



Diabetes Close Up, V 2, #3
January 30, 2003

Observations on Medtronic Investor Presentation

It's a beautiful morning in New York City. Medtronic CFO Bob Ryan spoke at the US Bancorp Piper Jaffray Investor Conference in New York on January 30, 2003; see its website for a webcast.

The commentary at this meeting included the emphasis by Medtronic that the company was committed to key growth strategies in diabetes. Of specific note:

1. **Market stats:** 1) MDT slide characterized pump market as \$700-800 mm; 2) blood glucose market as \$3 billion (this appears old data); 3) Pump physicians - 75% on pump versus 15% of Type 1 diabetics.
2. **Pump market:** Goal to accelerate access to pump market – forecast market would reach \$2.2 billion by 2007. **Key questions** – what will drive penetration – new technology? Marketing?
3. **BD meter Distribution plans:** Medtronic plans to “market” BD meter to MNMD pump customer base
 - **Key questions:** 1) Who will fund meter giveaways? 2) How will they be distributed? 3) What share of strip sales will MDT receive?
4. **New product plans in diabetes:** 1) Medtronic will distribute co-branded “new” BD/MDT co-branded meter with next-generation pump, Paradigm 512 – meter would be linked to pump and patient would be able to download information about the blood glucose scores to the pump but it will not be real-time¹. 2) It sounds as though Medtronic looks to launch Guardian continuous monitor this time next year pending approval. On the continuous monitor front, Medtronic is trying different technology both related to the MiniMed acquisition and also other technology. Pointed out overlapping technology on the drug delivery side plus the sensor side. “Lots of ways to go after this” – sense is they have not decided. (The Guardian is still the “three day” doctor download meter.) 3) “*Look for very promising products in 4 years on artificial pancreas front.*”
 - **Key questions:** 1) How much better will the 3-day sensor be than the current product? 2) Have sensor problems been solved? 3) What other continuous technology are being tested?
5. **Still selling the 511 pump** – said that the Paradigm problems have been resolved.
6. **BD to help drive pump penetration?** What might have been lost at the original announcement was the potential for BD to help drive pump share. MDT said that all the current people that use syringes will be sent information about the pump

¹ Note: the Deltec has “real – time” capability – MDT said it will get this eventually. Meter readings will “automatically update the pump.”

- and that all newly diagnosed people will get a joint kit that shows both insulin applications. It could be that a new pen that will have RF capability will increase share; we will look forward to seeing this product.
7. **MDT pump Salesforce:** Medtronic doesn't disclose size of pump salesforce but is increasing its pump salesforce by 30% this year. *"They won't sell the meters per se."*
 8. **Current meter features "pumped" by Medtronic:** "We think there are a lot of reasons why current MDT pump users will like the meter – thinner lancets, smaller blood drop, faster time."

Note: Kelly L. Close is a specialized consultant to the medical technology/pharmaceutical industries. All observations expressed are Kelly's opinions alone and should not be viewed as recommendations to investors on any companies in the industry. If you prefer not to be included on Diabetes Close Up mailings, or if you know others who would like to be on the mailing list for future occasional observations, please send a message to info@closeconcerns.com.