



INTUITIVE
SURGICAL[®]

Investment Thesis & Drivers

Strong Market Position

FDA clearance on 5th generation of The da Vinci Surgical System

Strong growth potential within robotic surgical devices market

Buy Intuitive Surgical

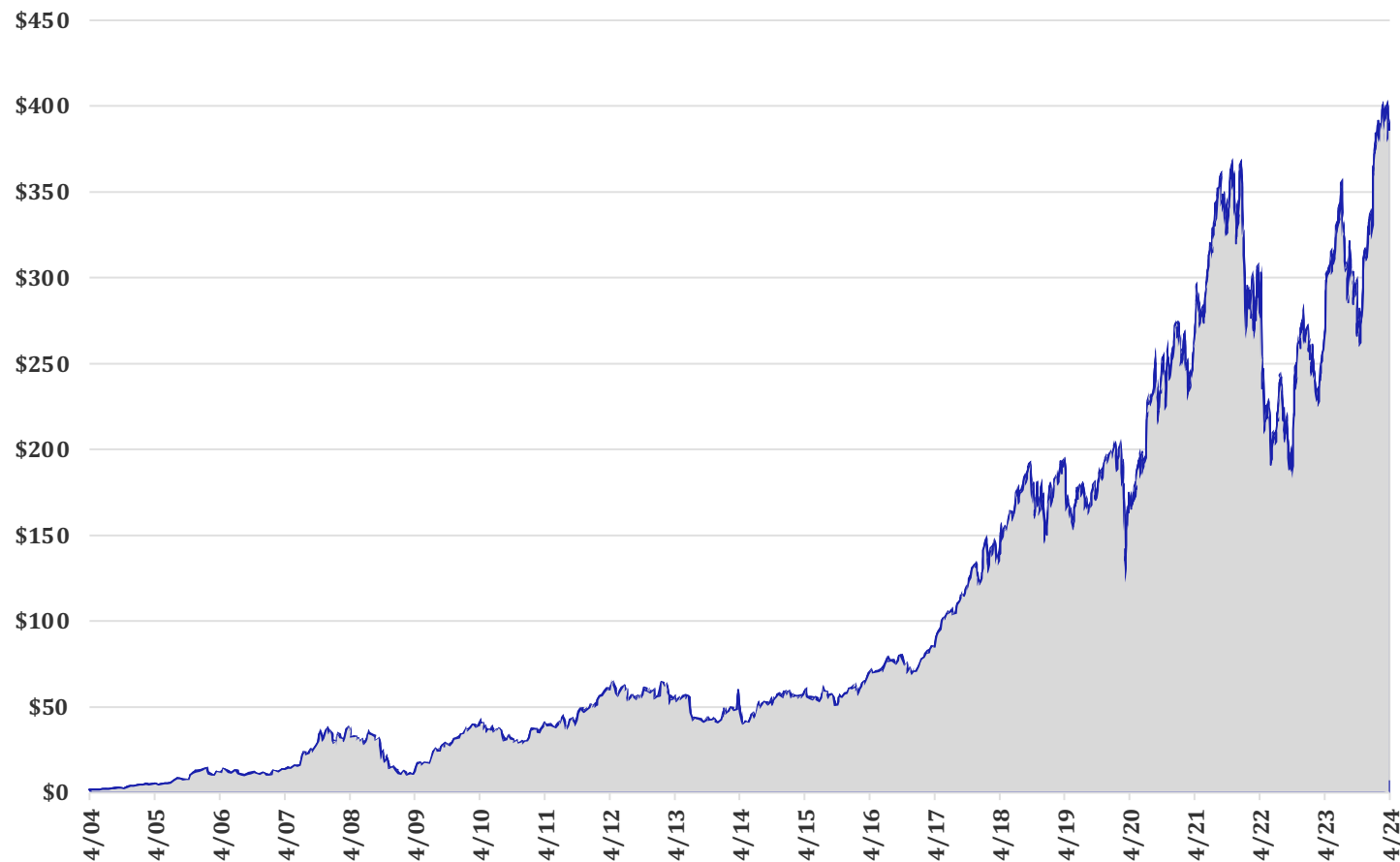
Target Price: \$430.70

Current Price: \$384.80

Upside: 11.93%

Stock History & Information

ISRG Stock Price History



Market Profile	
Share Price	\$377.36
52 Week Range	\$254.85-\$403.76
Market Cap	\$136.39B
Revenue	\$7.12B
P/E (LTM)	76.49
Forward P/E	58.25
P/B	10.19
Dividend Yield	0%
Return on Asset	13.7%
Return on Equity	15.9%
Gross Margin	66.3%
Beta (5Y Monthly)	1.385

Source: Refinitiv (2024)

