

Stock in robotic surgery could provide a healthy boost to your portfolio



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"Healing is a matter of time, but it is sometimes also a matter of opportunity." — Hippocrates

To be a successful investor in stocks, one must keep one's open for dynamic new businesses and emerging trends that revolutionize both society and industries.

I am not at all embarrassed to say that I occasionally get solid investment ideas from my own clients. As I have a number of surgeons as clients, I continue to invest in and get up-to-date information on a great growth stock of local interest: Intuitive Surgical.

By way of background, Intuitive Surgical (Symbol: ISRG) is the world leader in robotic-assisted, minimally invasive surgery technology. The company provides hospitals and surgery centers with robotic systems, along with other medical instruments, to support doctors in a variety of surgical tasks.

Their flagship product, da Vinci Surgical Systems, mimics a surgeon's natural hand movements on a monitor screen into robotic movements of surgical instruments. This allows even traditionally complex surgeries to be completed with a higher degree of precision and dexterity, often through a minimally invasive 1-to-2-centimeter incision. The company's goal is to make conventional surgery less invasive, more precise, and yield far superior results.

Currently, all four of Syracuse's major area hospitals (Community General, Crouse, St. Joseph's and Upstate University) boost Intuitive Surgical's state-of-the-art da Vinci robotic surgical system and advertise it as a way to attract top-notch surgeons, as well as patients, for cutting-edge technology and medical results.

As a stock, Intuitive Surgical has been stellar. With a \$48 billion market cap, the company sells at around \$425 at the time of this writing and is up more than 15 percent

year to date, and over 70 percent in the last year.

The stock's impressive performance has been driven by its fantastic earnings growth, up 125 percent in just the last three years. This has largely been attributed to the growing adoption of the da Vinci system, minimal competition and the reputation as the global standard for robotic surgical technology.

Historically, Intuitive Surgical's management has been known for giving conservative guidance for earnings and revenue growth, only to blow away those expectations later in the year. For example, last quarter saw double-digit growth in the three main operating segments, which were well above guidance and expectations. For this year, management forecasts an impressive overall procedure growth rate of 11-15 percent; and Intuitive Surgical will probably easily beat this guidance as well.

Though Intuitive Surgical is the global

brand for robotic surgery technology, the total market has been penetrated only an estimated 10 percent, leaving the company significant opportunity for growth. Areas like urology, gynecology, general surgery and cardiothoracic provide exciting markets for the company to enter as robotic-assisted surgery becomes more mainstream.

Accordingly, the company continues to update the technology and expand the capabilities of its surgical systems, with the long-term aim to have robotic surgical systems be the norm and exclusively dominated by Intuitive Surgical.

The company also has its sights on significant international expansion. This past April, its most recent model, da Vinci X, was approved in Europe. Additionally, management is placing particular focus on China and Japan as countries that can rapidly accept, implement and grow the use of their systems in mainstream surgical procedures.

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ROBOTIC

FROM D1

The risk of competition to Intuitive Surgical seems relatively scarce as the company is well ahead of any competition in terms of technology, research, and development.

The main risk to an Intu-

itive Surgical investment is that the stock has been on a tear, as previously noted, and is not cheap, selling at a significant premium to the overall market. However, for a company growing rapidly and with a virtual monopoly in its market, you're never going to get it cheap. You'd have better luck waiting for a sunny day in a Syracuse winter.

Intuitive Surgical is a company firing on all cylinders and loaded with several growth catalysts. For long-term investors with cash, I suggest taking a position in ISRG. For those that are already fully invested, you may want to operate on your portfolio with careful precision, sell a lagging stock and buy ISRG. Your portfolio will be healthier for it.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment.