



INTUITIVE **surgical**

NASDAQ: ISRG



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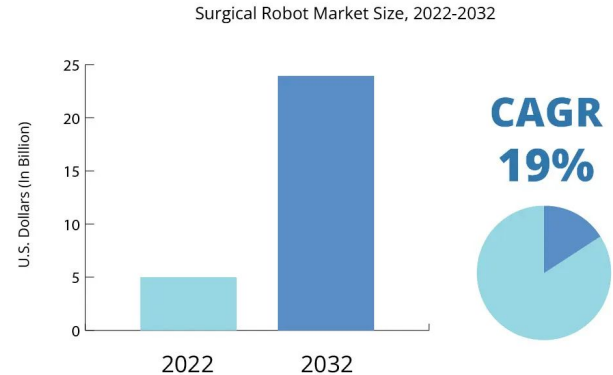
Healthcare Equipment & Surgical Robotics

Industry overview

Competitors are other major large cap companies: Abbott Laboratories, Stryker Corporation, Medtronic plc, Becton, Dickinson and Company, and Boston Scientific Corporation.

- There is an overwhelmingly positive outlook for the surgical robotics market
- Expected CAGR = 17% - 19%

Intuitive Surgical's Differentiation:
the da Vinci and Ion Systems



source:www.reportsanddata.com



<https://www.reportsanddata.com/report-detail/surgical-robots-market>



INTUITIVE Company Overview

Developers, manufacturers, and marketers of products that enable physicians and healthcare providers to enhance the quality of and access to minimally invasive care in the United States and internationally.

Headquarters:

Sunnyvale, CA

Market Cap:

133,401mm

Shares**Outstanding:**

352.3mm

CEO & Director:

Gary S. Guthart, PhD

Pioneer and Global Tech Leader in Robot-Assisted, Minimally Invasive Surgery

- ❖ Healthcare Robotics Systems
- ❖ Learning for Healthcare Professionals
- ❖ Technical Support Services

Revenues	
2020	\$5,710
2022	\$6,222
2023	\$7,124
2024E	\$8,121
2025E	\$9,096
2026E	\$10,188
2027E	\$11,410
2028E	\$12,779
CAGR	11%

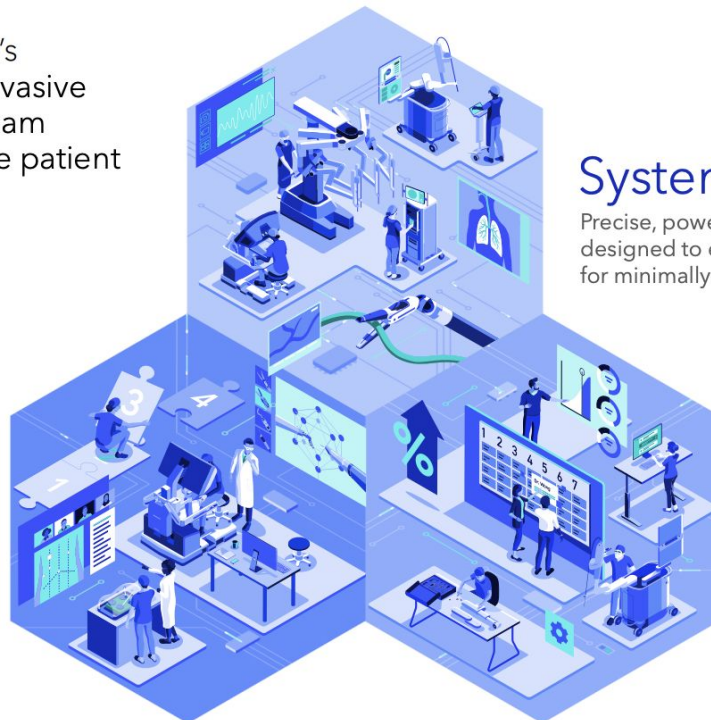


INTUITIVE ^o Company Overview

Intuitive advances what's possible in minimally invasive care, expanding care team abilities to help improve patient outcomes.