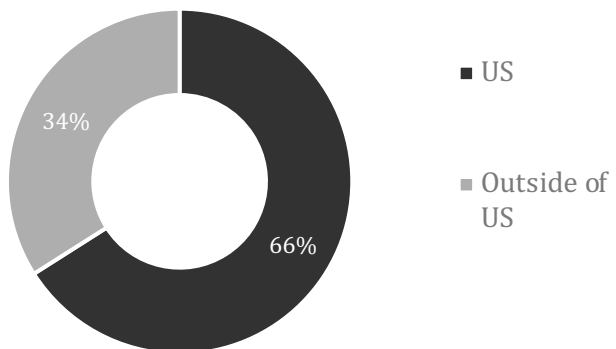


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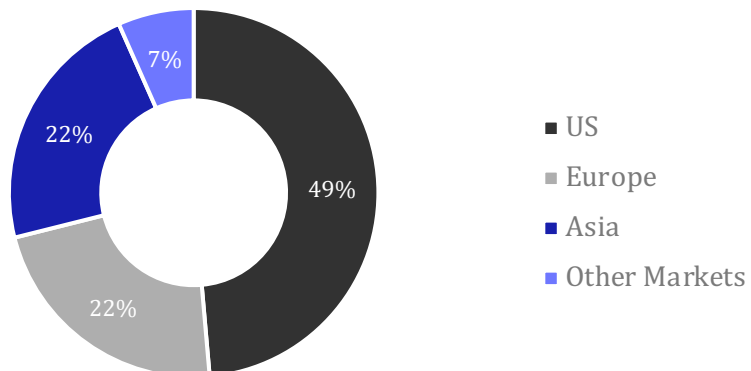
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Business Overview

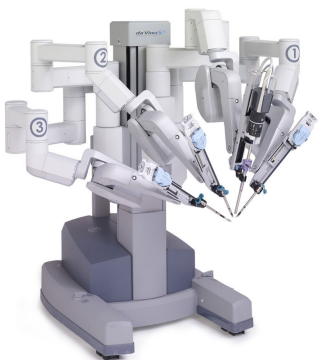
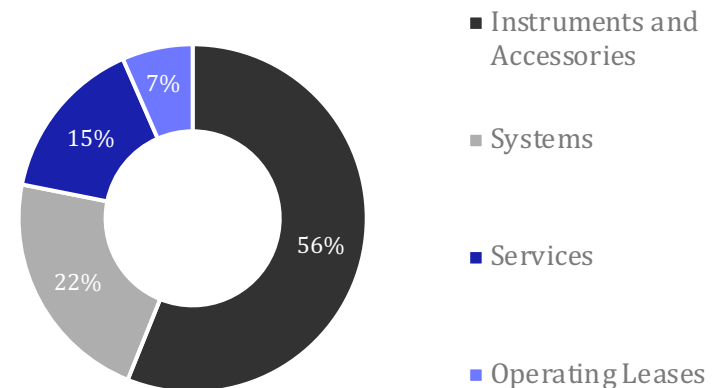
Revenue by Segment 2023



2023 da Vinci Placements



Revenue by Product 2023



Da Vinci Surgical System



Ion Endoluminal System



System Instrument Tips



Force Bipolar

Source: Refinitiv (2024), ISRG 2023 10-k (2024)



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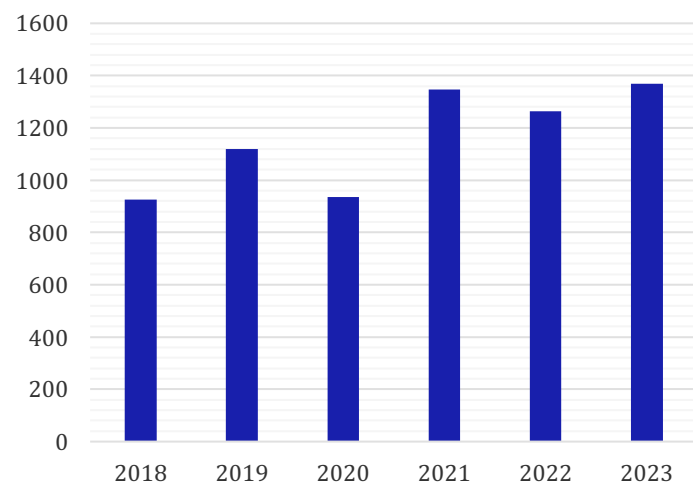
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Product Overview



