

ISRG — Q2 FY2026 notes

TRANSCRIBED FROM SIX HANDWRITTEN PAGES, REGROUPED BY THEME

□ = KEEP TRACKING NEXT QUARTER · ? = MY READING OF THE HANDWRITING IS UNCERTAIN

1 · Q2'26 P&L, BALANCE SHEET, VALUATION

REVENUE BY TYPE — NOT PLATFORM	YOY	Q2'26	SHARE
I&A (Instruments & Accessories)	+18%	1,735 [?]	60%
Systems	+19%	685	24%
Services	+21%	472	16%
total	+19%	2,892M	
Recurring rev		2.47B	85% ✓✓

MARGINS	Q2'26	H1'26	Q2'25	H1'25
✓ GM	68%	67%	66.3%	65.5%
✓ OM	33.6%	32%	30.5%	28.2%
CFO (ex SBC/WC) / Rev		38.3%		34.6%

REVENUE SPLIT	SHARE	G YOY (Q)	(H)
Rev product	84%	+18.11% [?]	+20.8%
service	16%	+20.8%	+20.1%

- no debt // cash = 25% of Tot. Assets. → Pure optionality.
- Goodwill = 2.8% of TA → organic compounder
- # shares: '24: 352.3M '25: 356.6M '26: 355.1M
- @ \$380 Q2'26 normalized[?] P/E = 41.6x
- FCF yield: 3.2% @ \$380 excash. $380 - 25\% = \$285 \rightarrow 4.2\%$ FCF yield

2 • GROWTH BY LINE AND GEOGRAPHY

YOY GROWTH	Q2'26	Q1'26	FY'25	Q3'25	Q2'25 [?]	Q1'25
I&A revenue	+17.7%	+23.3%	+18.5%	+20.1	+18.5	+18%
Systems	+19.2	+24.5%	25.8	32.7	28.2	+58
Service	+20.8	19.5%	20.2	20.4	23.3	+17
I&A US rev [68% share]	+16.03	+16.4	+15.9	+17.4	+14.1	+17.2
OUS 19.2% [?] →	+21.4	+39.8	+25	+27	+29.4	+20

FY'25 column boxed in the notes. • "tot %" [?] bracketed across Systems + Service.

• 59.2% of business segments growing > 20% YoY g vs 16.03%

NCI NI (CHINA JV)	Q2'26	Q1'26	FY'25	Q3'25	Q2'25	Q1'25	'24	'23
NI	\$5.1M	4.5	20.6	4.8	5.8M	5.3	14.9	19.3

3 • PLACEMENTS, PLATFORMS, INSTALLED BASE

Q2 PLACEMENTS — 468

246 DV5 / 38 SP / 64 XiR / 58 X / 62 Xi

↳ 114 with dual console [dc is a moat generator] ↳
training capacity formation

US PLACEMENTS

Q2'25 216 → Q2'26 267

27 greenfield systems at ASCs → **almost entirely upgrades to DV5**

PLATFORM	GEN	YR	NOTE	PLACED Q2	INSTALLED
① DV XI	Gen 4th	2014	core installed base // Flagship multiport	62	
DV X	Gen 4th	2017	De-featured = affordable	58 vs 49 [?]	
DV XiR	Gen 4th	2017	refurbished XI	64 vs 10	130
② DV SP	Gen 4th	2018		38	445
③ DV5	Gen 5th	2024	Force feedback / 10K × compute	246	1,700
④ Ion	own architecture	2019	lungs biopsy, not surgery	55 ↑21%	1,096

① marked "legacy" • "land & expand" bracketed across DV X + DV XiR • fleet 11.7K

• higher utilization of DV5 vs XI

• System utilization is the metric in US □ → grew 3% in Q2, "healthy level"

• "distributor markets have responded well" ??

4 • REPLACEMENT CYCLE & TRADE-INS

SI to XI 7 yrs → peak trade-ins → 2024

XI to DV5 2024 → 2031? → growth avenue for 5 more yrs ✓✓

DV5 plmts: '24 (352) '25 (870) Q1'26 (230) Q2'26 (246) = 1.7K / 11.7K fleet (14.5%³)

+445 SP → DV5+SP (18.3%)

11.7K – DV5 – SP ≈ **9,565 gen 4 and older.** (ASCs & HOPD may stay Gen-4)

TRADE-INS	Q2'26	Q1'26	Q4'25 ²	Q3'25	Q2'25	Q1'25
count	144	119	146	141	83	67

- trade-in velocity accelerating: ① DV5 ASP-credit ② XiR refurbish & for resale to ASCs ③ utilization uplift
- from SI to XI peak trade-in took seven yrs □
 - a product started a year ago 130 sold – 50 US – 20 ASCs – 11-12 countries
 - ↳ 4th gen ecosys, affordable, access to customers not yet involved in robotics, then upside[?].
- Product mix? XI, SP 4art², DV5, XiR, ION □
- ★ when trade-in Xi → DV5, the same program slot gives **+11% more procedures/quarter**. Growth even with base stalled.
 - ↓ why? Mgmnt said bc what they are. Check if it is also "where they sit."
 - See if the +11% holds once the flagship account already upgraded.

