

Medtronic, Inc. (NYSE:MDT)



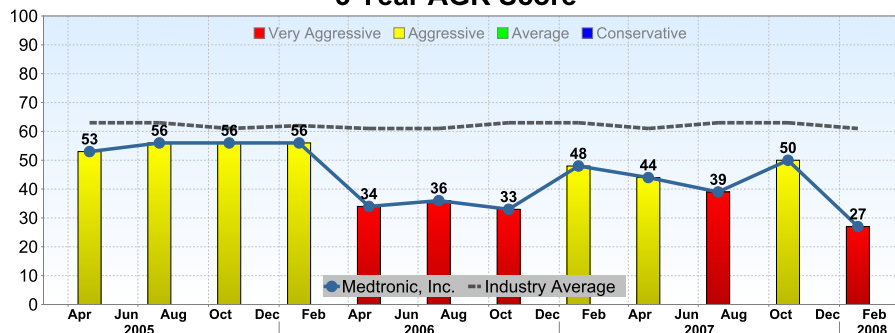
Accounting & Governance Risk Overview

AGR Rating: **Very Aggressive** AGR Score: **27** (3rd Percentile)

Industry: Medical Equipment & Supplies Period End: Jan 25, 2008 (Fiscal 2008 Q-3)
 Market Cap: \$56,533.18 mm Last Audit: PriceWaterhouseCoopers LLP

SEC Filing: Mar 4, 2008 (10-Q)
 Rating Published: Apr 21, 2008

3 Year AGR Score



OVERVIEW

Medtronic, Inc. is currently rated as having **Very Aggressive** Accounting & Governance Risk (AGR), receiving an AGR Score of 27 out of a possible 100. This places them in the 3rd percentile among all companies, indicating higher accounting and governance risk than 97% of companies.

GOVERNANCE METRICS

Metrics			Metric Tests	
Metric Name	Metric Impact	% Total	Industry Comparison	Company Change
Corporate Governance Events			-17.7	
Litigation-Regulatory Issues	-6.1	-8.3%	🔴	
Ratio of CEO to CFO Total Compensation	-5.9	-8.1%	🔴	
Avg Ratio of Incentive to Annual Comp of Other Officers	-2.9	-3.9%	🔴	
Average Tenure (years) of the CEO and CFO	-2.8	-3.9%		🔴
High Risk Events			-20.2	
Divestitures	-5.8	-7.9%	🔴	
Mergers-Acquisitions	-5.7	-7.8%	🔴	
Restructuring	-4.6	-6.3%	🔴	
Share Repurchases	-4.1	-5.7%	🔴	

ACCOUNTING METRICS

Metrics			Metric Tests	
Metric Name	Metric Impact	% Total	Industry Comparison	Company Change
Revenue Recognition			-7.8	
AR/Sales	-4.2	-5.8%	🔴	
Unusual Income/Revenues	-3.6	-4.9%		🔴
Asset-Liability Valuation			-13.2	
Goodwill/Total Assets	-4.0	-5.5%	🔴	
Intangible Assets/Assets	-3.5	-4.8%		🔴
Long-Term Investments/Assets	-3.4	-4.6%		🔴
Pension Assets Expected Return Domestic	-2.3	-3.2%	🔴	
Expense Recognition			-14.1	
Deferred Income Tax Assets LT/Operating Exp	-4.4	-6.0%		🔴
Prepaid Expenses/Operating Expenses	-3.9	-5.4%	🔴	
Cost of Goods Sold/Revenues	-2.9	-4.0%	🔴	
Selling G&A Expenses/Operating Expenses	-2.9	-4.0%		🔴

RISK MODELS

published on Apr 21, 2008

EQUITY RISK FACTOR

Substantially Underperform Market

Worst **1** 2 3 4 5 Best

Companies with a 1 Equity Risk ranking, as a group, have substantially underperformed the market

CLASS ACTION LITIGATION

High Risk vs. All Companies

Worst **1** 2 3 4 5 Best

Medium Risk vs. Peer Companies

Worst 1 **2** 3 4 5 Best

10.2% probability of a Securities Litigation within one year

FINANCIAL RESTATEMENT

High Risk

Worst **1** 2 3 4 5 Best

5.0% probability that the current quarter (fiscal 2008 Q-3) financial statements will be materially restated in the future

The above rankings are from statistical models based on the Audit Integrity AGR, and are updated quarterly to reflect the latest available information.

AGR WATCH

as of May 22, 2008

Recent Events (see below) will potentially have a negative impact on the next AGR Score. When shown below, an AGR Watch flag indicates the risk of a decline in AGR.

Based on a review of Recent Events, there is no AGR Watch at this time

RECENT EVENTS

since Jan 25, 2008

Company High Risk and Corporate Governance Events occurring after the current financial period end date that might negatively impact the next period's AGR Score.

Governance

- Accounting Issues
- Amended Filings
- Auditor Switch
- Class Action Lawsuit
- Insider Trading (Sales)
- Late Filings
- Litigation-Regulatory Issues** ✓
- Officer Changes
- SEC Action

High Risk Events

- Divestitures
- Exchange Change
- Mergers-Acquisitions** ✓
- Restructuring** ✓
- Share Repurchases

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Accounting & Governance Risk Impact

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Risk Impact: The Accounting & Governance Risk rating (AGR) is based on analysis of an extensive number of potential risk indicators, or Metrics. Not all Metrics have been found to be statistically predictive of fraud-related risk. The full set of Metrics tested is listed below, with those "flagged" as AGR risk indicators in **red** and other risks in **yellow**. Metrics are flagged due to significant changes when compared to company history or industry peers.