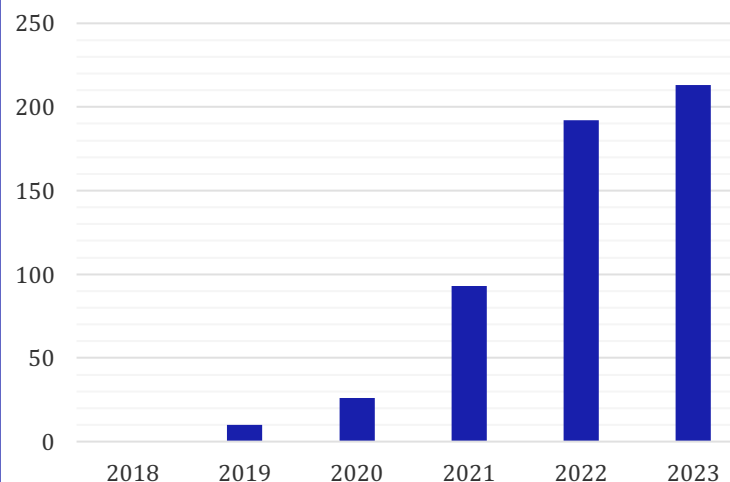
Da Vinci Generation 5

Da Vinci Placements



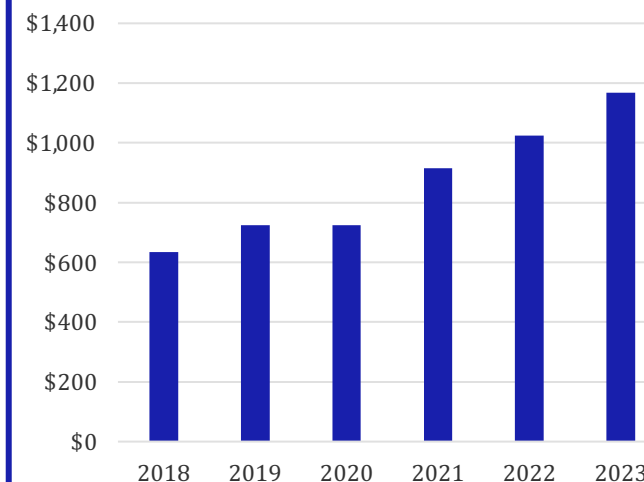
Ion Endoluminal System

Ion Endoluminal Placements



Digital Services

Service Revenue



Source: ISRG 2023 10-k (2024)



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Focus on Horizontal Expansion



Da Vinci system, 5th Generation

- Force Feedback technology decreases pressure applied to tissue by 43%
- Increased system customizability
- Platform built for AI enables state-of-the-art data analytics and insights



Compatible Instruments

- Instruments compatible with The da Vinci 4th generation will transfer to the 5th generation
- Encourages hospitals to upgrade to the new system
- Decreased purchasing expenses on the buyer's side will increase total orders



Generation 1

- Simple Instruments
- 4-armed device



da Vinci S

- 3DHD Vision
- Access to cross-quadrant usability



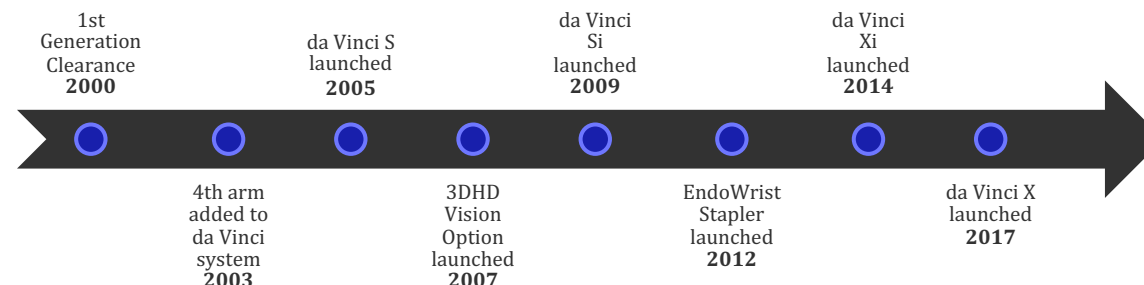
da Vinci Si

- Allows option for dual-console system
- Upgraded 3DHD



da Vinci X

- Option for multi-quadrant usability
- Optimized 3DHD



Source: ISRG investor relations webpage (2024), ISRG 2023 10-k (2024)

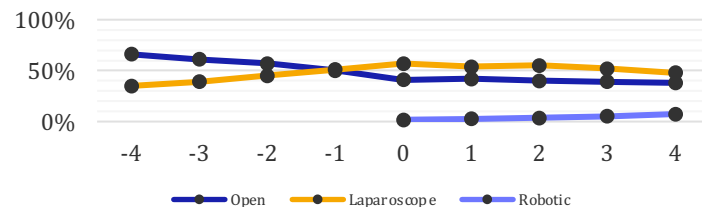


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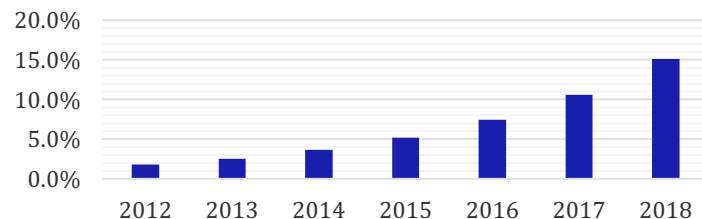
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Industry Overview

