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INTUITIVE

Intuitive

Equity Research Division

Target Price: \$ 549.1

Current Price: \$ 592.8

Downside Potential: -7.1%

Recommendation: **HOLD**

Investment Horizon: 1 Year

Vienna, 12th June 2020

Team Overview

Equity Research



**Viktoria
Weissova**

**Head of
Equity Research**

- Task Distribution
- Story Guideline



**Florian
Harasleben**

Associate

- Financial Analysis
- Valuation



**Raoul van der
Sluijs**

Associate

- Business Model
- Risks



**Matthias
Hoffmaninger**

Analyst

- Business Model
- Strategy
- Industry analysis



**Iryna
Zginnyk**

Analyst

- Valuation
- Industry analysis
- Competitors analysis



▪ BSc. (WU) – 4th Sem.

▪ MSc. (Uni Wien) – 2nd Sem.

▪ BSc. (WU)

▪ BSc. (WU) – 4th Sem.

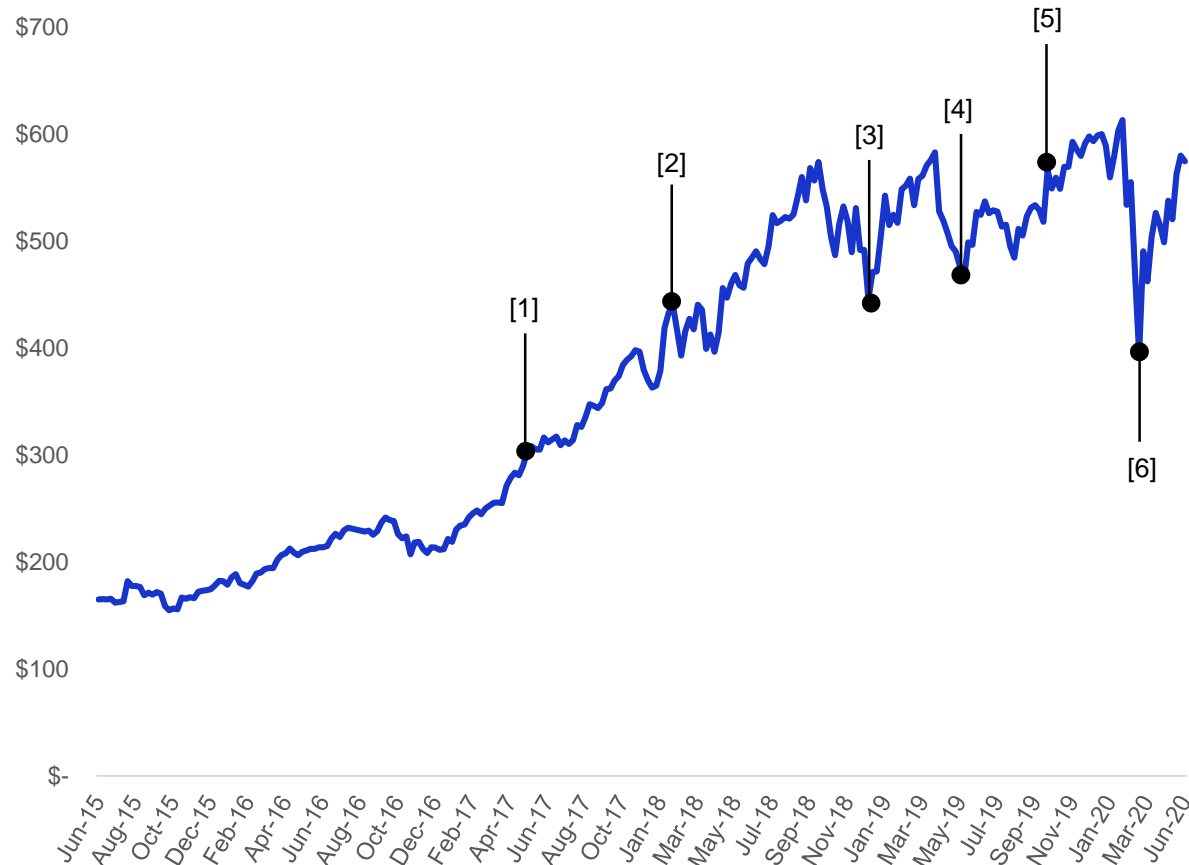
▪ BSc. (WU) – 2nd Sem.

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Share Price Performance

Long-term outperforming of the market came to a halt in the last year

Share price – Major Events



[1] April/May 2017 (+19%) – Worldwide da Vinci robot procedures grew 18% (new MoM record)

[2] January 2018 (+9%) - Better-than-expected procedure growth and important regulatory win

[3] October 2018 (-20%) - Thinner profit margins in 2018, as the company continues to invest in emerging markets

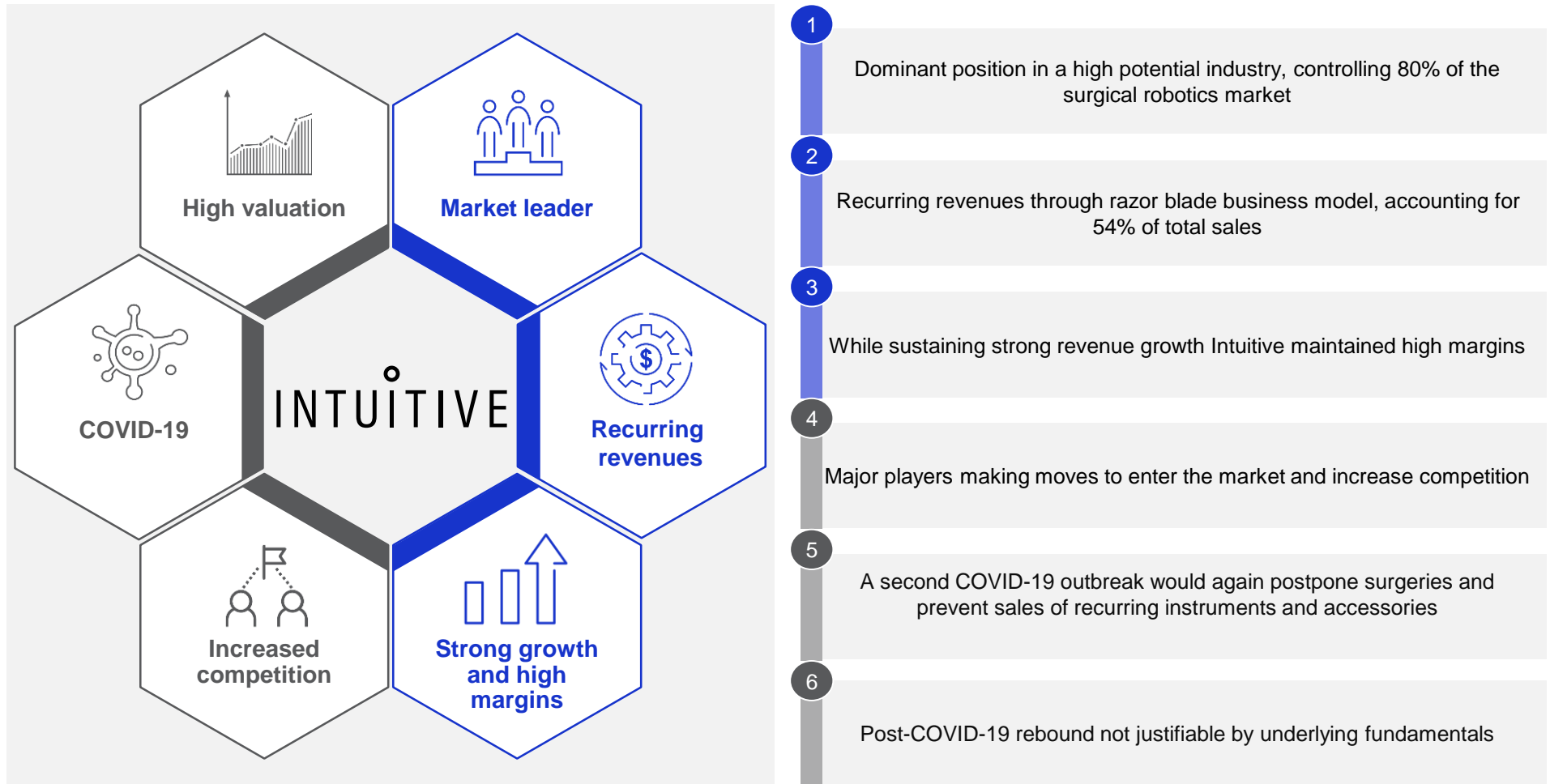
[4] April 2019 (-20%) - Quarterly results fell short of Wall Street estimates, by 3% in revenues

[5] October 2019 (+10%) - Company reported better-than-expected third-quarter 2019 results, beat projected revenue forecast by 6%

[6] March 2020 (-28%) – COVID-19 related drop, stop in minimally invasive procedures in hospitals (S&P 500 lost 19%, rebound of Intuitive stronger, now on a similar level if compared over 3M)

Investment Thesis

A great company does not always make for a great investment



A detailed view of a robotic surgical system in an operating room. The system consists of a large, white, articulated robotic arm with four joints, numbered 1 through 4, which holds several surgical instruments. The arm is positioned over a patient table. To the left of the table is a large, dark-colored monitor on a stand. To the right is a tall, grey medical cabinet with multiple drawers and a small screen. Above the table are four large, circular surgical lights. The entire scene is set against a dark background.

Business Overview

Company Overview



Intuitive - a pioneer of robotic surgery led by industry professionals

Business Description

- Market leader and pioneer of **minimally invasive robotic surgery**
- Develops, manufactures, and markets robotic products designed to improve clinical outcomes of patients
- Headquarters:** Sunnyvale, California, U.S
- Established:** 1995
- Employees:** 5,527
- Ticker:** ISRG
- IPO:** October 2000

Historical Financials

USD mn	2015	2016	2017	2018	2019
Revenue	2,367.4	2,706.5	3,138.2	3,724.2	4,604.3
<i>% growth</i>	11%	14%	16%	19%	24%
EBIT	753.2	961.8	1,062.9	1,244.6	1,375.3
<i>% margin</i>	32%	36%	34%	33%	30%
Net Income	588.8	738.35	670.9	1,127.9	1,379.3
<i>% margin</i>	25%	27%	21%	30%	30%
Market Capitalization	(07.06)				69.1B
Enterprise Value	(07.06)				65.9B

