



Medtronic plc (MDT)

Updated May 29th, 2025, by Aristofanis Papadatos

Key Metrics

Current Price:	\$81	5 Year CAGR Estimate:	12.0%	Market Cap:	\$104 B
Fair Value Price:	\$94	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	6/27/25
% Fair Value:	86%	5 Year Valuation Multiple Estimate:	2.8%	Dividend Payment Date:	7/11/25
Dividend Yield:	3.5%	5 Year Price Target	\$126	Years Of Dividend Growth:	47
Dividend Risk Score:	A	Sector:	Health Care	Rating:	Buy

Overview & Current Events

Medtronic is the largest manufacturer of biomedical devices and implantable technologies in the world. It serves physicians, hospitals, and patients in more than 150 countries and has over 95,000 employees. Medtronic has four operating segments: Cardiovascular, Medical Surgical, Neuroscience and Diabetes. Medtronic has raised its dividend for 47 consecutive years. The \$104 billion market cap company generated \$34 billion in revenue in its last fiscal year.

Prospective Medtronic investors should note that the company has established tax residence in Ireland. Dividends are considered Irish source income and Irish dividend withholding tax may automatically be applied to Medtronic's dividend payments. Many investors will qualify for an exemption from this withholding tax.

In late May, Medtronic reported (5/21/25) results for the fourth quarter of fiscal 2025. Organic revenue grew 5% over the prior year's quarter thanks to strong growth in Cardiovascular, Neuroscience and Diabetes. Earnings-per-share grew 11%, from \$1.46 to \$1.62, and exceeded the analysts' consensus by \$0.04. However, Medtronic provided modest guidance for fiscal 2026. It expects ~5.0% growth of revenue and organic revenue as well as earnings-per-share of \$5.50-\$5.60. Accordingly, we expect earnings-per-share of \$5.55. Medtronic has beaten the analysts' estimates in 25 of the last 28 quarters but guidance is disappointing, as it signals 1% growth at the mid-point.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$4.34	\$4.60	\$4.77	\$5.22	\$4.59	\$4.44	\$5.55	\$5.29	\$5.20	\$5.49	\$5.55	\$7.43
DPS	\$1.52	\$1.72	\$1.84	\$2.00	\$2.16	\$2.32	\$2.52	\$2.72	\$2.77	\$2.81	\$2.84	\$3.62
Shares¹	1,399	1,369	1,354	1,341	1,352	1,354	1,345	1,333	1,325	1,288	1,250	1,200

Medtronic has grown its earnings-per-share by only 2.8% per year on average over the last nine years. This is a low growth rate but it has partly resulted from temporary headwinds, such as high cost inflation and supply chain issues.

The company has reduced its share count by only -1% per year on average over the last nine years. Moving forward, we anticipate that share repurchases will continue to aid bottom line growth to a small degree. In addition, Medtronic's pipeline in new treatments could lead to further market share gains.

The pandemic formed a headwind for Medtronic, especially with the deferral of elective procedures, but the company has proved resilient in the last four years, with record earnings in 2022. Medtronic benefits from long-term healthcare trends. Moreover, we expect business performance to improve as soon as supply chain issues ease and cost inflation moderates. Overall, we expect Medtronic to grow its earnings-per-share by 6.0% per year on average until 2031.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	17.3	17.7	17.3	17.3	22.6	24.4	21.2	16.3	15.9	15.7	14.8	17.0
Avg. Yld.	2.0%	2.1%	2.2%	2.2%	2.1%	2.1%	2.1%	3.1%	3.3%	3.3%	3.5%	2.9%

¹ In millions.

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Excluding the years 2020 and 2021, in which shares of Medtronic had an abnormally high price-to-earnings ratio due to low earnings, shares have traded hands at an average price-to-earnings ratio of 17.0 over the last decade. We believe that this is a fair valuation baseline, taking into consideration the quality of the company and average growth prospects. The stock is currently trading at an earnings multiple of 14.8. If it trades at fair valuation level in five years, it will enjoy a 2.8% annualized gain in its returns.

Medtronic has an exceptional dividend growth record, with 47 consecutive years of dividend growth. It has grown its dividend by 9.7% per year on average over the last decade and by 5.6% per year on average over the last 5 years, though the last two dividend raises were only 1.5% and 1.4%. The 3.5% dividend yield is not spectacular, but investors should be encouraged by the safety and growth over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	35%	37%	39%	38%	47%	52%	45%	51%	53%	51%	51%	49%

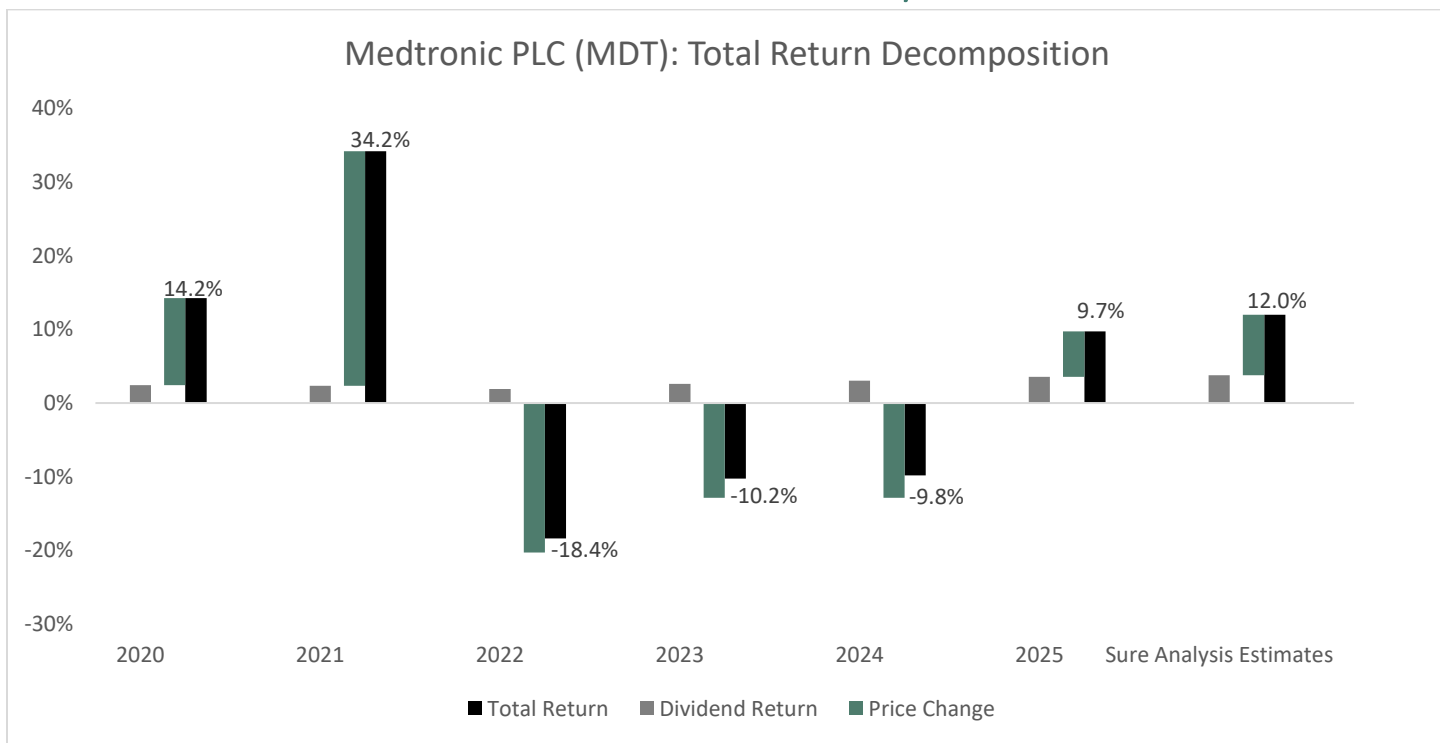
Medtronic's most compelling competitive advantage is its intellectual leadership in a complicated industry within the healthcare sector. Medtronic also has a strong product pipeline that should drive its growth for the foreseeable future.

In the Great recession, Medtronic proved resilient, with earnings-per-share of \$2.61, \$2.92, \$3.22, \$3.37, and \$3.46 during the 2007 through 2011 stretch. In addition, the dividend kept on rising every year as well. While the payout ratio has been climbing from 25% in 2009 to 51% today, there is still ample room for dividend growth combined with share repurchases. Moreover, Medtronic has a rock-solid balance sheet, which is essential during downturns.

Final Thoughts & Recommendation

From a quality, earnings and dividend growth standpoint, Medtronic is attractive. The stock could offer a 12.0% total annual return over the next five years thanks to 6.0% growth of earnings-per-share, its 3.5% dividend and a 2.8% potential valuation tailwind. The stock appears attractive from a long-term perspective and receives a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	28,833	29,710	29,953	30,557	28,913	30,117	31,686	31,227	32,364	33,537
Gross Profit	19,691	20,416	20,886	21,402	19,489	19,634	21,541	20,508	21,148	21,905
Gross Margin	68.3%	68.7%	69.7%	70.0%	67.4%	65.2%	68.0%	65.7%	65.3%	65.3%
SG&A Exp.	9,469	10,018	10,238	10,418	10,109	10,148	10,292	10,415	10,736	10,849
D&A Exp.	2,820	2,917	2,644	2,659	2,663	2,702	2,707	2,697	2,647	2,861
Operating Profit	5,960	5,986	6,034	6,632	5,222	4,895	5,908	5,830	5,520	6,540
Operating Margin	20.7%	20.1%	20.1%	21.7%	18.1%	16.3%	18.6%	18.7%	17.1%	19.5%
Net Profit	3,538	4,028	3,104	4,631	4,789	3,606	5,039	3,758	3,676	4,662
Net Margin	12.3%	13.6%	10.4%	15.2%	16.6%	12.0%	15.9%	12.0%	11.4%	13.9%
Free Cash Flow	4,172	5,626	3,616	5,873	6,021	4,885	5,978	4,580	5,200	5,185
Income Tax	798	578	2,580	547	(751)	265	456	1,580	1,133	936

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	99,644	99,857	91,393	89,694	90,689	93,083	90,981	90,948	89,981	91,680
Cash & Equivalents	2,876	4,967	3,669	4,393	4,140	3,593	3,714	1,543	1,284	2,218
Accounts Receivable	5,562	5,591	5,987	6,222	4,645	5,462	5,551	5,998	6,128	6,515
Inventories	3,473	3,338	3,579	3,753	4,229	4,313	4,616	5,293	5,217	5,476
Goodwill & Int. Ass.	68,399	61,922	61,266	60,519	58,904	59,701	56,097	56,269	54,211	53,404
Total Liabilities	47,581	49,527	40,571	39,482	39,817	41,481	38,259	39,283	39,561	43,424
Accounts Payable	1,709	1,555	1,628	1,953	1,996	2,106	2,276	2,662	2,410	2,449
Long-Term Debt	30,881	33,373	25,737	25,299	24,747	26,318	24,114	24,300	25,024	28,516
Shareholder's Equity	52,063	50,208	50,720	50,091	50,737	51,428	52,551	51,483	50,214	48,024
LTD/E Ratio	0.59	0.66	0.51	0.51	0.49	0.51	0.46	0.47	0.50	0.59

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	3.4%	4.0%	3.2%	5.1%	5.3%	3.9%	5.5%	4.1%	4.1%	5.1%
Return on Equity	6.7%	7.9%	6.2%	9.2%	9.5%	7.1%	9.7%	7.2%	7.2%	9.4%
ROIC	4.1%	4.8%	3.9%	6.1%	6.3%	4.7%	6.5%	4.9%	4.9%	6.1%
Shares Out.	1,399	1,369	1,354	1,341	1,352	1,354	1,345	1,333	1,330	1,290
Revenue/Share	20.22	21.35	21.89	22.51	21.40	22.24	23.45	23.43	24.33	26.00
FCF/Share	2.93	4.04	2.64	4.33	4.46	3.61	4.42	3.44	3.91	4.02

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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