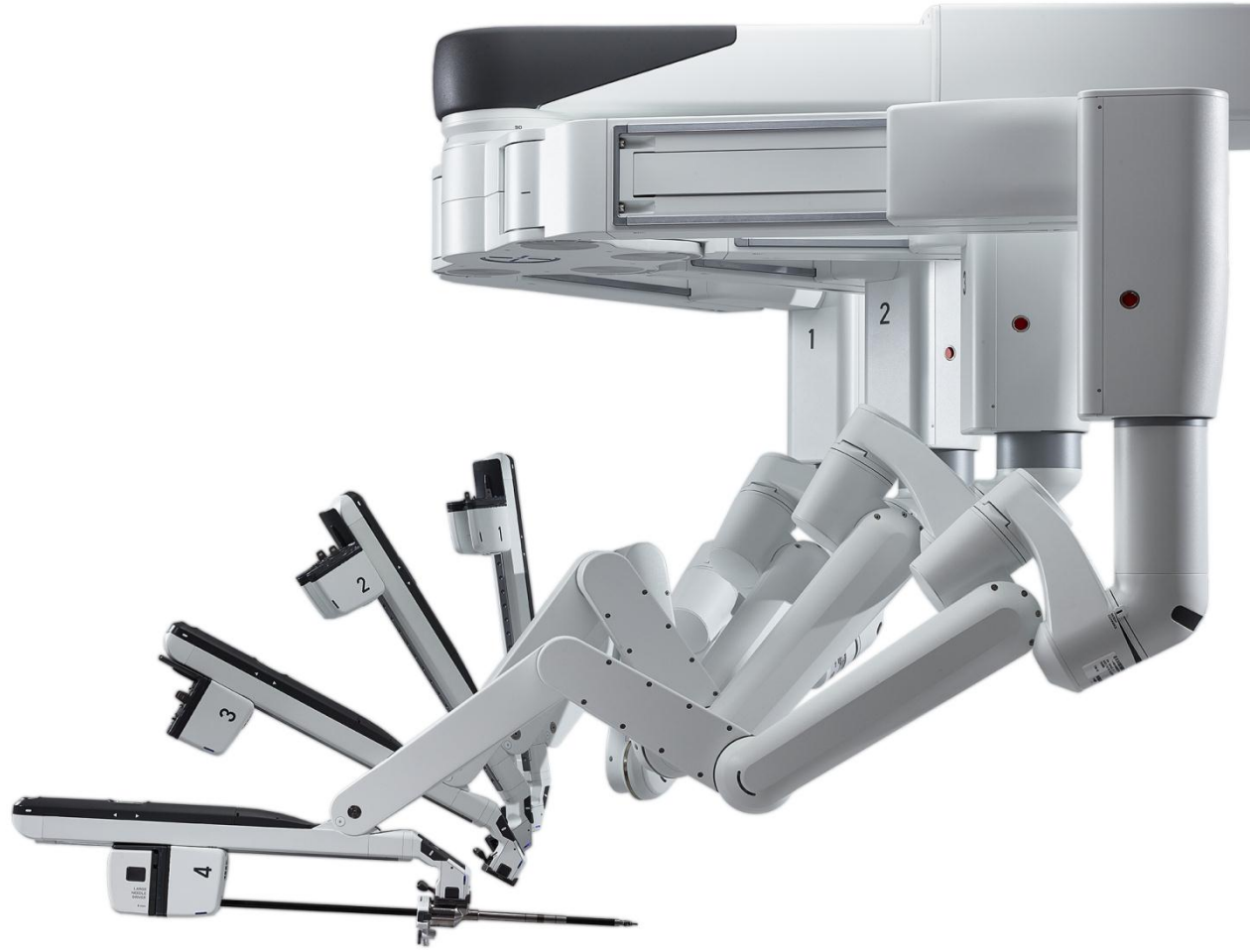


# Investor Presentation Q4 2014



INTUITIVE  
SURGICAL®

# Forward Looking Statement

These slides and any accompanying oral presentation by Intuitive Surgical, Inc. contain estimates and forward-looking statements. Actual results may differ materially from those expressed or implied as a result of certain risks and uncertainties. These risks and uncertainties are described in detail in the Company's Securities and Exchange Commission filings.

# Risks

Serious complications may occur in any surgery, including da Vinci® Surgery, up to and including death. Individual surgical results may vary. Patients should talk to their doctor to decide if da Vinci Surgery is right for them. Patients and doctors should review all available information on non-surgical and surgical options in order to make an informed decision. Please also refer to <http://www.daVinciSurgery.com/Safety> for Important Safety Information.

# Company Overview and Introduction

# Corporate Overview

- Founded in 1995, IPO 2000
- 2013 Revenue - \$2.27B, up 4% from 2012
  - Q3 YTD 2014 \$1.53B vs. \$1.69B Q3 YTD 2013
- Approximately 523,000 da Vinci® procedures performed in 2013, up 16% from 2012
  - Q3 YTD 2014 Procedures up approximately 9%
- 3,174 da Vinci® System installed base as of 9/30/14
  - 2,185 United States, 516 Europe, 473 Rest of World
- Numerous FDA and International Regulatory Clearances
- Primary Markets - Urology, Gynecology, General Surgery, Cardiothoracic

# Adoption of *da Vinci*® Surgery is Driven by Patient Value

$$\text{Patient Value} = \frac{\text{Efficacy}}{\text{Invasiveness}}$$



# Recurring Revenue Model



**da Vinci® Surgical System**

**\$0.9M - \$2.5M**

**2013 Rev = \$835M**



**Instruments & Accessories**

**\$700-\$3,200  
per procedure**

**2013 Rev \$1,033M**



**Annual Service Agreement**

**\$100K - \$170K/Year**

**2013 Rev = \$397M**

# Toward Better Surgery - Our Strategy

Innovate to improve outcomes and shorten recovery time to enable minimally invasive surgery as the standard of care in complex procedures

Innovate in access, precise tissue interaction, and imaging to improve upon conventional MIS procedures

Reduce the total treatment cost for surgery by reducing complications, readmissions, and recovery time

Continue to build a high performance, responsive organization



# Procedures and Market Opportunity

# da Vinci® Target Procedures

## Urology

- **da Vinci® Prostatectomy - dVP**
- dV Partial Nephrectomy
- dV Cystectomy
- dV Pyeloplasty

## Gynecology

- **da Vinci® Hysterectomy - dVH**
- dV Sacrocolpopexy
- dV Myomectomy
- dV Endometriosis Resection

