# Intuitive Surgical (ISRG)

May 17, 2026

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Medical Technology | NASDAQ | Buy: Installed Base Compounder, Ion Optionality

EQUITY RESEARCH REPORT

## Recommendation: BUY

Price Target: US$582 | Upside: +38.2% from US$421

Investment Horizon: 12 Months | Risk Rating: Medium-Low

NASDAQ: ISRG | 52-wk: US$341 - US$543 | Mkt Cap: US$149.2bn

*All figures are analyst estimates unless otherwise stated.*

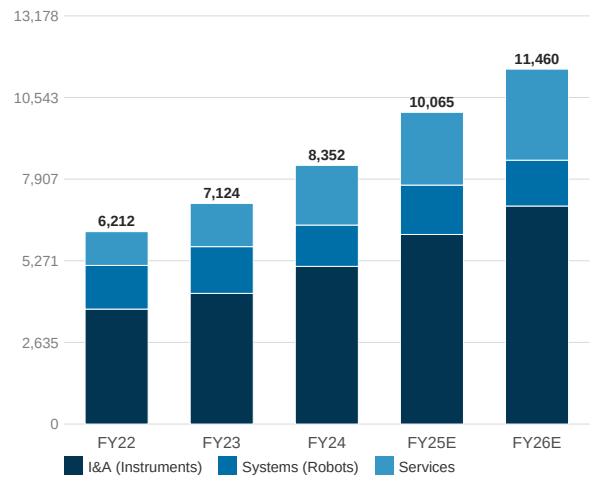
## Financial Snapshot

| Metric | FY23A | FY24A | FY25E | FY26E |
|---|---|---|---|---|
| Revenue (US$m) | 7,124 | 8,352 | 10,065 | 11,460E |
| Revenue YoY (%) | +14% | +17% | +21% | +14%E |
| Gross Margin (%) | 68.2 | 68.5 | 69.0E | 69.5E |
| EBITDA (US$m) | 2,222 | 2,788 | 3,503E | 4,137E |
| EBITDA Margin (%) | 31.2 | 33.4 | 34.8E | 36.1E |
| Diluted EPS (US$) | 6.69 | 7.50 | 9.14E | 10.43E |
| FCF (US$bn) | 1.8 | 2.1 | 2.7E | 3.3E |
| Net Cash (US$bn) | 5.4 | 6.5 | 7.2E | 8.0E |
| Proc. Growth YoY | +22% | +17% | +18%E | +15%E |

## Company Overview

Intuitive Surgical (ISRG) designs, manufactures, and markets the da Vinci (dV) robotic-assisted minimally invasive surgery (RAMIS) platform, with 11,106 systems installed globally across 75+ countries as of FY25. Revenue is driven by a razor/razor-blade model: dV system placements generate a durable stream of instruments & accessories (I&A) revenue (~$1,400/procedure) and multi-year service contracts, producing highly predictable cash flows. The Ion endoluminal system addresses the lung biopsy market and represents a nascent but high-growth adjacency. ISRG holds >65% global RAMIS market share, with over 20 years of clinical evidence, FDA clearances across 400+ indications, and surgeon training programs creating deep switching costs for hospital customers. The dV5 platform, launched FY24, adds Insights analytics and improved visualization, driving upgrade cycles within the existing installed base.

### Figure 1: Revenue by Segment (US$m)




*Source: ISRG company filings, analyst estimates*

| Component | YOY FY24 | YOY FY25 | 5Y CAGR | % Total |
|---|---|---|---|---|
| I&A (Instruments) | +21% | +20% | +13% | 61% |
| Systems (Robots) | -12% | +20% | +1% | 16% |
| Services | +38% | +22% | +16% | 23% |

*Source: ISRG filings, analyst estimates*

I&A revenue (the annuity stream) constitutes 61% of total revenue and grew +21% in FY24, driven by procedure volume growth of +17% globally. Services revenue is accelerating as the installed base matures, with FY24 growth of +38% driven by multi-year service contracts on the expanding dV fleet. The I&A + Services mix of ~84% makes ISRG's revenue profile more recurring than any major medtech peer.