GOVERNANCE METRICS	AGR Impact	Company Metric Values (01/25/2008)				Industry Metric Values			Persistence		Metric Operation Percentiles		
		Company Value	Year Ago	1-Year Change	Percent Change	Industry Average	Difference to Ind. Average	Percent Difference	Last Year	Past 3 Years	Compared To Industry	1-Year Change	2-Year Volatility
Corporate Governance Events	-17.7												
Litigation-Regulatory Issues	-6.1	1	1	0	.0%	.076	.924	1214.3%	▼	▼	96		
Ratio of CEO to CFO Total Compensation	-5.9	12.468				2.087	10.381	497.5%	▼	▼	97		
Avg Ratio of Incentive to Annual Comp of Other Officers	-2.9	6.631	.238	6.392	2681.0%	.692	5.939	858.9%	▼	▼	99		
Average Tenure (years) of the CEO and CFO	-2.8	12.327	16.126	-3.799	-23.6%	5.144	7.184	139.7%	▼		88		
Accounting Issues		0	0	0		.000	.000						
Amended Filings		0	0	0		.109	-.109	-100.0%				54	
Auditor Qualified Opinion		0	0	0								No	
Average Tenure (years) of Independent Directors		6.521	7.546	-1.025	-13.6%	5.907	.614	10.4%	▼			58	
Average Tenure (Years) of Other Officers		4.909	4.602	.306	6.7%	4.503	.406	9.0%				55	
Avg of Options Outstanding/Annual Comp, Other Officers			2.085			1.282			▼				
Avg Ratio of Incentive to Annual Comp of CEO & CFO		3.769				.879	2.890	328.9%	▼	▼	90		
CEO or CFO Degree from Institution of Unclear Accred		0	0	0								No	
Chairman Is Also CEO		0	1	-1	-100.0%							No	
Class Action Lawsuit		1	0	1					▼			Yes	
Insider Trading (Sales)		.000	.000	.000	.7%	.009	-.008	-95.3%				5	
Late Filings		0	0	0		.092	-.092	-100.0%				70	
Officer Changes		0	0	0		.000	.000						
Other Officer Degree from Institution of Unclear Accred		0	0	0								No	
Pct O&D with Elite Graduate Degree		0	0	0	10.1%	.120	.176	147.0%				90	
Pct O&D with Elite Undergraduate Degree		0	0	0	28.4%	.060	.089	148.7%				86	
Pct of Officers who left Previous Company in Crisis		0	0	0		.033	-.033	-100.0%				37	
Percent Directors Who Are Officers		.091	.091	.000	.0%	.167	-.076	-45.5%				5	
Restated Filings		0	0	0		.000	.000						
SEC Action		0	0	0								No	
High Risk Events	-20.2												
Divestitures	-5.8	1	3	-2	-66.7%	.130	.870	666.7%	▼	▼	93		
Mergers-Acquisitions	-5.7	4	1	3	300.0%	.516	3.484	674.7%	▼	▼	99		
Restructuring	-4.6	1	0	1					▼			Yes	
Share Repurchases	-4.1	1	1	0	.0%	.147	.853	581.5%	▼	▼	95		
Exchange Change		0	0	0								No	
Public Offering Occurred		0	0	0								No	
R&D Expenses/Operating Expenses		.101	.139	-.038	-27.4%	.101	.000	.0%				50	

ACCOUNTING METRICS	AGR Impact	Company Metric Values (01/25/2008)				Industry Metric Values			Persistence		Metric Operation Percentiles		
		Company Value	Year Ago	1-Year Change	Percent Change	Industry Average	Difference to Ind. Average	Percent Difference	Last Year	Past 3 Years	Compared To Industry	1-Year Change	2-Year Volatility
Revenue Recognition	-7.8												
AR/Sales	-4.2	.875	.862	.013	1.5%	.611	.264	43.2%	▼	▼	84	56	8
Unusual Income/Revenues	-3.6	.221				.110	.112	101.5%				61	91
Cash Conversion Cycle (Last Qtr)		176.941	194.501	-17.560	-9.0%	108.665	68.276	62.8%				77	35
Doubtful Accounts Allowance/Gross Receivables		.051	.068	-.017	-25.6%	.032	.019	60.4%				68	23
Inventory/Operating Revenues		.384	.433	-.049	-11.3%	.568	-.184	-32.5%				19	29
Operating Revenues/Operating Expenses		1.041	1.442	-.401	-27.8%	1.007	.034	3.4%				56	8
Work In Progress/Inventory		.179	.163	.016	9.8%	.164	.015	9.2%				56	72
Asset-Liability Valuation	-13.2												
Goodwill/Total Assets	-4.0	.352	.223	.129	57.7%	.158	.193	122.1%				82	91
Intangible Assets/Assets	-3.5	.106	.079	.026	32.8%	.074	.032	43.2%				64	82
Long-Term Investments/Assets	-3.4	.105	.152	-.047	-30.7%	.041	.065	159.0%	▼	▼	83	18	80
Pension Assets Expected Return Domestic	-2.3	8.750	8.750	.000	.0%	8.000	.750	9.4%	▼	▼	81	50	35
Accrued Expenses Payable/Operating Expenses		.121	.163	-.042	-26.0%	.235	-.114	-48.6%	▼			10	20
Altman Z-Score (Last Qtr)		2.146	2.390	-.245	-10.2%	.368	1.778	482.8%				71	32
AP/Current Liabilities		.112	.128	-.016	-12.5%	.314	-.202	-64.4%	▼	▼	9	28	56
Asset Turnover (Last Qtr)		.649	.634	.015	2.3%	.843	-.194	-23.1%				30	56
Asset Writedown/Operating Expenses		.024				.143	-.120	-83.4%				16	
Fixed Asset Turnover (Last Qtr)		6.206	6.194	.013	.2%	8.212	-2.006	-24.4%	▼			35	47
Operating Lease Gross Payments Due/Liabilities		.024	.029	-.005	-17.8%	.133	-.109	-82.1%				2	32
Other Liabilities/Liabilities		.119	.036	.083	232.1%	.064	.055	86.1%	▼			68	94
Other Long-Term Investment/Long-Term Investment		1.000	1.000	.000	.0%	1.000	.000	.0%				51	40
Payable Days Outstanding (Last Qtr)		34.774	39.185	-4.412	-11.3%	51.645	-16.871	-32.7%				31	29
Pension Comp Expected Rate of Increase Domestic		4.000	4.000	.000	.0%	4.165	-.165	-4.0%				33	50
Pension Liability Discount Rate Domestic		6.000	6.000	.000	.0%	5.975	.025	.4%				57	49
PPE/Assets		.104	.102	.002	2.4%	.093	.011	11.4%				56	57
Proj Benefit Obligation Pension/Liabilities		.099	.121	-.021	-17.8%	.135	-.036	-26.4%				41	20