Learning

A progressive learning pathway to help expand the capabilities and technological proficiency of physicians and care teams



Systems

Precise, powerful systems designed to extend capabilities for minimally invasive care

Services

Technical and program consultation, support, and data-driven planning to help maximize program performance and impact



INTUITIVE Company Offerings

Comprehensive and Integrated Ecosystem



Patients, surgeons,
and hospitals

Systems

-  Instruments
-  Stapling
-  Surgical systems
-  Software
-  Advanced energy
-  Vision

Learning

-  Online education
-  Technology training
-  Continuing education
-  Peer-to-peer education
-  Residency/Fellowship program
-  Skills simulation

Services

-  Support services
-  Clinical studies and economics analysis
-  System maintenance
-  Program and procedure analytics
-  Program implementation
-  Clinical support staff

Business Segments & Products

da Vinci Xi

Increasing the scale and efficiency of minimally invasive surgery.

Built from nearly three decades of experience integrating robotics technology with advanced software, da Vinci systems deliver precision, vision, and control.



Hub

Automated surgical video for easy recording, review, sharing, and virtual collaboration during da Vinci surgery.

Ion

A robotic-assisted bronchoscopy platform for minimally invasive peripheral lung biopsy



Business Model

Sales

- ❖ Direct Sales
- ❖ Equipment Leasing
 - Commercially competitive terms
 - Accounted for \$72m in sales in 2022

Ion System

- ❖ Follows same model as da Vinci
- ❖ Earns significantly less revenue than the da Vinci System

da Vinci Surgical System	
<i>Sale Price Range</i>	\$0.5m - \$2.5m
<i>Revenue per Procedure</i>	\$600 - \$3500
<i>Leasing Price Range (annually)</i>	\$80K - \$190K

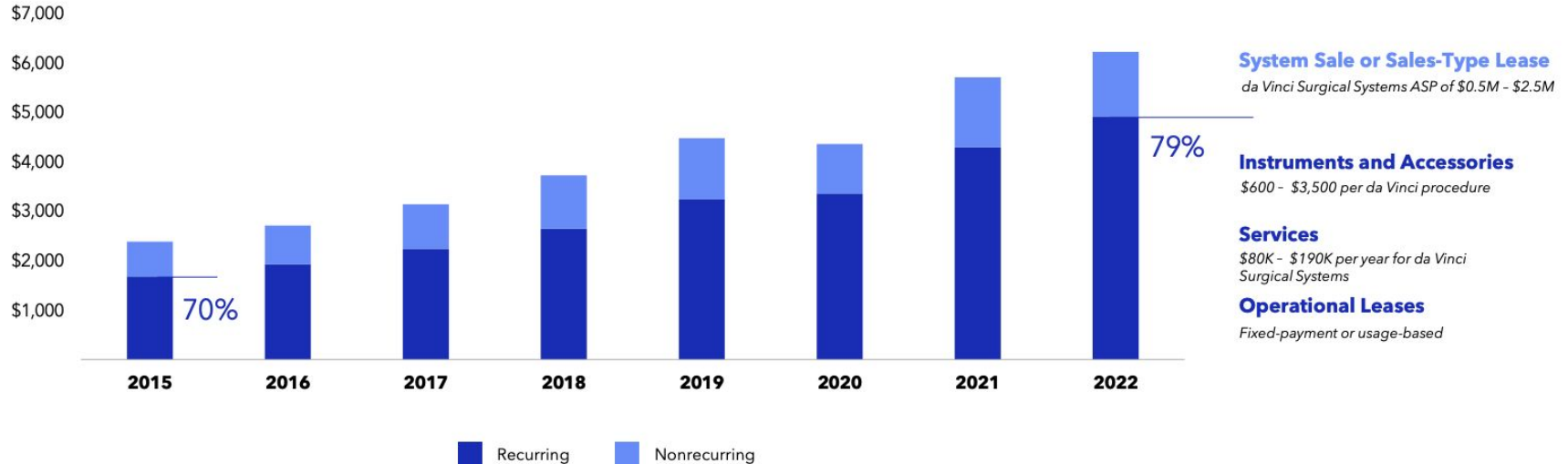
Recurring Revenue

- ❖ Sales, servicing, accessories, etc. accounted for 79% of total revenue in 2022, **\$4.9B**

Revenue Growth 2023

Revenue Trend

(USD, in millions)





