



TAMID Equity Research Report 2023-01-29: ISRG

There are several factors that may impact ISRG's stock price in the future. One of the main drivers of the company's growth is the expected continued demand for procedures performed with the da Vinci system, which is estimated to grow by between 12% and 16% in 2023. This is roughly in line with growth in each of the past four years. However, there are some concerns about a possible slowdown in growth, as the company missed Wall Street's Q4 earnings per share (EPS) estimate by \$0.02 on Jan. 24. Additionally, the company placed 4% fewer da Vinci units in the fourth quarter compared to the year prior, which could be a sign of a more sustained deceleration of installations. This could mean less recurring revenue from sales of consumables down the line.

Another factor that may impact ISRG's stock price in the future is the company's total return, which has slightly underperformed the market over the last three years, rising by only 24.1% compared to the market's gain of 27.8%. Management points to a few headwinds that have been impacting the company's performance in this period, some of which are surprisingly sticky.

Competition is another factor that may impact ISRG's stock price in the future. While there are numerous competitors entering the robotic surgery space, including powerful players like Johnson & Johnson and Medtronic, the company's top-line growth has so far continued to grow, with an estimated compound annual growth rate (CAGR) of 12% from 2019 to 2022. However, once Intuitive Surgical's robots are installed in an operating room,

they'll continue to yield revenue for years because of how inconvenient it would be to switch to another system made by a competitor.

Finally, the company's investments into its business may also impact ISRG's stock price in the future. The company has been making investments to spur future growth, but these investments may also increase the company's capital expenditures (property and equipment) which will increase to a range of \$800 million to \$1 billion in 2023, compared to just \$532 million in 2022. This may result in a reduction of earnings and free cash flow in the coming year. Overall, while ISRG has a strong track record and growth potential, there are also some potential headwinds and risks to the company's performance and stock price in the future that investors should be aware of.