EQUITY RESEARCH REPORT

May 17, 2026 | Institutional Research

Intuitive Surgical (NASDAQ: ISRG)

Dominant robotic-surgery platform with durable recurring revenue

Recommendation: **BUY**

Implied price per share of US$ 581.91 (38.2% upside)

Time horizon: 12 months | NASDAQ: Healthcare | US$ 421.12 | Market Cap: US$ 149.2bn

Financial Snapshot

Y/E December	FY23	FY24	FY25
Revenue (US$ m)	7,124	8,352	10,065
Revenue Growth	14%	17%	21%
Operating Margin	24.8%	28.1%	29.3%
GAAP EPS	5.03	6.42	7.87
Non-GAAP EPS	n.a.	7.34	8.93
FCF (US$ m)	750	1,304	2,491
Recurring Revenue	79%	84%	84%
da Vinci Base	8,606	9,902	11,106
Procedure Growth	22%	17%	18%

Source: Intuitive Surgical FY2025 10-K, Q1'26 data tables

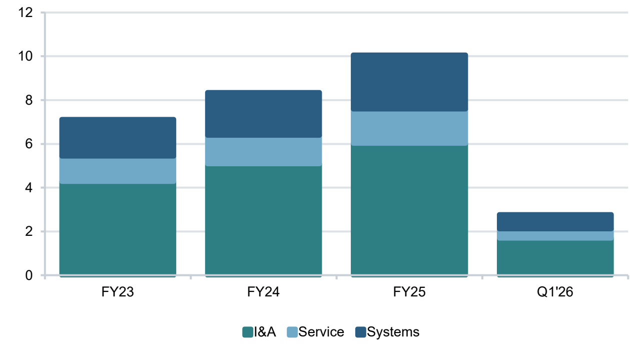
Company Overview

Intuitive Surgical is the global leader in robotic-assisted minimally invasive care, anchored by the da Vinci ecosystem and Ion endoluminal platform.

The model blends placements, leases, high-utilization instruments/accessories, service, training and digital workflow integration across hospitals.

Robotic penetration remains low across many procedures and OUS markets; utilization growth should extend the procedure runway beyond the current upgrade cycle.

Figure 1: Revenue Mix & Recurring Economics



US$ m; Q1'26 shown as reported quarter. Source: Intuitive Surgical data tables

Metric	FY24	FY25	Q1'26
Recurring Revenue	$7.04bn	$8.47bn	$2.37bn
% Total Revenue	84%	84%	86%
da Vinci 5 Mix	24%	51%	54%
I&A / Procedure	$1.81k	$1.81k	$1.88k

Source: Intuitive Surgical Q1'26 financial data tables; da Vinci 5 mix calculated from placements.

Why now: the market is pricing tariff noise, not the next leg of installed-base monetization.

Investment Thesis

Replacement cycle underappreciated

Q1'26 da Vinci 5 placements signal early refresh economics before a broader installed-base conversion curve.

Overhang looks cyclical

Tariff and gross-margin concerns have pressured the multiple despite 86% recurring revenue and resilient procedure visibility.

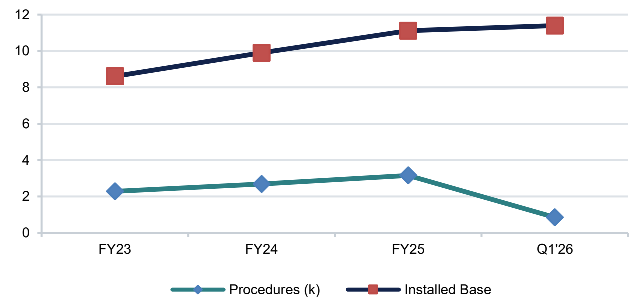
Utilization density still rising

11,395 systems support procedure density, I&A/service pull-through and hospital workflow entrenchment.

Runway remains multi-year

OUS underpenetration, specialty expansion and training depth support long-duration procedural growth.

Procedure & Platform Momentum

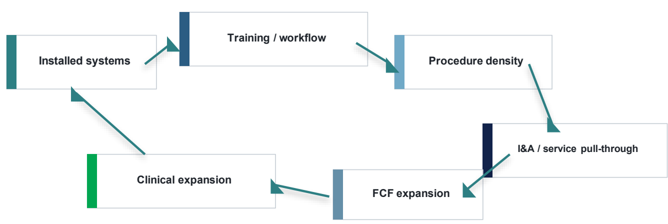


Q1 procedures are quarterly; installed base is ending period. Source: Intuitive Surgical.