INTUITIVE

SWOT Analysis

Strengths

- ❖ Strong management
- ❖ Global leader

Opportunities

- ❖ Market expansion to Europe and the Asia-Pacific
- ❖ Researching new clinical benefits

Weaknesses

- ❖ Limited suppliers → unmet demand
- ❖ Must comply with FDA
- ❖ Stock expected to stay volatile

Threats

- ❖ Highly competitive field
- ❖ Need to protect intellectual property



Comp Analysis

Company Name	Market Data			Financial Data				Valuation			
	Price (\$/share)	Market Cap (\$MM)	EV (\$MM)	Sales (\$MM)	EBITDA (\$MM)	EBIT (\$MM)	Earnings (\$MM)	EV/Sales x	EV/EBITDA x	EV/EBIT x	P/E x
Intuitive Surgical, Inc.	378.63	133,391	128,357	7,124	2,169	1,767	2,202	18.0x	59.2x	72.6x	60.6x
Johnson & Johnson	157.86	380,248	387,753	85,159	30,532	23,046	25,702	4.6x	12.7x	16.8x	14.8x
Abbott Laboratories	114.01	197,928	206,793	40,109	9,933	6,693	8,021	5.2x	20.8x	30.9x	24.7x
Stryker Corporation	349.3	132,826	143,267	20,498	5,426	4,218	4,495	7.0x	26.4x	34.0x	29.6x
Medtronic plc	84.42	112,249	129,750	31,958	8,484	6,035	7,140	4.1x	15.3x	21.5x	15.7x
Becton, Dickinson and Company	240.76	69,556	84,484	19,492	4,912	2,630	3,860	4.3x	17.2x	32.1x	18.0x
Boston Scientific Corporation	65.82	96,425	105,015	14,240	3,724	2,547	3,296	7.4x	28.2x	41.2x	29.3x
Average								7.2x	25.7x	35.6x	27.5x
Median								5.2x	20.8x	32.1x	24.7x

ISRG is trading at significantly higher multiples than its competitors



Management Perspective Going Forward

1. **“Expanded launches by Region”**
 - Da Vinci 5 undergoing review for clearance in USA, Japan, Korea
2. **“Increased adoption for focus procedures by country”**
 - Training, commercial activities, and market efforts
3. **“Quality and Gross Margin Improvement”**
4. **“Leverage industrial scale to optimize productivity”**



Investment Thesis





Quadruple Aim Goals

“ With the Quadruple Aim as our guide, we’ve supported our customers in the treatment of more than 12 million patients, nearly two million in 2022 alone.”

Better Outcomes for Patients

Better Experiences for Care Teams

Better Experiences for Patients

Lower total cost-to-treat per patient episode



Point 1

Expected Growth: da Vinci Integration

New Technologies



Instruments



Vision



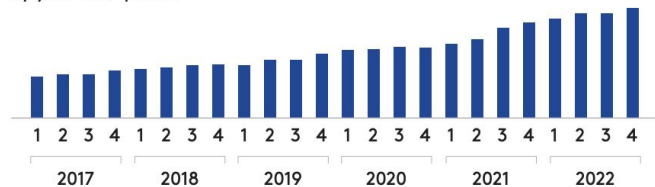
Energy



Stapling

Customers are responding to this integrated approach

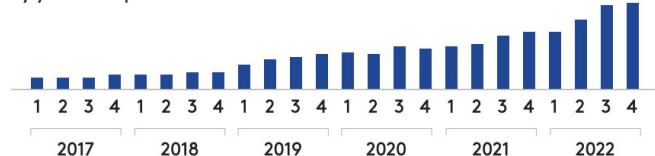
IDNs globally with 20+ systems
by year and quarter



~16%

YoY 2022 Q4

Hospitals globally with 7+ systems
by year and quarter



~48%

YoY 2022 Q4

Figure 1: Adoption of da Vinci Systems by Hospitals and IDNs.