## General Surgery

- dV Colorectal Procedures
- Single-Site Cholecystectomy

## Cardiac

- dV Mitral Valve Repair
- dV Revascularization

## Thoracic

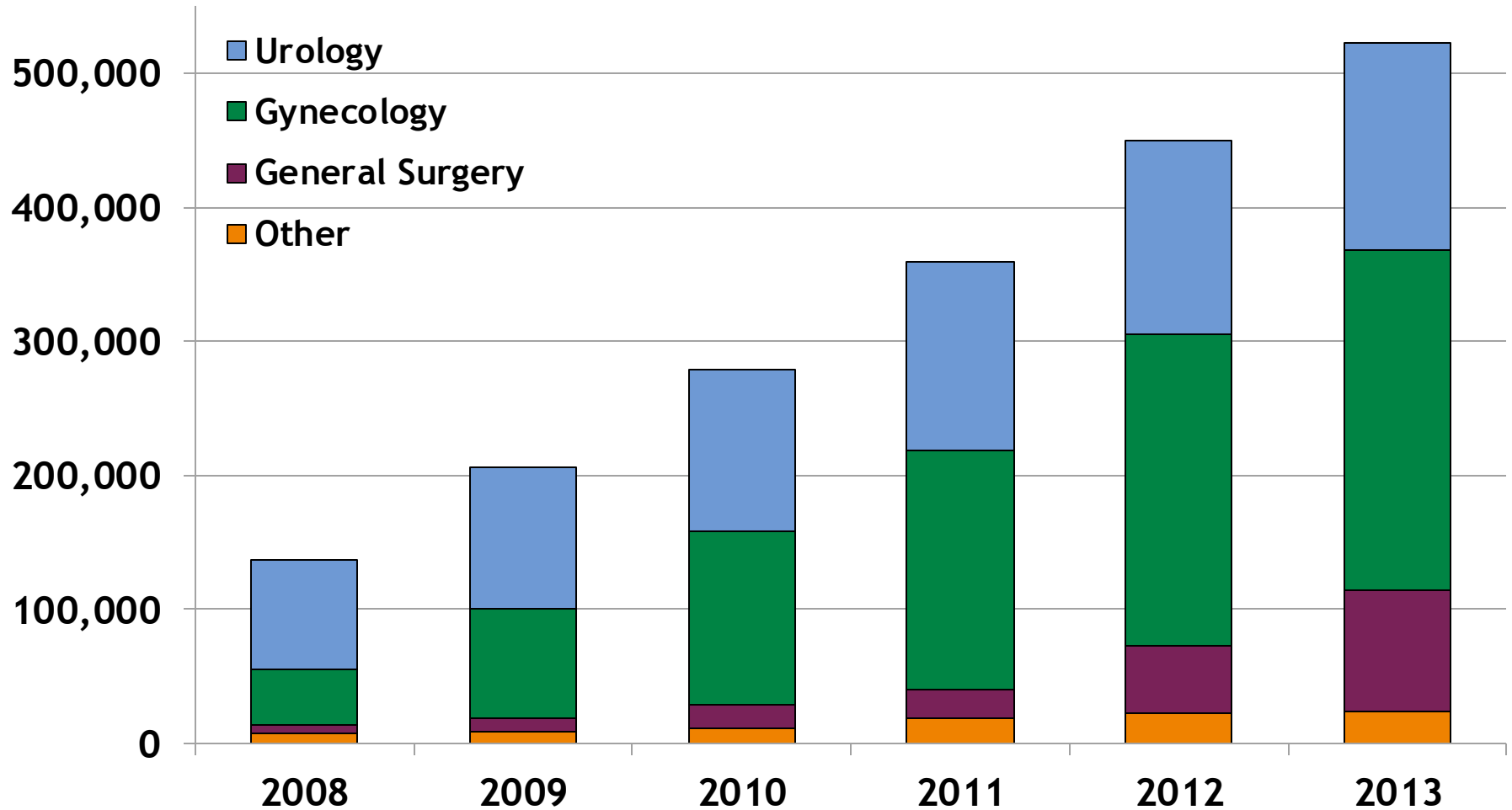
- dV Lobectomy

## Head and Neck Surgery

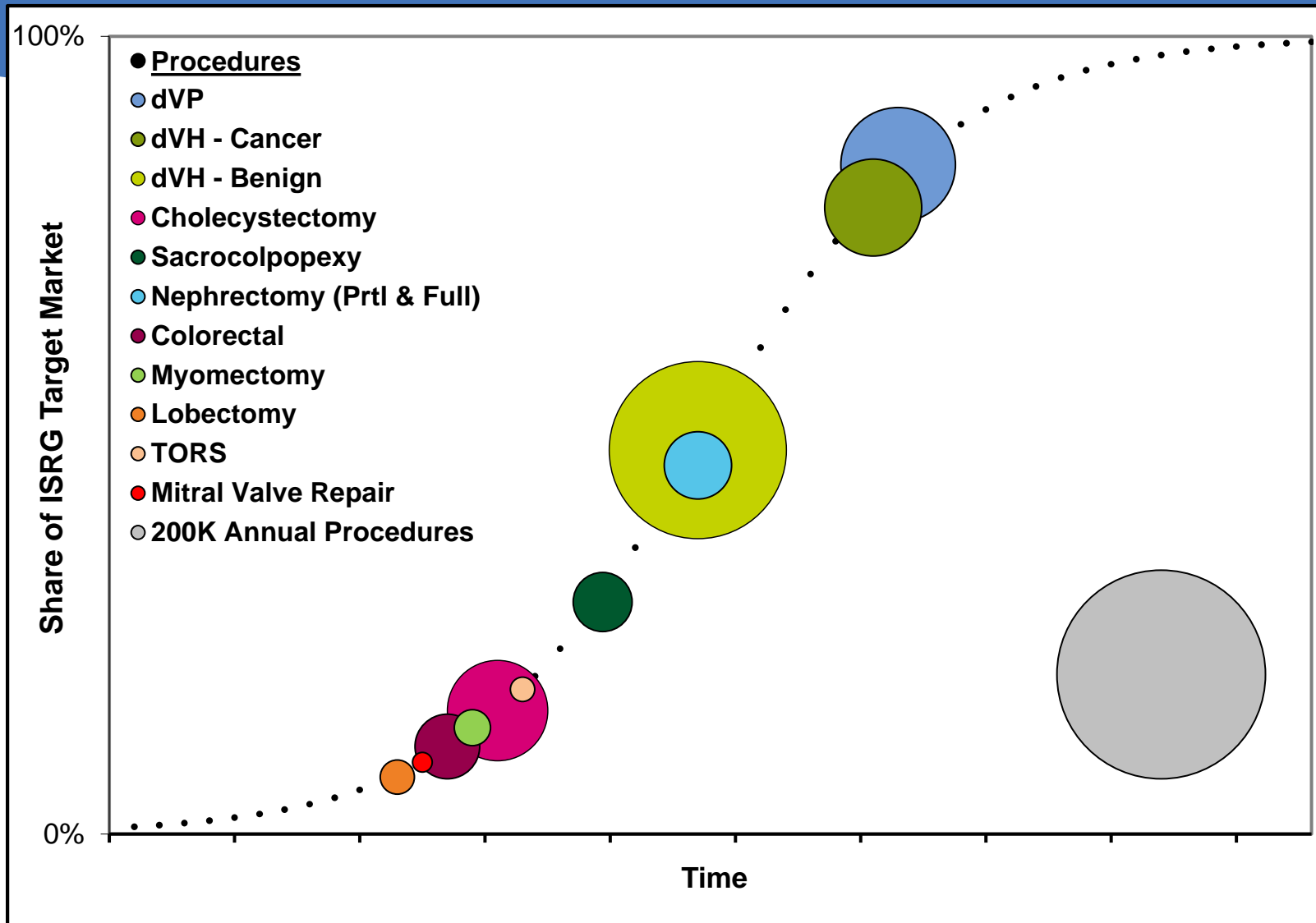
- dV Transoral Procedures



# Annual Worldwide Procedures



# US Procedure Adoption Q3 2014



Conceptual depiction of procedure adoption, scaling is approximate.

# Significant Opportunities Exist for Complex Procedures in International Markets\*

		<u>United States</u>	<u>Western Europe</u>	<u>Other Developed<sup>1</sup></u>
Prostatectomy	Opportunity	70,000	110,000	40,000
	Penetration	83%	27%	34%
Malignant Hysterectomy	Opportunity	55,000	45,000	17,000
	Penetration	75%	10%	6%
Colorectal <sup>2</sup> Procedures	Opportunity	140,000	420,000	80,000
	Penetration	9%	1%	1%

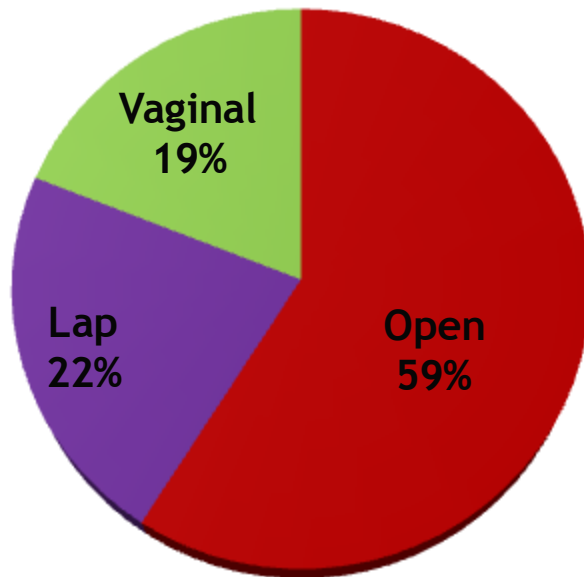
\*Based on Company estimates

1. Includes Japan, South Korea, Australia, and Canada

2. Limited to estimate of open procedures

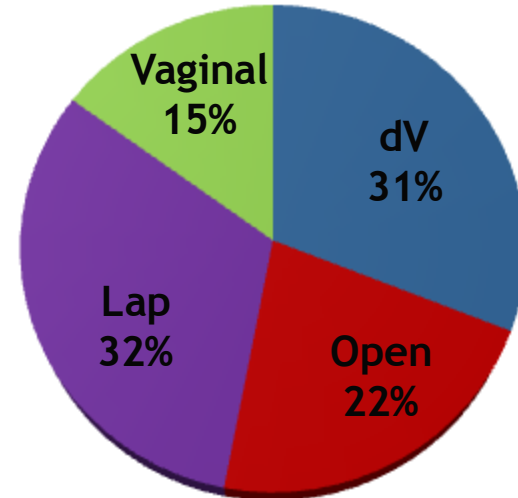
# dV has Increased MIS Penetration Where Other MIS Approaches Exist

