

Covidien plc
Form 425
October 08, 2014

London Investor Meetings
October 8, 2014
Jeff Warren
Vice President, Investor Relations
jeff.warren@medtronic.com
Omar Ishrak
Chairman & Chief Executive
Officer
Filed by Medtronic, Inc. (SEC File No.: 001-07707)

Edgar Filing: Covidien plc - Form 425

pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934
Subject Company: Covidien plc
Form S-4 File No.: 333-197406
Date: October 8, 2014

Medtronic Positioned to Execute
Creating Long-Term Value in Healthcare

1

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Improving operational execution to
deliver consistent results

Uniquely positioned to expand our market-leading franchises through three differentiated strategies:

1.
Therapy Innovation: Delivering strong launch cadence of meaningful therapies and procedures
2.
Globalization: Addressing the inequity in healthcare access globally
3.
Economic Value: Becoming a leader in value-based healthcare by incorporating EV into our DNA

Combining reliable performance with disciplined capital allocation to create long-term shareholder value

Medtronic Today
CoreValve
Evolut
R
MiniMed®
530G
Viva
CRT-D

Advisa MRI
Cardiac and
Vascular Group
Restorative
Therapies Group
Diabetes
Resolute
Integrity
Endurant®
II
PVAC®
GOLD
Solera®
Milestone
Knee
Restore®
Sensor
PEAK®
PlasmaBlade
Pumps and Sensors
TAVR
Atrial
Fibrillation
Pacing
Defibrillation
DES
AAA
Core Spine
Pain Stim
Ortho
Advanced
Energy
MDT Financial Formula

2

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Revenue

Growth

1

Mid-Single

Digits

Operating &

Financial

Leverage

EPS Growth

1

200

400 bps

Faster than

Revenue

Dividend Yield

~200 bps

Total

Shareholder

Return

High-Single to

Double Digits

1. On a constant currency basis. Reflects Medtronic on a stand-alone basis and does not include Covidien.

Delivering on Commitments
And Strengthening our Competitive Position
Highlights
FY14
Actual
FY14
Guidance
Free Cash

Flow

3

Revenue

Growth

+3 -

4%

\$4 -

\$4.5B

+3.6%

\$4.6B

Adjusted

EPS

2

\$3.80 -

\$3.85

\$3.82

Returned 50%+ to shareholders

\$2.6B share repurchases

50bps of operating leverage

1

FY14 Emerging Markets growth of 14%

Meaningful product launches including

the MiniMed®

530G, Reveal LINQ

TM

and CoreValve®

Established Cardiocom®

and Cath Lab

Managed Services (CLMS) as future

growth platforms

Effective tax management

Unhedged currency and U.S.

device tax

1.

On an operational basis.

2.

Non-GAAP diluted EPS.

3.

Free cash flow defined as operating cash flow minus capital expenditures.

Note: All revenue figures assume constant currency. Non-GAAP reconciliation available in Appendix

3

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Medtronic Q1 FY15 Financial Results
Reported on August 19, 2014

Overall, Q1 represented balanced growth, with strong performances in some areas offset by challenges in others

US markets driving growth: grew +6%, the highest growth in the US in 5 years

New therapies contributed 200bps to overall growth driven by Reveal LINQ, CoreValve, and MiniMed 530G

Our robust pipeline will contribute significantly to our future growth

Breadth and scale having an increasing advantage: Focused on New Therapies, Economic Value, and Globalization

4

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Revenue

\$4.3 billion

% Growth, as reported

+5%

% Growth, constant FX

+4%

GAAP Net Earnings

\$871 million

% Growth

-9%

GAAP Diluted EPS

\$0.87

% Growth

-6%

Non-GAAP Net Earnings

\$934 million

% Growth

+4%

Non-GAAP Diluted EPS

\$0.93

% Growth

+6%

Cash EPS

\$0.99

% Growth

+5%

1 On a constant currency basis

Note: Non-GAAP reconciliation available in Appendix

Therapy
Innovation
Globalization
Economic
Value
GROWTH VECTOR #1:
GROWTH VECTOR #2:
GROWTH VECTOR #3:

Medtronic Growth Strategies

Strategies to Address Universal Healthcare Needs

Strong upcoming
launch cadence of
innovative
therapies

Unlocking massive
opportunity for
existing therapies
in emerging
markets

Leading industry
shift to value-
based healthcare
with new services
& solutions

Sources of Growth

New Therapies

Emerging

Markets

Integrated Health

Solutions

Medtronic

Strategies

Operational

Execution

Universal

HC Needs

Improve

clinical

outcomes

Expand

access

Optimize cost

and efficiency

5

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Growth Vector #1: New Therapies