Management Team



Gary S. Guthart, Ph.D.
CEO, Member of the Board of Directors



Myriam J. Curet, MD, FACS
Executive Vice President and Chief Medical Officer

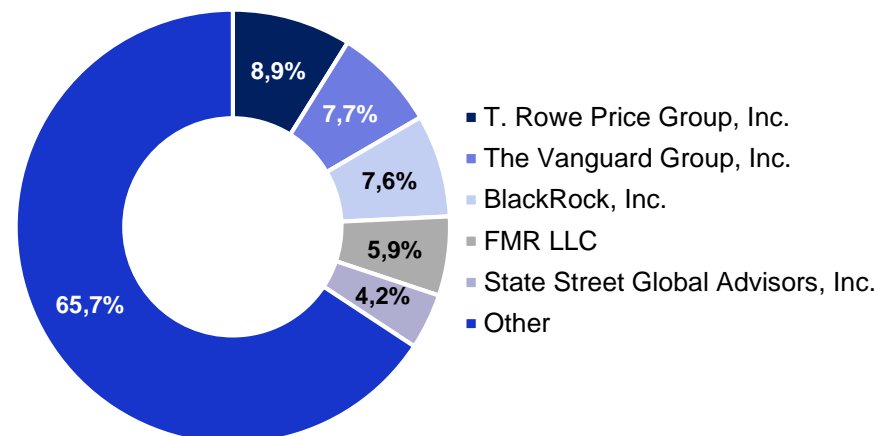


Marshall L. Mohr
Executive Vice President and CFO



Dave Rosa
Executive Vice President and Chief Business Officer

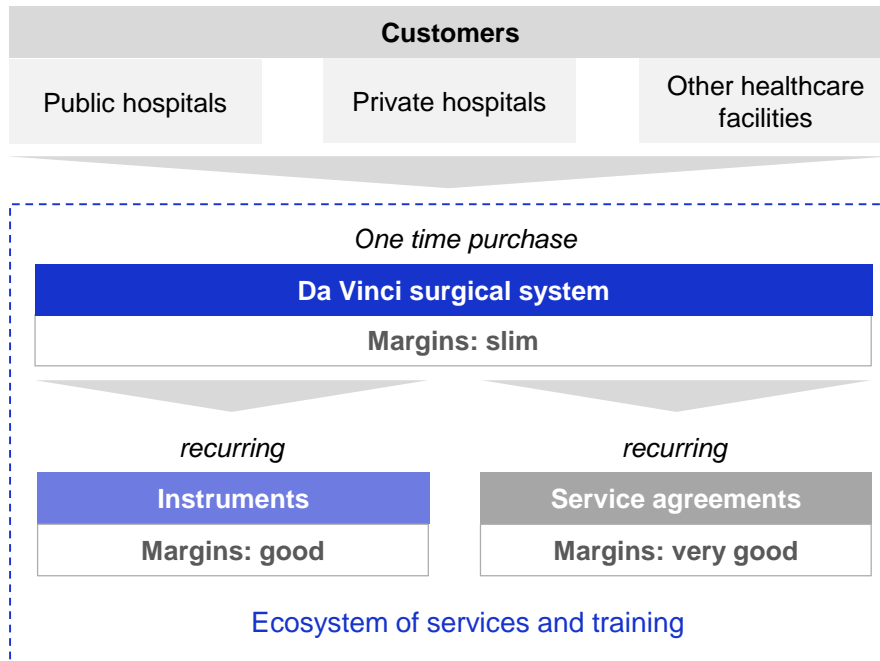
Shareholder Structure



Business Model

Revenue growth was mainly backed by the US Instruments & Accessories segment

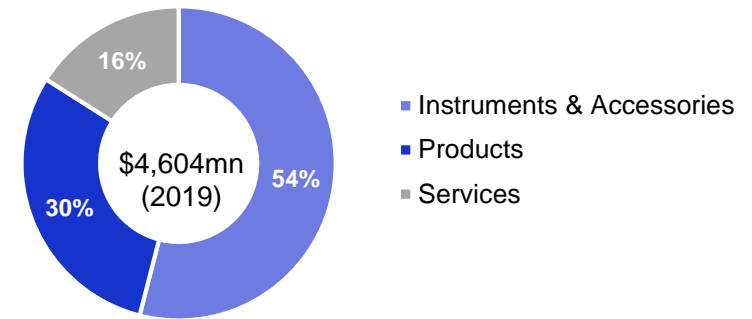
Business Model



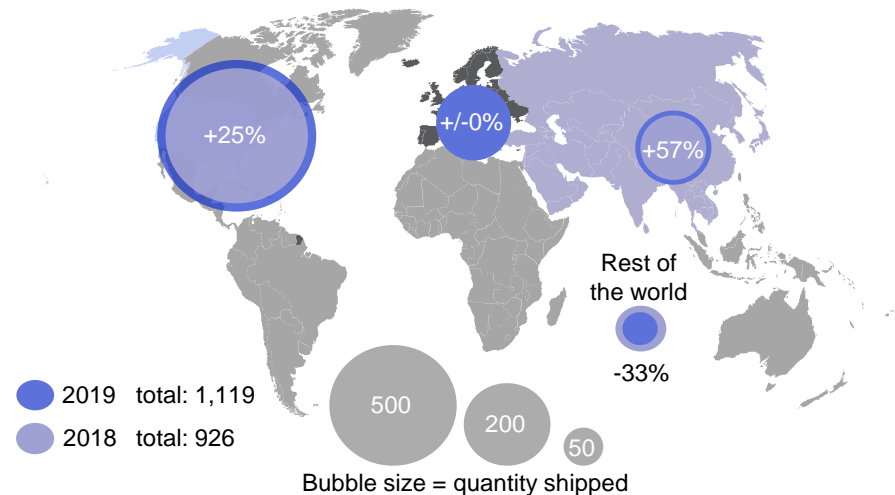
Razor Blades Business Model

The company sells its products at a small profit. Subsequent sales of instruments & accessories and long-term service agreements are the value drivers of Intuitive Surgical.

Revenue split by segment



Number of Da Vinci surgical systems shipped



Strategy and Value Chain

Intuitive is trying to secure its market position by investing in innovation

Strategy

Staying market leader through innovation and service



Leading innovation

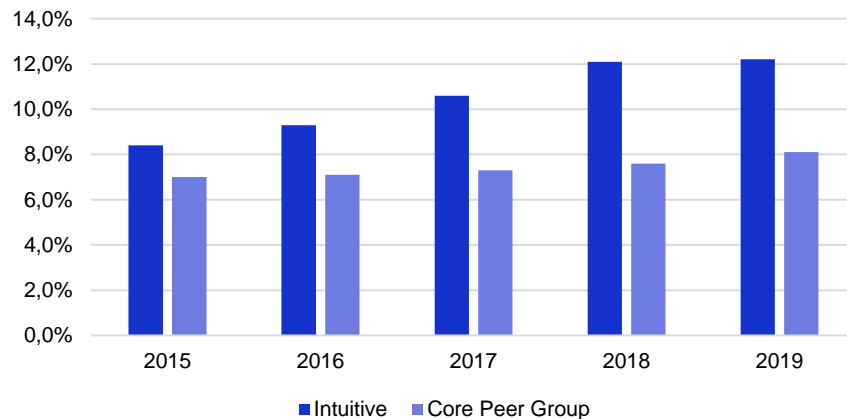
Ensuring support by world-class facilities and securing reputation



Unique ecosystem

creating lock-in effect and making the business model „sticky“

Percent of sales spent on R&D



Value Chain

Sourcing

76% Key suppliers (U.S. & Germany)

24% others



Manufacturing

INTUITIVE

Systems

Sunnyvale, CA
Durham, North Carolina

Instruments

Mexicali, Mexico

Selling

INTUITIVE

Direct Sales Agents

U.S., Europe, China, Japan, South Korea, India, and Taiwan

FOSUNPHARMA
INTUITIVE

Joint Venture

Shanghai

Various companies

Distributors

Rest of regions



Patient value



Surgeon value



Hospital value

Product Portfolio and da Vinci specializations

New generation of integrated surgeries specialized in soft tissue surgery

Systems

Da Vinci Surgical System

- First released in 2000 (FDA clearance)
- \$1,5-2,5 million



Accessory Products

Ion endoluminal system

Peripheral lung biopsy



Stapling

EndoWrist Stapler

Intelligent stapling, higher performance



Energy

Vessel Sealer Extend

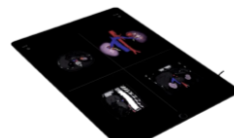
Integrated energy for fast transection



Vision

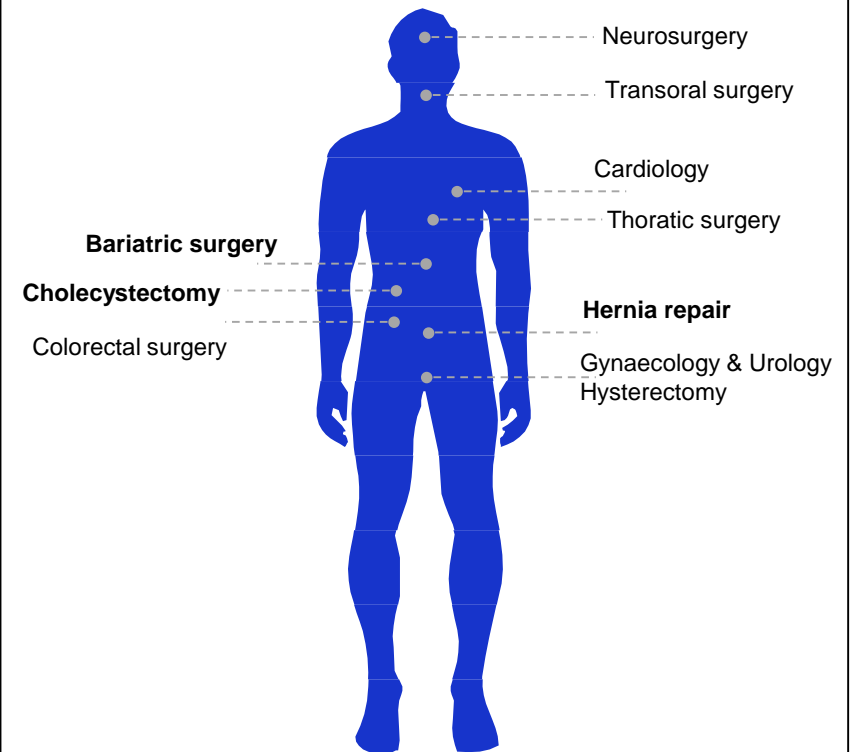
Iris Augmented Reality

Pre-and intra-operative guidance by delivering 3D image of patient anatomy



Clinical applications

Types of procedures



Bold type – most frequent types of procedures

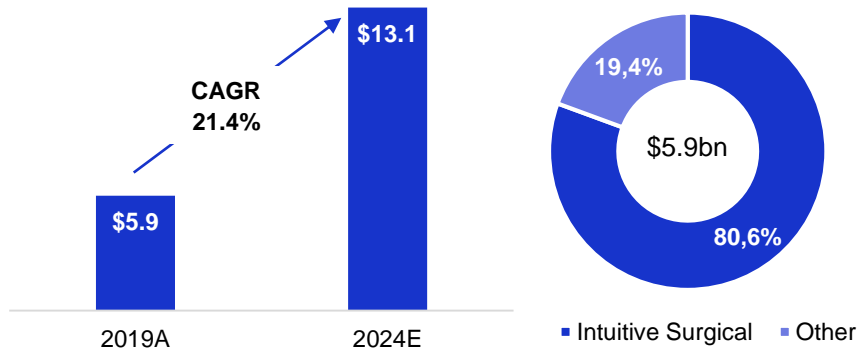


Market & Industry Overview

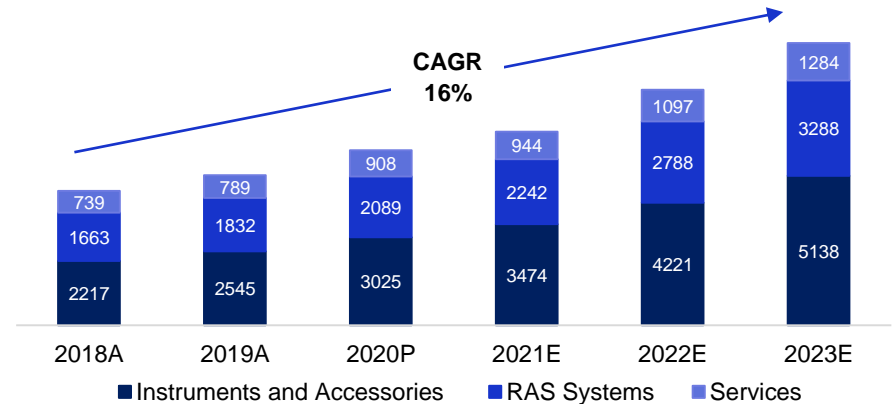
Industry Overview I

Intuitive holding 80% market share in a fast growing industry

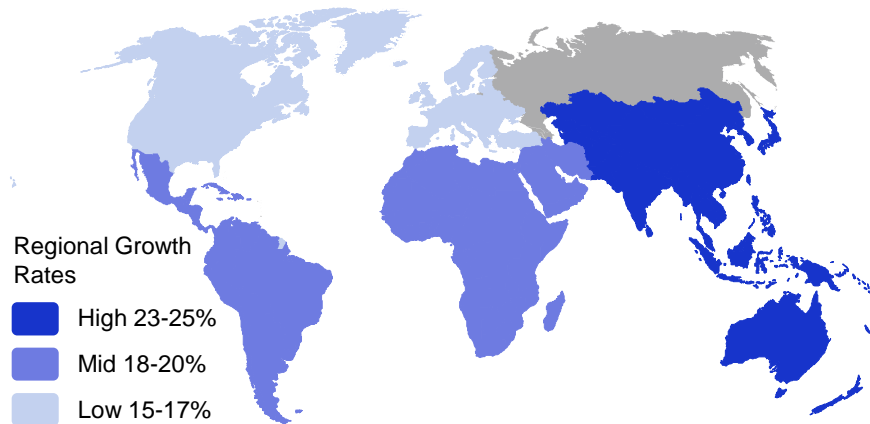
Robotic-surgery market (USD bn)



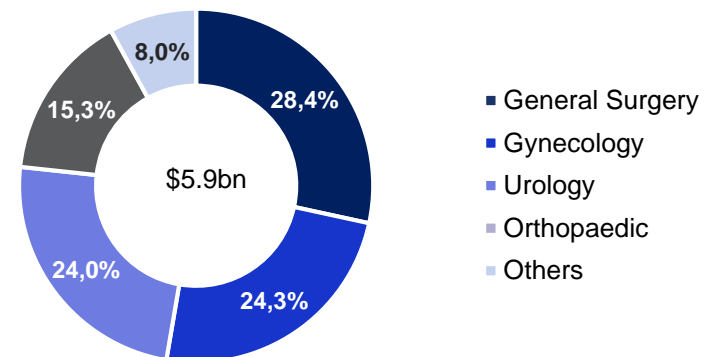
Robotically assisted surgical devices by revenue segment (USD m)



Surgical Robots Market – Growth rate by region (2019-2024)



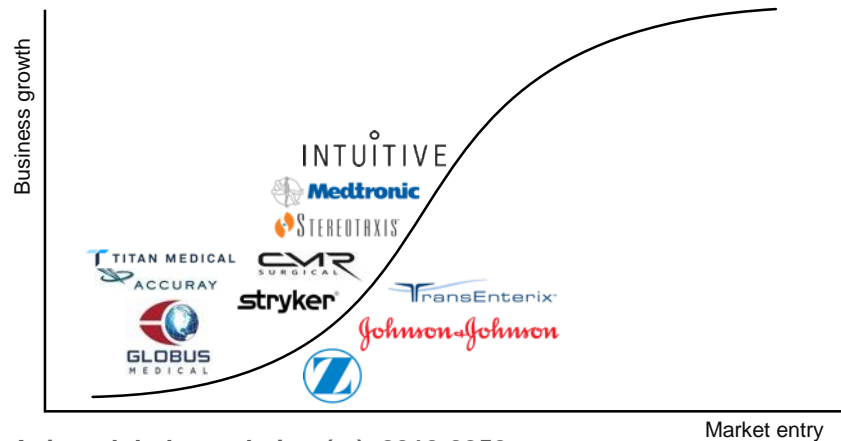
Global surgical robots market share, by application



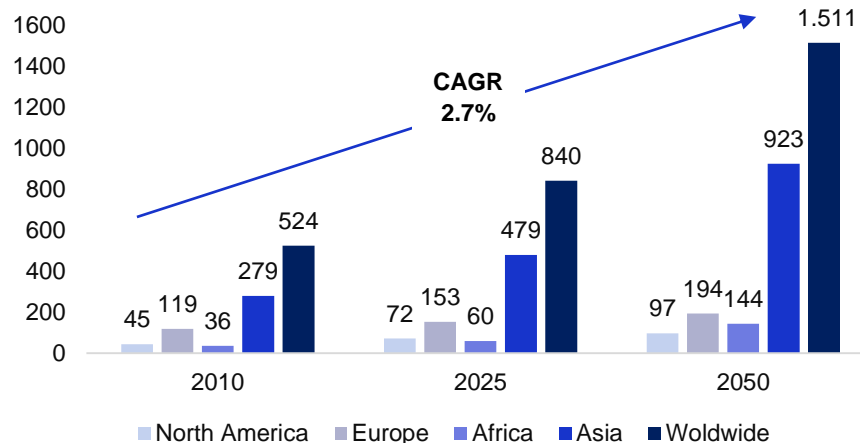
Industry Overview II

Increasing competition from major players entering the market...

Competitors



Aging global population (m), 2010-2050



Market Growth Drivers



Aging global population

Patients over the age of 65 are on track to triple, reaching nearly 1.511 m by 2050, up from 524 m in 2010



Growing healthcare expenditures

Health spending in US is projected to grow at an average rate of 5.5% per year for 2019-2027 and to reach \$6t by 2027



Benefits of robotic-assisted surgery

Reduced post-care discomfort, shorter hospital stay, greater precision, lesser pain, early discharge



Increasing adoption of surgical robots

Rise in the number of surgical procedures of 18% in 2019 worldwide (in 2018 - 1.04m, in 2019 - 1.23m)



Growth of related illnesses - comorbidities

High correlation of obesity with diabetes, rising incidence of obesity (35% Americans - obese) result in increased diabetes



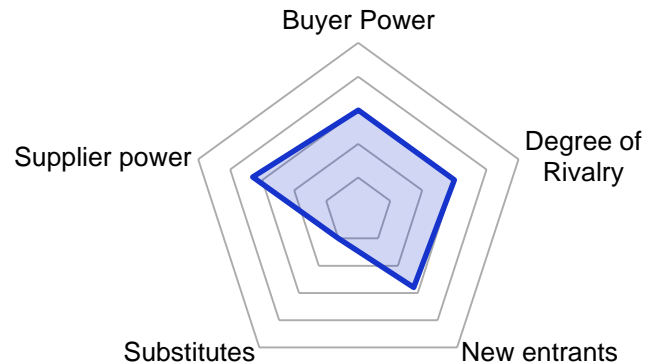
Increasing penetration in ambulatory surgical centers

Rising trend of outpatient surgery, vast opportunities for new placements

Industry analysis

...making it harder for Intuitive to sustain market share

Medical equipment manufacturing industry analysis



Five Forces in detail



Moderate degree of rivalry through industry incumbents



Moderate buyer power as a result of limited potential buyers



Moderate supplier power key suppliers and quality requirements

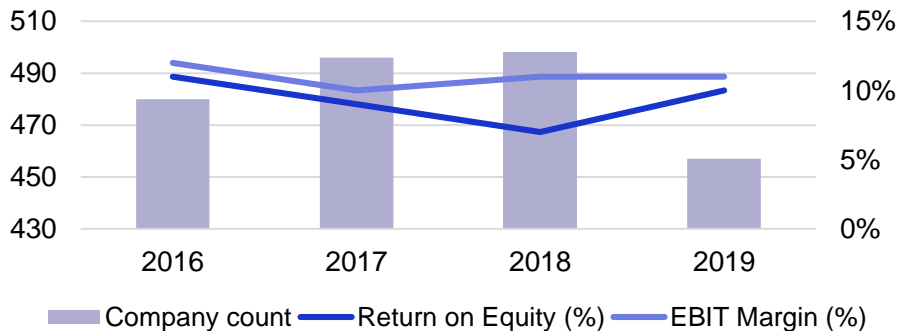


Moderate threat of new entrants through regulations and market entry costs



Low threat of substitution cheap and beneficial real alternatives hardly exist

Medical equipment manufacturing industry metrics



➤ **Attractive and stable industry margins** but market entry barriers are high, resulting in a profitable but consolidated market

Industry trend: value-added services















	Service 2.0 & 3.0	Service 4.0
Customer approach	Reactive	Proactive
Product architecture	Standardized, modular	Customized, human-centered
Intelligence	Experience-based	Data-driven

Examples: GE's Health Cloud or BD's Infusions Analytics Services program

➤ Looking forward, the medical equipment manufacturing is moving towards creating **data-enriched offerings**

Competing products

New products, that address perceived weaknesses of the current offerings at lower costs

							
Name:	Da Vinci	Senhance	Mazor X	CyberKnife	Excelsius GPS	Revo-1 Robot	MAKO Robot
Company:	Intuitive Surgical (US)	TransEnterix (US)	Medtronic plc (IRL)	Accuray Inc. (US)	Globus Medical (US)	Meere Company Inc. (KR)	Stryker (US)
Price:	\$1.5-\$2.5m	\$1.5-\$2m	\$850k	\$3-\$5m	\$1.5m	\$2m	\$1m
Clinical use:	Laparoscopy	Laparoscopy	Spine surgery	Proton therapy	Spine surgery	Laparoscopy	Orthopaedics
Competitive edge:	First-mover	Similar to da Vinci, lower operational costs, reusable instruments	Cheaper	The world's first robotic radiosurgery system to treat tumor/cancer	First multifunctional robotic navigation platform for spine surgery	First locally developed surgical robot in Korea (copy of da Vinci)	Similar to Rosa System, NAVIO System
							
Name:	Rosa Robots	Flex	Versius	SPORT	Genesis RMN	NAVIO System	Monarch
Company:	Zimmer Biomet Holdings Inc. (US)	Medrobotics (US)	CMR Surgical (UK)	Titan Medical (CA)	Stereotaxis (US)	Smith&Nephew (US)	Auris Health (US)
Price:	\$700k	\$1m	\$2m	\$1m	\$1.5-\$2m	\$400-450k	\$500k
Clinical use:	Brain/spine surgery	Endoluminal surgery	Laparoscopy	Laparoscopy	Vascular surgery	Partial or total knee replacement	Laparoscopic
Competitive edge:	Similar to Mako, doesn't require a product specialist to assist an operation	Cheaper	Cheaper and better configured for simpler surgeries	Disposal end effectors, which reduce the costs	Faster operations, smaller, lighter footprint	No CT scan required, costs roughly 50% less than Mako	Integrates endoscopes, navigation, robotics in a single platform

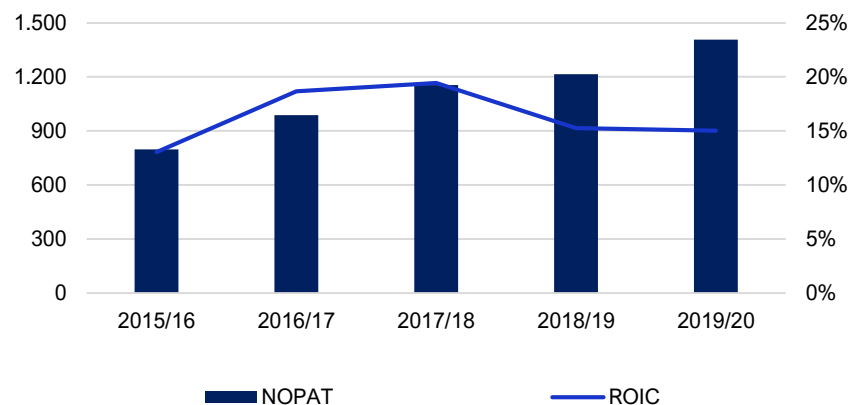


Financial Analysis

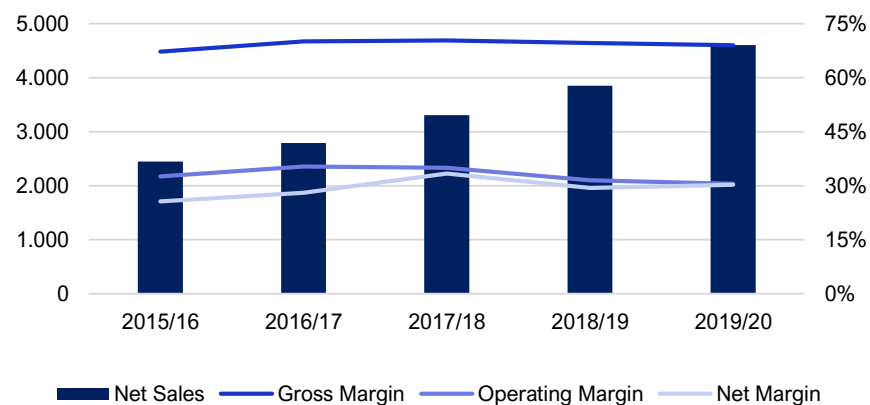
Key Performance Indicators

Shareholder value meets financial stability

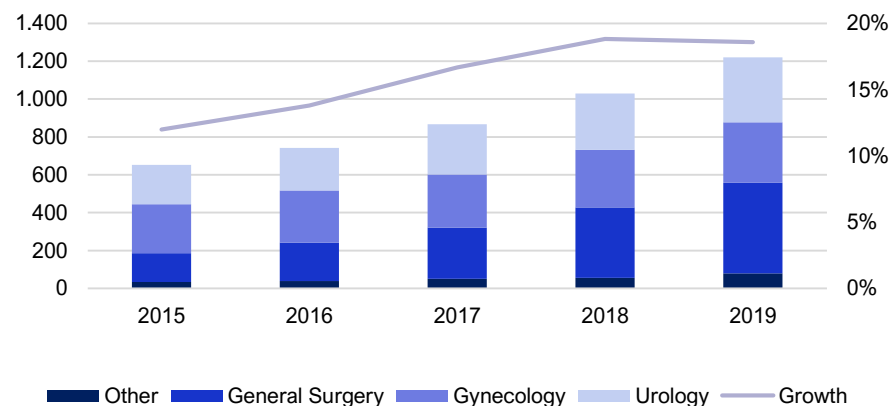
Shareholder Value Generation



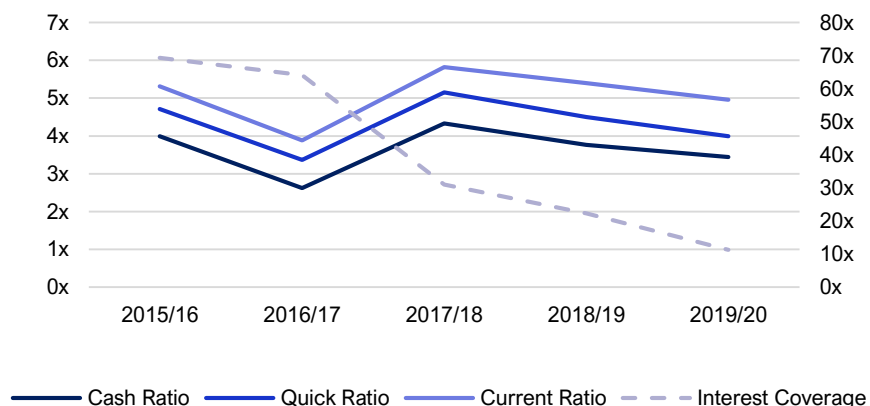
Operating Efficiency



Total Procedures - Globally



Liquidity and Interest Coverage





Valuation

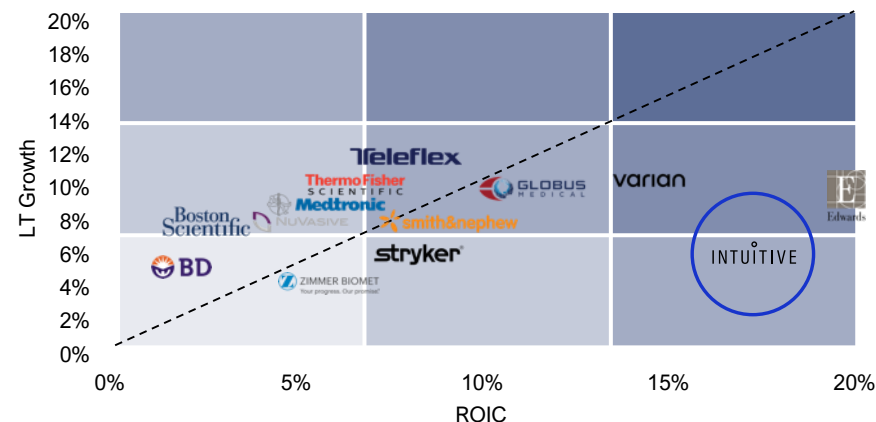
Valuation - Universe

Numerous MedTech companies but not everyone is a peer

Peers – overview: common topic Surgical Robotics



Expectations on Growth and ROIC: matching Reinvestment Rates



Peer Group Information: not much room for direct competitors



Industry: MedTech

But not every MedTech company engages in surgical robotics, plus low correlation for Beta and Adj. Multiples



Common Theme: Surgical Robotics

Better but still huge differences in share of revenue, correlation for Beta and Adj. Multiples also not perfect



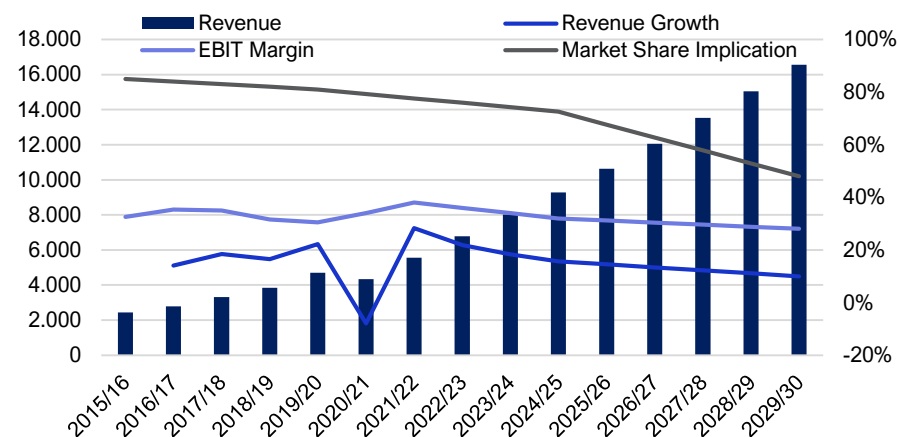
Matching Expectations: Growth and ROIC

Different business opportunities, by far largest correlation for Beta and Adj. Multiples

DCF Analysis

Market share assumptions lead to a small downside in the valuation

Revenue forecast



Sensitivity analysis

WACC-approach, value driver formula:

	1.9%	2.1%	2.3%	2.5%	2.7%
5.1%	612.8	633.9	658.0	686.0	718.7
5.3%	575.1	592.7	612.7	635.6	662.1
5.5%	541.7	556.5	573.2	592.1	613.8
5.7%	511.9	524.4	538.4	554.2	572.1
5.9%	485.1	495.8	507.6	520.8	535.7

Operating assumptions



Revenue development:

High-growth industry, market leadership, assumption: increase in competition, dip in revenues based on COVID-19



EBIT margin:

Very high and stable, assumption: slight reversion to the industry mean



Inventory:

Assumption: inventory backlog caused by slump in demand, mainly instruments & accessories (effect on NWC and FCF)

Key inputs



WACC (5.5%):

Cost of Debt: 1.1%, Cost of Equity: 6.1%, LT D/E ratio: 10%, Marginal Tax Rate: 27%



Terminal value assumptions:

LT Reinvestment Rate: 20.8%, LT ROIC: 11.2%, LT Growth: 2.3%

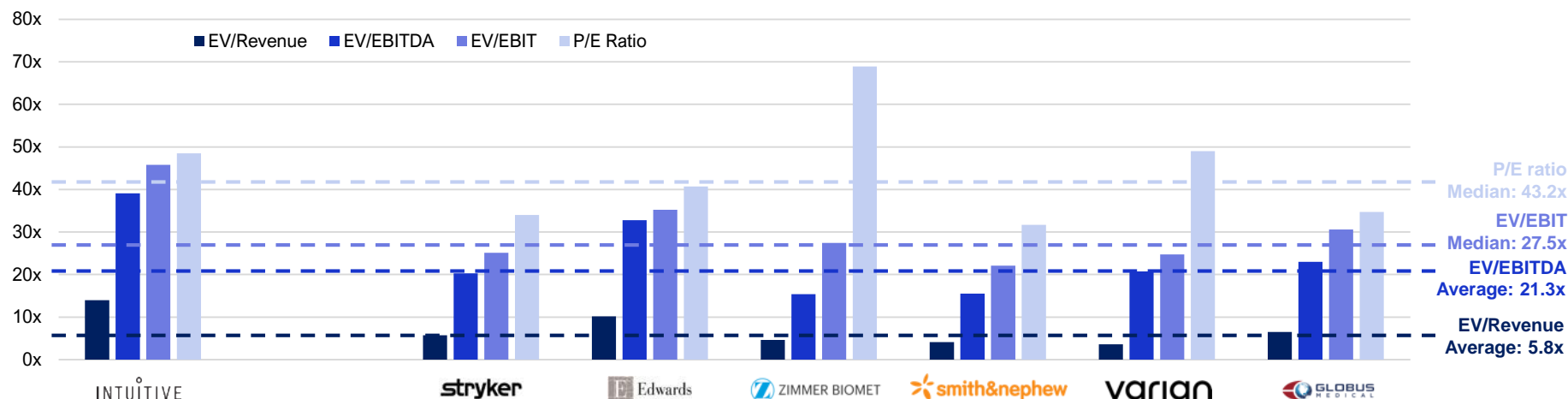


Net cash: USD 3,253.4

As of 12/06/2020, Intuitive Surgical has considerable cash reserves and no interest-bearing debt outstanding

Comparable Company Analysis

Core peer group confirms slight overvaluation and a high premium



Comparable Companies - overview

Company	Ticker	Market Cap	EV	EV/Revenue	EV/EBITDA	EV/EBIT	P/E Ratio
Intuitive Surgical, Inc.	NASDAQ:ISRG			14,3x	40,0x	46,9x	49,6x
Stryker Corporation	NYSE:SYK	77.714,6	84.568,6	5,7x	20,3x	25,1x	34,0x
Edwards Lifesciences Corporation	NYSE:EW	46.084,4	45.728,5	10,2x	32,8x	35,2x	40,7x
Zimmer Biomet Holdings, Inc.	NYSE:ZBH	28.414,6	35.644,1	4,6x	15,4x	27,4x	68,9x
Smith & Nephew plc	LSE:SN	19.294,2	21.064,2	4,1x	15,5x	22,1x	31,7x
Varian Medical Systems, Inc.	NYSE:VAR	12.021,2	12.020,8	3,6x	20,7x	24,7x	49,0x
Globus Medical, Inc.	NYSE:GMED	5.413,8	5.140,3	6,5x	23,0x	30,6x	34,7x
Median		23.854,4	28.354,2	5,1x	20,5x	26,2x	37,7x
Average		31.490,5	34.027,8	5,8x	21,3x	27,5x	43,2x
Adjusted Multiple				10,3x	31,8x	34,5x	41,1x

Valuation table: Adjusted Multiples

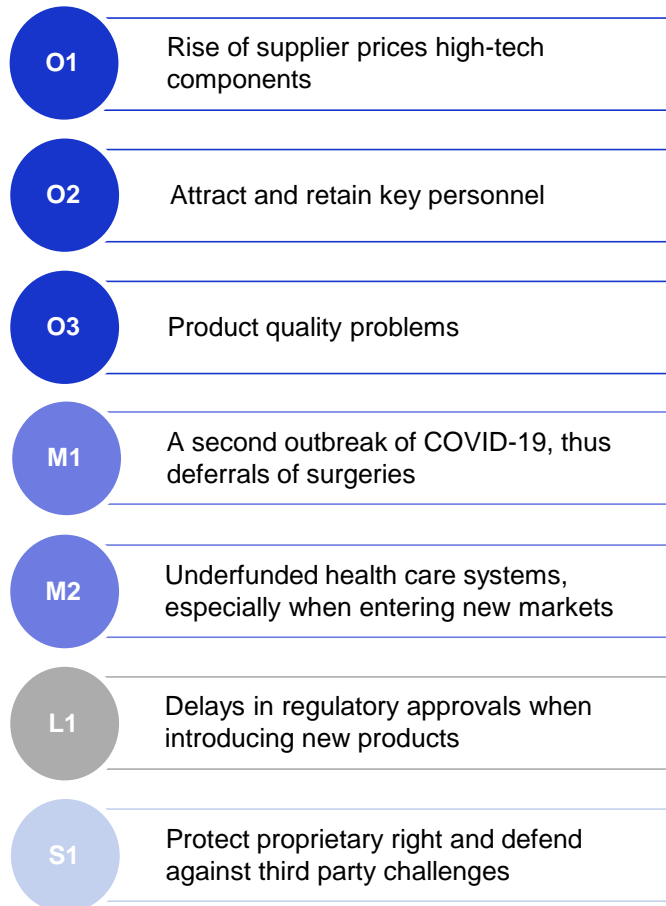
	LTM	NTM	NTM+1	Mean	Median
EV/Sales	435.0	482.6	488.8	468.8	482.6
EV/EBITDA	475.7	521.8	546.4	514.6	521.8
EV/EBIT	514.2	496.9	557.8	523.0	514.2
P/E	544.0	599.6	477.6	540.4	544.0
Mean	492.2	525.2	517.6		
Median	495.0	509.4	517.6		511.9



Risk Analysis

Risk Analysis






High uncertainty arises from potential second COVID-19 outbreak



Operations (O) – Market (M) – Legislation (L) – Security (S)

Catalysts

Investors trust will be impacted by Intuitive's ability to withstand COVID-19

Catalyst	Type	Influenced factor	Estimated impact on share price
M&A deals	Hard	<ul style="list-style-type: none"> Business model Market share Sales 	<ul style="list-style-type: none"> Acquiring companies that help Intuitive secure market position and stay in front of competition 
Losing market share	Soft	<ul style="list-style-type: none"> Market share Sales 	<ul style="list-style-type: none"> Planned possible launch of new robot by Verb surgical - joint venture between J&J's Ethicon and Verily Regulatory approval of McKinsey's robot Dexter and Swiss Startup Distalmotion 
Second COVID-19 wave	Soft	<ul style="list-style-type: none"> Sales Patient trust 	<ul style="list-style-type: none"> Not only a long-term risk, but also a short-term price change due to announcement of postponed surgeries Patient behavior change in growing fear of undergoing surgery during pandemic 
Inability to comply with FDA regulations	Hard	<ul style="list-style-type: none"> Product recall Surgeon trust 	<ul style="list-style-type: none"> Any incident causing problem in current system could lead to potential product recall Time to develop improved version of product could be negative from investors point of view 
Earning report release for 2020 Q2	Hard	<ul style="list-style-type: none"> Sales 	<ul style="list-style-type: none"> Impact of COVID-19 will have an influence due to falling revenue in Instruments and Accessories segment If estimated impact on sales does not meet investors expectation 



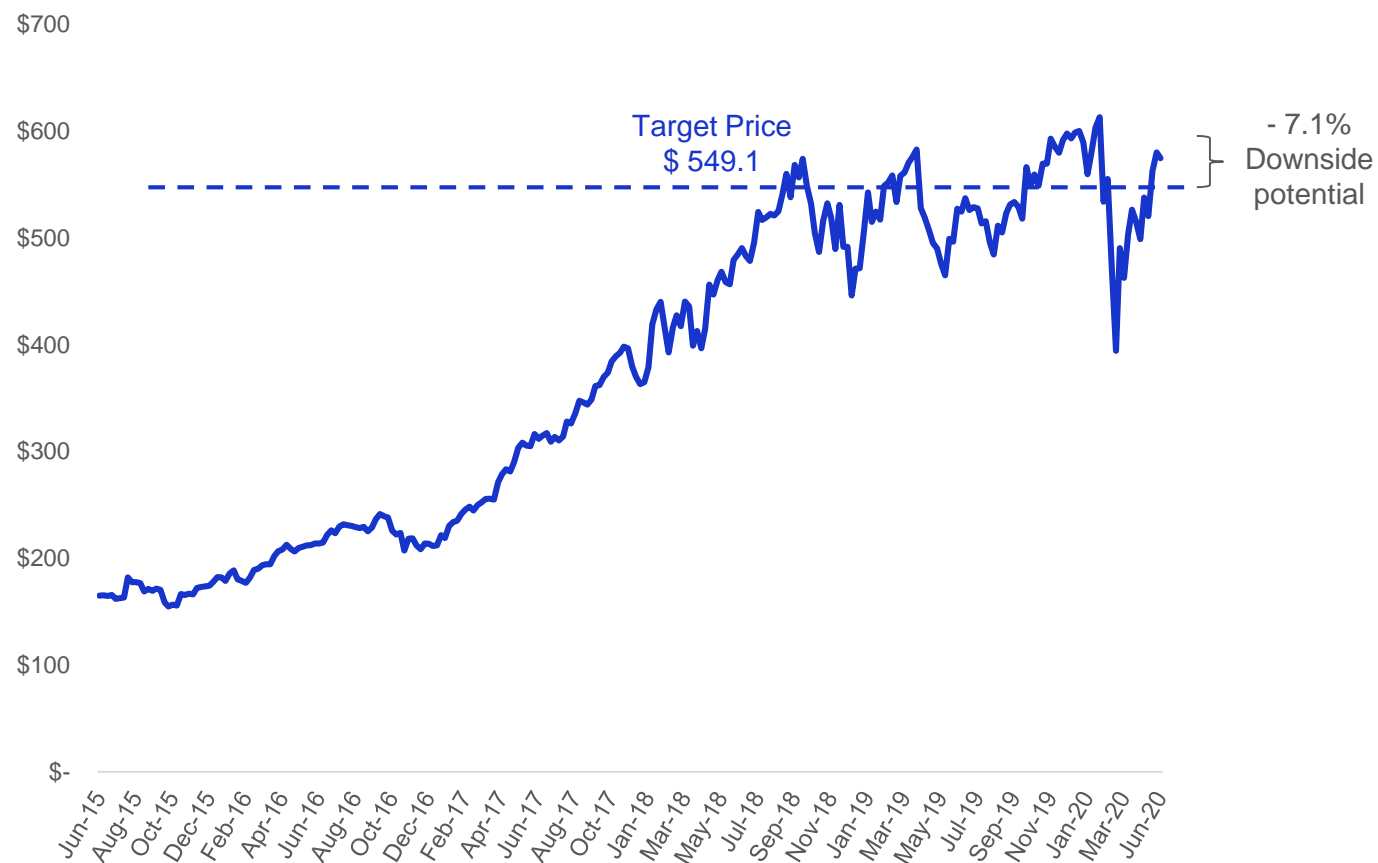
Conclusion

Conclusion

Company with great potential analyzed during bad timing



Intuitive share price performance





Appendix

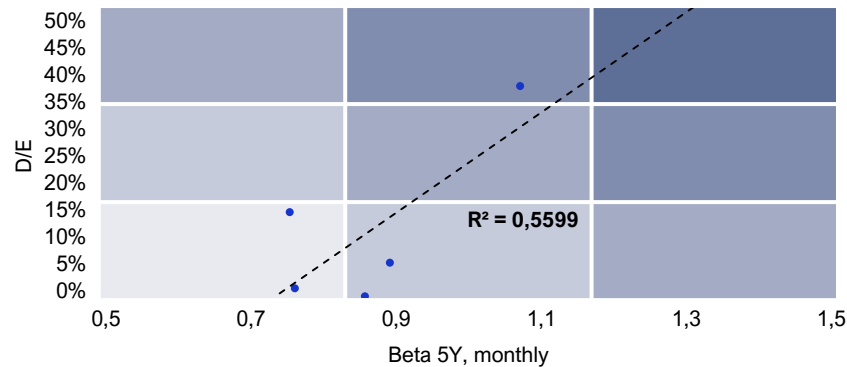
Appendix

Valuation I – DCF Model

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TV
Total Revenue	2 446.8	2 791.6	3 306.1	3 850.4	4 604.3	4 501.2	5 563.5	6 782.4	8 025.5	9 283.3	10 633.0	12 058.3	13 537.7	15 045.1	16 549.6	
<i>% Growth</i>		14.1%	18.4%	16.5%	19.6%	-2.2%	23.6%	21.9%	18.3%	15.7%	14.5%	13.4%	12.3%	11.1%	10.0%	
Cost of Revenue, Total	800.7	833.9	980.1	1 170.5	1 425.5	1 260.3	1 446.5	1 899.1	2 407.6	2 970.7	3 466.4	4 003.3	4 575.8	5 175.5	5 792.4	
<i>% of Total Revenue</i>	32.7%	29.9%	29.6%	30.4%	31.0%	28.0%	26.0%	28.0%	30.0%	32.0%	32.6%	33.2%	33.8%	34.4%	35.0%	
Gross Profit	1 646.1	1 957.7	2 326.0	2 679.9	3 178.8	3 240.9	4 117.0	4 883.3	5 617.8	6 312.7	7 166.6	8 054.9	8 962.0	9 869.6	10 757.2	
<i>% Gross Margin</i>	67.3%	70.1%	70.4%	69.6%	69.0%	72.0%	74.0%	72.0%	70.0%	68.0%	67.4%	66.8%	66.2%	65.6%	65.0%	
Selling/General/Admin. Expenses, Total	849.3	878.8	1 054.3	1 316.2	1 533.5	1 575.4	1 891.6	2 260.8	2 621.7	2 970.7	3 423.8	3 906.9	4 413.3	4 934.8	5 461.4	
<i>% of Total Revenue</i>	34.7%	31.5%	31.9%	34.2%	33.3%	35.0%	34.0%	33.3%	32.7%	32.0%	32.2%	32.4%	32.6%	32.8%	33.0%	
Other Operating Expenses, Net	92.7	91.4	116.3	148.8	239.2	270.1	389.4	361.7	294.3	185.7	191.4	192.9	189.5	180.5	165.5	
<i>% of Total Revenue</i>	3.8%	3.3%	3.5%	3.9%	5.2%	6.0%	7.0%	5.3%	3.7%	2.0%	1.8%	1.6%	1.4%	1.2%	1.0%	
EBITDA	889.5	1 078.9	1 271.7	1 363.7	1 645.3	1 665.5	2 225.4	2 622.5	2 996.2	3 342.0	3 742.8	4 148.0	4 548.7	4 934.8	5 295.9	
<i>% EBITDA Margin</i>	36.4%	38.6%	38.5%	35.4%	35.7%	37.0%	40.0%	38.7%	37.3%	36.0%	35.2%	34.4%	33.6%	32.8%	32.0%	
Depreciation/Amortization	92.7	91.4	116.3	148.8	239.2	135.0	166.9	226.1	294.3	371.3	425.3	482.3	541.5	601.8	662.0	
<i>% of Total Revenue</i>	3.8%	3.3%	3.5%	3.9%	5.2%	3.0%	3.0%	3.3%	3.7%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
EBIT	796.8	987.5	1 155.4	1 214.9	1 406.1	1 530.4	2 058.5	2 396.4	2 701.9	2 970.7	3 317.5	3 665.7	4 007.2	4 333.0	4 633.9	
<i>% Operating Margin</i>	32.6%	35.4%	34.9%	31.6%	30.5%	34.0%	37.0%	35.3%	33.7%	32.0%	31.2%	30.4%	29.6%	28.8%	28.0%	
<i>% Tax Rate</i>	22.3%	22.0%	7.4%	10.7%	8.9%	10.0%	13.0%	16.0%	19.0%	22.0%	23.0%	24.0%	25.0%	26.0%	27.0%	
NOPAT	619.3	770.7	1 069.9	1 084.5	1 280.6	1 377.4	1 790.9	2 013.0	2 188.5	2 317.1	2 554.5	2 785.9	3 005.4	3 206.4	3 382.7	2 678.0
<i>% NOPAT Margin</i>	25.3%	27.6%	32.4%	28.2%	27.8%	30.6%	32.2%	29.7%	27.3%	25.0%	24.0%	23.1%	22.2%	21.3%	20.4%	
CapEx		149.8	280.8	496.5	598.8	296.2	288.5	442.2	533.7	635.8	679.6	731.7	779.0	820.3	854.2	
D&A		91.4	116.3	148.8	239.2	135.0	166.9	226.1	294.3	371.3	425.3	482.3	541.5	601.8	662.0	
Change in NWC		80.2	90.4	168.0	(24.4)	2 047.9	108.7	(126.6)	(241.7)	(387.2)	377.9	418.3	455.5	487.6	512.5	
FCF		632.1	815.0	568.8	945.4	(831.7)	1 560.6	1 923.5	2 190.8	2 439.9	1 922.3	2 118.3	2 312.4	2 500.3	2 678.0	85 438.3
<i>% Discount Factor</i>						94.8%	89.9%	85.3%	80.8%	76.7%	72.7%	68.9%	65.4%	62.0%	58.8%	
PV FCF						(788.6)	1 403.2	1 639.9	1 771.1	1 870.4	1 397.3	1 460.1	1 511.3	1 549.6	1 573.7	50 208.2
Enterprise Value	63 596.2						1.9%	2.1%	2.3%	2.5%	2.7%					
Net Debt	-3 253.4					5.1%	612.8	633.9	658.0	686.0	718.7					
Minority Interest	7.7					5.3%	575.1	592.7	612.7	635.6	662.1					
Equity	66 841.9					5.5%	541.7	556.5	573.2	592.1	613.8					
Shares Outstanding	116.6					5.7%	511.9	524.4	538.4	554.2	572.1					
Implied Share Price	573.2					5.9%	485.1	495.8	507.6	520.8	535.7					
Share Price	592.8															
Upside/Downside	-3.3%															
LT Growth	2.3%															
LT ROIC	11.2%															
LT WACC	5.5%															