**U.S. Benign Hyst 2005**



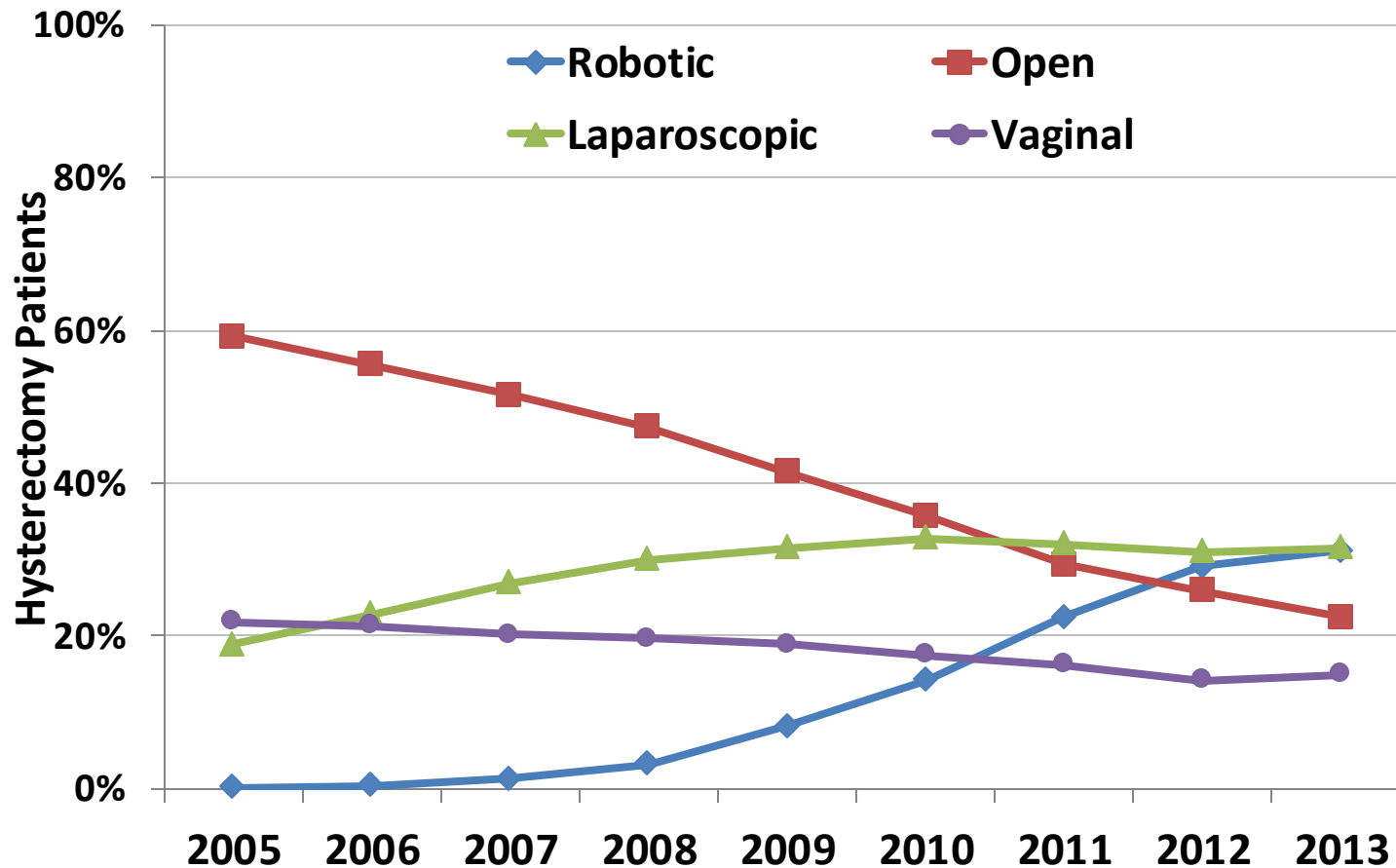
**500,000+ procedures**

**U.S. Benign Hyst 2013**



**~450,000 procedures**

# U.S. Hysterectomy Market Share Trend



Total volume of benign hysterectomies has been in decline due to payer disincentives and shifting treatment protocols

MIS adoption has reached nearly 80%, and remaining open surgeries are spread across a diffuse population of surgeons

