why you're here, and this medallion is a reminder of that. And I do that thing maybe once or twice a month. I give out medallions in each session to upwards of 150 to 300 people. Each one of them comes, shakes my hand, I give it to them, and that is the most enjoyable, fulfilling thing that I do as a CEO.

So let me tell you why that's so exciting. I talked about the first tenet of the mission, which is to use technology to change outcomes. The second tenet actually states that we should focus in areas where we're good at. In other words, we should scale, and we should avoid areas that we aren't any good, that we shouldn't invest. The third tenet says – talks about our values, about quality and reliability of our products, about our values of dedication, service, honesty and integrity. We take that seriously.

The fourth tenet is very compelling, I'll spend a few seconds on this. It says a fair profit. It doesn't say make a profit. It doesn't say maximize profit. It's says make a fair profit. This was written in 1960 when the company wasn't even making a profit. And that's why I say that this mission is so profound. That was written at the time when – someone to understand that there's going to be something that's important in 2018 is incredible to me. And what does fair profit mean? Fair profit means I charge a price that is valued fairly, which is what value-based health care is all about.

The fifth tenet is about managing our people, to make sure that we recognize the work of all our employees in terms of their diversity, inclusion, engagement, to make sure that they share in the benefits of the company, that they can grow and aspire to be leaders in this company. And the sixth tenet is to be a good social citizen. And the way we look at social citizenship, we've got a charity, we do have a foundation, but more important than the dollars we give, we're beginning to measure the impact that we make. And the way in which we want to measure this in the future is not how much we give but how much we measure in terms of impact that we make on people.

And we have methods through which we're doing this, I won't dwell on it, but we've got actual quantitative methods of financial impact and social impact, and we are beginning to actually fine-tune our investments based on this methodology. So that's what

Medtronic is all about. It's guided by a mission, which is enduring, and the mission defines us, it guides us and most importantly, it inspires us.

I think I've run out of time. That's all I'll say. I'll be happy to take as many questions as is time for. So thank you all very much.

Q&A

<Q>: I wondered if the medallion is if you walked 20,000 steps, but maybe not. You know this is a separate work…

<A – Omar Ishrak>: No, that's not good enough. Not good enough.

<Q>: No. This isn't a political statement, but I was told that I'm favoring the right versus the left, so I'm going to move over here for my Q&A. Questions over here. Don't let me down over how you came all the way over here. So here we go. Just wait for the mic.

<Q – Sabrina El-Chibini>: Thank you, Dr. Ishrak. My name is Sabrina El-Chibini. I'm with The Collaboration Vector. So my question is, I completely agree that value-based health care is the way forward to a sustainable system, and I have a twofold question. So what, aside from the complexity of the research, in your opinion, is the greatest challenge?

<A – Omar Ishrak>: In value-based health care?

<Q – Sabrina El-Chibini>: Yes. And do you believe that the private sector has the best chance of leading and succeeding along this path?

<A – Omar Ishrak>: I think – if I take the second question, that depends. That depends on the country you're in and the people at the top. So I'm not going to say whether the private sector is in a leadership position in this or not. I think everyone can play a role. Private sector, if the government isn't amenable, there are things that the private sector can do, but the government can only help, the public sector only help.

I think the first question, what's the biggest challenge, I think the biggest challenge, two things. First of all, creating a common perspective around this. And that, a realization that value-based health care is granular by definition, that if you're going to define an outcome and define a specific cohort in relation to that outcome, there's a few steps doing that in defining the outcome of an entire population.

And there's a tendency to look at value-based health care simply by looking at population health. And while that's a metric that the insurance companies and others do understand, the task of breaking that down to granular segments is the challenge. And breaking it down in granular segments then will tell you where do you have the outcomes that are clearly defined? Where can you measure those outcomes? Where are the variables that are required to reach those outcomes and in what cohorts? And I think getting everyone

on the same page to understand those outcomes and then create business models around that, that's part of the challenge.

What complicates a challenge is today's world is not only incentivized for fee-for-service, there is a comfort level around fee-for-service that people are too scared to drift from. What's worse is that there's regulation put in place, which assumes a fee-for-service world and actually prohibits collaboration. So these are like the pragmatic challenges that we have, and so we take them one at a time and try to deal with it, okay?

<Q>: Next question. I'm pointing, if you've got a different way of not pointing.

<Q – Bob Laux>: Bob Laux with the International Integrated Reporting Council. And in one of your slides, you talked about the minimal EPS dilution having to do with tuck-ins. Not sure if I understand what that means, but I think what I perceive it is, is your desire to reinvest and do reinvestment.

<A – Omar Ishrak>: Yes.

