

<b>TIMELINESS</b> 5 Lowered 8/19/13	High: 22.5 18.6 40.6 124.8 139.5 359.6 358.0 309.1 393.9 469.3 594.9 585.7	<b>LEGENDS</b> --- 23.5 x "Cash Flow" p sh .... Relative Price Strength 1-for-2 Rev split 7/03 Options: Yes Shaded areas indicate recessions	Target Price Range 2016 2017 2018 800 600 500 400 300 250 200 150 100 75																																								
<b>SAFETY</b> 3 New 3/3/06	Low: 11.2 7.3 15.1 35.7 85.6 86.2 110.4 84.9 246.0 261.8 429.3 357.0																																										
<b>TECHNICAL</b> 4 Lowered 8/23/13			% TOT. RETURN 7/13 THIS STOCK VL ARITH. INDEX 1 yr. -18.6 36.4 3 yr. 15.2 63.6 5 yr. 27.7 92.7																																								
<b>BETA</b> 1.25 (1.00 = Market)	<b>2016-18 PROJECTIONS</b> <table border="1"> <tr> <th></th> <th>Price</th> <th>Gain</th> <th>Ann'l Total Return</th> </tr> <tr> <td>High</td> <td>745</td> <td>(+90%)</td> <td>18%</td> </tr> <tr> <td>Low</td> <td>495</td> <td>(+25%)</td> <td>6%</td> </tr> </table>				Price	Gain	Ann'l Total Return	High	745	(+90%)	18%	Low	495	(+25%)	6%																												
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Intuitive Surgical, Inc. was incorporated in Delaware in 1995. In January 1999, Intuitive launched the *da Vinci* Surgical System, and in 2000, it became the first robotic surgical system cleared by the FDA for general laparoscopic surgery. The initial public offering occurred on June 13, 2000. Lehman Brothers acted as the lead underwriter in selling 2,500,000 common shares to the public at a price of \$18.00 each, adjusted for stock splits.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	© VALUE LINE PUB. LLC 16-18
Sales per sh	2.77	4.06	6.28	10.05	15.62	22.33	27.33	36.32	44.66	54.20	57.50	62.50	77.50
"Cash Flow" per sh	.03	.89	2.79	2.21	4.10	5.85	6.94	10.85	13.31	17.20	16.90	18.25	24.80
Earnings per sh <sup>A</sup>	d.41	.67	2.51	1.89	3.70	5.12	5.93	9.47	12.32	15.98	15.80	17.00	23.00
Div'd's Decl'd per sh	---	---	---	---	---	---	---	---	---	---	Nil	Nil	Nil
Cap'l Spending per sh	.08	.66	.83	.43	.53	1.59	1.39	2.47	2.11	3.53	2.50	2.50	2.50
Book Value per sh <sup>B</sup>	8.44	9.20	12.23	15.90	23.10	32.33	39.93	52.38	67.24	89.06	102.50	122.50	180.00
Common Shs Outst'g <sup>C</sup>	33.05	34.23	36.19	37.09	38.47	39.18	38.50	38.90	39.35	40.20	40.00	40.00	40.00
Avg Ann'l P/E Ratio	--	33.6	25.5	56.4	50.7	49.8	31.1	33.1	29.8	32.4	Bold figures are Value Line estimates		27.00
Relative P/E Ratio	--	1.78	1.36	3.05	2.69	3.00	2.07	2.11	1.87	2.07			1.80
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--			Nil

**CAPITAL STRUCTURE** as of 6/30/13  
**Total Debt** None

**Leases, Uncapitalized:** \$3.8 mill.  
**No Defined Benefit Pension Plan**

**Pfd Stock** None

**Common Stock** 39,709,905 shs. as of 7/10/13  
**MARKET CAP:** \$15.4 billion (Large Cap)

NMF	20.3%	33.2%	31.5%	36.6%	38.4%	39.2%	42.2%	41.2%	41.9%	42.0%	42.0%	Operating Margin	42.0%
d9.6	7.0	6.7	10.0	13.0	25.1	34.6	40.4	28.7	34.7	45.0	50.0	Depreciation (\$mill)	70.0
--	3.0%	--	40.0%	39.1%	39.0%	41.3%	33.3%	30.2%	26.5%	30.0%	30.0%	Net Profit (\$mill)	920
NMF	16.9%	41.4%	19.3%	24.1%	23.4%	22.1%	27.0%	28.2%	30.1%	27.4%	27.2%	Income Tax Rate	30.0%
117.8	138.3	150.7	293.8	477.8	539.4	643.8	1002.0	1145.7	1491.2	1500	1600	Working Cap'l (\$mill)	2000
.7	--	--	--	--	--	--	--	--	--	Nil	Nil	Long-Term Debt (\$mill)	Nil
279.0	314.9	442.6	589.7	888.7	1266.8	1537.3	2037.4	2645.6	3580.1	4100	4900	Shr. Equity (\$mill)	7200
NMF	7.5%	21.3%	12.2%	16.3%	16.1%	15.1%	18.7%	18.7%	18.3%	15.5%	14.0%	Return on Total Cap'l	13.0%
NMF	7.5%	21.3%	12.2%	16.3%	16.1%	15.1%	18.7%	18.7%	18.3%	15.5%	14.0%	Return on Shr. Equity	13.0%
NMF	7.5%	21.3%	12.2%	16.3%	16.1%	15.1%	18.7%	18.7%	18.3%	15.5%	14.0%	Retained to Com Eq	13.0%
--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'd's to Net Prof	Nil