dVHb is expected to decline in similar rates as the market in 2014

# We Serve Multiple Segments

## Typically Benign Cases

Cholecystectomy

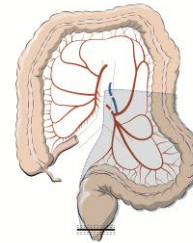


Benign Hysterectomy



## Typically Open Complex Cases

Low Anterior Resection

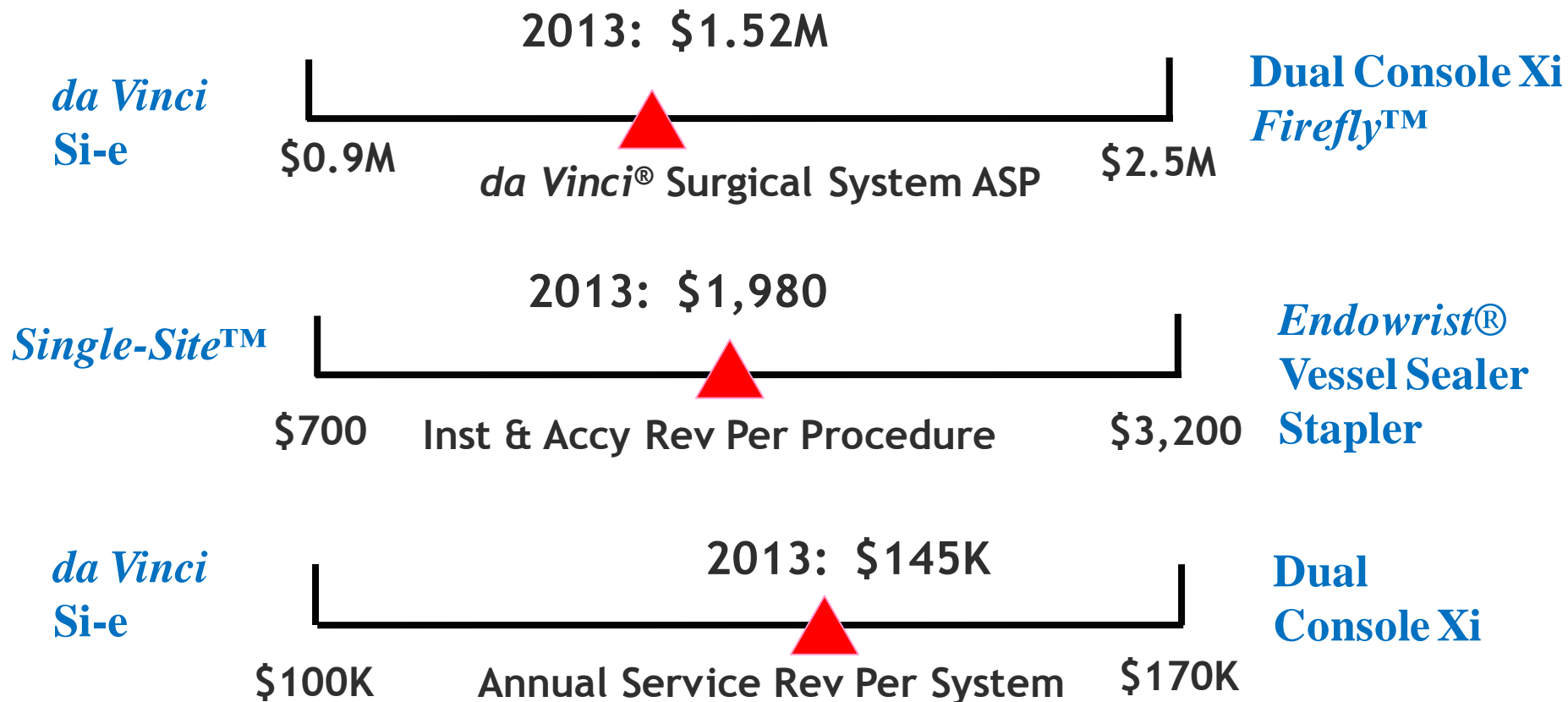


Lobectomy





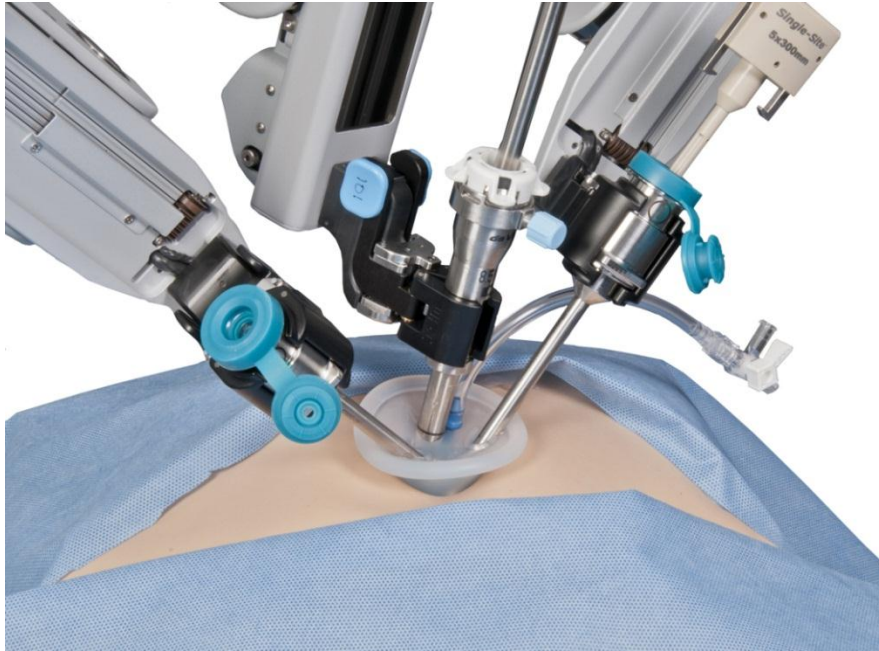
# Range of Pricing Supports these Segments



Typically Benign

Typically Cancer

# Single Incision Surgery - Fewer Entry Ports



- Single-Site
  - Robotic-Assisted Surgery **through a single umbilical port**
  - *Single Site* is FDA cleared for cholecystectomy and benign hysterectomy / oophorectomy
- *da Vinci SP*
  - Being developed for added capability



# da Vinci® Surgery Long Term Revenue Potential for Current Target Procedures

## US Target Procedures:

Urology	150,000	Cardiac	75,000
Gynecology	450,000	Thoracic	75,000
General	475,000	Head and Neck	<u>25,000</u>
		Subtotal US	1,250,000
International Target Procedures			<u>1,250,000</u>
Total Worldwide			2,500,000

**Annual I&A Revenue \$4.0 Billion**

**Annual System Revenue \$1.9 Billion**

**Annual Service Revenue \$1.3 Billion**

# International Business

- 2013 Revenue - \$639M, up 41% from 2012
  - Q3 YTD 2014: Revenue - \$441M vs \$444M YTD 2013
- Approximately 101,000 da Vinci® procedures performed in 2013, up 21% from 2012
  - Q3 YTD 2014 procedures up approximately 20%
- Earlier stage procedure adoption driven by prostatectomy, approximately 30% penetrated in 2013
  - Significant available opportunities in other target procedures, including dVH Cancer and Colorectal
- Significant investments for future growth
  - Japan: Transition to direct sales structure, clinical trials, organizational expansion
  - Europe: Market access, sales coverage

# Products & Innovation

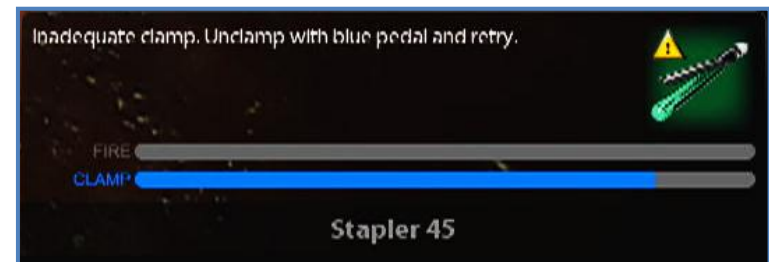
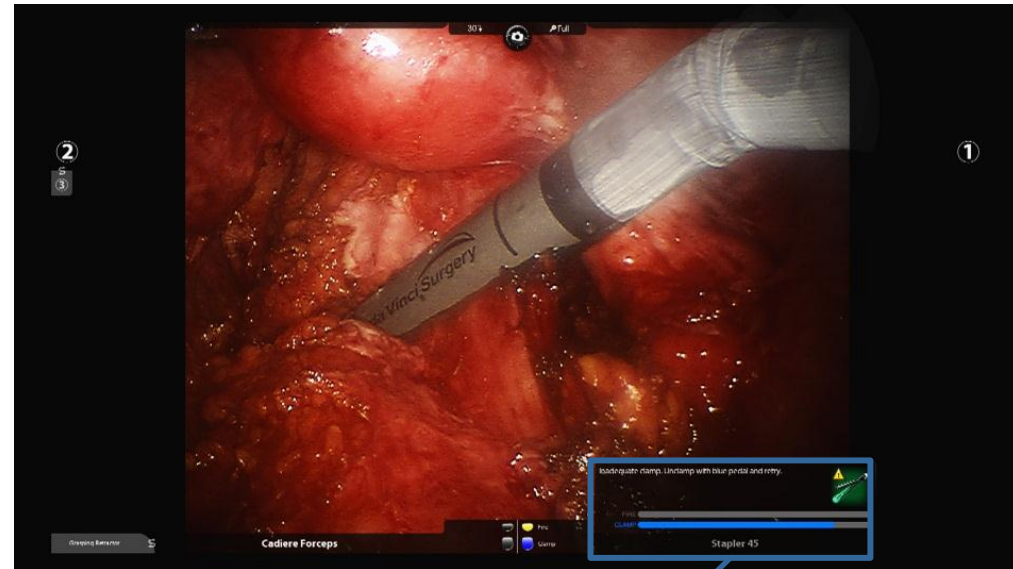
# da Vinci Xi



- Fourth Generation *da Vinci* Surgical System
- Launched Early Q2 2014 in the US
- Optimized for Multi-Quadrant Surgical Access
- Longer, Thinner Arms
- Laser Targeting and Voice Assisted Set-up
- Lighter, slimmer Endoscopes can move between ports
- No draping, focusing, white balance, or calibration required for endoscope
- Integrated electrosurgical generator