The global robotic-assisted surgery market is estimated at ~US$8bn (2026E), growing at 15-18% CAGR through 2030 driven by procedure adoption across colorectal, gynecological, thoracic, and general surgery indications. ISRG's 65%+ market share reflects 20+ years of installed base, surgeon credentialing programs, and >400 FDA cleared indications. Competitive entrants (Medtronic Hugo, J&J Ottava) face a 5-10 year runway to match ISRG's procedure breadth, I&A ecosystem depth, and clinical data archive, limiting near-term share risk materially.

## Investment Thesis

1. **Installed base compounding**
   11,106 dV systems in 75+ countries; each system generates ~$1,400/procedure in I&A annuity revenue. Each system adds $300K+ in lifetime recurring revenue at current procedure rates. Management guides 12-14% annual placement growth through FY27E, creating a self-reinforcing annuity flywheel where every new placement adds a permanent income stream. The installed base has doubled since FY19, with no observable churn or displacement.

2. **Procedure volume re-acceleration**
   Global soft-tissue RAMIS procedures grew +17% YoY in FY24; dV5 adoption, multiport general surgery expansion into APAC, and new colorectal indications support +15-18% CAGR through FY27E. Each 1% of additional procedure penetration in the total addressable surgical market represents ~$300-400m of incremental I&A revenue. Japan dV5 approval in Q3'26E opens the world's second-largest RAMIS market with minimal current penetration.

3. **Ion platform option value**
   995 Ion systems in early lung biopsy market; 30%+ annual Ion placements. The $2bn+ incremental TAM by FY29E is largely unmodeled in consensus estimates. Ion colorectal IDE study data expected H2'26 could add an additional $1.5-2bn in TAM. Ion represents a free call option on a structurally attractive adjacency where ISRG can leverage its existing hospital relationships, sales force, and service infrastructure with minimal incremental fixed-cost investment.

4. **Margin expansion & FCF quality**
   Adj gross margin guided 67-68% FY25E with +100-150bps EBIT expansion per year as I&A mix grows and fixed-cost leverage kicks in. US$7bn+ net cash enables strategic M&A optionality with no balance sheet risk. FCF conversion exceeds 94%, among the highest in medtech, and growing absolute FCF ($2.7bn FY25E) provides capital for share repurchases and potential large-scale M&A.

## Adjusted Operating Margin (%)

| Company | FY24 (%) | FY25E (%) |
|---|---|---|
| ISRG | 33.4 | 34.8E |
| Stryker | 19.1 | 19.8 |
| Boston Scientific | 16.2 | 17.1 |
| Becton Dickinson | 18.3 | 19.0 |
| Peer Median | 18.5 | 19.3 |

*Source: Bloomberg, company filings. Adj. operating margin as reported.*

## Cash Flow Metrics

| Metric | FY24A | FY25A/E |
|---|---|---|
| FCF (US$bn) | 2.1 | 2.7E |
| FCF Conversion (%) | 94% | 96%E |
| FCF Yield (%) | 1.4% | 1.8%E |
| Net Cash (US$bn) | 6.5 | 7.2E |

*Source: ISRG filings, analyst estimates*

### ANALYST CERTIFICATION & IMPORTANT DISCLOSURES

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**Rating Definitions:** BUY: Expected total return >+15% within 12 months. HOLD: Expected total return (5%) to +15%. SELL: Expected total return < (5%). All figures based on analyst base-case assumptions at time of publication.