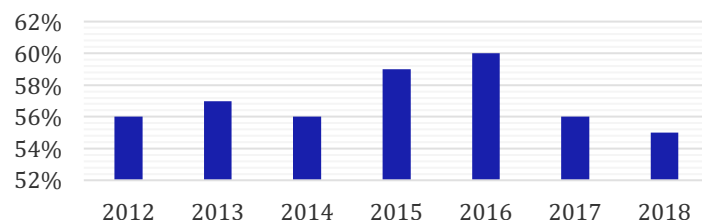
% of surgeries by type



% of surgeries robot assisted



% of surgeries laparoscope assisted



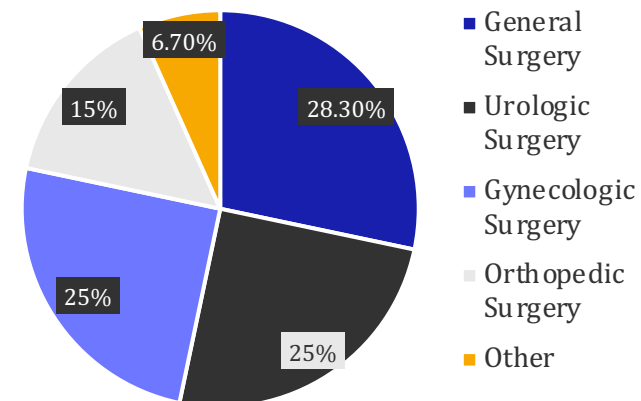
Robotic Surgical Systems

- Market size ≈ \$3.5 Bn Market
- CAGR ≈ 13.2%

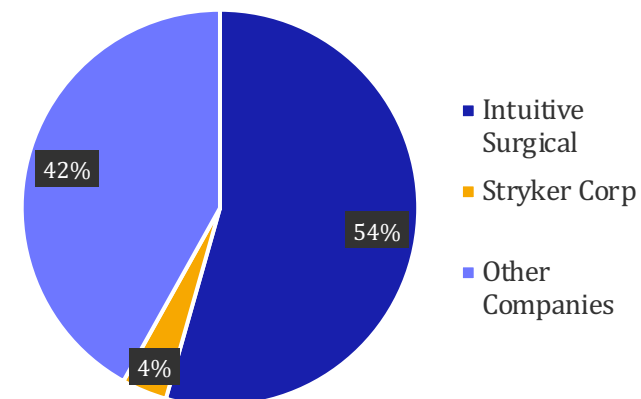
- 8,606 da Vinci systems installed globally
- ≈2,286,000 surgeries performed by da Vinci system in 2023

- High and Increasing barriers to entry
- High innovation
- Moderate and Increasing competition

% of Volume-Types of Surgery



Key Players

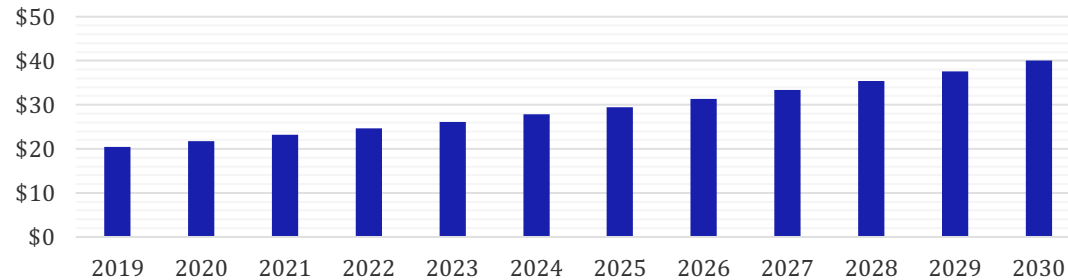


Source: NIH (2020), Statista (2024), IBIS World (2024), ISRG 2023 10-k (2024), medicaldevices-network.com (2023), globaldata.com (2023), oliverwyman.com (2024), marketsandmarkets.com (2024), grandviewresearch.com (2024), meticulousresearch.com (2023)

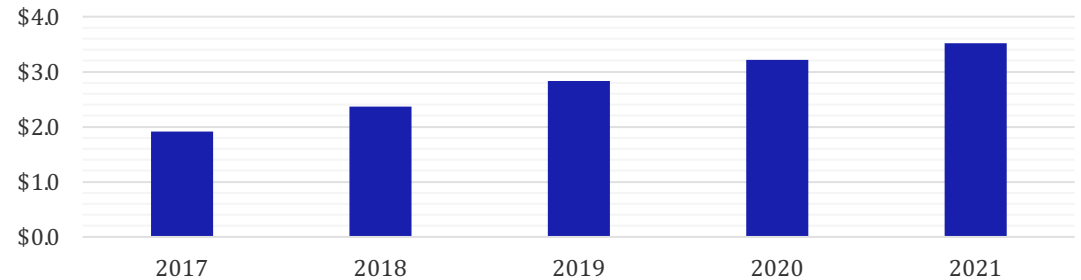


Shifting Preferences

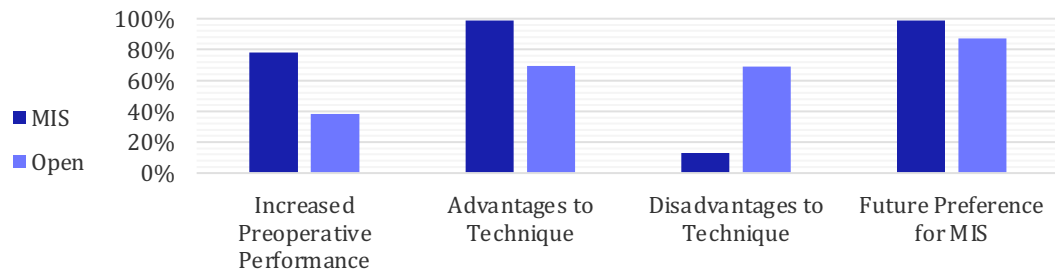
Minimally Invasive Surgery Market Size \$Bn



Medical Robotics Sales \$Bn



Patient Feedback



General Preferences

- Frequency of RAS procedures is **growing**
- Number of procedures utilizing robotic assistance is **growing**
- Hospitals **prefer** RAS systems for their efficiency benefits

MIS Benefits

- **Reduced** pain, trauma, and scarring
- **Shorter** hospital stays
- **Higher** accuracy
- **Reduced** risk of infection

RAS Benefits

- **Enhanced** surgeon precision
- **Increased** operator comfort
- **Clearer** visualization
- Overall **enhancement** of surgeon ability