Reveal LINQ

WW: Launching

IN.PACT®

Admiral®

SFA

US: Q1 CY15

Micra

CE Mark: By end of FY15

FY15

Nuvent

Balloon

WW: Launching

Prestige LP

US: Launching

CoreValve®

High Risk

US: Launching

Resolute Onyx

CE: Launch, Jan CY15

FY16

200 projects expected to
generate \$30B+ in incremental
revenue over 5 years from
time of product launch

O-arm®

2.0

WW: H2 FY15

Attain®

Performa

Quad

US: Launching

Select

Launches

Medtronic R&D Pipeline

1

Evolut

R (26/29mm)

CE Mark: H2 FY15

Next-Gen Interbodies

WW: H2 FY15

MiniMed®

640G

WE: FY15

1.

Reflects Medtronic on a stand-alone basis and does not include Covidien.

6

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1. Moving Medtronic therapy penetration from EM level (11%) to Developed Market levels (24%) in population that can afford the therapy. Reflects Medtronic on a stand-alone basis and does not include Covidien.

EM Premium:

Attractive Opportunity

Technology already exists

Out-of-pocket payment or
reimbursement established

Comparable margins to
developed markets

~\$5B annual opportunity

1

Increased investment

BU and region alignment and
responsibility

Enhanced Focus &
Resources

Large scale private partnerships

Channel optimization

Public partnerships

Smarter Deployment /

Targeting

Aligning around customers

Granular focus within
countries

Go Beyond Market

Development

1

2

3

\$475

\$638

EM SG&A Spend

Millions

~2,600

~4,600

EM Headcount

Making Changes to Realize Opportunity

Growth Vector #2: Emerging Markets

Premium

Value

Underserved

+16%

CAGR

+33%

CAGR

7

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Growth Vector #3:
Integrated Health Solutions
Examples
Quantifying Value &
Expanding Offerings
Quantifying Value &
Expanding Offerings
Understand

Economic Value of
Innovation
Surgical Synergy
SM
Broaden Innovation
Time Horizon to
Ensure Value is
Realized
Collaborate and
Generate New
Business Models
Core Therapies
Wrap-Around
Services
Integrated Health
Solutions
Cath Lab
Managed Services

AdaptivCRT®

SmartShock®
T2 Diabetes
Partnership
Rethinking Blood
Conservation (RBC®)
Bundled Payment
Pilots

8

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Growth Vectors Expected to
Deliver Mid-Single Digit Growth
Sources of Growth
FY14 MDT
Growth
Contribution
180 bps
145 bps

30 bps

FY15E MDT

Growth / Contribution

+150 to 350 bps

+150 to 200 bps

+40 to 60 bps

Low-

to

Mid-Single

Mid-Teens

Double

to Triple

FY14 to FY15

Change

Mid-Term

Expectations

-30 to

+170 bps

+5 to 55 bps

+10 to 30 bps

+150 to 350 bps

+150 to 200 bps

+50 to 100 bps

TOTAL

MEDTRONIC

3.6%

3-5%

FY15 Revenue Outlook

-15 to

+255 bps

Mid-Single

Digit Growth

Note: All revenue estimates assume constant currency. Reflects Medtronic

on a stand-alone basis and does not include Covidien. Non-GAAP

reconciliation available in Appendix

GROWTH VECTOR #1

New

Therapies

GROWTH VECTOR #2

Emerging

Markets

GROWTH VECTOR #3

Integrated

Health Solutions

9

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10 | London Investor Meetings October 8, 2014

Defensive:

Mitigate pricing pressure &
maintain 75-76% gross margins

Offensive:

Enable product tiering &

support value segment expansion
Accomplished
Maintained
Gross Margins
Executing on Operating Expense
Reduction Initiatives

FY12

FY14:

~30 bps reduction

FY15E

:

50 to 70 bps reduction

Improve efficiency & drive SG&A

leverage while investing in EM

1.

Forecast given on an operational basis. Reflects Medtronic on a stand-alone basis and does not include Covidien.