Beta – Core Peer Group: High Correlation with D/E

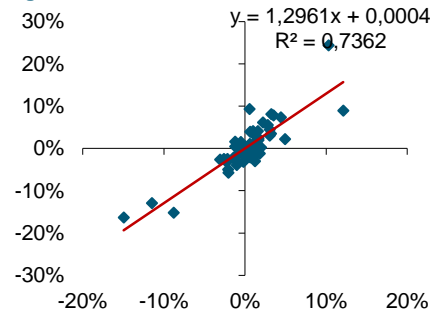
Unlevered Peer Beta: 0.92



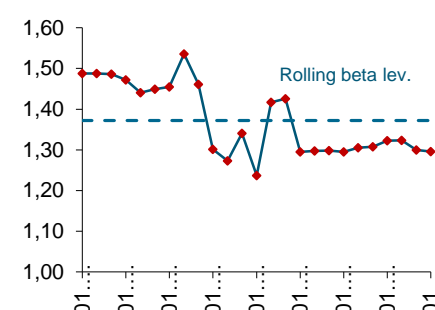
Historic Beta – 3Y, weekly

Unlevered Beta: 1.29

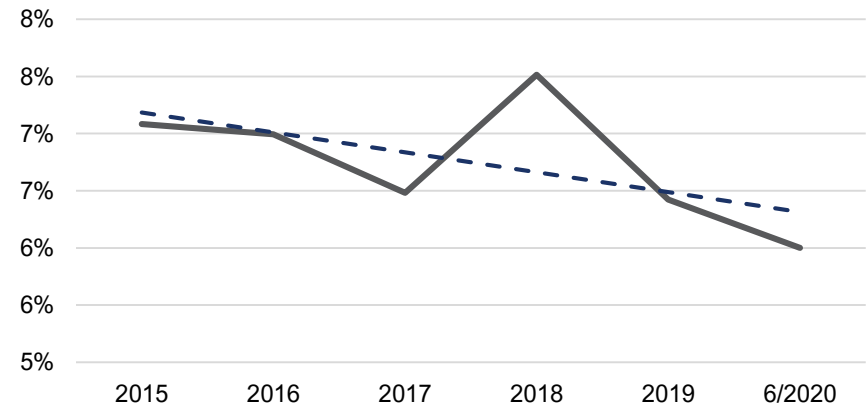
Regression



Beta lev.



Implied Market Risk Premium US



Risk-Free Rate

Risk-Free Rate: 0.76%

Nelson–Siegel–Svensson fitting curve

$$f(t, \beta, \tau) = \beta_0 + \beta_1 \exp\left(-\frac{t}{\tau_1}\right) + \beta_2 \frac{t}{\tau_1} \exp\left(-\frac{t}{\tau_1}\right) + \beta_3 \frac{t}{\tau_2} \exp\left(-\frac{t}{\tau_2}\right)$$

Where

t interval of estimation, time period
 β_0 the long-term asymptotic value of $f(T)$ for the interval of estimation
 β_1 the spread between the long and short term asymptotic value of $f(T)$
 β_2, β_3 the magnitude and direction of the first and second hump
 τ_1, τ_2 the position of the first and second hump or U-shape

Appendix

Valuation III – Cost of Debt

AAA	AA	A	BBB	BB	B	CCC
0.42%	0.50%	0.81%	1.06%	2.33%	5.90%	15.08%
Rating criteria for synthetic rating						
Rating criteria		1	2	3	4	5
1	Equity ratio	≤60%	≤35%	≤20%	>10.0%	≤10.0%
2	Dynamic gearing ratio	<0.0x	<1.0x	<4.0x	<8.0	≥8.0
3	Interest coverage ratio	<9.0x	<4.0x	<2.5x	>1.0	≤1.0
4	EBIT margin	≤15%	≤10%	≤5%	>0.0%	≤0.0%
5	EBITDA to total assets ratio	<0.3x	<0.1x	<0.1x	>0.0%	≤0.0%
6	Quick ratio	<2.0x	<1.4x	<0.9x	>60.0%	≤60.0%
7	Return on assets	≤20%	≤10%	≤5%	≥0.0%	<0.0%
8	Free cashflow to debt ratio	<0.2x	<0.1x	<0.0x	>-10.0%	≤-10.0%

Source: Gleissner/Füser

Synthetic Rating based on Gleissner/Füser (2010)

	2017	2018	2019
Average Rating Score	1.25	1.25	1.25
Synthetic Rating	A+	A+	A+

KPIs in USDmn			
	2017	2018	2019
Equity Ratio			
Book value of equity (last FY)	5 506	7 040	8 531
Total assets / E+L (last FY)	6 426	8 235	9 891
Equity ratio	85.7%	85.5%	86.2%
Rating score for KPI	1	1	1

Dynamic gearing ratio			
Net Debt (last FY)	-2 517	-2 737	-3 253
Operating Cashflow (last FY)	1 183	1 223	1 618
Dynamic gearing ratio	-2.1x	-2.2x	-2.0x
Rating score for KPI	1	1	1

Interest coverage ratio			
EBIT norm.	1 155	1 215	1 406
Interest expense (total)	37	54	125
Interest coverage ratio	31.1x	22.3x	11.3x
Rating score for KPI	1	1	1

EBIT Margin			
EBIT norm.	1 155	1 215	1 406
Total revenue	3 306	3 850	4 604
EBIT Margin	34.9%	31.6%	30.5%
Rating score for KPI	1	1	1

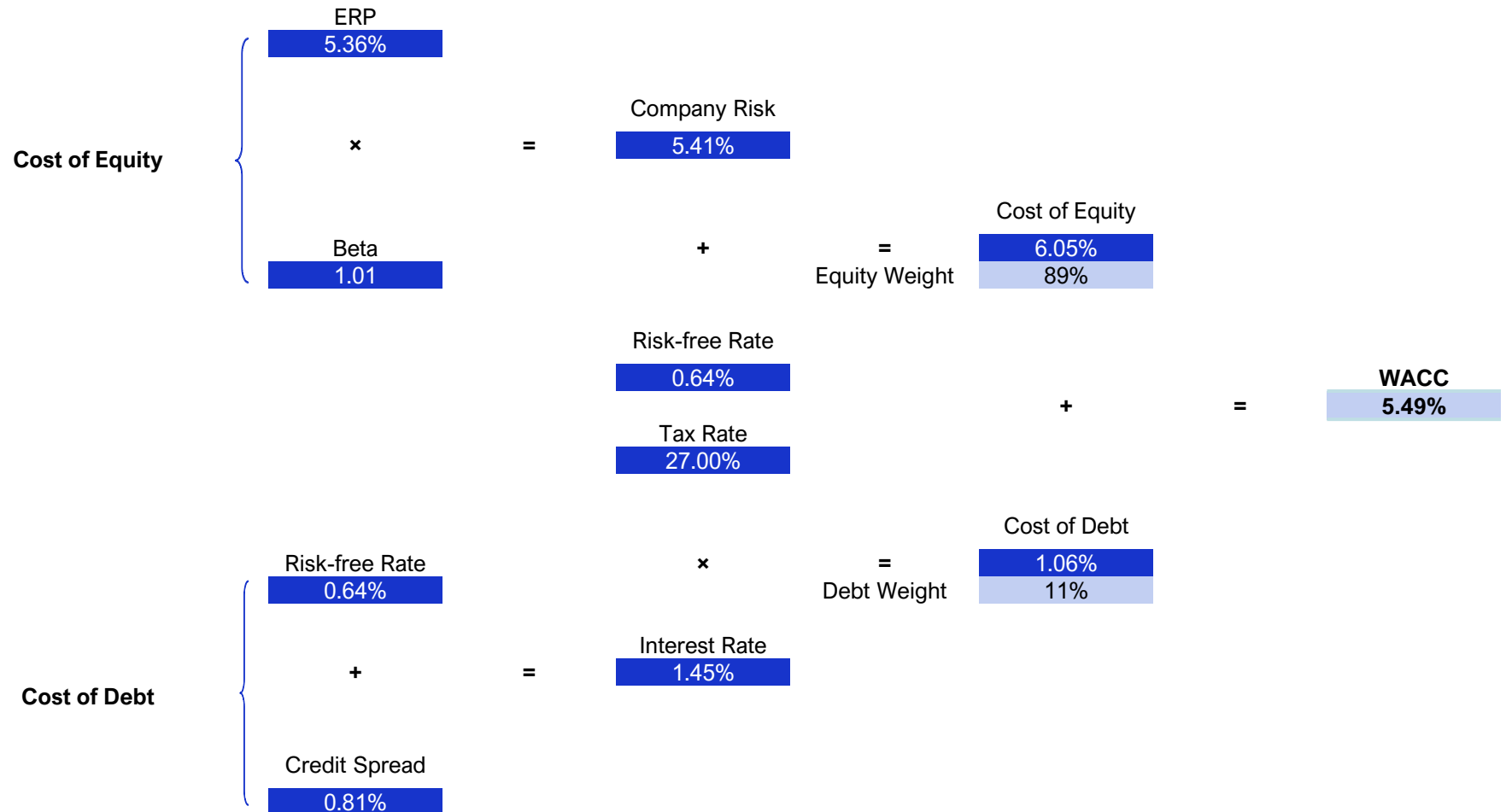
EBITDA to total assets ratio			
EBITDA norm.	1 272	1 364	1 645
Total assets / E+L (last FY)	6 426	8 235	9 891
EBITDA to TA	19.8%	16.6%	16.6%
Rating score for KPI	2	2	2

Quick ratio			
Current assets	3 382	4 025	4 692
Current liabilities	581	746	946
Inventories	284	468	620
Quick ratio (last FY)	5.3x	4.8x	4.3x
Rating score for KPI	1	1	1

Return on Assets			
EBIT norm.	1 155	1 215	1 406
Total assets / E+L (last FY)	6 426	8 235	9 891
Return on Assets	18.0%	14.8%	14.2%
Rating score for KPI	2	2	2

FCFO / Total Debt			
FCFO / Total Debt	815	569	945
Total debt (last FY)	0	71	0
Pensions (last FY)	0	0	0
FCFO / Total Debt	-	797.8%	-
Rating score for KPI	1	1	1

Weighted Average Cost of Capital (WACC)