**CURRENT POSITION** 2011 2012 6/30/13 (\$MILL.)

Cash Assets	1029.2	1324.4	1290.2
Receivables	297.9	370.3	358.6
Inventory (Avg Cst)	112.1	121.5	169.3
Other	27.1	76.6	42.9
Current Assets	1466.3	1892.8	1861.0
Accts Payable	45.8	57.6	67.2
Debt Due	--	--	--
Other	274.8	344.0	323.7
Current Liab.	320.6	401.6	390.9

**ANNUAL RATES** Past 10 Yrs. Past 5 Yrs. Est'd '10-'12 of change (per sh)

Sales	32.0%	33.5%	9.5%
"Cash Flow"	--	35.5%	10.5%
Earnings	--	36.0%	10.5%
Dividends	--	--	Nil
Book Value	32.0%	32.5%	17.0%

**BUSINESS:** Intuitive Surgical, Inc. designs, manufactures and markets *da Vinci* Surgical Systems and related instruments and accessories. The *da Vinci* system consists of a surgeon's console, a patient-side cart and a high performance vision screen. It is designed to translate a surgeon's natural hand movements into corresponding micro-movements of instruments positioned inside the

patient. '12 Research & Development, 7.8% of sales. Has approximately 2,362 employees. Off/dirs own 3.0% of common stock; Capital World Investors, 7.6%. Bailie Gifford & Co., 6.1%. BlackRock Inc., 5.5% (4/13 proxy). Chrmn.: Lonnie M. Smith. Pres./CEO: Gary S. Guthart, Ph.D. Inc. DE. Addr.: 1266 Kifer Road, Sunnyvale, CA 94086. Tel.: (408) 523-2100. Internet: www.intuitivesurgical.com.

**QUARTERLY SALES** (\$ mill.)

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	328.6	350.7	344.4	389.3	1413.0
2011	388.1	425.7	446.7	496.8	1757.3
2012	495.2	536.5	537.8	609.3	2178.8
2013	611.4	578.5	530	580.1	2300
2014	600	600	650	650	2500

**EARNINGS PER SHARE** <sup>AD</sup>

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	2.12	2.19	2.14	3.02	9.47
2011	2.59	2.91	3.05	3.75	12.32
2012	3.50	3.75	4.46	4.25	15.98
2013	4.56	3.90	3.40	3.94	15.80
2014	4.00	4.00	4.50	4.50	17.00

**We have lowered our 2013 estimates for Intuitive Surgical.** Following a strong start to the year, the company took a few steps back in the second quarter as a noticeable slowdown in surgical robotic demand weighed heavily on performance. In the June period, Intuitive reported share net of \$3.90 on revenues of \$579 million, well below our estimates of \$4.40 and \$640 million. With challenges expected to persist in the coming quarters, our growth outlook for the second half of the year has been sharply diminished. Adding more uncertainty was management's announcement that U.S. regulators had issued a warning letter after an inspection of Intuitive's facilities in June. All told, we have slashed our 2013 earnings estimate by \$2.20 a share, to \$15.80. Our full-year revenue target is lowered from \$2.6 billion, to \$2.3 billion.

urology procedures, slower adoption in benign hysterectomy (the company's largest procedure) has been largely responsible for the procedure deceleration and weaker system placements. In our view, a turnaround in this segment will be essential in restoring overall growth. We expect management to make this a key focus for the remainder of 2013 and into 2014.

**QUARTERLY DIVIDENDS PAID**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009					
2010					
2011					
2012					
2013					

NO CASH DIVIDENDS BEING PAID

**Further sales deceleration is likely in the coming quarters.** With demand trends weakening and new regulatory uncertainties emerging, it is difficult to predict the timing of when a potential rebound may occur. While growth has held up relatively well in general surgery and

**The stock has continued its downward spiral.** Since peeking around the \$580-a-share mark in early February, it has been all downhill for Intuitive stock as sluggish procedure growth and concerns regarding the FDA's recent warning letter have dampened investor enthusiasm. Indeed, we expect weakness in benign hysterectomy growth to remain the most significant overhang given that it accounts for nearly 40% of the company's procedure base. While the recent pullback could be seen as a prime buying opportunity, conservative accounts should probably proceed with caution based on the current lack of visibility.

(A) Diluted earnings per share. Next earnings report due mid-October.

(B) Incl. intangibles. In 2012: \$241.5 million, \$6.01 a share.

(C) In millions, adjusted for stock split.  
 (D) Earnings may not sum due to changes in share count.

Company's Financial Strength	A+
Stock's Price Stability	35
Price Growth Persistence	100
Earnings Predictability	80

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