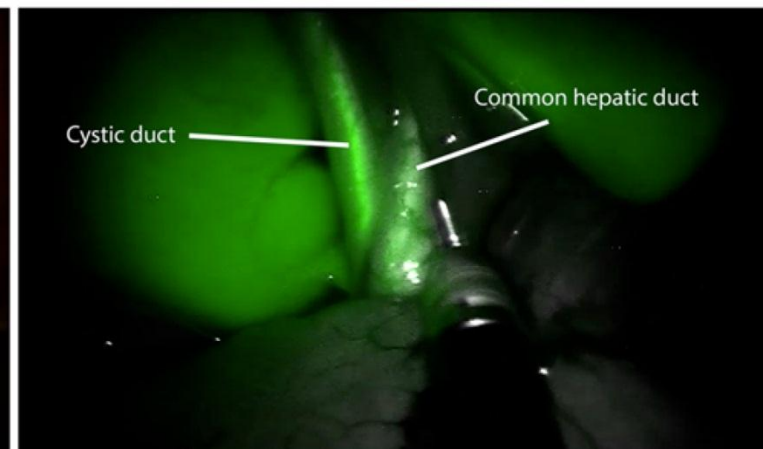
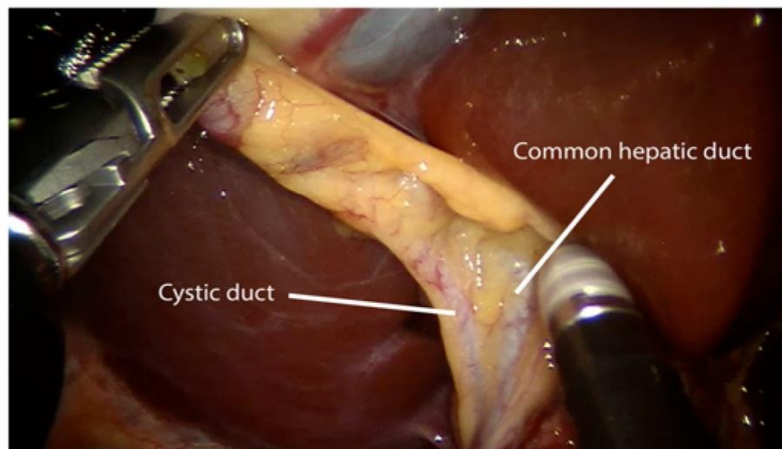
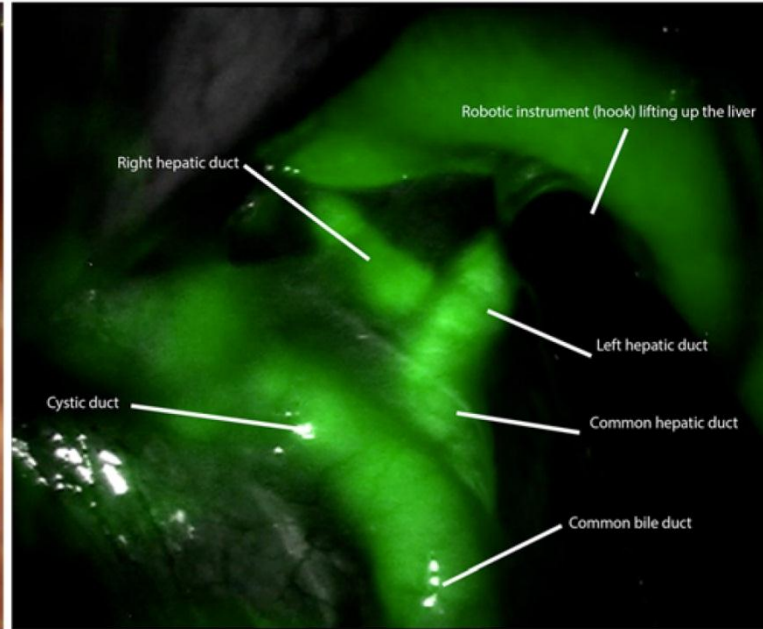
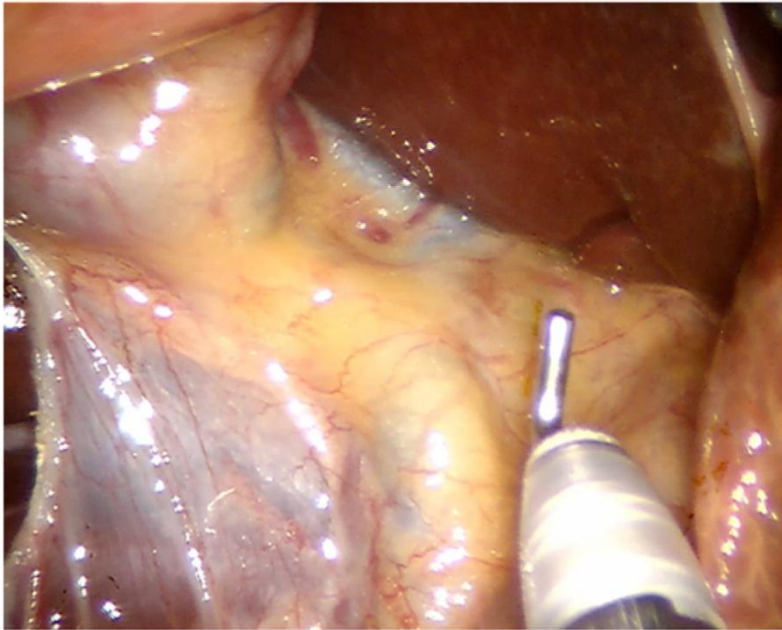
# EndoWrist Stapler - Excellent Articulation and Precise Tissue Interaction

- Additional degree of freedom
- Highly stable
- SmartClamp estimates tissue thickness prior to firing





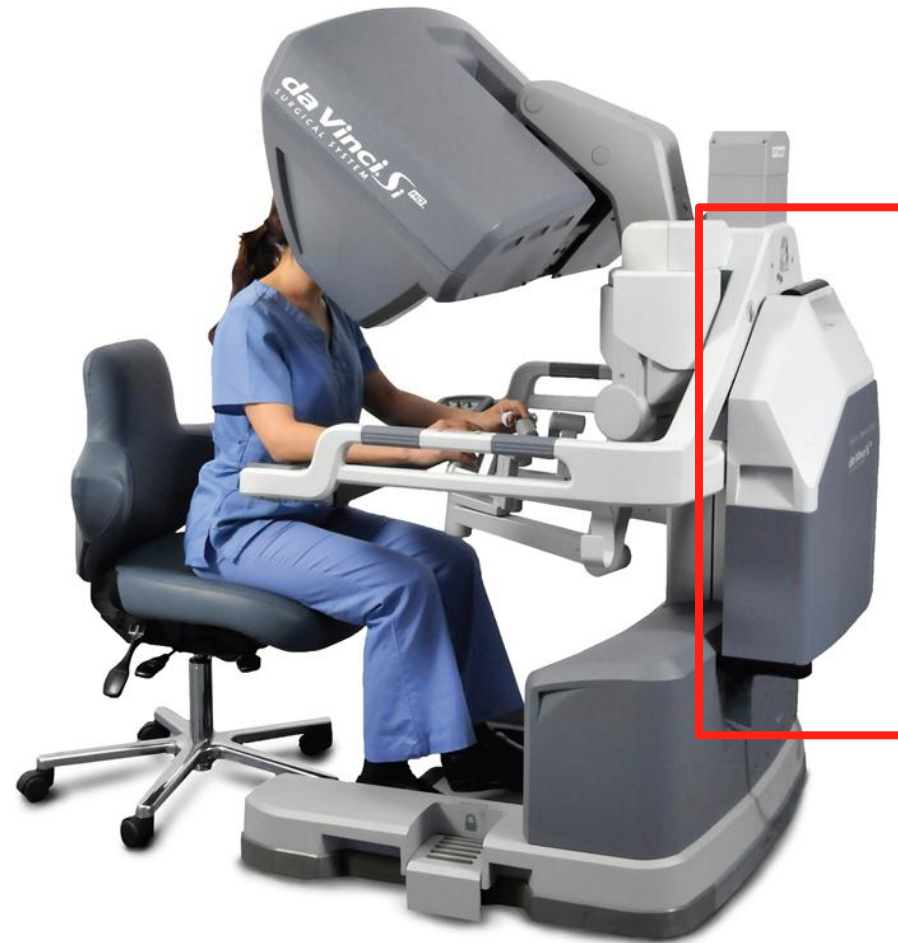
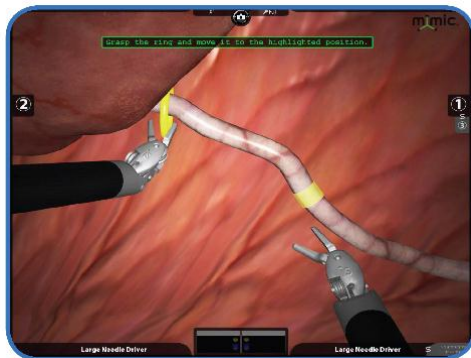
# Firefly™ Fluorescence Imaging - Biliary Ducts





# Skills Simulator - Practice Technique Measure Proficiency

- Attaches to surgeon console
- Exercises designed to practice system skills
- Retain and compare scores to local and national benchmarks



# *da Vinci SP* in Development

- New One-Armed Patient Side Cart dedicated to Single Port Surgery
- FDA Cleared for Urology Q2 2014
- Initial version will not be commercialized
- Development work is underway to adapt the SP to the *da Vinci Xi* platform
- Anticipate initiating clinical use of the *da Vinci Xi SP* in the second half of 2015



Artist Rendition



# Clinical Evidence & Training

# *da Vinci* System widely Evaluated in Peer-Reviewed Literature

- Greater than 8,000 peer-reviewed publications on *da Vinci* System use\*
  - 99% of studies independent of ISI
- More than 1,000 comparative studies (includes ~ 200 prospective comparative studies + systematic reviews and ~ 800 retrospective comparison studies )
- Numerous Health Technology Assessments performed
- New publications on *da Vinci* System appearing at the rate of ~100 *per month*