Appendix

Valuation V - Multiples

Valuation Statistics: Company	Market Cap	Enterprise Value	EV/Revenue NTM	EV/EBITDA NTM	EV/EBIT NTM	P/E Ratio NTM
Stryker Corporation (NYSE:SYK)	77 714.6	84 568.6	6.1x	24.0x	27.2x	31.0x
Edwards Lifesciences Corporation (NYSE:EW)	46 084.4	45 728.5	10.5x	34.5x	37.6x	42.6x
Zimmer Biomet Holdings, Inc. (NYSE:ZBH)	28 414.6	35 644.1	5.6x	22.1x	30.8x	35.6x
Smith & Nephew plc (LSE:SN.)	19 294.2	21 351.8	8.2x	28.9x	33.9x	39.6x
Varian Medical Systems, Inc. (NYSE:VAR)	17 482.9	17 482.5	5.5x	31.9x	38.2x	48.7x
Globus Medical, Inc. (NYSE:GMED)	12 021.2	11 747.7	17.0x	66.1x	117.6x	116.4x
Maximum			17.0x	66.1x	117.6x	116.4x
75th Percentile			10.0x	33.9x	38.0x	47.2x
Median			7.2x	30.4x	35.8x	41.1x
25th Percentile			5.7x	25.2x	31.5x	36.6x
Minimum			5.5x	22.1x	27.2x	31.0x
Average			8.8x	34.6x	47.5x	52.3x

Intuitive Surgical, Inc. (NasdaqGS:ISRG)			4 501.2	1 665.5	1 530.4	1 336.9
	Implied Share Price:		367.8	521.8	496.9	599.6
	Implied Share Price (Adj. Multiples):		482.6	521.8	496.9	599.6

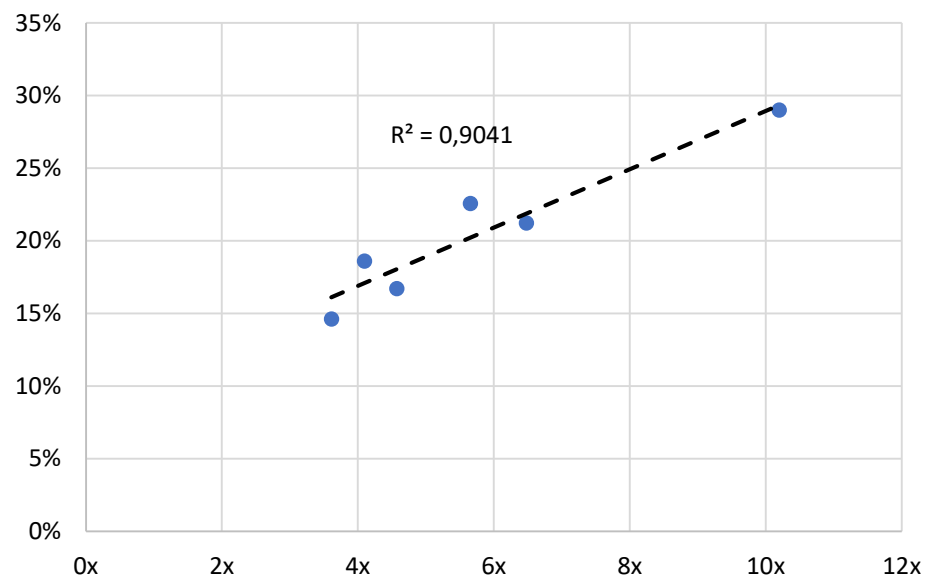
Valuation Statistics: Company	Market Cap	Enterprise Value	EV/Revenue NTM+1	EV/EBITDA NTM+1	EV/EBIT NTM+1	P/E Ratio NTM+1
Stryker Corporation (NYSE:SYK)	77 714.6	84 568.6	5.1x	17.7x	19.3x	22.0x
Edwards Lifesciences Corporation (NYSE:EW)	46 084.4	45 728.5	8.7x	25.9x	27.6x	31.9x
Zimmer Biomet Holdings, Inc. (NYSE:ZBH)	28 414.6	35 644.1	4.4x	16.3x	16.7x	16.8x
Smith & Nephew plc (LSE:SN.)	19 294.2	21 351.8	3.9x	13.3x	18.7x	20.6x
Varian Medical Systems, Inc. (NYSE:VAR)	12 021.2	12 020.8	3.1x	15.2x	17.4x	21.9x
Globus Medical, Inc. (NYSE:GMED)	5 413.8	5 140.3	5.7x	17.4x	23.7x	28.3x
Maximum			8.7x	25.9x	27.6x	31.9x
75th Percentile			5.6x	17.6x	22.6x	26.7x
Median			4.8x	16.8x	19.0x	21.9x
25th Percentile			4.0x	15.5x	17.7x	20.9x
Minimum			3.1x	13.3x	16.7x	16.8x
Average			5.2x	17.6x	20.6x	23.6x

Intuitive Surgical, Inc. (NasdaqGS:ISRG)			5 563.5	2 225.4	2 058.5	1 742.5
	Equity Value:		274.4	363.8	390.9	352.3
	Implied Share Price (Adj. Multiples):		488.8	546.4	557.8	477.6

Appendix

Valuation VI – Adjusting. Multiples

Adjusted EV/Sales: Company	Market Cap	Enterprise Value	EV/Revenue	EBITDA Margin	EBIT Margin	EBIT Growth
Stryker Corporation (NYSE:SYK)	77 714.6	84 568.6	5.7x	27.8%	22.6%	13.6%
Edwards Lifesciences Corporation (NYSE:EW)	46 084.4	45 728.5	10.2x	31.1%	29.0%	16.0%
Zimmer Biomet Holdings, Inc. (NYSE:ZBH)	28 414.6	35 644.1	4.6x	29.7%	16.7%	-6.3%
Smith & Nephew plc (LSE:SN.)	19 294.2	21 064.2	4.1x	26.4%	18.6%	3.2%
Varian Medical Systems, Inc. (NYSE:VAR)	12 021.2	12 020.8	3.6x	17.4%	14.6%	1.7%
Globus Medical, Inc. (NYSE:GMED)	5 413.8	5 140.3	6.5x	28.1%	21.2%	-0.3%



Regression Slope 45,0

Regression Intercept (3,4)

Multiple Raw 5.8x

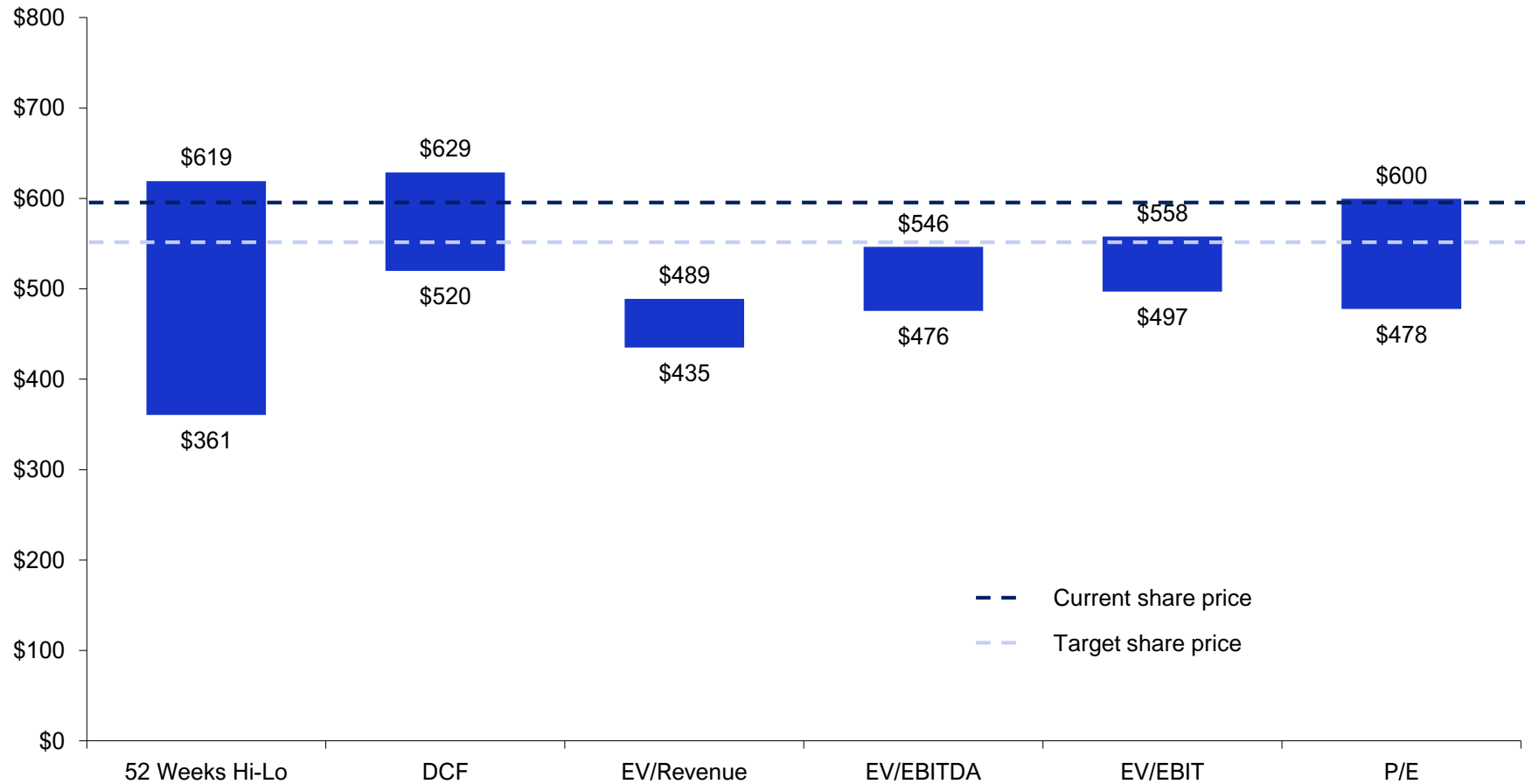
Reference Value Intuitive Surgical 30.5%