Source: ISRG 2023 10-k (2024), NIH (2018),



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Comparable Company Analysis

Company Name	Market Cap	Price to Earnings	Debt to Equity	Price to Free Cash Flow	Dividend Yield	Return on Equity	Return on Assets	Gross Margin	Net Profit Margin	Earnings per Share	EV to EBITDA
Intuitive Surgical	\$139.036B	75.16	0.00	158.45	0%	15.90%	13.70%	66.39%	25.51%	\$5.12	50.78
Stryker Corp	\$113.776B	41.01	0.70	36.28	1%	20.86%	9.57%	60.81%	15.44%	\$8.34	22.96
Johnson and Johnson	\$358.552B	16.3	0.43	20.68	3%	20.69%	8.49%	69.18%	15.65%	\$9.05	12.24
Medtronic	\$109.107B	28.31	0.47	26.43	2.90%	10.28%	5.90%	60.55%	12.12%	\$2.83	14.97
Globus Medical	\$7.1B	47.4	0.10	45.09	0%	5.66%	4.62%	61.80%	7.83%	\$1.09	21.15

Source: Refinitiv (2024)

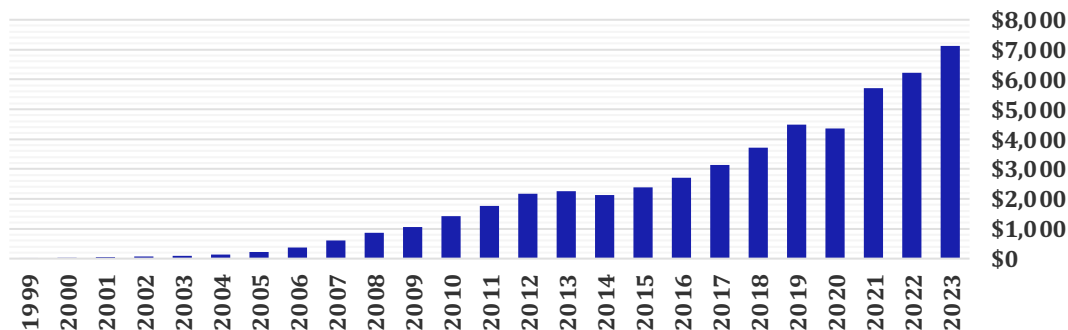


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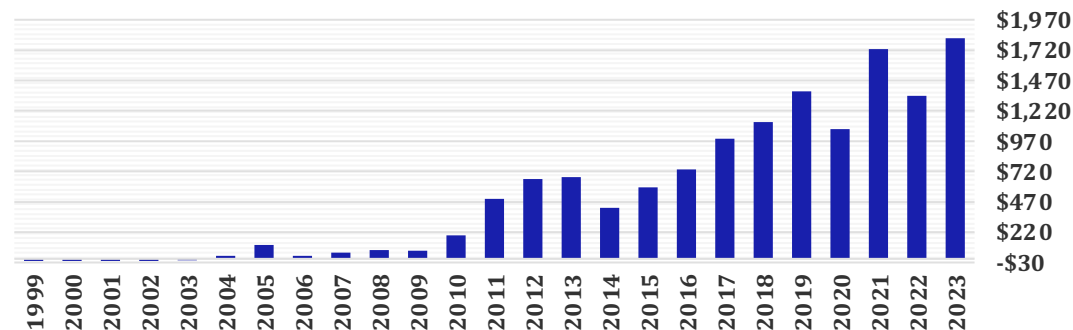
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Key Financials