Operating KPI	FY24	FY25	Q1'26
Procedure Growth	17%	18%	16%
System Placements	1,526	1,721	431
da Vinci 5 Placements	362	870	232
Ion Installed Base	805	995	1,041
Non-GAAP Op. Margin	36.7%	37.4%	38.9%

Note: non-GAAP margin from company supplemental tables; Q1'26 figures are quarter-only.

Surgical platform architecture



Platform scarcity: training, workflow and procedure data convert installed base into recurring pull-through.

EQUITY RESEARCH REPORT

May 17, 2026 | Institutional Research

Intuitive Surgical (NASDAQ: ISRG)

Dominant robotic-surgery platform with durable recurring revenue

Strategic positioning / investor debate: is ISRG now mature medtech, or a scarce recurring-utilization platform with temporary tariff/margin noise? The bear case is credible: competition, hospital capex cycles, pricing and utilization saturation can pressure the multiple. The offset is a workflow-integrated surgical ecosystem with surgeon training scale, switching costs and OUS underpenetration.

Fig. 2: da Vinci Procedure Growth

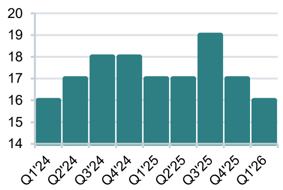
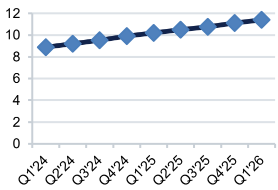
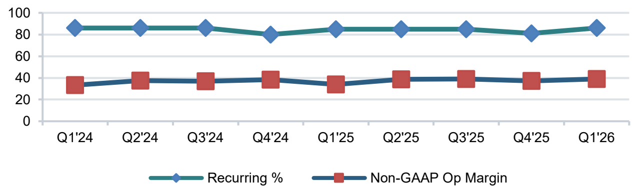


Fig. 3: Installed Base



Source: Intuitive Surgical Q1'26 financial data tables

Figure 4: Recurring Revenue & Margin Trend



Sources: Intuitive Surgical data tables; recurring revenue includes operating lease revenue.

Valuation

Premium valuation persistence is tied to ecosystem durability, not generic robotics growth. Each installed system compounds into trained surgeons, procedure density, recurring I&A/service pull-through and FCF that funds R&D plus category expansion. The BUY case assumes tariff/margin noise normalizes while da Vinci 5 replacement economics and OUS utilization extend the procedural runway.

Framework	Assumption	Implied / Check
Consensus target	26 analysts	$581.91
Forward P/E	~55x FY26E EPS	replacement-cycle support
EV/EBITDA	platform scarcity	ecosystem durability
FCF yield	recurring pull-through	entry discipline

Company	Role	Valuation Read
ISRG	Recurring-utilization platform	Platform scarcity
SYK	Procedure-linked medtech	Workflow peer
BSX	High-growth device portfolio	Durability check
ABT	Diversified healthcare tech	Scale anchor
MDT	Large-cap medtech base	Multiple floor

Market data sources: StockAnalysis.com and MarketBeat, May 2026. Peer multiples should be refreshed before publication.

Risks & Mitigants

Risk	Mitigant
Valuation compression	Procedure visibility and installed-base monetization support premium persistence.
Tariff / margin pressure	FY26 guide embeds tariff impact; utilization and mix can drive normalization.
Robotics competition	Training scale, workflow integration and switching costs make share capture gradual.
Capital-spending cycles	Leasing lowers upfront friction; utilization drives recurring I&A/service economics.
Utilization saturation	Specialty expansion, OUS penetration and da Vinci 5 refresh diversify growth.

Sources: Intuitive filings and management outlook; competitive context from company risk factors.

Catalysts

- **da Vinci 5 rollout** — Replacement-cycle evidence can reframe FY26 earnings quality.
- **OUS runway** — OUS procedures +19% in Q1'26; penetration remains underbuilt.
- **Ion / category expansion** — Ion procedures +39% and 1,041 systems extend the platform surface area.
- **Utilization density** — Cases per system drive recurring I&A/service pull-through.
- **Margin normalization** — Stabilizing tariff narrative can support multiple recovery.

Conclusion

BUY: Tariff/margin concerns are masking a durable platform with visible da Vinci 5 replacement economics, 80%+ recurring revenue and underpenetrated procedure categories. Premium valuation is justified by utilization density, installed-base monetization, ecosystem switching costs and recurring FCF compounding.

Rating	Target	Upside
BUY	**$581.91**	**38.2%**

Compounding path: installed systems -> training/workflow -> procedure density -> recurring pull-through -> FCF reinvestment.