INTUITIVE

Intuitive Surgical

NASDAQ: ISRG · SURGICAL ROBOTICS

RELATED FORCES Intelligent Physical Automation

EXCEPTIONAL 5/5 CLASS OF 2026

SECTOR	INDUSTRY	HQ	EMPLOYEES	MARKET CAP
Healthcare	Medical Instruments	Sunnyvale, CA	17,021	$135.7bn

THE ONE-MINUTE VERSION

Intuitive makes the da Vinci surgical robot — the system a surgeon drives from a console nearby, working through incisions a few millimetres wide instead of opening the patient up. But the robot is the shop window, not the shop. Every operation its 11,710 installed machines perform consumes single-use instruments and service, so **84% of revenue is recurring** and scales with surgery itself, not with machine sales. The people are the lock-in: surgeons train for years on the console and build careers on it. Earnings have compounded at 17.7% for twelve years, rising in five of every six comparisons, debt-free. That is what we mean by a **structural compounder**.

WHAT IS IT?

The maker of the **da Vinci** robotic-surgery platform and the **Ion** lung-biopsy system — the tools of minimally invasive medicine: smaller incisions, steadier instruments, faster recoveries.

HOW IT CREATES VALUE

Razor and blades, but not a subscription — nobody signs up and nothing renews. The machine is a seven-figure one-off; the instruments are certified for limited uses, so **every procedure pays Intuitive again** (84% of revenue recurs; 11,710 systems, +12% y/y).

THE MOAT

The switching cost is institutional. The surgeon is at its centre — hundreds of hours to proficiency, many meeting the platform in residency — but around them sit credentialing, theatre workflow, service infrastructure, instrument sets and procurement history. A rival competes with everything a hospital built around one machine.

THE TREND SHAPING ITS MARKET

Surgery is migrating from open procedures to robot-assisted, minimally invasive ones, and cleared procedure types keep multiplying. **Demand grows with the shift, not the economy.**

THE STRUCTURAL BOTTLENECK

Not hardware — **trained surgeons and clinical evidence**. Regulators clear robotic surgery procedure by procedure on decades of published outcomes; the craft is learned on one console.

THE COMPETITION — THE HONEST BIT

Medtronic's **Hugo** and J&J's **Ottava** are the first credible challengers in a generation — Ottava took FDA marketing authorisation in July 2026, so this is no longer theoretical. The damage needs no share loss: only that a hospital gets **three quotes instead of one**. Procedure growth (~15% now) is the tell. Next reading: **Q3, October**.

THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

PASS	PASS	PASS	PASS	PASS
COMPOUNDING	EARNINGS QLTY	BALANCE SHEET	CAPITAL ALLOC.	PER-SHARE VAL.

TRAJECTORY · IMPROVING ↑ Over the last four quarterly reports, four of the five dimensions strengthened, one held, none weakened. Ottava's July 2026 authorisation is the change to watch.

THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

17.7%	83%	22%	28.4%	0.00×
EPS CAGR, 12 YRS	YEARLY COMPARISONS UP	WORST EARNINGS DRAWDOWN	NET MARGIN	NET DEBT / EQUITY

The Exceptional Company Series is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

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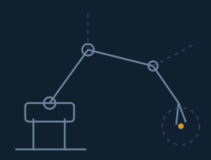
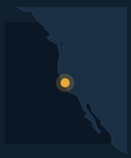
The five megatrends & fifteen themes	Every company profile to date	convictionplay.substack.com

Business quality and price are two different judgements — this asset makes only the first, and takes no view on the share price. Fact pack overleaf.



HEAD OFFICE



Sunnyvale, California, United States

Healthcare · Medical Instruments

ROIC	13.7%
REVENUE GROWTH	+18.5%
EPS GROWTH	+26.5%
INTEREST COVER	no debt
FINANCIAL STRENGTH	3 / 5
WEBSITE	intuitive.com
INVESTOR RELATIONS	IR site

THE CONVICTION WHEEL

COMPOUNDING
Revenue +18.5%, EPS +26.5%

EARNINGS QLTY
28.4% net margin

BALANCE SHEET
Zero debt

CAPITAL ALLOC.
Self-funded growth

PER-SHARE VAL.
17.7%/yr per share, 12y

PEER GROUP — SURGICAL & MEDICAL ROBOTICS

- ISRG · profiled
- SYK Stryker
- MDT Medtronic
- ZBH Zimmer Biomet
- GMED Globus Medical
- PRCT Procept

WHY THE ECONOMICS ARE EXCEPTIONAL

The instrument is the shop window, not the shop. A da Vinci system is a seven-figure capital sale, but it is the beginning of the customer relationship, not the end. Every procedure the installed base performs consumes instruments engineered for a limited number of uses, plus service on every machine.

The switching cost is institutional. The surgeon sits at its centre — hundreds of hours to proficiency, and many now meet the platform in residency, learning robotic surgery *as* da Vinci surgery. But around them sit credentialing, operating-room workflow, biomedical engineering familiarity, service infrastructure, procedure-specific instrument sets and years of procurement history. A rival is not competing with a machine; it is competing with everything a hospital has built around one.

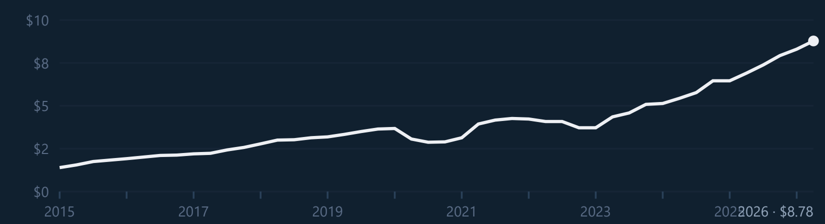
The moat is made of evidence. Regulators clear robotic surgery procedure by procedure, on decades of published outcomes across millions of operations. A well-funded challenger can build a capable robot in five years; it cannot build twenty years of clinical evidence in five years.

The honest risk. Medtronic's Hugo and J&J's Ottava do not need to beat da Vinci to hurt Intuitive — and Ottava received FDA marketing authorisation in July 2026, so the competition is no longer theoretical. The damage requires no share loss at all: only that a hospital decides to get three quotes instead of one. Robotic superiority over conventional laparoscopy also remains contested in several high-volume procedures, which means the evidence moat protects *incumbency* better than it protects *pricing*.

Share price, twelve years of monthly closes — **the same window as the earnings chart below, so the two can be read against each other.**

Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data. **Five years in six, this line went up.**



The dip is 2020 — the year surgery itself stopped. The shape is the grade.

WHERE THE REVENUE COMES FROM (FY2025 10-K)

United States ≈ 68% International ≈ 32% — growing faster

Source: Intuitive Surgical FY2025 Form 10-K.

WHAT THIS IS, AND WHAT IT IS NOT

An assessment of business quality — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

Not a valuation, price target, forecast or recommendation. We publish no view on the share price. A company can be exceptional and still be expensive.

Company facts and financial data: Legend, from company filings and market data, as at 21 August 2026. Structural assessment computed by Legend from reported earnings history. **A point-in-time snapshot** — recalculated as companies report, and it can change on any earnings release. Nothing here updates itself. Full method at theconvictionplay.com/exceptional.