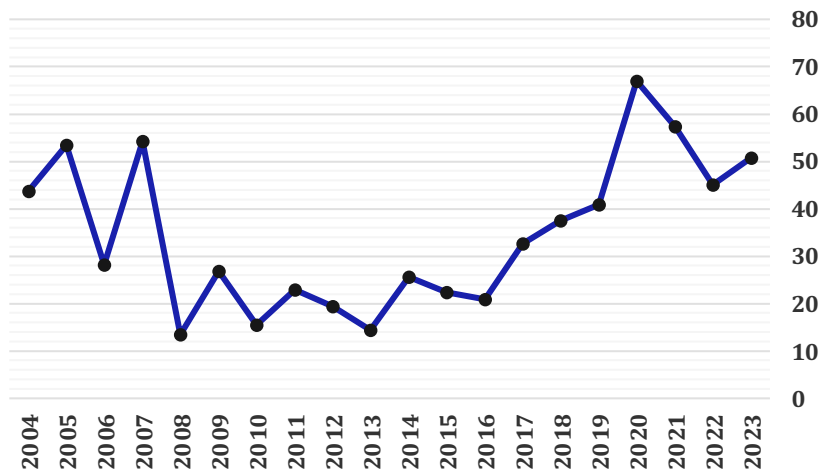
Revenue



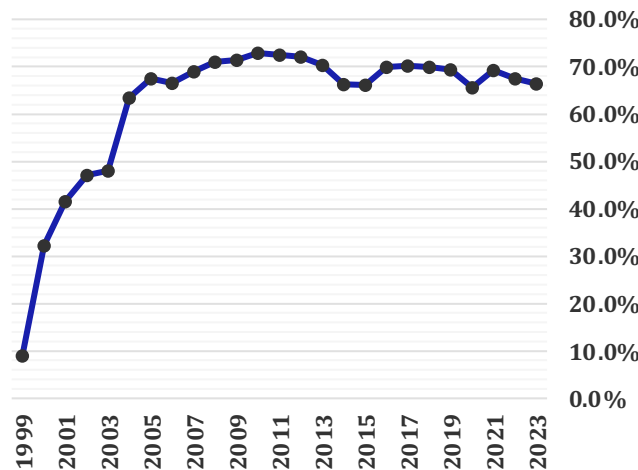
Net Income



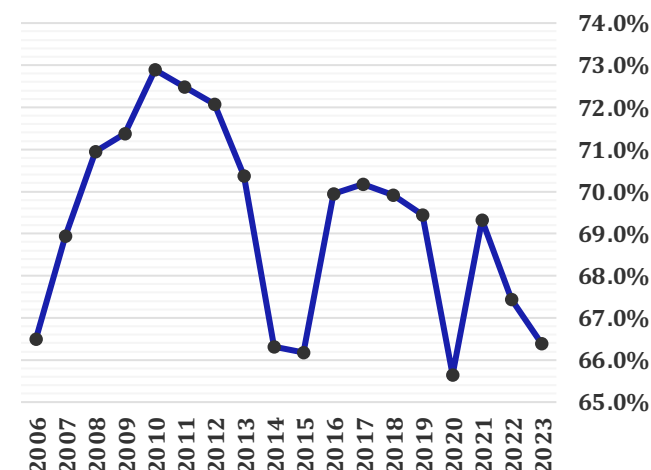
EV/EBITDA



Gross Margin



Gross Margin (2006-2023)



Source: Refinitiv (2024)

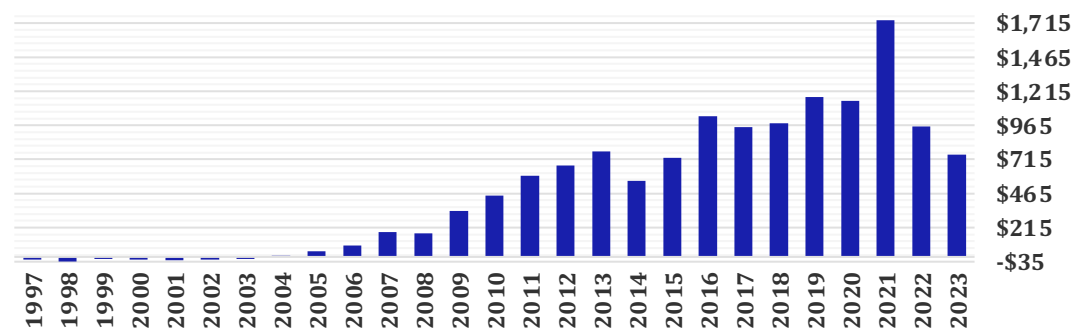


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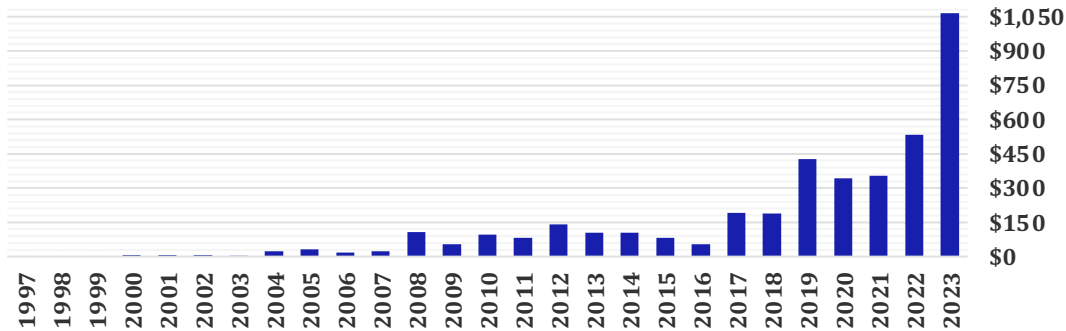
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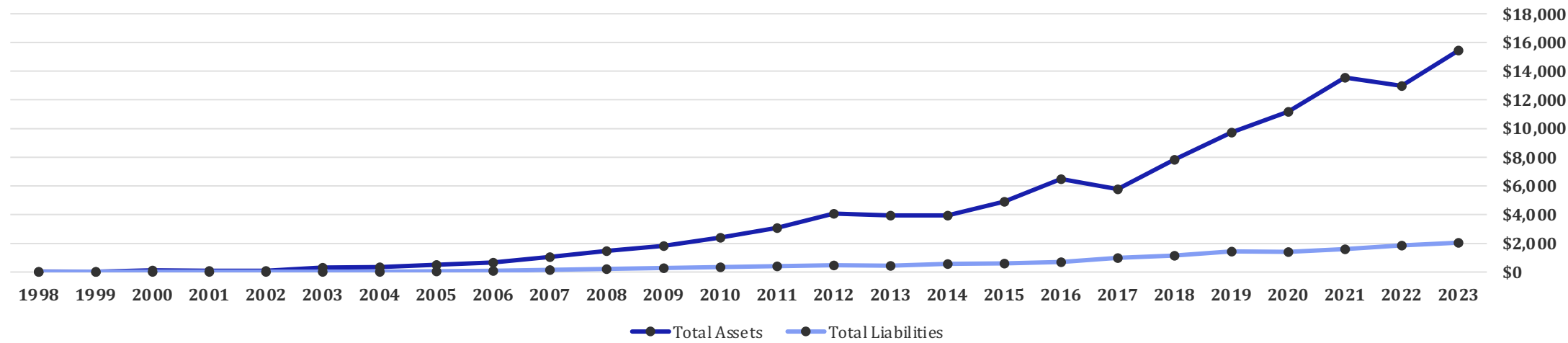
Levered Free Cash Flows



