

Re-Recommendation: Intuitive Surgical

David Gardner | January 25, 2012

CURRENT PRICE: [ISRG](#) \$ 555.11 \$ 0.15 (0.0%) C̄w̄iḠ! Ȳi B̄z̄ĀḠ'Ām̄ĀĀ ȳiN̄ v̄

Intuitive Surgical ([NASDAQ: ISRG](#)), our Breaker of Breakers, is back on the scorecard.

Intuitive's stock has increased tenfold in value since our original recommendation in April 2005, and three subsequent rerecommendations have all delivered multibagger returns. The company's da Vinci surgical robot has become the standard of care for prostatectomy and, increasingly, hysterectomy. Intuitive's razor-and-blades model (more than half its sales are generated by recurring accessory and service revenue) has driven years of extraordinary profit growth and a stunning 28% profit margin that keeps climbing as the company grows.

It may not surprise you to know that even after all that, and with Intuitive's stock price not far off its all-time high, we see further growth ahead. What will spur it? New surgical procedures.

We've been looking at three areas in particular: cholecystectomy (gallbladder removal), colorectal surgery (mostly bowel resection in cancer treatment), and cardiothoracic surgery (heart and lung procedures). We're seeing more evidence that da Vinci colorectal surgery offers many of the same benefits that have driven prostatectomy to wide acceptance. To get an idea of scale, there are about 80,000 da Vinci prostatectomies (dVP) performed annually. There's a similar number of eligible colorectal procedures, which is why some analysts have estimated that this could be a new \$1.5 billion annual opportunity for the company.

In contrast, there are more than 700,000 cholecystectomies performed each year — and capturing a larger share of this enormous opportunity will help create compelling evidence that da Vinci produces better outcomes than standard laparoscopy. But with new instruments for cholecystectomy recently improved, and a large installed base of robots, there's a lot of opportunity to amass that data.

If it can, we may be standing at the dawn of another multibag opportunity. Either way, we're confident this Core company will continue to be the quintessential Rule Breaker. We believe in adding to our winners, and Intuitive is nothing if not that.

See the team's and David and Tom Gardner's holdings [here](#).

INTUITIVE SURGICAL

- **Recent Price:** \$445.68
- **Risk Rating:** [6 out of 25](#)
- This is Intuitive Surgical's **fifth** recommendation. Only three other Breakers have as many as three.

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Market data provided by FactSet and Web Financial Group.