



GLOBAL RECOMMENDATION

INTUITIVE
SURGICAL[®]

ISRG:NASDAQ



November 2024

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GLOBAL RECOMMENDATION

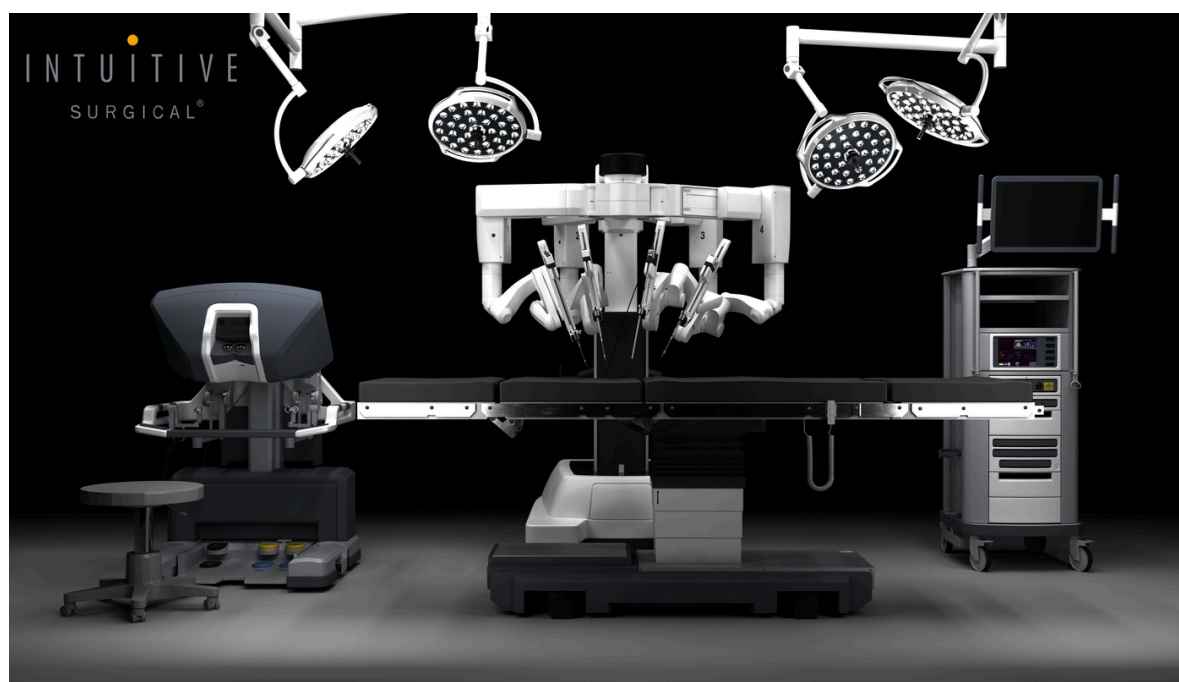
Intuitive Surgical ISRG:NASDAQ

Intuitive Surgical is a global leader in minimally invasive care and the pioneer of robotic-assisted surgery. The company designs, manufactures, and markets the da Vinci surgical system, which has become the gold standard in robot-assisted minimally invasive surgery.

The da Vinci system enables surgeons to perform a wide range of complex procedures with enhanced precision, control, and visualization through small incisions.

This technology has revolutionized various surgical fields, including urology, gynecology, general surgery, and cardiothoracic surgery. In addition to the da Vinci system, Intuitive has expanded its portfolio with the Ion endoluminal system, a robotic-assisted platform for minimally invasive lung biopsies.

The company's products are complemented by an ecosystem of instruments, accessories, and software solutions that support surgical procedures and provide data-driven insights to improve patient outcomes.



