

# Intuitive Surgical

## What it does

Intuitive develops and manufactures robotic products designed to improve clinical outcomes of patients through minimally invasive surgery.

## Why we own it

- Robotic surgery has the potential to save money for the healthcare system and improve clinical outcomes for patients.
- Faster recovery and cost saving.
- Currently 3% of procedures are carried out robotically.
- Surgeons who are trained on these systems in the future will drive up the penetration rate.
- The technology can be applied to new clinical areas which technological advances will help with.

## How it could be worth many times more

- Growth in the recurring revenue base, maintaining pricing power and moving into new markets
- 5% of 10 million procedures p.a. are undertaken by Da Vinci with no slippage in revenue per procedure.
- Long run procedure growth in high teens accelerates to 20% p.a.

## Where we might be wrong

- Advances in diagnostics and treatments, rather than increasing the market size, could result in fewer invasive surgery procedures.
- Competition from Medtronic and Johnson & Johnson starts to impact.
- Do Da Vinci machines take cost out of the system and does robotic surgery improve clinical outcomes?

## Short 10 questions

Can sales double in the next five years?

1

Penetration in the US continues to rise, and acceptance overseas rises.

Ten years and beyond?

2

Why not all procedures with robots? Overseas usage rises closer to US levels.

Competitive advantage?

3

Military background; clear market leader.

Is the business culture different?

4

Heavy R&D slant. Sales methods becoming less aggressive.

Customers like you? Contribute to society?

5

Less invasive, quicker recovery and better outcomes.

Are returns worthwhile?

6

Yes, OPM's in the low 30s. ROCE is c.20%.

Will they rise or fall?

7

No meaningful competition just yet.

How is capital allocated?

8

Impressive cash reserves funds growing capex and R&D spend

Could it be worth 5x as much?

9

All depends on expansion in general surgery and the rest of the world.

What doesn't the market understand?

10

Massive opportunities beyond the historical addressable procedures.

# Risk factors

The views expressed in this presentation are those of the author and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect personal opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

## **Potential for profit and loss**

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk.

## **Stock examples**

Any stock examples and images used in this article are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

This article contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this document are for illustrative purposes only.

## **Registered Office:**

**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland**

**Telephone +44 (0)131 275 2000 [bailliegifford.com](http://bailliegifford.com)**

# Important information

All investment strategies have the potential for profit and loss.

## Stock Examples

Any stock examples, or images, used in this presentation are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us.

Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

## Important Information

Baillie Gifford & Co (BG & Co), Baillie Gifford & Co Limited (BG & Co Ltd), Baillie Gifford Overseas Limited (BGO) and Mitsubishi UFJ Baillie Gifford Asset Management Limited (MUBGAM) are authorised and regulated by the FCA in the UK. BG & Co Ltd is an Authorised Corporate Director of OEICs.

Baillie Gifford Investment Management (Europe) Limited (BGE), Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 (BGA) and Baillie Gifford International LLC (BGI) are wholly owned by BGO. BGO and BG & Co Ltd are wholly owned by BG & Co.

BGI and BGO are registered with the SEC in the United States of America.

BG & Co claims compliance with the Global Investment Performance Standards (GIPS®). An example of a compliant composite presentation, a complete list of the Firm's composites and performance results is available on request.

BGO provides investment management and advisory services to non-UK Professional/Institutional clients only.

Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

This presentation contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

BGE provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018. Baillie Gifford Investment Management (Europe) Limited is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. Baillie Gifford Investment Management (Europe) Limited is also authorised in accordance with Regulation 7 of the AIFM Regulations, to provide management of portfolios of investments, including Individual Portfolio Management ('IPM') and Non-Core Services. Baillie Gifford Investment Management (Europe) Limited has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. Through passporting it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market

its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands. BGE also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions ("FinIA"). The representative office is authorised by the Swiss Financial Market Supervisory Authority (FINMA). The representative office does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited.

BGA holds a Type 1 and a Type 2 licence from the Securities and Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. BGA can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.

## Important Information Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a "wholesale client" within the meaning of section 761G of the Corporations Act 2001 (Cth) ("Corporations Act"). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this document be made available to a "retail client" within the meaning of section 761G of the Corporations Act. This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

## Important Information South Korea

BGO is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

## Important Information North America

BGI was formed in Delaware in 2005. It is the legal entity through which BGO provides client service and marketing functions in North America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. BGO is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. BGI is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. BGE relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

# Important information

## Important Information South Africa

BGO is licensed with the Financial Sector Conduct Authority in South Africa as a Financial Services Provider (FSP No 44870) in terms of section 8 of the Financial Advisory and Intermediary Services Act, 2002. This licence authorises BGO to carry on financial intermediary services business on behalf of South African clients. BGO is also approved under section 13b(1) of the Pension Funds Act number 24 of 1956, as amended, and is authorised to administer investments on behalf of pension funds.

## Important Information Israel

BGO is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law") and does not carry insurance pursuant to the Advice Law. This presentation is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

## Important Information Japan

MUBGAM is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and BGO.

## Financial Intermediaries

This document is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

**BGI Principal Office: Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland.**

**Telephone: +44 (0)131 275 2000**

**780 Third Avenue, 43rd Floor, New York, NY 10017.**

**Telephone: (212) 319 4633**

**BGE Head Office: 4/5 School House Lane East, Dublin 2 D02 N279, Ireland.**

**Telephone: +35 315 294 150**

**BGE Frankfurt Branch: WINX Tower, Neue Mainzer Str. 6-10, 60311 Frankfurt, Germany**

**BGE Amsterdam Branch: Atrium Building, Strawinskylaan 3051, 4th Floor,  
1077 ZX Amsterdam, The Netherlands**

**BGE Representative Office: Bahnhofstr. 10/Börsenstr. 18 CH - 8001 Zürich, Switzerland**

**[bailliegifford.com](http://bailliegifford.com)**

**Copyright © Baillie Gifford & Co 2022**