Point 1

Expected Growth: Ion System Fulfills Unmet Need in Lung Biopsy

Current focus:

Improve manufacturability, cost, and robustness to support rapid growth in the US market

Submitted regulatory dossiers in

Korea, Europe, and China

200K+

lung cancer incidences in the United States

1M+

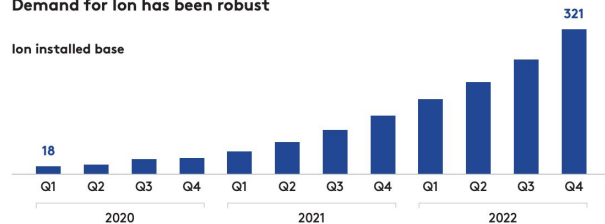
lung cancer incidences in China

300K+

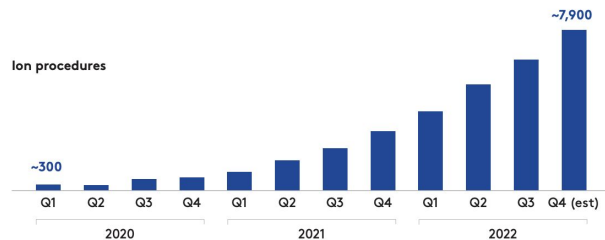
lung cancer incidences in Europe

Demand for Ion has been robust

Ion installed base



Ion procedures



Source: Intuitive 2022 earnings estimate; Procedures rounded to the nearest hundred

≡ Point 2

Market Expansion: Asia-Pacific & Europe

Clear Global Impact & Growth in Japan

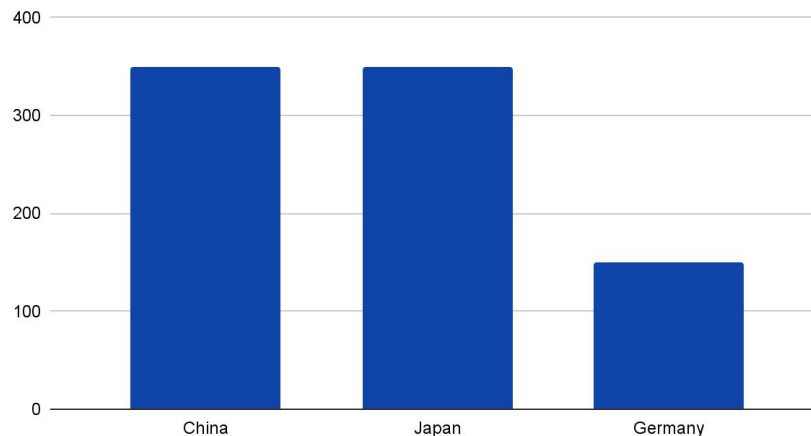
2012: Japan Ministry of Health, Labor and Welfare granted reimbursement for robotic-assisted surgery

2014: Hired distributor

2015: Hired General Manager

2017-2022: 5 year combined annual growth rate for revenue was just under 20%

Outside of US Major Revenue Generations (in millions)





Point 3

Investment in Quality and Sustainable Profitability

Expansion of training centers

Provide world-class surgical training and service at lower marginal costs than competition

Investment in manufacturing systems

Including facilities and automation while maintaining excellence in assurance of supply, quality, cost to search and reach.

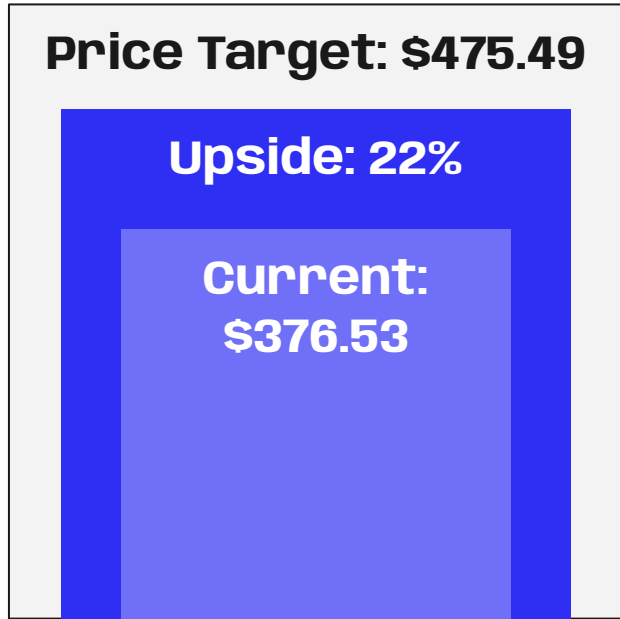
Expansion of regional commercial teams

Utilize technology and customer feedback to come up with novel solutions that meet your customer's demands or needs