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Accounting & Governance Risk Impact

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ACCOUNTING METRICS	AGR Impact	Company Metric Values (01/25/2008)				Industry Metric Values			Persistence		Metric Operation Percentiles		
		Company Value	Year Ago	1-Year Change	Percent Change	Industry Average	Difference to Ind. Average	Percent Difference	Last Year	Past 3 Years	Compared To Industry	1-Year Change	2-Year Volatility
Proj Post-Retirement Benefit Obligation/Liabs		.017	.020	-.004	-17.8%	.039	-.022	-57.4%	▼	▼	16	17	46
Purchased R&D Written Off/Operating Expenses		.095				.155	-.060	-38.9%			39		77
Short-Term Investments/Assets		.027	.063	-.036	-57.2%	.255	-.228	-89.4%		▼	3	16	86
Expense Recognition	-14.1												
Deferred Income Tax Assets LT/Operating Exp	-4.4					.102			▼				85
Prepaid Expenses/Operating Expenses	-3.9	.150	.236	-.086	-36.5%	.079	.071	89.3%	▼	▼	80	16	16
Cost of Goods Sold/Revenues	-2.9	.256	.254	.001	.5%	.465	-.210	-45.1%	▼	▼	16	52	22
Selling G&A Expenses/Operating Expenses	-2.9	.369	.491	-.122	-24.8%	.439	-.070	-15.9%			29	13	36
Deferred Income Tax Assets Current/Operating Exp		.183	.211	-.028	-13.1%	.110	.073	65.8%			70	36	51
Depreciation Expenses/PPE		.081	.069	.012	17.1%	.089	-.008	-8.7%			43	75	35

▼ high frequency of flags over recent quarters (75%+) ▼ moderate frequency of flags over recent quarters (50%+)

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Accounting & Governance Metric Definitions

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Metric Definitions: The definitions below are for Metrics that Audit Integrity has "flagged" as being of concern for potential misreporting. Audit Integrity determines Flagged Metrics based on a statistical review of corporate fraud cases to identify Metrics most predictive of fraud and abuse. These Metrics are analyzed for each company, to identify extreme values and flag the outliers. A high number of **Flagged Metrics** leads to a low (poor) AGR Score. The **AGR Impact** number indicates the points deducted for each Flagged Metric.

GOVERNANCE

Metric Name / Metric Relevance	AGR Impact
Corporate Governance Events	-17.7
Oversight Number of Litigation/Regulatory Issues, Trailing 12 Mths	-6.1
A litigation or regulatory issue is a red flag for corporate governance problems. Companies currently experiencing litigation with other corporations or with shareholders, or companies experiencing problems with the government, have a heightened risk of governance or financial problems. Moreover, companies experiencing a high number of such litigation or regulatory issues have compounded risks of governance or financial problems. Conversely, conservatively managed companies tend to have comparably lower rates of litigation.	
Ratio of CEO to CFO Total Compensation	-5.9
Excessively steep compensation increases as one goes up the corporate hierarchy indicate the possibility of senior management exercising undue influence over the compensation committee.	
Average Ratio of Incentive Comp to Annual Comp of Officers (excluding CEO & CFO)	-2.9
The relatively large incentive compensation in a given period is both a corporate governance red flag and an economic red flag. Large-scale incentive income may indicate that company executives have incentives toward short-term profits and stock gains over longer-term health of the company. Performance-based compensation, can motivate executives to manipulate company books in order to boost earnings and thus increase the value of executive options. Additionally, excess compensation also indicates significant dilution of company stock, income or both, and should be reviewed carefully.	
Average Tenure (Years) of the CEO and CFO	-2.8
High Turnover and a relative lack of experience in company officers is a red flag for corporate governance issues. Lack of the directly relevant experience and an authoritarian corporate culture can create an increased probability that officers of a firm may fail to detect obvious operational or accounting problems or feel unempowered to confront fellow managers over obvious problems. Although young executives are not necessarily problematic, an overall lack of executive experience compared to company peers is a disadvantage.	
High Risk Events	-20.2
Corporate Number of Divestitures, Trailing 12 Mths	-5.8
Engaging in comparably more divestitures or spinoffs than a company's peers is a red flag for corporate governance issues. Divestitures/spinoffs are business events in which aggressive accounting is commonly practiced. This aggressiveness is associated, in part, with the desire of company management to re-shape the look of its balance sheet. It is also due, in part, to the fact that normal operating expenses often are misclassified during divestiture/spinoffs as one-time events, thus improving net income before extraordinary items (the primary focus of earnings analysis).	
Corporate Number of Mergers, Trailing 12 Mths	-5.7
Comparably large numbers of mergers and acquisitions is a red flag for corporate governance issues. In other words, an acquisitive nature is a characteristic of some companies' strategies, and is inherently risky. Acquisitive companies sometimes buy non-viable companies in order to boost short-term revenues, and the management of these firms may take advantage of merger or acquisitions as a way to manipulate Purchased Research and Development and Goodwill accounts in order to boost earnings.	
Corporate Restructuring Occurred, Trailing 12 Mths	-4.6
Corporate restructurings is a red flag for one-time event risk. In restructurings or reorganizations, companies often are facing financial problems that they are highly motivated to resolve in terms of their financial reporting. One common temptation is to exaggerate the amount of expenses involved in the restructuring by incorrectly including some operating expenses. This boosts future earnings, in essence, by moving back-loading expenses in time.	