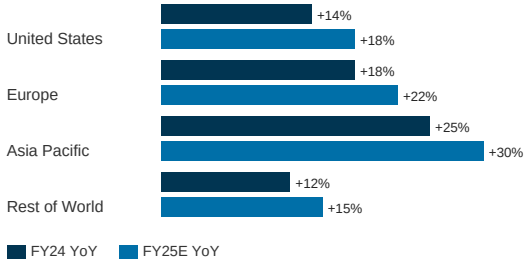


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## Installed Base & Procedure Growth

| dV Installed Base (units) | Procedure Growth CAGR |
|---|---|
| 5,582 -> 11,106 | ~17% -> ~18% |
| FY19 — FY25 | FY19-24 — FY25E |

### Figure 4: Revenue Growth by Geography (%)




*Source: ISRG company filings, analyst estimates*

## Valuation

ISRG trades at ~40x FY26E earnings vs. medtech peers at 20-30x, justified by structurally higher ROIC, superior recurring revenue mix (~84%), and the only scaled RAMIS franchise globally with 65%+ market share. At US$421, the stock offers +38.2% upside to our US$582 target, derived as: 40% weight on 14x EV/Rev FY27E (US$596), 40% weight on 55x P/E FY27E (US$571), and 20% weight on 2.2% FCF yield (US$588). Ion platform option value is entirely unmodeled in this target and represents incremental upside of US$30-60/share on bear-to-base Ion scenarios. On a P/E basis, ISRG at 40x compares to Boston Scientific at 38x and Stryker at 28x, both with substantially inferior recurring revenue profiles and ROIC.

### Peer Valuation

| Company | Fwd P/E | Fwd P/FCF | FCF Yield | PEG |
|---|---|---|---|---|
| ISRG | 13.4x | 46x | 1.8% | 2.5 |
| Stryker | 4.1x | 28x | 3.6% | 2.1 |
| Boston Sci | 7.2x | 38x | 2.6% | 2.3 |
| Becton Dick | 3.3x | 18x | 5.6% | 1.6 |
| Peer Median | 5.0x | 28x | 3.3% | N/A |

*Source: Bloomberg consensus, analyst estimates. FY25A/FY26E.*

### EPS Growth (%)

| Company | FY23A | FY24A | FY25A/E |
|---|---|---|---|
| ISRG | +12.1% | +17.5% | +21.9% |
| Stryker | +8.4% | +9.3% | +10.5%E |
| Boston Sci | +12.1% | +14.2% | +15.0%E |

*Source: Bloomberg, company filings*

### PT Scenario Analysis (Procedure Growth)

| Scenario | WTI/Key Assumption | Implied Price | Upside |
|---|---|---|---|
| Bear | +10% proc growth, 33x P/E FY27 | US$440 | +5% |
| Base | +17% proc growth, 55x P/E FY27 | US$582 | +38% |
| Bull | +22% proc growth + Ion ramp | US$720 | +71% |

*Source: Analyst estimates. Procedure growth annual CAGR basis.*

## Business Drivers

| Metric | FY23 | FY24 | FY25A | FY26E |
|---|---|---|---|---|
| **ISRG Procedure & Install Growth** | | | | |
| Proc. growth YoY (%) | +22% | +17% | +18%E | +15%E |
| Installed base (units) | 8,606 | 9,902 | 11,106 | 12,650E |
| dV placements | 1,370 | 1,296 | 1,204 | 1,544E |
| **ISRG vs Medtronic Hugo** | | | | |
| ISRG system placements | 1,370 | 1,296 | 1,204 | 1,544E |
| Medtronic Hugo (est.) | ~50 | ~150 | ~300 | ~500E |
| ISRG market share est. | >92% | >88% | >80% | >75%E |