Capital Expenditures



Assets & Liabilities



Source: Refinitiv (2024)

Valuation – DCF Analysis

	Historical Period			CAGR (^{'19} - ^{'22})	Projection Period						CAGR (^{'23} - ^{'28})
	2020	2021	2022		2023	2024	2025	2026	2027	2028	
Sales	\$4,358.0	\$5,710.0	\$6,222.0	19.5%	\$7,124.0	\$7,978.9	\$8,936.3	\$10,008.7	\$11,009.58	\$12,110.5	11.2%
% growth	NA	31.0%	9.0%		14.5%	12.0%	12.0%	12.0%	10.0%	10.0%	
Cost of Goods Sold	\$1,497.0	\$1,751.8	\$2,025.9		\$2,394.4	\$2,617.1	\$2,931.1	\$3,282.9	\$3,611.1	\$3,972.3	
Gross Profit	\$2,861.0	\$3,958.2	\$4,196.1	21.1%	\$4,729.6	\$5,361.8	\$6,005.2	\$6,725.9	\$7,398.4	\$8,138.3	11.5%
% margin	65.7%	69.3%	67.4%		66.4%	67.2%	67.2%	67.2%	67.2%	67.2%	
Selling, General & Administrative	\$1,503.3	\$1,794.1	\$2,206.3		\$2,494.8	\$2,720.7	\$3,047.2	\$3,412.9	\$3,754.2	\$4,129.6	
EBITDA	\$1,357.7	\$2,164.1	\$1,989.8	21.1%	\$2,234.8	\$2,641.1	\$2,958.0	\$3,313.0	\$3,644.3	\$4,008.7	12.4%
% margin	31.2%	37.9%	32.0%		31.4%	33.1%	33.1%	33.1%	33.1%	33.1%	
Depreciation & Amortization	\$293.3	\$332.2	\$392.0		\$454.5	\$503.2	\$563.6	\$631.2	\$694.4	\$763.8	
EBIT	\$1,064.4	\$1,831.9	\$1,597.8	22.5%	\$1,780.3	\$2,137.9	\$2,394.4	\$2,681.7	\$2,949.9	\$3,244.9	12.8%
% margin	24.4%	32.1%	25.7%		25.0%	26.8%	26.8%	26.8%	26.8%	26.8%	
Taxes	\$123.5	\$155.7	\$260.4		\$128.2	\$153.9	\$172.4	\$193.1	\$212.4	\$233.6	
EBIAT	\$941.0	\$1,676.2	\$1,337.4	19.2%	\$1,652.1	\$1,983.9	\$2,222.0	\$2,488.6	\$2,737.5	\$3,011.3	12.8%
Plus: Depreciation & Amortization	\$293.3	\$332.2	\$392.0		\$454.5	\$503.2	\$563.6	\$631.2	\$694.4	\$763.8	
Less: Capital Expenditures	(\$341.5)	(\$353.5)	(\$532.4)		(\$1,064.2)	(\$748.0)	(\$837.8)	(\$938.3)	(\$1,032.1)	(\$1,135.4)	
Less: Inc./(Dec.) in Net Working Capital					(\$1,398.4)	(\$719.7)	(\$833.9)	(\$933.9)	(\$871.7)	(\$958.8)	
Unlevered Free Cash Flow					(\$356.0)	\$1,019.5	\$1,114.0	\$1,247.6	\$1,528.1	\$1,680.9	
WACC	11.4%										
Discount Period						0.5	1.5	2.5	3.5	4.5	
Discount Factor						0.95	0.85	0.76	0.68	0.61	
Present Value of Free Cash Flow						\$965.8	\$947.2	\$952.1	\$1,046.6	\$1,033.3	

Source: Refinitiv (2024)



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Valuation – DCF Analysis

Enterprise Value – TV Multiples	
Cumulative Present Value of FCF	\$4,945.1
Terminal Value	
Terminal Year EBITDA (2028E)	\$4,008.7
Exit Multiple	59.9x
Terminal Value	\$240,201.8
Discount Factor	0.58
Present Value of TV	\$139,893.7
% of Enterprise Value	96.6%
Enterprise Value	\$144,838.8

Enterprise Value – TV Gordon Growth	
Selling EBITDA	\$3,313.0
Growth Rate	9.96%
WACC	11.42%
Terminal Value	\$249,847.8
Present Value of TV	\$145,511.5
Enterprise Value	\$148,376.7

		TV Multiples				
		Exit Multiple				
		57.9x	58.9x	59.9x	60.9x	61.9x
WACC	10.4%	\$425	\$432	\$439	\$446	\$453
	10.9%	\$416	\$422	\$429	\$436	\$443
	11.4%	\$407	\$413	\$420	\$427	\$433
	11.9%	\$398	\$405	\$411	\$418	\$424
	12.4%	\$390	\$396	\$402	\$409	\$415
Average:		\$420.23				