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GOVERNANCE

Metric Name / Metric Relevance	AGR Impact
Corporate Number of Share Repurchases, Trailing 12 Mths	-4.1
<p>Stock repurchases is a red flag for corporate governance issues. Share repurchases can sometimes reflect attempts by management to artificially boost the company's earnings per share, reflecting attempts to increase stock value through earnings per share increases or, alternatively, to offset earnings per share dilution associated with employee stock option programs. A company should repurchase its shares only when its stock is trading below management's best estimate of value and when no better opportunities to invest in the business are available.</p>	

ACCOUNTING

Metric Name / Metric Relevance	AGR Impact
Revenue Recognition	-7.8
Accounts Receivable over Sales	-4.2
<p>Accounts receivable build-ups can signal a broad range of revenue recognition issues. Unusual increases in accounts receivable relative to revenues may indicate questionable revenues. Similarly, large accounts receivable may indicate underreserving for uncollectible or doubtful accounts. High ratios of receivables to sales, particularly in combination with inventory build-ups, underfunded unearned revenue accounts, or other evidence of account manipulation can in total indicate high risks of revenue recognition problems.</p>	
Unusual Income over Revenues	-3.6
<p>Comparably large unusual income is a red flag for non-recurring event risk. Such unusual income is subject to less scrutiny by stock analysts because of its position on the income statement. As a result, corporate managers are tempted to report income of more questionable timing in this category. Analysts should look for signs of chronic reporting of unusual income (or losses), which might more appropriately be reported under operating income (or expense).</p>	
Asset-Liability Valuation	-13.2
Goodwill over Total Assets	-4.0
<p>Large Goodwill is a red flag for overvalued assets. When a company is acquired for more than the value of its fixed assets and intangibles, the buying company books a large amount of goodwill on its balance sheet. Purchase accounting rules allow firms to keep many acquisition costs off the income statement, and as these so-called purchase accounting liabilities are written up, goodwill increases. In future periods, managers of big acquisition firms often are forced to book impairment expenses on this goodwill.</p>	
Intangible Assets over Assets	-3.5
<p>Excessively large intangibles is a red flag for overvalued assets. Elements of intangible assets - including patents, brands, etc. - are particularly difficult to value. In the new economy, the value of companies has been shifting markedly from tangible assets ("bricks and mortar") to intangible assets like intellectual capital. These invisible assets are the key drivers of shareholder value in this new economy. Management may be tempted to overvalue these assets initially or to select a longer than appropriate amortization period order to improve the look of the balance sheet.</p>	
Investments Long Term over Assets	-3.4
<p>Comparably high long-term investment values is a red flag for overvalued assets. Such an overvaluation most commonly would result from a misclassification of the investment. A company may classify its residual ownership in a publicly offered equity holding as "trading" securities, rather than as "available for sale" securities, and consequently recognize a gain on the unrealized appreciation of that holding. By selecting the "trading" designation, a company may be able to immediately mark the securities up to the higher market value and record the additional increase as a gain in the current period.</p>	
Pension Assets Expected Return Domestic	-2.3
<p>Relatively high expected returns on assets is a red flag for expense recognition issues for a company. The pension asset return assumption is the most critical actuarial assumption in calculating pension expenses and, by design in GAAP, is the one most subject to manipulation. Although using unrealistically high return assumptions is allowed by GAAP, companies that aggressively use such assumptions are much more likely than other firms to practice aggressive accounting in other areas.</p>	
Expense Recognition	-14.1
Deferred Income Tax Assets Long Term over Operating Expenses	-4.4
<p>Excessive deferred income tax assets is a red flag for expense recognition issues. A company could report overstated Deferred Tax Assets as a result of management forecasting unrealistic future earnings/losses or being aggressive in recording restructuring costs. This would allow the company to benefit from the Deferred Tax Assets (by carrying forward and using the losses in a future period). In addition, management may fail to record an adequate valuation allowance, as is required by FASB 109. This lack of valuation allowance overstates assets and understates current period expenses.</p>	
Prepaid Expenses over Operating Expenses	-3.9
<p>Large prepaid expenses can indicate problems with a company's expense recognition. The company may erroneously capitalize expenses (as "prepaid expenses"), which artificially decreases operating expenses and increases net income. The company may be recording erroneous entries in the prepaid expenses account to intentionally overstate sales or understate expenses. This is one of many techniques by which companies can convert operating expenses into assets in order to boost current earnings.</p>	