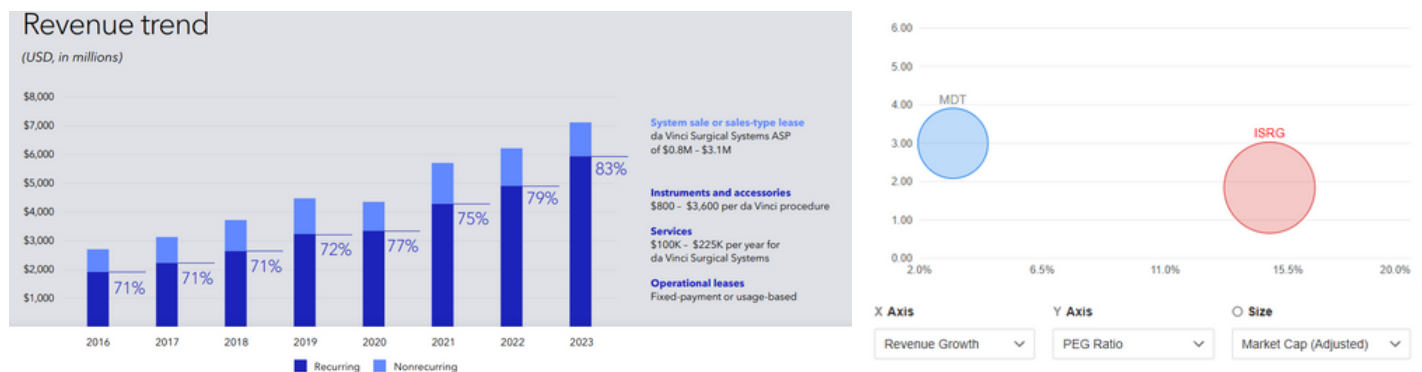
Leadership

Intuitive Surgical, led by CEO Gary Guthart since 2010, maintains dominance in robotic surgery through innovation. The leadership team and board include experts in healthcare, technology, and finance. Management's compensation structure, emphasizing long-term stock awards, aligns with shareholder interests. Guthart's significant ownership stake further reinforces this alignment. The team's successful track record in product development, market expansion, and financial performance has been crucial to Intuitive's growth and market leadership.

INVESTMENT CONSIDERATIONS

Valuation & financial performance

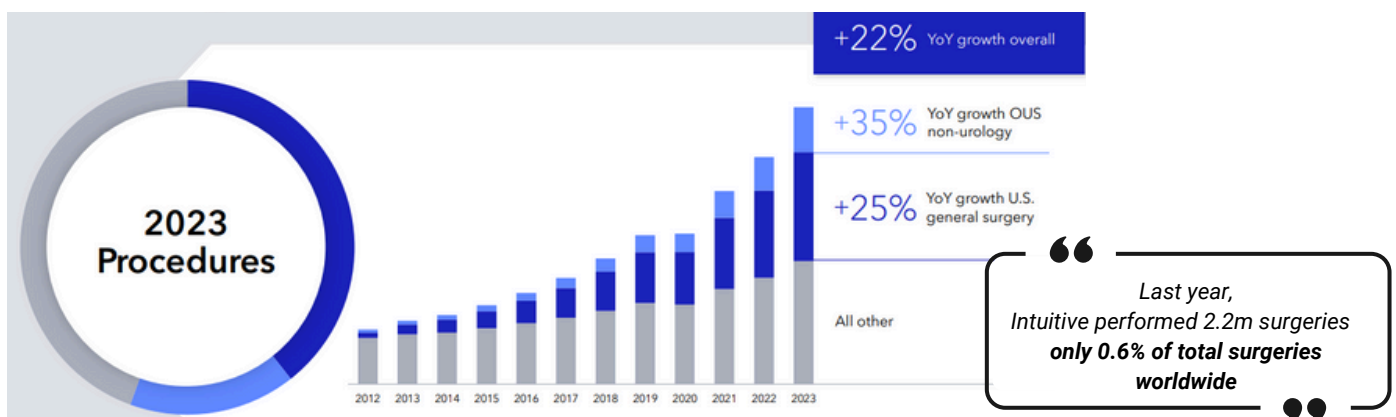
Intuitive Surgical trades at a premium valuation, with a forward P/E ratio of 54x as of November 2024. While this valuation may appear high, it reflects the company's strong market position, high growth prospects, and robust financial performance.