		Gordon Growth				
		Growth Rate				
		9.76%	9.86%	9.96%	10.06%	10.16%
WACC	10.9%	\$539	\$589	\$649	\$724	\$818
	11.2%	\$411	\$440	\$472	\$436	\$443
	11.4%	\$373	\$396	\$423	\$453	\$488
	11.7%	\$323	\$340	\$359	\$381	\$405
	11.9%	\$284	\$297	\$312	\$328	\$346
Average:		\$441.13				

Source: Refinitiv (2024)



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Risk Factors

Increasing competition

- ✚ Market is shifting towards MIS and RAS; new firms entering the market
- ✚ Hospitals have a greater number of options
- ✚ High barriers to entry
- ✚ Limited areas of specialty; other companies can dominate other areas of surgery
- ✚ Consolidation within healthcare sector

Supply chain volatility

- ✚ Price volatility on raw materials

Global Market Conditions

- ✚ Poor market condition in US and OUS
- ✚ Geopolitical events and tensions
- ✚ High interest rates and changing tax rates
- ✚ Changing laws surrounding IP

Reputation Fragility

- ✚ Faulty products have tremendous effects
- ✚ Singular instances can damage reputation
- ✚ FDA/foreign authority sanction has lasting impact on output and reputation

FDA and other regulatory bodies

- ✚ Volatile output from the FDA other foreign authorities hinders clearance
- ✚ Compliance is complicated
- ✚ Compliance failure results in sanctioning

Public uncertainty

- ✚ RAS is still relatively new
- ✚ Hospital hesitation to purchase unfamiliar products

Source: ISRG 2023 10-k (2024)

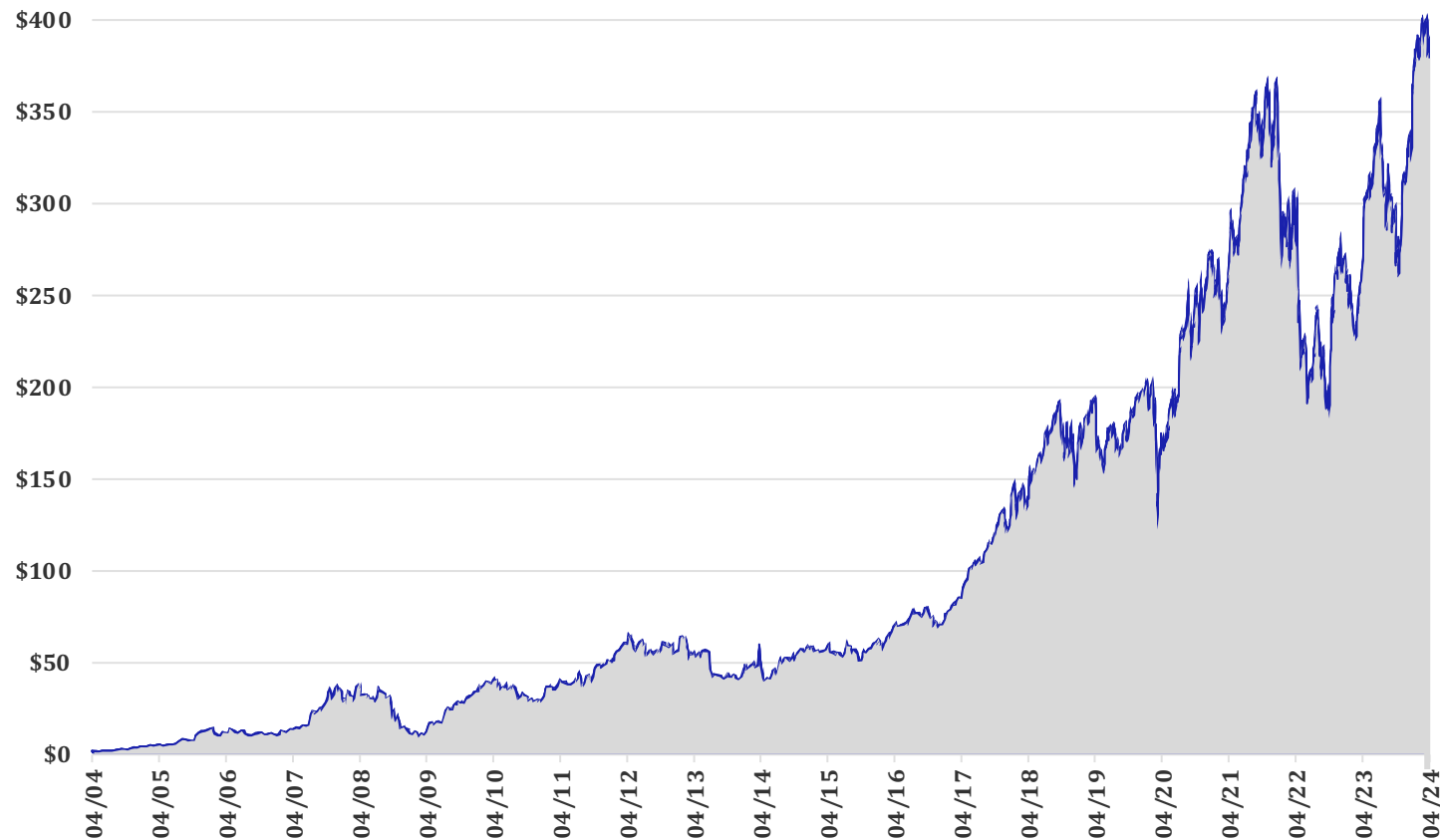


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