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ACCOUNTING

Metric Name / Metric Relevance	AGR Impact
Cost of Good Sold over Revenues	-2.9
Relatively low or declining cost of goods sold (COGS) is a primary indicator for possible expense recognition problems. If a company has much lower COGS per dollar of revenue than its peers or has experienced declining COGS in relation to sales, then one of two situations must pertain. Either the company is more operationally efficient than its competitors, or certain expenses are being excluded from the COGS account. In particular, management may be misclassifying costs into other areas, such as SG&A. Alternatively, management may be capitalizing costs that should be expensed as COGS.	
Selling General and Administrative Expenses over Operating Expenses	-2.9
Comparably low SG&A expenses is a red flag for expense recognition issues. Management may manipulate these expenses in many ways: through the intentional underaccruing of expenses; by offsetting the expenses against operating expenses in one of the liability "reserve" accounts; by capitalizing SG&A expenses (on the Balance Sheet) instead of recording them as operating expenses; or by netting a gain from a sale of affiliate against SG&A expense, artificially lowering recurring expenses.	

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Company Events: The Events below are a consolidated and filtered list of the most important corporate news and activities related to accounting and governance risk. Through extensive analysis of historical risk factors, Audit Integrity has identified the most important risk indicators, and tracks these Events daily. Events occurring after the latest Period End date have not yet been included in the AGR Score. These Events are incorporated into **AGR Watch** as having a potential impact on the next AGR Score.

May 6, 2008 Restructuring or Reorganization	Medtronic, Inc. To Eliminate About 1,100 Positions-Reuters. Reuters reported that Medtronic, Inc. to eliminate about 1,100 positions this fiscal year in parts of its business where growth rates have slowed. The company, based in Minneapolis, will consolidate certain manufacturing and research and development operations as part of a realignment of its global work force.
Apr 22, 2008 Merger or Acquisition	Medtronic, Inc. Signs Agreement To Acquire Restore Medical. Medtronic, Inc. announced that the companies have signed a definitive agreement under which Medtronic will pay \$1.60 per share in cash for each share of Restore Medical stock. The total value of the transaction, including payment of Restore Medical debt will be approximately \$29 million. The transaction, which is anticipated to close within 90 days, is expected to be accretive to Medtronic earnings in the first full fiscal year after closing.
Feb 20, 2008 Litigation or Regulatory Issues	Medtronic, Inc. Statement Regarding U.S. Supreme Court's Favorable Decision In Riegel v. Medtronic, Inc.. Medtronic, Inc. announced that The U.S. Supreme Court ruled 8 to 1 in favor of the Company in Riegel v. Medtronic, Inc. The decision reaffirms that the U.S. Food and Drug Administration (FDA) pre-market approval process for medical devices, which expertly balances the patient benefits and risks, appropriately preempts state tort lawsuits involving devices approved through that process. The Court ruled that Congress has granted the FDA the exclusive authority to assess the proper balance in its pre-market review of the device. The decision of the Court is the first ever to rule on the legal effect of FDA pre-market device approval on tort lawsuits.
Jan 25, 2008 Asset Write-Downs	The company booked a significant Asset Write-Downs in the current period. The company booked Asset Write-Downs of 78.000 million dollars for the current quarter.
Dec 21, 2007 Divestiture or Spin-Offs	Meldtronic, Inc. Divests Medical Instrumentation Production Plant to Sandvik AB. Meldtronic, Inc.: Sandvik AB announced that it has entered into an agreement with the Medtronic, Inc. concerning the acquisition of a manufacturing plant that specializes in medical instruments for spinal surgery. The plant is located in Memphis, Tennessee, in the United States, and the acquisition is expected to be concluded during the first quarter of 2008. The plant has 110 employees. The financial terms of the acquisition were not included.
Dec 21, 2007 Litigation or Regulatory Issues	Medtronic, Inc. Resolves Marquis Defibrillator Lawsuits. Medtronic, Inc. announced that it has entered into an agreement to settle lawsuits relating to its Marquis line of implanted cardiac defibrillators that were the subject of a field action announced February 11, 2005. Under terms of the settlement, Medtronic has agreed to settle 2,682 cases for \$95.6 million plus \$18.5 million in attorneys' fees. The parties will file joint requests to the Court for termination of the Multi-District Litigation (MDL) proceedings related to the Marquis devices, as well as requests for dismissal of the cases. The settlement can be terminated by either party if the MDL proceedings are not terminated. The settlement is a compromise of disputed claims, and the parties have not admitted any liability or the validity of any defenses in the litigation.
Nov 8, 2007 Shareholder Federal Lawsuit	A securities-related class action lawsuit was recently filed against the company.
Nov 2, 2007 Merger or Acquisition	Medtronic, Inc. And Kyphon Inc. Complete Merger. Medtronic, Inc. announced that it has completed its acquisition of Kyphon Inc. Under the terms of the agreement announced on July 27, 2007, Kyphon shareholders will receive \$71.00 per share in cash for each share of Kyphon common stock they own. The total value of the transaction, including payment of Kyphon debt, was approximately \$4.2 billion. Medtronic financed the transaction primarily using cash on hand.
Oct 10, 2007 Merger or Acquisition	Biophan Technologies Completes Deal With Medtronic, Inc.. Medtronic, Inc.: Biophan Technologies announced that it has closed the recently announced sale of the MRI safety portion of Biophan's patent portfolio to the Company. Biophan received a final payment of \$10 million, in addition to the \$1 million received previously.
Sep 11, 2007 Merger or Acquisition	Medtronic, Inc. And Kyphon Inc. Announces Early Termination Of Hart-Scott-Rodino Waiting Period For Merger. Medtronic, Inc. and Kyphon Inc. announced that the Federal Trade Commission (FTC) and the U.S. Department of Justice, Antitrust Division have granted early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in connection with the previously announced merger agreement between Kyphon and Medtronic, Inc. Completion of the transaction, is expected during the first quarter of 2008.
Sep 6, 2007 Restructuring or Reorganization	Medtronic, Inc. To Cut Jobs Amid Slowdown In Key Market-Reuters. Reuters reported that Medtronic, Inc. feeling the pinch of a slowdown in one of its key markets, will eliminate about 900 jobs, or about 2.4% of its work force, generating annual savings of \$125 million. Of those positions, 349 had been cut as of July 27, 2007. The job cuts will be realized through early retirement packages, voluntary and involuntary separations and substantially completed by the end of its fiscal year in April 2008.
Aug 23, 2007 Officer/Director Change	Medtronic, Inc. Appoints William A. Hawkins As President And CEO. Medtronic, Inc. announced that it has appointed William A. Hawkins to the position of President and Chief Executive Officer (CEO).
Aug 9, 2007 Merger or Acquisition	Medtronic, Inc. To Acquire Biophan Technologies' MRI Safety Technology For \$11 Million. Medtronic, Inc.: Biophan Technologies announced that the company has entered into a definitive agreement with Medtronic, Inc. to acquire Biophan's MRI safety patents in a transaction worth \$11 million in cash. The transaction is anticipated to close within 60 days. Under the terms of the agreement, Biophan will transfer to Medtronic its MRI safety patent portfolio, which includes technologies that make medical devices, such as pacemakers, safe for use with MRI.