\* As of Q314

# *da Vinci* System in Prostatectomy... Benefits Compared to Open Surgery

- *da Vinci* versus open prostatectomy
  - + Less estimated blood loss & transfusions
  - + Fewer complications
  - + Lower mortality rate
  - + Shorter length of stay
  - + Lower overall and T2 positive surgical margin rates
  - + Reduced rate of urinary incontinence
  - + Reduced rate of erectile dysfunction
  - Longer operative time (21 minutes - Liu)

**References:** Trinh et al, Eur Uro, 2012; Kowalczyk et al, Eur Uro, 2012; Liu et al, Onc, 2013; Tewari et al, Eur Uro, 2012; Moran et al, Int J Urol, 2013; Ficarra et al, Eur Uro, 2012

# Clinical Literature Supports Overall Benefit of *da Vinci* System in Hysterectomy

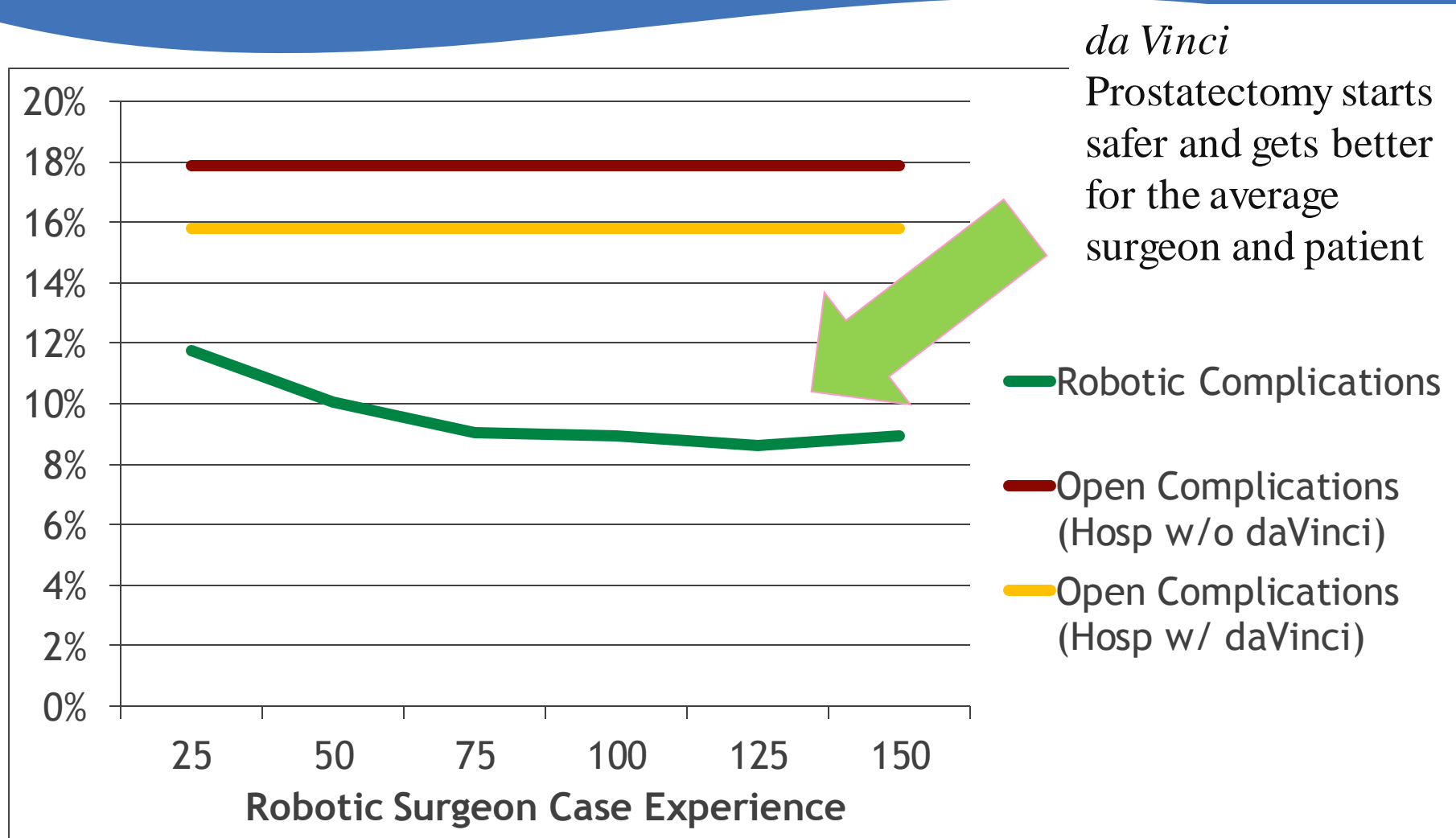
- **Versus open hysterectomy**
  - + Less estimated blood loss & fewer transfusions
  - + Fewer complications
  - + Shorter length of stay
  - + Fewer re-admissions at 30 days
  - Longer operative time (34 minutes in Lau)
- **Versus laparoscopic hysterectomy**
  - + Fewer conversions to open surgery
  - + Less prolonged length of stay
  - + Fewer re-admissions at 30 days
  - + Similar complication rates
  - +/- Varied reports, some longer some shorter

**References:** Scandola, JMIG, 2011; Wright, JAMA, 2013; Gaia, Obstet & Gynec, 2010; O'Neill, Arch Gyn & Obstet, 2013; Paraiso, Am J OB-GYN, 2013; Lau Obstet & Gynec, 2012; Martino, Journal of Minimally Invasive Gynecology, 2013