Intuitive reported impressive financial results, with revenue increasing 17% year-over-year to \$2.04 billion. The company's gross profit for the quarter was \$1.37 billion, representing a gross margin of 67.4%. Non-GAAP net income attributable to Intuitive was \$669 million, or \$1.84 per diluted share, showing significant growth from \$524 million, or \$1.46 per diluted share, in the third quarter of 2023. Intuitive's financial strength is further underscored by its strong balance sheet, with \$8.31 billion in cash and investments as of Q3 2024 and no debt. The company has consistently demonstrated strong returns on invested capital, reflecting its efficient use of resources and strong market position. The company's recurring revenue model, with 83% of total sales coming from recurring sources in 2023, provides stable cash flows and enhances predictability.

Growth prospects & strategic initiatives

Procedure growth - The company continues to see strong procedure growth, with worldwide da Vinci procedures increasing by approximately 18% year-over-year in Q3 2024. This growth is supported by the expanding installed base of da Vinci systems, which grew 15% year-over-year to 9,539 systems globally.



INVESTMENT CONSIDERATIONS

Intuitive's strategic initiatives focus


Global - the company is expanding its geographic footprint, with particular emphasis on international markets such as Europe, Japan, and emerging economies. This international expansion represents a significant opportunity, given that there are an estimated 165,000 hospitals worldwide, most outside the United States.

Innovation pipeline - Intuitive is continuously innovating its product portfolio, as evidenced by the recent launch of the da Vinci 5 system, its most advanced and integrated platform. The company is also accelerating the adoption of its Ion endoluminal system for lung biopsies, diversifying its revenue streams

Data analytics - The company's focus on data analytics and artificial intelligence also positions it to leverage insights from its vast database of surgical procedures to improve outcomes and efficiency.
Horizontal integration - Intuitive is exploring opportunities in adjacent markets and technologies that complement its core robotic surgery business

Intuitive da Vinci 5*

Our most advanced and integrated system



The image shows the Intuitive da Vinci 5 system components, including a console with a monitor, a vision cart with a camera, a control console, and the robotic arm with multiple grippers.

Category	Outcomes	Learning	Efficiency
Preoperative planning	Intuitive 3D models (Iris)	Intuitive Learning	SimNow, My Intuitive
Intraoperative guidance	Intuitive 3D models (Iris)	Intuitive telepresence, Intuitive Hub*	
Postoperative analytics	Case Insights*	Customer portal	CHA, My Intuitive

RISKS

While Intuitive Surgical's market position and growth prospects are strong, investors should be aware of several risks:

Competition - the company faces increasing competition in the robotic surgery market from both established medical device companies and new entrants. This competition could potentially lead to pricing pressures or loss of market share.

Cyclical Risks - Intuitive's business is sensitive to economic conditions and healthcare spending. Economic downturns or changes in healthcare policies could impact hospital capital expenditures, potentially affecting system sales and procedure volumes.

Regulatory - Third, the company faces regulatory risks in key markets. Any delays or issues with regulatory approvals for new products or expanded indications could impact growth.

Valuation - the high valuation of Intuitive's stock means that the company must consistently meet or exceed high market expectations to maintain its stock price. Any disappointment in financial results or growth rates could lead to significant stock price volatility.

WHY HOLD THE COMPANY?

Investors should consider owning shares in Intuitive Surgical for several compelling reasons:

Leader in field - First, the company is the undisputed leader in the robotic surgery market, with a dominant market share and high barriers to entry. This leadership position provides a strong foundation for sustained growth and profitability.

Business model - Intuitive's business model, with its high percentage of recurring revenue, offers stability and predictability in cash flows. This is particularly attractive in an uncertain economic environment.

Forefront of R&D - the company's focus on innovation and R&D investment ensures that it remains at the forefront of technological advancements in minimally invasive surgery. This commitment to innovation helps maintain its competitive edge and expands its addressable market.

Growth Potential - Intuitive has significant growth potential, both in terms of expanding its installed base and increasing procedure volumes. The international market, in particular, represents a substantial untapped opportunity.

Financial health - the company's strong financial position, with a robust balance sheet and consistent free cash flow generation, provides flexibility for future investments and potential acquisitions.

Long-term Healthcare trends - Intuitive benefits from favorable long-term trends in healthcare, including an aging global population, increasing demand for minimally invasive procedures, and a focus on improving patient outcomes while reducing healthcare costs.

Da Vinci System Installed Base

9,539

worldwide as of
September 30, 2024

5,582

United States

3,957

Outside of the
United States



Disclaimer



Our Commitment

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