

Company Overview:

Intuitive Surgical manufactures both capital equipment systems and disposable instruments for robotic surgery. ISRG pioneered this market, and the company's da Vinci system remains the only commercially available system for robotic surgery.

Name	Ticker	Growth	Dividend	D + G
Intuitive Surgical, Inc.	ISRG	11.83%	0.00%	11.83%

Highlights:

ISRG continues to demonstrate strong commercial execution despite the current environment. We view the most recent earnings print to be all-around strong with few areas to poke at. We remain bullish on the opportunity in front of ISRG in the RAS (robotic assisted surgery) market and the pace of Da Vinci adoption going forward.

Bull Case:

- **First Mover Advantage in a Growing Industry** – ISRG has been the market leader in Surgical Robotics for nearly 20 years and they are well positioned to continue to capitalize on the growth of this industry. They have consistently increased their global installed base with the da Vinci systems and their technology is advanced to a point to meet the growing demand for these types of products as more hospitals move toward Surgical Robotics.
- **International Expansion and Growth** – ISRG has continued to vertically integrate through inorganic measures. This M&A has been all well thought out by the management team as they have continued to execute and streamline tangential areas within product manufacturing, distribution, and infographics. There is a huge opportunity for international expansion as only 30% of revenue is coming from abroad. Expansion into these markets can grow top line revenue for ISRG and deliver value to investors.
- **New Product Expansion** – For the longest time, ISRG had been solely focused on the da Vinci system as the main source of product revenue. Recently, the company rolled out and delivered its first Ion systems. The Ion system is a flexible, robotic-assisted, catheter-based platform designed to navigate through very small lung airways to reach peripheral nodules for biopsies. This gives ISRG their first inroads into the diagnostics-based market. Intuitive has built a solid and growing network of hospitals and doctors and this network should lead to warmer reception of Intuitive's new products as they come to market.

Bear Case:

- **Increased Competition** - As the wave of surgical robotics continues to expand across the globe there will undoubtedly be competitors that come in and compete for market share in the space. If competitor companies come in with a better product or similar product at a lower price point for the customer Intuitive may stand to lose market share.
- **HealthCare Spending Landscape** – There is a potential for an unstable macro environment that could negatively affect overall budgetary pressures from certain healthcare reform. This could cause a slowdown in system sales.
- **Valuation** – By no means is ISRG cheap from a valuation perspective, but it's also not overvalued in our opinion. We believe that the current valuation reflects the future sales environment for ISRG, as they continue to take market share in operating rooms. If there is a substantial, and unexpected slowdown in sales, you could see ISRG's multiple compress.

Overview:

We believe over time ISRG can deliver the kind of innovation necessary to drive robust procedure growth and assume ISRG's pipeline will drive penetration across a broader range of surgical procedures. Our conviction in ISRG's ability to gain meaningful share in the U.S. general surgery market makes us confident in its potential long-term recurring revenue opportunity of \$7-\$8bn+.

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