# Training - Multifaceted and Multiple Roles



# Complications by Robotic Experience

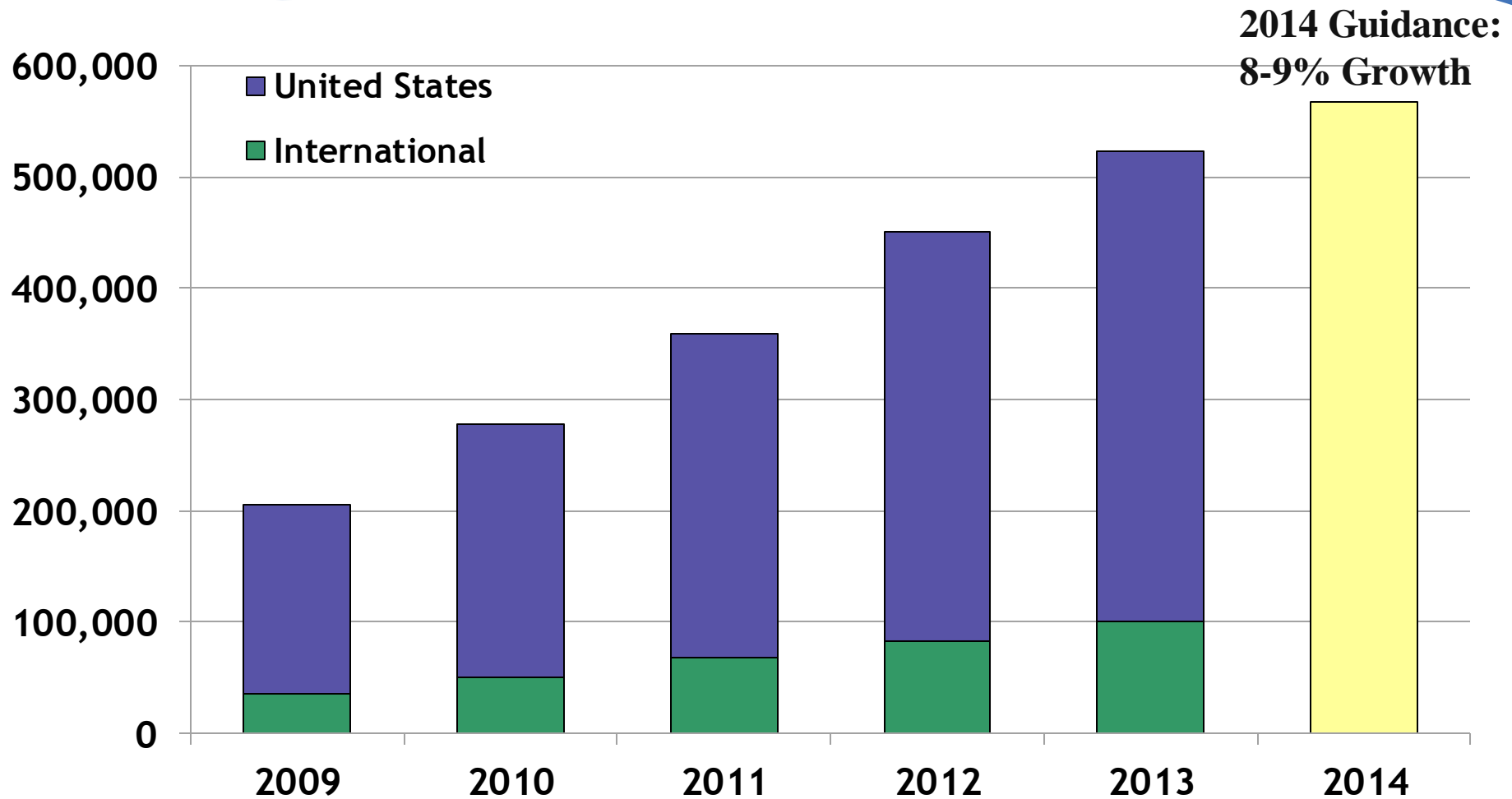


Population-based study using the Premier Perspective Database; 71,312 prostatectomies performed between 2004 and 2010 at more than 300 hospitals - 27,348 Robotic Prostatectomies, 43,964 Open Prostatectomies. The authors examined perioperative outcomes stratified by surgeon experience with robotics. Intuitive Surgical paid for access to the Premiere database and Axistat consulting services. Lead author Dr. Davis was reimbursed for travel expenses related to this study. Author Jessica Gabbert is employed by InClin (formerly Axistat). Author Usha Kreaden, Principal Biostatistician, is employed by Intuitive Surgical.