Strengthening business systems

For increased reliability and greater efficiency by speeding innovation, increase robustness of supply, and manage costs

Trading at a Discount: Buy Opportunity



□ Price Target: \$475.49

Accounting for the upside, there is potential for the ISRG stock to reach \$488

■ Upside: 22%

We estimate an upside of 22% that the market is missing out on

■ Current: \$376.53

Currently, ISRG is trading at \$381, a mispricing that does not account for their growth.



Sources

Argus Analysis

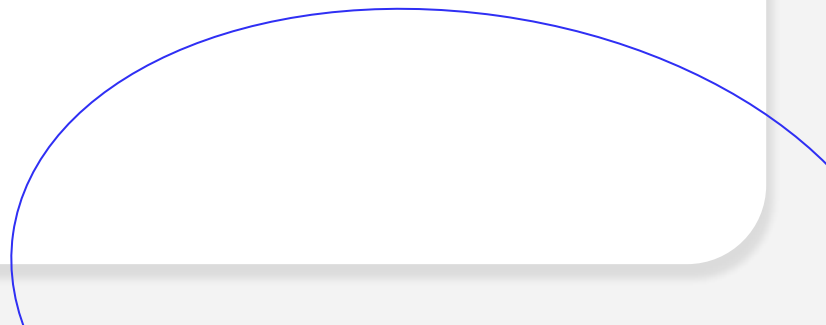
David Toung and Jaehee Min - Feb 8, 2024

Intuitive Surgical

2022 Annual Report, 2023 Q3 Report,



APPENDIX



Discounted Cash Flow Valuation						
<i>Sand shares in millions, except per share data</i>						
Most recent fiscal year end	12/31/2023		Discount rate (WACC)		7.2%	
End of first fiscal year	12/31/2024 x		Share Price (Public Co)		\$376.53	
Most recent quarter end date	12/31/2023 x		Share price date		2/21/2023	
Valuation date	2/17/2024 x		Midyear adjustment?		0	
Portion of year 1 cash flows in forecast	87.2% x		Case Active		Base Case	
Unlevered Free Cash Flows						
<i>Fiscal year ended</i>	Actual	Forecast				
	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
Revenue	7,124	8,121	9,096	10,188	11,410	12,779
% growth		14.0%	12.0%	12.0%	12.0%	12.0%
EBITDA	2,169	2,497	2,824	3,193	3,610	4,082
% margin	30.4%	30.7%	31.0%	31.3%	31.6%	31.9%
EBIT (operating income)	1,767	2,014	2,256	2,527	2,830	3,169
% margin	24.8%	24.8%	24.8%	24.8%	24.8%	24.8%
Tax on EBIT	128	216	242	271	303	340
Tax Rate	7.2%	10.7%	10.7%	10.7%	10.7%	10.7%
NOPAT (aka EBIAT)	1,639	1,798	2,014	2,256	2,527	2,830
Depreciation & Amortization	402	483	568	666	781	912
Changes in net working capital	(293)	(84)	(35)	(9)	29	83
Capital Expenditures	1,064	1,213	1,359	1,522	1,704	1,909
as a % of revenue	(14.9%)	(14.9%)	(14.9%)	(14.9%)	(14.9%)	(14.9%)
Unlevered free cash flows (UFCF)		3,411	3,905	4,435	5,041	5,734
Net working capital (WC assets - WC liabilities)	713	1,006	1,090	1,125	1,105	1,022
as % of revenue		14.1%	13.4%	12.4%	11.1%	9.7%
Present Value of UFCF on Feb 17, 2024 valuation date						
	Val date	Yr 1 - Stub	Year 2	Year 3	Year 4	Year 5
Date for discounting cash flow	2/17/2024	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028
Unlevered free cash flow (UFCF) stub adjusted	87.2%	2,975	3,905	4,435	5,041	5,734
Present value of unlevered free cash flows		2,800	3,429	3,633	3,851	4,086