DRM

Mfg./Supply

Chain

New Product

Architectures

FY13-FY17:

~\$1.2B

FY08-FY12:

\$

\$1B

FY14:

8.7% of revenue

FY15E:

8.5%

Shift to enhance quality systems, productivity improvements,
economic value prioritization, offsets to medical device tax

Roughly maintain level of R&D

spending going forward

Process

PRODUCT

COST

REDUCTION

SG&A

OPERATING

LEVERAGE

R&D

1

1

11 | London Investor Meetings October 8, 2014

S&P 500 Dividend Aristocrat
Index member; 35 years of
consecutive dividend increases

Dividend more than doubled
over the past 5 years

Over \$1 billion in dividend
payments in FY14

Payout ratio of ~30%

1

Repurchased 15% of our shares
over the past 5 years

Over \$1.2 billion in share
repurchases in FY14

Going forward, expect share
repurchase to add ~200 bps to
EPS growth annually

DIVIDENDS

DIVIDENDS

SHARE REPURCHASE

SHARE REPURCHASE

Rewarding Shareholders with Distributions

Cash Priorities to Shareholders Overview

~940M

-7%

-9%

1

\$0.00

\$0.40

\$0.80

\$1.20

FY00

FY01

FY02

FY03

FY04

FY05

FY06

FY07

FY08

FY09

FY10

FY11

FY12

FY13

FY14

FY15E

900

1,000

1,100

1,200

FY11

FY12

FY13

FY14

FY15E

FY16E

FY17E

FY18E

1.

Non-GAAP calculation based on annualized Medtronic quarterly dividend payment of \$0.305 per share as announced on June
Reflects Medtronic on a stand-alone basis and does not include Covidien.

Note: Non-GAAP reconciliation available in Appendix

12 | London Investor Meetings – October 8, 2014
Generating Significant Free Cash Flow
\$25B+

Expected adjusted FCF generation over next 5 years equal to
40% of current market cap

Consistently generate > 20% FCF / revenue

Returning 50%+ of FCF to shareholders

Remain focused on improving U.S. cash

\$21B

1. Based on Medtronic market capitalization as of July 29, 2014.

Note: Non-GAAP reconciliation available in Appendix

Adjusted free cash flow is operating cash flow minus capital expenditures. Excludes certain litigation payments. Reflects Medtronic on a stand-alone basis and does not include Covidien.

FY10-FY14

FY15-FY19F

1

13 | London Investor Meetings October 8, 2014
Commitment to Return 50% of
Free Cash Flow
1
40%
2
\$ Billions
Corporate Use

Return to
Shareholders

~\$25B+

\$12.5B+

\$62B

2

\$12.5B+

Buybacks

Dividends

\$12.5B+

O.U.S.

Cash

U.S.

Cash

0

20

40

60

Current Market Cap

Expected Free Cash Flow,

Next 5 Years

Expected Capital

Deployment, Next 5 Years

Expected Return to

Shareholders, Next 5 Years

1.

Adjusted free cash flow is operating cash flow minus capital expenditures.

Excludes certain litigation payments. Reflects Medtronic on a stand-alone basis and does not include Covidien.

2.

Based on Medtronic market capitalization as of July 29, 2014.

14 | London Investor Meetings – October 8, 2014

Covidien Overview

Highly Strategic and Compelling Acquisition

Accelerates Medtronic's three core strategies of Therapy Innovation, Globalization, and Economic Value

Covidien's impressive portfolio of industry-leading products enhances Medtronic's

portfolio, offers greater breadth across clinical areas, and creates exciting entry points into new therapies

Combination of Covidien's extensive emerging market R&D and manufacturing with Medtronic's well-established clinical expertise can be applied across a much broader product offering

Covidien's hospital efficiency technology enhances Medtronic's ability to deliver Economic Value to create a robust and unmatched Integrated Health franchise

Extremely attractive financially: Double-digit hurdle rate with achievable cost synergies

Combined
company
expected
to
generate
significant
free
cash
flow
with
greater
deployment
flexibility

Creates the Premier Global Medical Technology and Services Company with Comprehensive Product Portfolio and Broad Global Reach

15 | London Investor Meetings - October 8, 2014
Combination Results in Strategic
Diversification
COVIDIEN REVENUE
1
PRO FORMA REVENUE
\$17.0B
\$10.4B

\$27.4B

CRDM

Advanced

Surgical

Ortho/Spine

Peripheral &

Endovascular

Neuro

Coronary

Diabetes

Structural Heart

General

Surgical

Patient Care

Nursing Care

Patient Monitoring

Neurovascular

MEDTRONIC FY14 REVENUE

Airway &

Vent

1. Based on last 12 months, ended March 28, 2014.

29.4%

10.3%

7.1%

5.3%

17.9%

11.2%

9.2%

9.7%

CRDM

Coronary

Structural Heart

Endo

Ortho/Spine

Neuro

Surgical Tech

Diabetes

31.9%

15.2%

11.8%

10.2%

9.8%

9.5%

7.3%

4.3%

Advanced Surgical

General Surgical

Peripheral Vascular

Patient Care

Nursing Care

Patient Monitoring

Airway & Vent

Neurovascular

18.2%

17.8%

11.1%

7.7%

6.9%

6.4%

6.1%

5.8%

4.4%

3.9%

3.7%

3.6%

2.8%

1.6%

Covidien Transaction Summary

Acquisition of Covidien for \$42.9 billion in cash and Medtronic stock

Covidien shareholders to own ~30% of the combined company at closing

~\$5 billion of Covidien debt to remain in place; guaranteed by

new Irish holding company

Represents per share consideration for Covidien shareholders of:

\$35.19 in cash

0.956 shares of new Medtronic shares

Offer
represents

a
29%
premium

to
last
closing
share
price

1
Transaction
Terms
Transaction
Structure

Formation of new Irish domiciled entity; current headquarter
operations remain intact in Minnesota

Transaction taxable, for U.S. federal income tax purposes, to
Medtronic and Covidien shareholders
Timing

Closing expected in late calendar 2014 / early calendar 2015

Subject to regulatory approvals

Subject to Medtronic and Covidien shareholder approvals

1. Based on Covidien and Medtronic closing price as of June 13, 2014.
16 | London Investor Meetings October 8, 2014

17 | London Investor Meetings - October 8, 2014

COMPELLING FINANCIAL IMPACT

Driving significant shareholder returns

Revenue Growth

Much stronger platform for diversified growth

Significant revenue synergy potential from cross-selling

Cost Synergies

At least \$850 million pre-tax annual cost synergies by FY18;
quickly achievable

Back office optimization, manufacturing & supply chain
infrastructure, and certain G&A savings

EPS Impact

Cash EPS accretive in FY16

Significant cash EPS accretion thereafter

GAAP EPS neutral in FY19; accretive thereafter

Balance Sheet

Implications

Maintain access to commercial paper to support
short-term liquidity

Increased gross debt may limit Tier 1 commercial
paper status

Leverage

1.9x pro forma net debt to EBITDA at closing; 0.7x in FY18

3.7x pro forma gross debt to EBITDA at closing; 2.7x in FY18

Capital Allocation

Policy

Solidifies commitment to return 50% of free
cash flow with more flexibility going forward

18 | London Investor Meetings – October 8, 2014

ORIGINAL FINANCING MECHANISM

NEW FINANCING MECHANISM

(Announced on October 3, 2014)

Medtronic Financing Plan

Medtronic, Inc. raises approximately

\$16 billion in new external debt

Paid to Covidien shareholders

\$13.5 billion intercompany loan from
Medtronic OUS subsidiary

\$2.8 billion in new external debt

Paid to Covidien shareholders

18 | London Investor Meetings October 8, 2014

19 | London Investor Meetings - October 8, 2014
Medtronic Positioned to Execute
Creating Long-Term Value in Healthcare

Improving operational execution to
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Uniquely positioned to expand our

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Therapy Innovation: Delivering strong launch cadence of meaningful therapies and procedures

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20 | London Investor Meetings October 8, 2014
Key Websites

Global MedTech Leader: <http://www.globalmedtechleader.com>

Medtronic Investor Relations: <http://investorrelations.medtronic.com>

Medtronic

Covidien Key Facts

Additional Resources

Disclaimers

21 | London Investor Meetings

October 8, 2014

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22 | London Investor Meetings - October 8, 2014

Disclaimers (cont d)

current expectations depending upon a number of factors affecting New Medtronic's business, Medtronic's business, Covidien's business, and the proposed transactions. These factors include, among others, the inherent uncertainty associated with financial projections; restrictions on the successful close of, the Covidien acquisition; subsequent integration of the Covidien acquisition and the ability to recognize the benefits of the Covidien acquisition; the risk that the required regulatory approvals for the proposed transactions are not obtained, are delayed, or are not anticipated; the anticipated size of the markets and continued demand for Medtronic's and Covidien's products; the impact of currency exchange pricing; access to available financing (including financing for the acquisition or refinancing of Medtronic or Covidien debt) on

the risks of fluctuations in foreign currency exchange rates; the risks and uncertainties normally incident to the medical device industry; product liability claims; the difficulty of predicting the timing or outcome of pending or future litigation; variability of trade buying patterns; the timing and success of product launches; the difficulty of predicting the timing or outcome of regulatory agency approvals or actions, if any; potential for adverse pricing movement; costs and efforts to defend or enforce intellectual property rights; delays in manufacturing; reduction or interruption in supply; product quality problems; the availability and pricing of third-party services; risks associated with self-insurance and commercial insurance; successful compliance with governmental regulations applicable to Covidien's facilities, products and/or businesses; changes in the laws and regulations, affecting among other things, pricing and availability of products; health care policy changes; risks associated with international operations; changes in tax laws or interpretations that affect Medtronic's and/or Covidien's consolidated tax liabilities, including, if the transaction is consummated, changes in tax laws that treat Medtronic as a domestic corporation for United States federal tax purposes; the loss of key senior management or scientific staff; and other risks detailed in Medtronic's periodic public filings with the SEC, including but not limited to Medtronic's Annual Report on Form 10-K for 2014, in Covidien's periodic public filings with the SEC, including but not limited to Covidien's Annual Report on Form 10-K for 2013, and from time to time in Medtronic's and Covidien's other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.