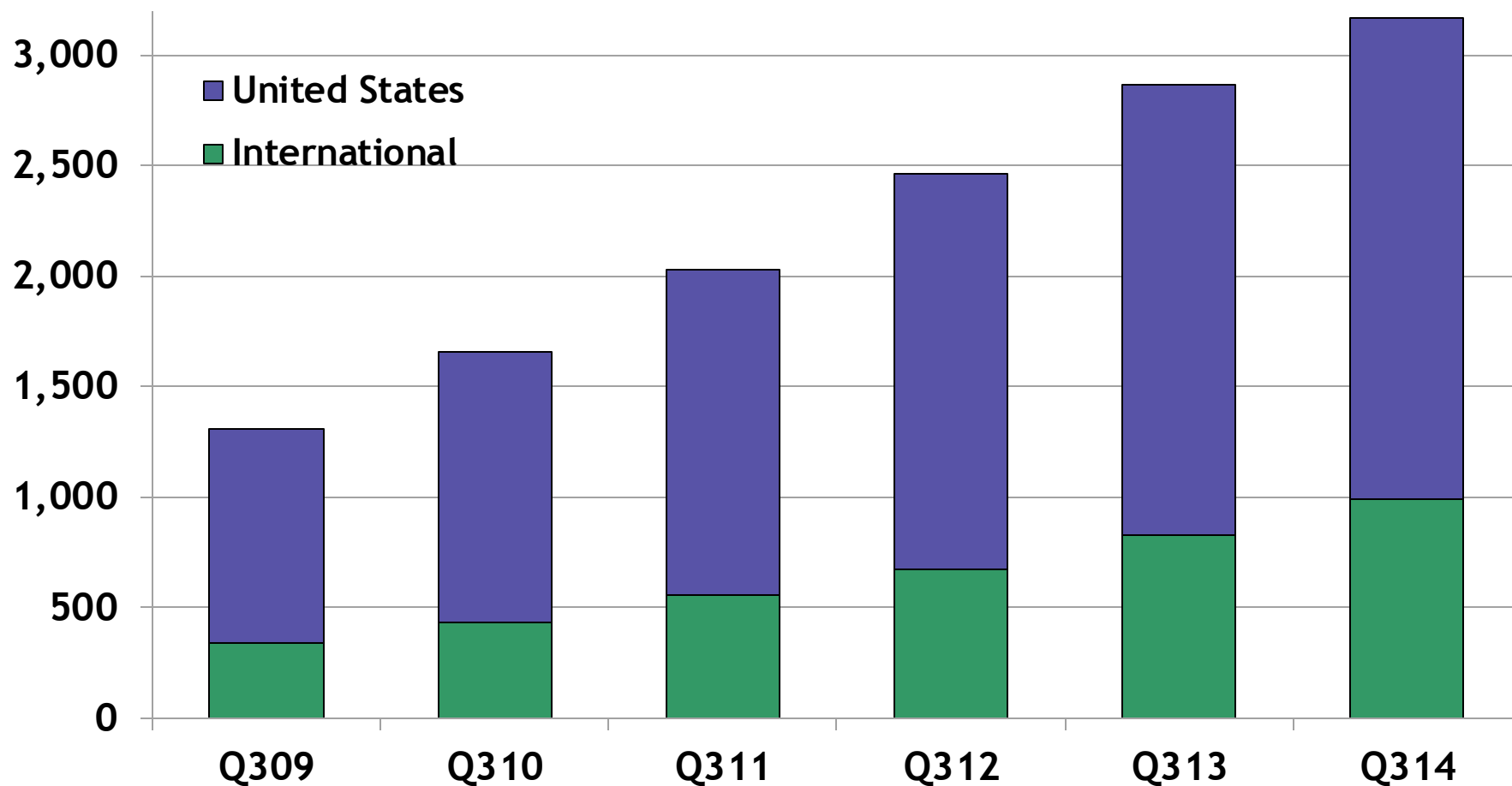


# Financial Results

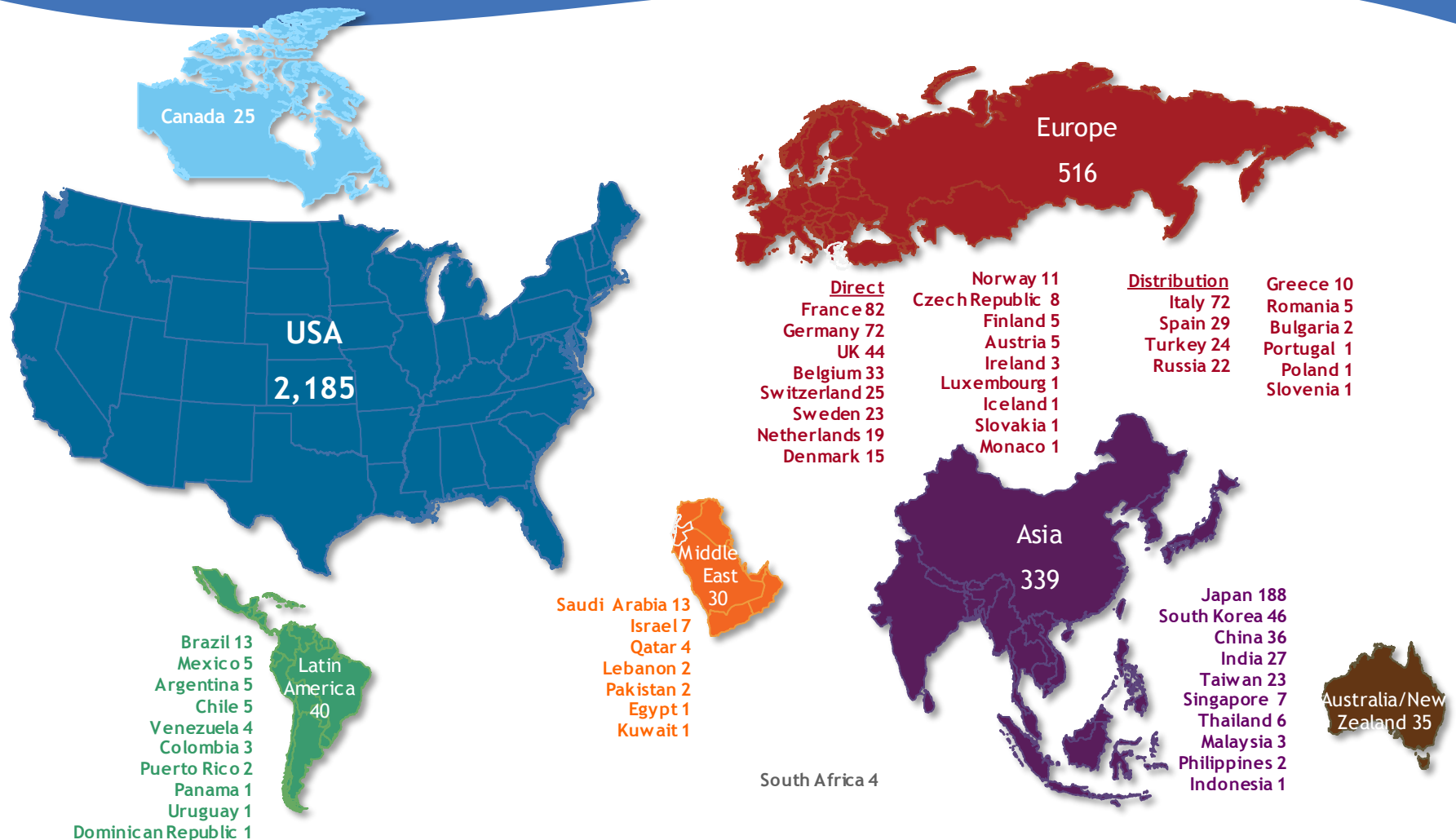
# Annual Worldwide Procedures



# *da Vinci*® System Installed Base

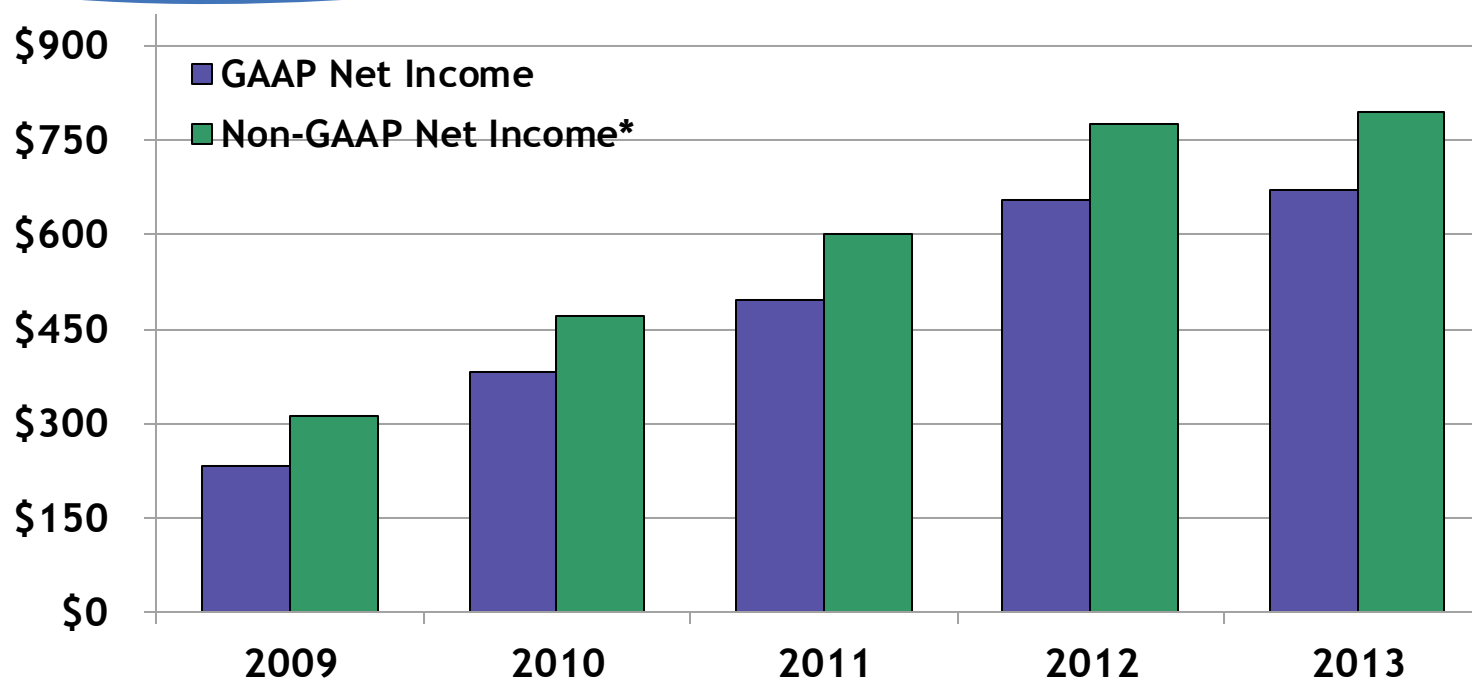


# Installs by Country and Region



Intuitive sells directly to customers in the US, Korea, and the European countries indicated above. In June 2014 direct sales rights were obtained in Japan. Sales are through distributor partners in all other areas of the world including, Canada, Latin America, the Middle East, Asia and Australia.

# Net Income - GAAP and Non-GAAP



<u>GAAP to Non-GAAP Reconciliation</u>					
(millions)	2009	2010	2011	2012	2013
<b>GAAP Net Income</b>	\$ 232.6	\$ 381.8	\$ 495.1	\$ 656.6	\$ 671.0
<b>Amortization of Intangibles, net of tax</b>	\$ 9.7	\$ 10.5	\$ 11.2	\$ 14.7	\$ 13.6
<b>Share-based Compensation, net of tax</b>	\$ 70.5	\$ 78.4	\$ 93.5	\$ 105.8	\$ 110.4
<b>Non-GAAP Net Income</b>	\$ 312.8	\$ 470.7	\$ 599.8	\$ 777.1	\$ 795.0

# Income Statement Trend

(\$M, except per share amounts)

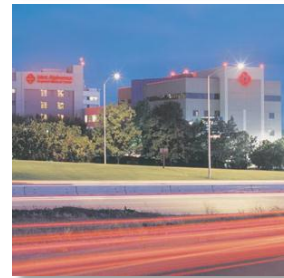
	2009	2010	2011	2012	2013
<b>Sales</b>	<b>\$1,052</b>	<b>\$1,413</b>	<b>\$1,757</b>	<b>\$2,179</b>	<b>\$2,265</b>
<b>Gross Profit %</b>	<b>71.4%</b>	<b>72.9%</b>	<b>72.5%</b>	<b>72.1%</b>	<b>70.4%</b>
<b>Operating Income</b>	<b>\$377</b>	<b>\$555</b>	<b>\$695</b>	<b>\$878</b>	<b>\$853</b>
<b>Operating Income %</b>	<b>35.9%</b>	<b>39.3%</b>	<b>39.5%</b>	<b>40.3%</b>	<b>37.6%</b>
<b>Net Income</b>	<b>\$233</b>	<b>\$382</b>	<b>\$495</b>	<b>\$657</b>	<b>\$671</b>
<b>% of Revenue</b>	<b>22.1%</b>	<b>27.0%</b>	<b>28.2%</b>	<b>30.1%</b>	<b>29.3%</b>
<b>Fully Diluted EPS</b>	<b>\$5.93</b>	<b>\$9.47</b>	<b>\$12.32</b>	<b>\$15.98</b>	<b>\$16.73</b>
<b>Non-GAAP EPS *</b>	<b>\$7.98</b>	<b>\$11.68</b>	<b>\$14.92</b>	<b>\$18.91</b>	<b>\$19.83</b>

\* These pro-forma amounts are non-GAAP financial measures. We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our recurring core business operating results. Non-GAAP EPS represents Non-GAAP Net income, divided by 40.1, 41.1, 40.2, 40.3, and 39.2 million diluted shares outstanding for 2013, 2012, 2011, 2010, 2009, respectively.

# Corporate Assets and 2014 Priorities

# Corporate Assets

- Extraordinary people
- 3,174 *da Vinci*® System installed base 9/30/14
- Numerous FDA and international regulatory clearances
- Extensive instrument and accessory product line
- *da Vinci*® Training centers worldwide
- Ownership of or exclusive rights to over 1,540 U.S. and foreign patents and more than 1,460 US and foreign patent applications
- *da Vinci*® patient awareness





# 2014 Priorities

- Expand *da Vinci Xi* and *Stapler* launches worldwide
- Invest and grow in OUS markets (EU, Japan in particular)
- Expand *Single-Site* use, instrumentation and imaging to enable *da Vinci* use as an alternative to traditional multi-port procedures
- Continue building a high performance, responsive organization that invents and deploys the next generation of technologies that improve surgical outcomes and value

# Thank You

© 2014 Intuitive Surgical. All rights reserved. *Intuitive, Intuitive Surgical, da Vinci, da Vinci S, da Vinci Si, Single-Site, InSite, Firefly, EndoWrist One, EndoWrist Stapler* and *EndoWrist* are trademarks or registered trademarks of Intuitive Surgical. All other product names are trademarks or registered trademarks of their respective holders. PN 873725 Rev. E 11/11



INTUITIVE  
SURGICAL®