5 • CAPEX CYCLE

INVESTOR CONCERN: bad debt might build at hospitals as people fall off from ACA and Medicaid

→ response: US healthy Q2 system placements ↑24% YoY

→ 70-ish% acquired in the U.S. under leasing arrangements.

= more flex. w/ capital constraints.

- if typically hospitals buy systems ahead of demand increasing, that is not the case now, they are not expanding the installed base.
- three splits require clearance, one of them, a digital ruler, seriously? □
- new GI treat robot: early stages, non-commercial □
- 3.04² – written above the greenfield/upgrades note, arrowed into it

48% → 51% (Q2'26) → 54% of all placements are op. lease agreements

↳ 57% of this is usage-based lease, as procedures are performed.

↳ less predictability BUT more skin in the game, more upside, not just an annuity, as more indications are cleared.

↖ not the fast growing leasing type

fixed-pmt op lease ↑ +55% H1 YoY vs ↑ +7.8% for usage-based

★ 6 mo sales-type lease: 23, H1'26 vs 16 H1'25

• Since 2025: Property, plant & equipment include systems for leasing to their customers to support their leasing business. (previously in operating activities, now in investing activities)

7 • PRICING — THE EUP THREAD

The two halves marked *2 in the notes, joined here.

EUP on Q3 call □ pushing I&A/procedure down since 2017[?]. get incremental volume in lower-acuity procedures, spending the price scale on premium procedures FFB, DV5, SP := it will work if volumes elasticity shows up.

while I&A/case is stable or drop, benign-procedure accelerates in H2'27 and remanufactured work. EUP is cutting prices where entrants are attacking → (Hugo, Ottawa).

- **EUP challenge:** forgone replacement revenue recover through volume elasticity, retention, gain laparoscope share.
- test = per procedure revenue vs. benign procedure g. ("instrument" written under "procedure")
- ION I&A revenue / procedure = \$2,200 (Q3/Q4 '25 calls) | DA V: \$1,830 (Q2'26)
- ION & DV5 growth listed as offsetting factors against product cost reduction □

REVENUE PER SYSTEM, AS CALCULATED

~300 procedures/system/yr × 1,830 I&A/procedure = \$549K/yr/system

+ service/system/yr = \$145K[?]

\$694K/system/yr

× 12,806 DV + Ion = **8.8B** vs 8.5B '25 10-K

↳ target benign procedures

8 • BENIGN PROCEDURES, SEASONALITY, OUS

BENIGN OUS FUNNEL *Q2 table

↑OUS volume 38% of total (37.9%)
900K procedures global → 340K procedures OUS
25% of OUS (Q2 call) · benign OUS → 85K
so 75% is oncology complex

9.5% of global volume is benign OUS

↳ growing +37% in Q2'26 (Q2 call)

SEASONALITY

★ systems placements / seasonality:
↑Q4 ↓Q1
· >50% of DV procedures: benign ones → more seasonal than cancer or life-threat.
↓ ↑Q4 ↓Q1

9 • COMPETITION, ANTITRUST, REMANUFACTURING

Antitrust: No antitrust injunction[?] can override FDA clearance for 3rd parties.

- **Restore Robotics:** March 31, '26 clearance for 2 more DV XI instruments remanufacturing.
- March '25 clearance for Restore scissors.
- Restore clearances: 4 I&A over 100 EndoWrist SKUs (obsoleted by platform transition)
↳ on Xi while ISRG g comes from DV5 and SP.
- Clearance process: \$100K – \$250K & 6-7 mos per SKU
- They still haven't followed the printers pathway: Managed Print Services (MPS) nor the aviation Parts Manufacturer Approval (PMA) — they bundle service and asset into one toll while ISRG is only a system lease (I&A apart)
- **None of competitors: FFB.** FFB clearances expanding, cardiac FFB instruments to follow. → multi-year differentiation.
- Bariatric procedures: 4-5% Q3'23 call / <3% Q3'25 — sh of overall DV procedures → GLP-1 not a threat

10 • TARIFF EXPOSURE

Mexico → I&A	Germany, Bulgaria → endoscopes	China → materials	Malaysia → new facility
--------------	--------------------------------	-------------------	-------------------------

TEST

1. I&A revenue / procedure
2. Trade-ins / quarter
3. US system utilization growth
4. Usage-based lease revenue growth

· Track early signs of M&A: they use to buy IP early and cheap → then spend R&D internally.

□ items to keep tracking next quarter: digital-ruler clearance · new GI treat robot · US system utilization · SI→XI seven-yr trade-in peak · product mix · ION & DV5 as offsets to product cost reduction · EUP on Q3 call