STATEMENTS REQUIRED BY THE IRISH TAKEOVER RULES

Responsibility Statement

The directors of Medtronic accept responsibility for the information contained in this announcement. To the best of the knowledge of the directors of Medtronic (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement does not omit anything likely to affect the import of such information.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the Irish Takeover Panel Act, 1997, Takeover Rules 2013 (the "Irish Takeover Rules"), if a person (directly or indirectly) in, 1% or more of any class of "relevant securities" of Covidien or Medtronic, all "dealings" in any "relevant securities" (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed (in writing) on the "business" day following the date of the relevant transaction. This requirement will continue until the date on which the "offer period" otherwise ends. If two or more persons co-operate on the basis of any agreement, either express or tacit, to acquire an interest in "relevant securities" of Covidien or Medtronic, they will be deemed to be a single person for the purpose of Rule 8.3.

23 | London Investor Meetings – October 8, 2014

Disclaimers (cont'd)

Under the provisions of Rule 8.1 of the Irish Takeover Rules, all dealings in relevant securities of Covidien by Medtronic, Covidien, or by any party acting in concert with either of them, must also be disclosed by no later than 12 noon (Irish time) on the relevant transaction.

A disclosure table, giving details of the companies in whose relevant securities dealings should be disclosed, can be found at www.irishtakeoverpanel.ie. Interests in securities arise, in summary, when a person has long economic exposure, whether on the price of securities. In particular, a person will be treated as having an interest by virtue of the ownership or control of securities.

of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Irish Takeover Rules, which can also be found on the Irish Takeover Panel's website. If you are or not you are required to disclose a dealing under Rule 8, please consult the Irish Takeover Panel's website at www.irishtakeoverpanel.com or Panel on telephone number +353 1 678 9020 or fax number +353 1 678 9289.

No Profit Forecast / Asset Valuations

No statement in this presentation is intended to constitute a profit forecast for any period, nor should any statements be interpreted as such. Earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for Medtronic or Covidien, as appropriate. No statement in this presentation constitutes an asset valuation.

General

Appendix I to the Rule 2.5 announcement contains further details of the sources of information and bases of calculations set out in the Rule 2.5 announcement; Appendix II to the Rule 2.5 announcement contains definitions of certain expressions used in this announcement; Appendix III to the Rule 2.5 announcement contains the report from PricewaterhouseCoopers on the Acquisition and the Scheme; Appendix IV to the Rule 2.5 announcement sets out the report from PricewaterhouseCoopers on the merger benefit statements made in this announcement; Appendix V to the Rule 2.5 announcement contains the report from Perella Weinberg LLP on the merger benefit statements made in the Rule 2.5 announcement and Appendix VI to the Rule 2.5 announcement sets out the Transaction. The release, publication or distribution of this announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. This announcement and all other documents relating to the Acquisition are not being, and must not be, released, published, mailed, distributed or sent in, into or from any Restricted Jurisdiction. Persons receiving such documents (including, without limitation, persons in Restricted Jurisdictions) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the best of our knowledge, the companies involved in the proposed Acquisition disclaim any responsibility or liability for the violations of any such laws. Any response in relation to the Acquisition should be made only on the basis of the information contained in the Scheme Circular. No action should be taken on the basis of the Acquisition and the Scheme are made. Medtronic Shareholders and Covidien Shareholders are advised to read carefully the full details of the proposed Transaction once the Scheme Circular has been dispatched.

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Non-GAAP Reconciliation Tables
London Investor Meetings
October 2014
24 | London Investor Meetings October 8, 2014

Non-GAAP Reconciliation Tables
London Investor Meetings
October 2014
25 | London Investor Meetings October 8, 2014

Non-GAAP Reconciliation Tables
London Investor Meetings
October 2014
26 | London Investor Meetings October 8, 2014

Non-GAAP Reconciliation Tables
London Investor Meetings
October 2014
27 | London Investor Meetings October 8, 2014

28 | London Investor Meetings – October 8, 2014
Non-GAAP Reconciliation Tables
London Investor Meetings
October 2014