Multiple, adjusted 10.3x

Implied Equity Value **435.0**

Appendix

Valuation VII – Football Field



Appendix

Historic Multiples vs. MedTech Industry

EV/Sales vs. MedTech



EV/EBITDA vs. MedTech



P/E vs. MedTech



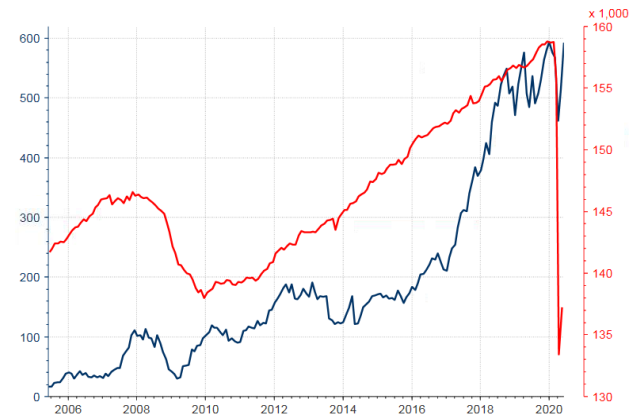
Appendix

Share price vs. Macro-data

Intuitive Surgical vs. Consumer Confidence



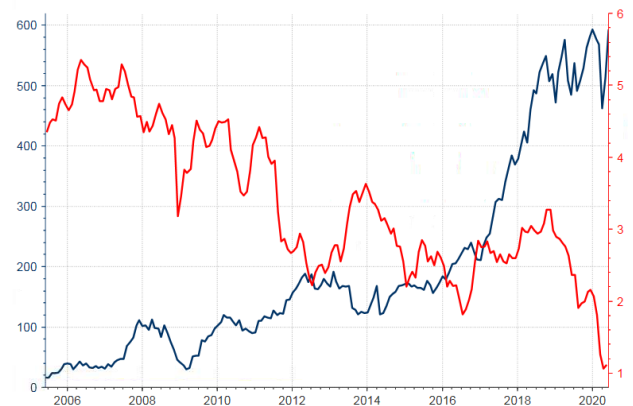
Intuitive Surgical vs. Employment



Intuitive Surgical vs. PMI

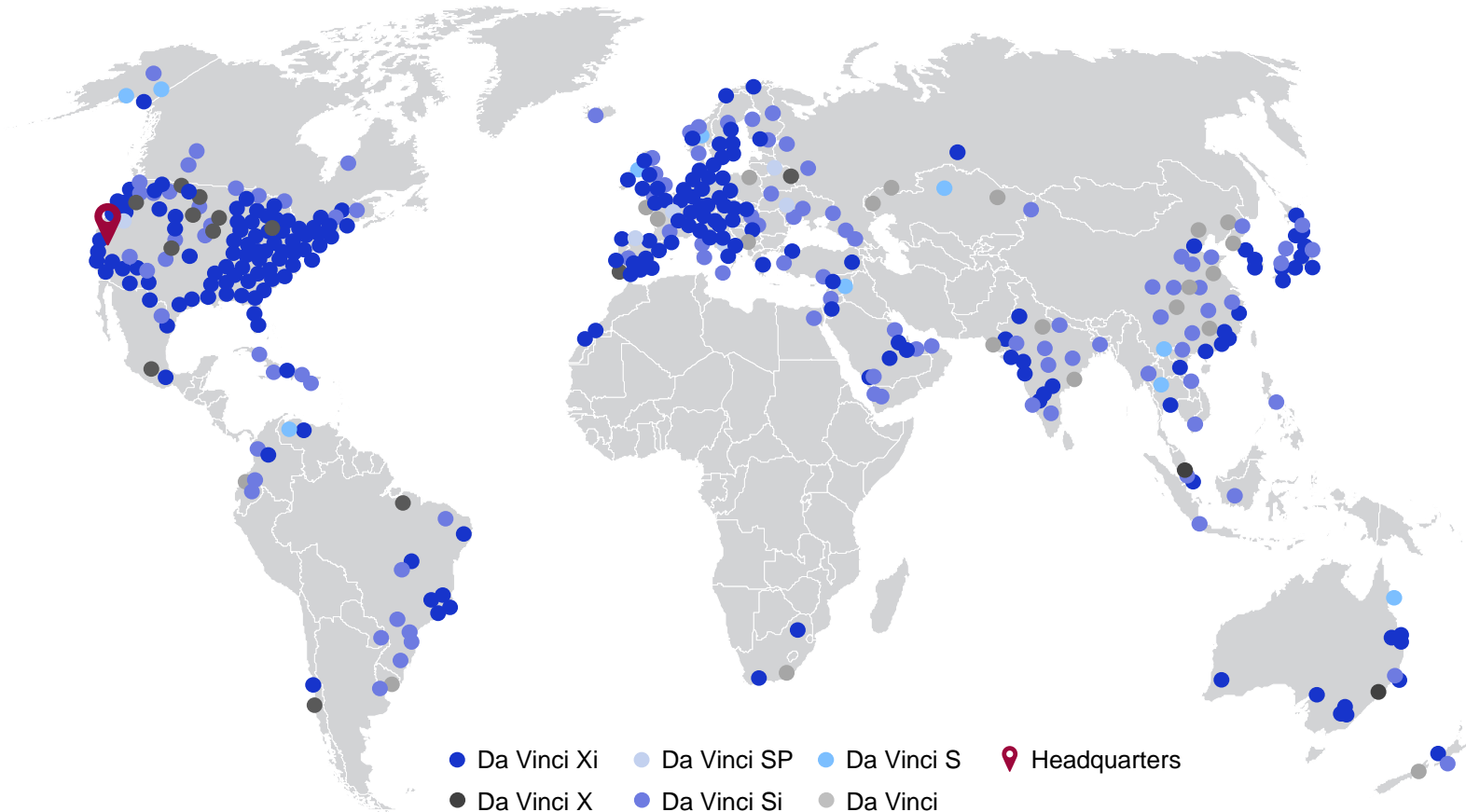


Intuitive Surgical vs. Treasury Yields



Appendix: Geography I

Da Vinci surgical systems are widely used around the globe



7.2 million+

Number of minimally invasive da Vinci procedures completed worldwide through 2019

1.2 million+

Number of da Vinci procedures performed in 2019

26 seconds

How often a surgeon starts a da Vinci procedure

5,582

Number of da Vinci systems around the world

50

States

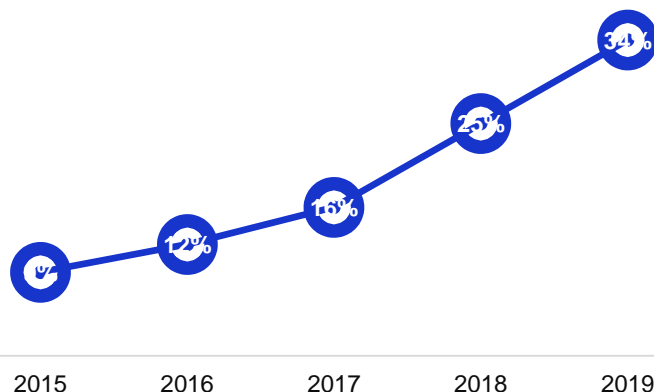
67

Countries

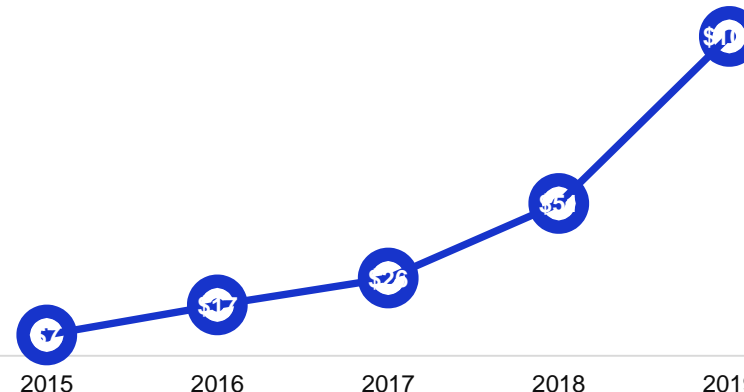
Appendix: Geography II

Operating leasing, system shipments, installed base

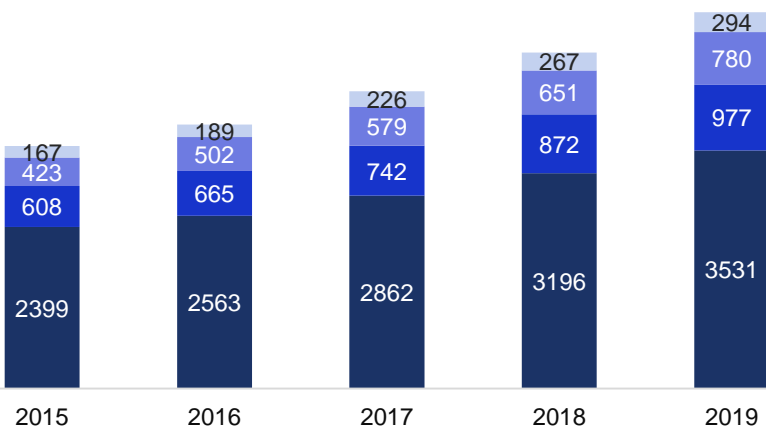
Operating Lease: % of total placements (USD bn)



Operating lease revenue (USD m)

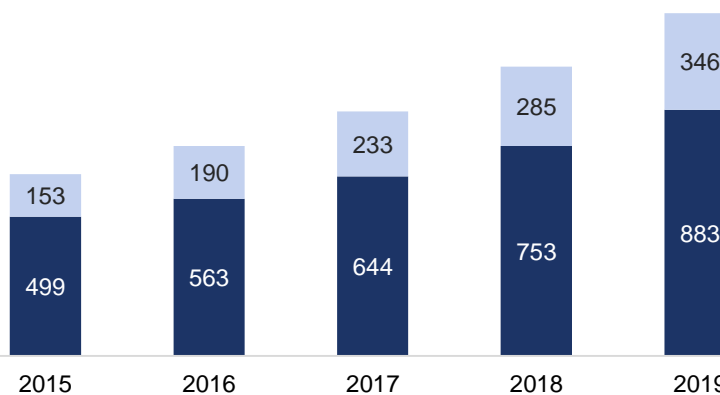


Installed base of da Vinci systems



■ US ■ Europe ■ Asia ■ Rest-of-World

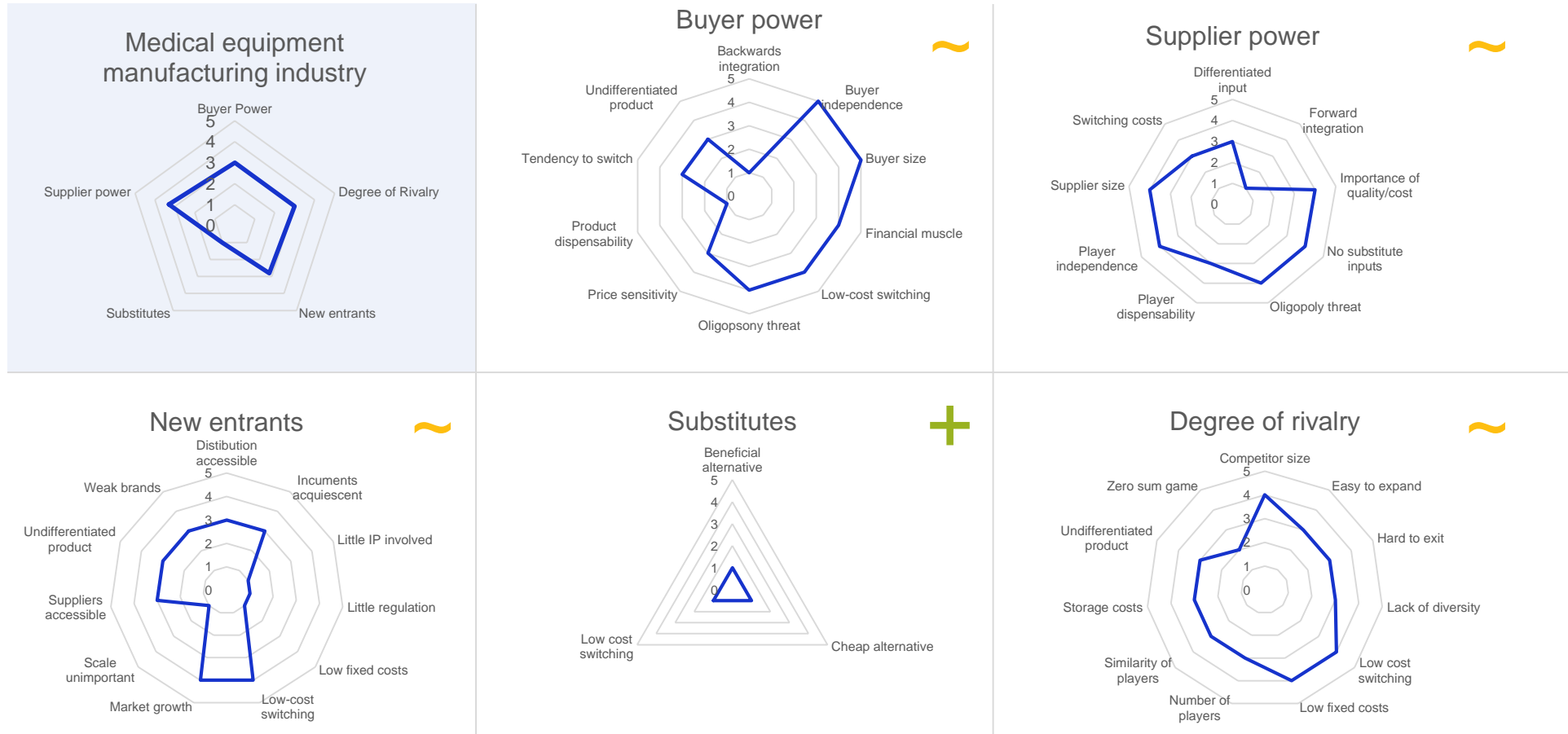
Procedures



■ US ■ Outside of the US

Appendix: Five Forces

Detailed look into the different forces



- negative ~ moderate + positive

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