AGR Rating: **Very Aggressive** AGR Score: **27 (3rd Percentile)**

Industry: Medical Equipment & Supplies Period End: Jan 25, 2008 (Fiscal 2008 Q-3) SEC Filing: Mar 4, 2008 (10-Q)
 Market Cap: \$56,533.18 mm Last Audit: PriceWaterhouseCoopers LLP Rating Published: Apr 21, 2008

<p>Jul 27, 2007 Merger or Acquisition</p>	<p>Medtronic, Inc. To Acquire Kyphon For \$3.9 Billion. Medtronic, Inc. and Kyphon announced that the companies have signed a definitive merger agreement under which Medtronic will acquire all of the outstanding shares of Kyphon for \$71 per share in cash. The transaction is valued at approximately \$3.9 billion. This excludes \$320 million in payments associated with the St. Francis Medical Technologies, Inc. and Disc-O-Tech Medical Technologies, Ltd. transactions. The transaction is anticipated to close in the first calendar quarter of 2008. The transaction will be financed by a combination of cash on the balance sheet and debt.</p>
<p>Jun 22, 2007 Share Repurchases</p>	<p>Medtronic, Inc. Announces Dividend; Announces Increase In Share Repurchase Plan. Medtronic, Inc. announced that the Board of Directors has approved a cash dividend of \$0.125 per share of the Company's common stock. The new dividend is an increase of nearly 14% over the fiscal year 2007 quarterly dividends of \$0.11 per share. The dividend is payable on July 27, 2007, to shareholders of record at the close of business on July 6, 2007. In addition, the Board has increased its Share Repurchase Plan, authorizing Medtronic to purchase an additional 50 million shares of its common stock, representing approximately 4.4 % of the Company's current total common shares of common stock outstanding. This increases the total number of shares Medtronic is authorized to repurchase to approximately 60 million. Under the repurchase plan, the Company may make purchases from time to time through open market.</p>
<p>Apr 24, 2007 Merger or Acquisition</p>	<p>Medtronic, Inc. To Acquire Assets Of Breakaway Imaging, LLC. Medtronic, Inc. announced that it has exercised its option to acquire the O-arm Imaging System assets of Massachusetts-based Breakaway Imaging, LLC. The financial terms of the agreement, which is expected to close in June, are not being disclosed.</p>
<p>Apr 11, 2007 Restructuring or Reorganization</p>	<p>Medtronic, Inc. Combines Vascular And Cardiac Surgery Businesses. Medtronic, Inc. announced that it has formed Medtronic CardioVascular, a new, global business combining the Company's existing Vascular and Cardiac Surgery businesses. The new CardioVascular business at the Company will bring together people, technology and worldwide operations focused on delivering products, treatments and therapies for coronary artery, vascular and structural heart disease.</p>
<p>Mar 26, 2007 Merger or Acquisition</p>	<p>Vision-Sciences, Inc. Closes Transaction With Medtronic, Inc.. Medtronic, Inc.: Vision-Sciences, Inc. announced that it has closed its transaction with Medtronic Xomed, Inc., a wholly owned subsidiary of Medtronic, Inc. The company signed a definitive agreement under which the company sold to Medtronic certain manufacturing assets for the production of the company's patented ENT sheath products. As part of the transaction, the company has granted Medtronic an exclusive, royalty-free worldwide license to certain Vision-Sciences intellectual property, for use in making and selling sheath products solely within the field of ENT (otorhinolaryngology). Under the terms of the agreement, Medtronic will pay the company up to \$34 million, of which \$27 million was paid at the closing. Up to an additional \$4 million will be paid upon the achievement of certain post-closing milestones related to the transition of manufacturing capability to Medtronic, and an additional \$3 million will be payable 15 months after closing, assuming the company has complied with its obligations under the agreement, and that Medtronic has not made any claims based on the company's representations and warranties under the agreements. As part of this transaction, the company will transfer its existing ENT production lines for the EndoSheath ENT products from its Natick, MA facility to the ENT business at Medtronic in Jacksonville, FL.</p>
<p>Feb 28, 2007 Officer/Director Change</p>	<p>Medtronic, Inc. Announces Appointment Of CEO. Medtronic, Inc. announced that effective August 23, 2007, at the Company's next annual shareholders meeting, William A. Hawkins, III, currently the Company's President and Chief Operating Officer, will become President and Chief Executive Officer (CEO) Of the Company.</p>