*Source: Company filings, Bloomberg, analyst estimates*

## Risks & Mitigants

| Risk | Mitigant |
|---|---|
| **Competition** | Medtronic Hugo and J&J Ottava gaining regulatory clearances in EU and US markets; however ISRG's 65%+ RAMIS share, dV5 differentiation, 400+ FDA indications, and installed base switching costs (training, service, I&A ecosystem) limit near-term displacement risk. Hugo currently cleared for only 5 indications vs. 400+. |
| **US tariff exposure** | ~20% of COGS has China-sourced components; tariff escalation could compress gross margins by 50-100bps based on management sensitivity guidance. Management is guiding to 67-68% gross margin in FY25E, absorbing partial tariff impact; ISRG's pricing power allows partial pass-through to hospital systems. |
| **Hospital capex cycles** | dV system ASP of ~US$1.5-2.5M is a capital budget item; economic slowdowns can delay or defer placements. However, recurring I&A and services (~84% of rev) provide meaningful buffer. Hospital relationships and multi-year service contracts also provide lead-time visibility for placement planning. |
| **Regulatory delay** | dV5 Japan approval (Q3'26E) and Ion colorectal IDE study delays are key watch items. Japan represents the world's second-largest RAMIS market at near-zero current dV5 penetration; a 2-quarter delay would push ~$80-120m of system revenue from FY26E into FY27E but not impair the long-term thesis. |
| **Procedure deceleration** | Any sustained slowdown below +12% procedure growth would compress I&A assumptions and pressure FY26-27 revenue targets by 3-7%; this is the most sensitive line item in our model. Current consensus at +15% for FY26E appears achievable given new indication approvals and APAC geographic expansion underway. |

*Source: Analyst assessment, ISRG risk disclosures, FDA clearance data*

## Catalysts

**Q2'26 earnings:** Procedure vol print: expects +15-18% YoY; outperformance vs +15% consensus re-rates forward estimates and drives multiple expansion.

**dV5 Japan approval:** Q3'26 target; opens 2nd largest RAMIS market for dV5 upgrade cycle and new system placements with minimal current penetration.

**Ion colorectal IDE:** H2'26 data from IDE study could add $2bn+ TAM for Ion platform; any positive interim read would be an unmodeled upside catalyst.

**RAMIS FDA clearance:** New soft-tissue (bariatric, hernia) indications widen procedure TAM and drive utilization per installed system upward.

*Source: ISRG management guidance, FDA clearance pipeline, analyst estimates*

## Conclusion

Reiterating BUY at US$582 (+38.2%). ISRG's compounding installed base, durable I&A annuity (~$1,400/procedure), and Ion platform optionality form a rare combination in medtech. At ~40x FY26E earnings, we believe the re-rating opportunity is material as dV5 Japan approval and procedure volume acceleration materialize through FY26-27. The US$7bn+ net cash position provides strategic optionality and downside protection. Ion optionality (~US$30-60/share) is entirely unmodeled in our base-case target, making US$582 a conservative floor for investors with a 2-3 year time horizon. At any price below ~US$460, we would consider the risk/reward asymmetric to the upside.

### Price Target Derivation

| Multiple/Ratio | Weight (%) | Implied Price |
|---|---|---|
| EV/Rev FY27E (40%) | 40% | US$596 |
| P/E FY27E (40%) | 40% | US$571 |
| FCF Yield 2.2% (20%) | 20% | US$588 |
| **Current Price** | | US$421 |
| **WA Implied Price** | 100% | US$582 |
| **Upside / (Downside)** | | +38.2% Upside |

EQUITY RESEARCH REPORT

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RESEARCH UPDATE · SEPTEMBER 17, 2026

# Intuitive Surgical

ISRG:US · NASDAQ · Rating unchanged: Buy

| MEASURE | VALUE |
|---|---|
| Rating | **Buy (unchanged)** |
| 12-month target | **US$582** |
| Price at publication | **US$421** |
| Price, 17 Sep 2026 | **US$383.54** |
| Implied upside now | **+51.7% (was +38.2%)** |
| 52-week high | **US$603.88, now 36% below** |
| Market capitalisation | **~US$137B** |

ISRG has fallen to US$383.54, widening the implied upside to the US$582 target from 38.2% to 51.7%.[1] At the current price the multiple is roughly 51 times forward free cash flow rather than the 56 times cited at publication, so the call now requires less of the return to come from earnings growth.

> **Correction.** The coverage page carried a market capitalisation of roughly US$149B. The correct figure at the current price is approximately US$137B.

The tariff headwind the report treats as transitional has not been reclassified. The risk to the thesis remains multiple compression rather than the installed base.

**Sources.** [1] Closing price and market capitalisation for September 17, 2026, retrieved from Yahoo Finance: ISRG. Company fundamentals are from the issuer's filings as cited in the report above. The rating and target in the original report carry its publication date; this page records what has happened since.