<Q – Bob Laux>: And the question to you is, what kind of pressures do you feel with this long-term outlook? What my organization is trying to do is supplement the reporting model so we can really look long-term. I used to work for the FASB, so I know that model is not going to change and really put short-term pressure on where reinvestment is an expense. And just want to get – the question to you is your perspective of – we hear Mark say 86% of people talk about – CEOs talk about the short-term pressure. I feel it has a lot to do with the broken accounting model, but I want to hear from you of what the pressures you have.

<A – Omar Ishrak>: Well, I think – I don't know if it's a direct answer to your question, but it's around that and I can clarify it further. I think the parameters around measuring long-term value are less established, while the short-term ones are. People know what to measure, and so they gravitate towards that. The long – you're just saying long-term. Even with a story like this it's still somewhat fuzzy, and everyone has a different story.

So I think to the degree that long-term investors can dialogue with us collectively as companies like ours, of which there are many, and going to figure out what are some of the core metrics, what are some of the guidelines that define success in a long term because that, too, can be an open-ended thing saying, and in long term, it's going to be – okay, my goal over a decade is to do this, and here are the steps, and we'll look at it this way, and maybe some room for error there is achievable as long as you don't kind of flip around every day. And there's a consistency of thought around that. So I think some structured alignment around what is long term like we have in short term.

People know, you know EPS, you got buybacks, you got free cash flow, you got a whole lot, and we all know that. And all companies, no matter who they are, talk about the same language, so guess what, everyone gravitates towards that. We don't have that for the long term. And I think the more we can do that and then look at some other metrics like

engagement scores and diversity scores, which are like indicators as opposed to real results, I think those would help. So that's what I would encourage and that I would look for. I can tell a story, but to what degree will that be completely understood and made into something that's got scale, I think that needs others.

<Q>: Okay. Just a point of order, just so people know that all the slides that you've seen today are available for download, so you can go to the CECP website or e-mail info@cecp.co, and you'll get all the slides for this. Don't think this is your only chance at that. And also, Wall Street Webcasting has embedded both all of this presentation with the slides, so you can watch the presentation with the slide. With that, I have one time for one more question, over here. So it can't be left, got to be center, right? One last question. No question about the trip across America, the hitchhiking across America?

<A – Omar Ishrak>: You can ask that. I barely remember.

<Q>: In your business, what – I'm going to go to Darryl.

<A – Omar Ishrak>: Sure.

<Q>: We've seen some recent mergers being announced or proposed within the health care industry, things like Aetna and CVS, kind of different industries they're in. What's your sense of that? And what impact does that have as you think about Medtronic planning?

<A – Omar Ishrak>: Well, those – I think the general trend that I get on those, those are really companies trying to vertically integrate in some way, with the realization of what I talked about in value-based health care that if you're going be responsible for certain outcome, you've got all these variables along the way. And vertical integration allows you to control some of those variables in a more consistent fashion. So that's just a different way of – don't use that language, but that's essentially what's going on.

And so I commend that. If it can be done right and executed, I think those are probably the right kinds of moves. Those are not like anticompetitive where you've got sort of just – building scale out of – not creating competition. This is really complementary sort of businesses which provide complementary support towards reaching a certain result. And putting those together and vertically integrating them can make them more efficient, reduce a lot of the costs and wastage that's involved in tying these together.

So that's what I say. I think, to us, that only helps because it reduces a number of variables for us. I'm telling, the most difficult part in the long journey to value-based health care, we'll do the easy stuff. With a long journey to value-based health care, there's a number of variables that are needed in changing an outcome. And how you're going to create accountability for everybody and what's the method for that and how you make those agreements and – so you can kind of collapse those a little bit and have more entities which are responsible for more of that, it becomes easier to draw those. So I think

if you believe that vertical integration is important to achieve outcomes, I think it's all good.

<Q>: You have a global view. You get to see countries around the globe.

<A – Omar Ishrak>: Yes, yes, yes.

<Q>: Is there a country that's got the health care thing right or more right than others that can be an example?

<A – Omar Ishrak>: Well, I don't know if there's a single country like that. It's tough to point to any one country. But I would say that there's certain countries in Europe like the Scandinavian countries which are better than others but not perfect. I mean, their problems are easier. They've got fewer people. They got 4 million people. They got all their health care records. It's easier to do that. But I'll tell you, one that I'm actually watching very carefully and I think actually hasn't got it right yet but thinking about it right is actually China.

China did sort of broadcast a health care priority list. And then what I like about them is that as they find that things don't work, they adjust, and they accept that load. This can work, and I'm changing it this way. And I'm changing that, I can watch that happening. And I see them improving their own internal expertise. So I'm not saying they're the best system, they're not even close, but I think the effort they're making in a country with that much scale is actually quite impressive.

<Q>: Thank you.

<<Unidentified Analyst>>

Thank you very much for the presentation.

<<Omar Ishrak, Chairman and Chief Executive Officer>>

Thank you very much. Thank you.