<p>Jan 16, 2007 Merger or Acquisition</p>	<p>Vision-Sciences, Inc. Announces Sale Of ENT Sheath Products To Medtronic, Inc.. Medtronic, Inc. : Vision-Sciences, Inc. announced that it has signed a definitive agreement under which Vision-Sciences will sell to Medtronic Xomed, Inc., a wholly owned subsidiary of Medtronic, Inc., certain manufacturing assets for the production of Vision- Sciences' patented ENT sheath products. Additionally, Vision-Sciences has granted the ENT business of Medtronic an exclusive, royalty-free worldwide license to Vision-Sciences' EndoSheath intellectual property, solely for use in making and selling sheath products within the field of ENT (otorhinolaryngology). Under the terms of the agreement, Medtronic will pay Vision-Sciences up to \$34 million, of which \$27 million will be payable at closing. Up to an additional \$4 million will be paid upon the achievement of certain post-closing milestones related to the transition of manufacturing capability to Medtronic, and an additional \$3 million will be payable approximately 15 months after closing, assuming Vision-Sciences has complied with its obligations under the agreement, and that Medtronic has not made any claims based on the Company's representations and warranties under the agreements.</p>
<p>Dec 4, 2006 Equity Financing, Divestiture or Spin-Offs</p>	<p>Medtronic, Inc. Announces Intent to Spin-Off Market Leading External Defibrillation Business. Medtronic, Inc. announced that its Board of Directors has authorized the spin-off of its Emergency Response Systems Business into a publicly traded, independent company, to operate under the name of Physio-Control, Inc. Estimated annual sales for the new company are approximately \$450 million (fiscal year 2007).</p>
<p>Nov 29, 2006 Litigation or Regulatory Issues</p>	<p>Court Denies Medtronic Inc. Motion in ICD Lawsuits. Medtronic Inc. announced that its motion for summary judgment on grounds of federal preemption in the Implantable Cardioverter Defibrillator (ICD) lawsuits pending in the Multidistrict Litigation (MDL) in Minneapolis was denied. Medtronic believes it has meritorious defenses to the litigation and intends to seek court approval to appeal the order. The Company's motion was filed in U.S. District Court in Minnesota before Judge James Rosenbaum, the federal judge overseeing the Medtronic MDL. In its motion, Medtronic said that the system Congress established to regulate vital medical devices allows companies to produce life-saving innovations under an umbrella of federal oversight, governed by the U.S. Food and Drug Administration (FDA). The FDA has said it is critical that its regulations pre-empt or supersede state law claims.</p>
<p>Sep 22, 2006 Divestiture or Spin-Offs</p>	<p>Mediwatch plc To Acquire Certain Properties From Medtronic Inc.. Medtronic, Inc.: Mediwatch plc announced that it has entered into a conditional agreement to purchase certain stock and to license certain intellectual property relating to urology diagnostics from Medtronic A/S, a subsidiary of Medtronic Inc. The consideration payable by Mediwatch is an amount equal to the agreed value of the assets up to a maximum amount of \$2.7 million (£1.5 million). Other terms of the transactions are not disclosed. Mediwatch also announced that it has arranged a conditional cash placing of up to 35,000,000 ordinary shares at 7.5p per share to raise in aggregate £2.46 million net of the expenses of the cash placing and acquisition. 28,974,588 ordinary shares have been conditionally placed at the date of this document to raise £2.1 million net of expenses to fund the consideration for the Acquisition and to provide the ongoing working capital requirements of the Company.</p>

Medtronic, Inc. (NYSE:MDT)



AGR Rating: **Very Aggressive** AGR Score: **27** (3rd Percentile)

Company Events

Industry: Medical Equipment & Supplies Period End: Jan 25, 2008 (Fiscal 2008 Q-3) SEC Filing: Mar 4, 2008 (10-Q)
Market Cap: \$56,533.18 mm Last Audit: PriceWaterhouseCoopers LLP Rating Published: Apr 21, 2008

Aug 22, 2006 Negative Earnings Surprise	Medtronic, Inc. Lowers FY 2007 And 2008 Guidance. Medtronic, Inc. announced that it has lowered its guidance for fiscal years 2007 and 2008. It expects fiscal 2007 revenues of \$12.2-\$12.6 billion and earnings per share (EPS) of \$2.30-\$2.38 and fiscal 2008 revenues of \$13.7-\$14.5 billion and EPS of \$2.65-\$2.75. According to Reuters Estimates, analysts on average were expecting the Company to report EPS of \$2.34 on revenues of \$12.25 billion in fiscal 2007 and EPS of \$2.71 on revenues of \$13.75 billion in fiscal 2008.
Apr 18, 2006 Debt Financing	Medtronic, Inc. Closes Sale of \$4.4 Billion Convertible Senior Notes. Medtronic, Inc. announced the closing of its sale of \$2.2 billion principal amount of Convertible Senior Notes due 2011 and \$2.2 billion principal amount of Convertible Senior Notes due 2013 to qualified institutional buyers.

