



Intuitive Surgical Long Term Bull Sees Opportunity

Ticker/Price: ISRG (\$558.75)

Analysis:

Intuitive Surgical (ISRG) with an unusual large trade on 6/12 as January 2022 \$640 calls bought 930X for over \$6.5M and was spread with January 2021 \$550/\$500 bull put spreads and the \$600 calls sold 930X. ISRG has very little open interest of note but does have some size dollar positions in January 2021 and 2022 calls on lower contract sizes. On the chart ISRG shares since 2018 have mainly been in a sideways range of \$450 to \$600 and last week pulled back to retest a high volume node and key rising weekly moving averages, touching the 200 day moving average Friday and the 55 day at \$527.50 a nice support level. Shares could clear this range and make a strong run to new highs. The \$64B leader in robotics for med-tech trades at extended valuation of 42.4X Earnings, 15.6X EV/Sales and 53.2X FCF with a recent slowdown in procedure growth due to COVID-19. ISRG has a debt-free balance sheet and a strong cash position. It is a ROIC leader with 20%+ ROIC each of the last five years while adjusted EBITDA margins have trended a bit lower. ISRG also is a strong FCF name with impressive FCF margins and in 2019 72% of revenues were recurring. ISRG placed 1,100 da Vinci systems in 2019 and performed 1.2M procedures with continued adoption in general surgery and developing core European and Asian markets. ISRG is focusing on advancing new platforms such as da Vinci SP System, Ion and advanced instrumentation. ISRG placed 8 Ion systems last quarter with an installed base of 18 systems and sees a major opportunity for lung cancer diagnosis. Analysts have an average target of \$555 and short interest is 2.3% of the float, rising 33% Q/Q. ISRG secured a \$420M contract from the Defense Logistics Agency in early May. Wells Fargo raised its target to \$632 on 6/4 expecting ISRG to weather current headwinds from the pandemic, and sees its category leadership in robotics that will take a greater role in patient care with a significant long-term opportunity for surgical robots. Hedge Fund ownership rose 8.9% in Q1 filings, Edgewood a large holder added to its stake currently weighted over 5% of the portfolio, and Sustainable Growth Advisors took a new concentrated position.

Hawk Vision:



Hawk's Perspective: ISRG remains a long-term favorite quality name that I believe is worth owning on a 3-5 year timeframe.

Confidence Ranking: \$\$