Medtronic, Inc. (NYSE:MDT)



Risk Models

AGR Rating: **Very Aggressive** AGR Score: **27** (3rd Percentile)

Industry: Medical Equipment & Supplies
Market Cap: \$56,533.18 mm

Period End: Jan 25, 2008 (Fiscal 2008 Q-3)
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EQUITY PERFORMANCE	CLASS ACTION LITIGATION	FINANCIAL RESTATEMENT																																																									
Model of future total return of company stock based on accounting, governance, and related factors.	Model of risk of a securities-related Class Action Lawsuit being brought against company in the future.	Model of risk that a company will restate current period financials to correct accounting related errors.																																																									
<p>Ranking</p> <p>Worst 1 2 3 4 5 Best</p> <p>Substantially Underperform Market</p> <p>Company is expected to underperform 93% of the market over the next 3 months on a total return basis.</p>	<p>Ranking</p> <p>Worst 1 2 3 4 5 Best</p> <p>High Risk</p> <p>Company has a high risk (greater than 99% of all companies) of facing a securities related class action lawsuit in the next year.</p>	<p>Ranking</p> <p>Worst 1 2 3 4 5 Best</p> <p>High Risk</p> <p>Company has a high risk (greater than 95% of all companies) of restating the currently analyzed quarters' financial statements in the future to correct accounting mistakes.</p>																																																									
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AGR Rating: **Very Aggressive** AGR Score: **27** (3rd Percentile)

Fundamental Ratios

Industry: Medical Equipment & Supplies
Market Cap: \$56,533.18 mm

Period End: Jan 25, 2008 (Fiscal 2008 Q-3)
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SEC Filing: Mar 4, 2008 (10-Q)
Rating Published: Apr 21, 2008

Financial Condition: Weak (4)

(Based on Fiscal 2008 Q-3 Quarterly Statements)	Company Ratio	Industry Average		Company Ratio	Industry Average
Revenues			Liquidity		
Effective Tax Rate	43.0%	23.7%	Cash from Operations Growth (3-Yr)	15.9%	9.3%
Gross Profit Growth (3-Yr)	9.6%	14.5%	Current Ratio	1.889	3.577
Gross Profit Margin	74.4%	53.9%	Operating Cashflow over Current Liabilities	1.239	-.101
Revenue Growth (3-Yr)	10.4%	18.1%	Quick Ratio	1.212	2.301
Revenue per Share	3.022	3.37			
SG&A Margin	35.4%	53.4%			
Margins			Solvency		
EBIT Margin	29.3%	1.2%	Liabilities over Assets	.488	.306
EBITA Margin	29.3%	1.2%			
EBITDA Margin	34.7%	4.0%			
Income Margin Avail. for Common Sharehold.	2.3%	-1.0%			
Income Margin from Continuing Operations	2.3%	-1.0%			
Net Income Margin	2.3%	-.4%			
Normalized Net Interest Margin	16.3%	1.2%			
Growth			Leverage		
Earnings From Continuing Opts. Growth (3-Yr)	-47.9%	9.1%	Debt over EBITDA	.015	.0
EBIT Growth (3-Yr)	4.7%	10.3%	Debt over Equity	.636	.167
EBITA Growth (3-Yr)	3.4%	9.4%	Debt over Total Capital	.389	.156
EBITDA Growth (3-Yr)	6.2%	9.2%	Long-Term Debt over Capital	.315	.118
Net Income Growth (3-Yr)	-47.9%	8.8%	Long-Term Debt over Equity	.516	.105
Normalized Net Income Growth (3-Yr)	4.1%	9.4%	Net Debt over EBITDA	1.201	.318
Earnings per Share			Valuation		
Diluted EPS Growth (3-Yr)	-46.6%	-1.9%	Price to Book Value	5.128	2.75
Diluted EPS Before Extra Items Growth (3-Yr)	-46.6%	-2.9%	Price to Earnings	735.543	-1.66
Normalized Basic EPS	.493	-.05	Price to Tangible Book Value	47.695	3.76
Normalized Diluted EPS	.49	-.05			
Cashflow			Tangibility		
Levered Free Cashflow Growth (3-Yr)	6.0%	7.6%	Book Value per Share	9.731	2.34
Levered Free Cash Flow Margin	19.2%	-2.9%	Tangible Book Value Growth (3-Yr)	-37.9%	9.7%
Unlevered Free Cash Flow Growth (3-Yr)	5.5%	9.1%	Tangible Book Value per Share	1.046	1.38
Unlevered Free Cash Flow Margin	19.2%	-2.6%	Total Enterprise Value over EBIT	.618	-.008
			Total Enterprise Value over EBITDA	.523	.025
			Total Enterprise Value over Revenues	.181	.025
Dividends			Reinvestment		
Payout Ratio	183.117	18.529	Asset Growth Rate (3-Yr)	10.9%	13.7%
			Capital Expenditure Growth (3-Yr)	9.1%	8.6%
			Net PP&E Growth (3-Yr)	7.3%	10.0%
Efficiency			Capital		
Accounts Receivable Growth (3-Yr)	10.6%	11.3%	Common Equity Growth (3-Yr)	2.3%	10.9%
Inventory Days (Avg. Inventory)	133.624	118.842	Return on Assets	11.9%	.1%
Inventory Growth (3-Yr)	8.8%	13.3%	Return on Capital	14.0%	.2%
Inventory Turnover (Avg. Inventory)	2.724	3.097	Return on Equity	2.7%	.1%
Receivables Turnover (Avg. Receivables)	4.661	6.703			
Sales Days Outstanding (Avg. Receivables)	78.092	54.905			
Loans			Loan Allow		