UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 000-30713

Intuitive Surgical, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	**77-0416458**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

1020 Kifer Road
Sunnyvale, California 94086
(Address of principal executive offices) (Zip Code)

(408) 523-2100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	ISRG	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	▯
		Emerging growth company	▯

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Registrant had 358,418,255 shares of Common Stock, $0.001 par value per share, outstanding as of April 15, 2025.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTUITIVE SURGICAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

in millions (except par values)	March 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,573.8	$ 2,027.4
Short-term investments	1,937.5	1,985.9
Accounts receivable, net	1,221.5	1,225.4
Inventory	1,553.6	1,487.2
Prepaids and other current assets	371.4	385.1
Total current assets	7,657.8	7,111.0
Property, plant, and equipment, net	4,799.0	4,646.6
Long-term investments	4,589.9	4,819.1
Deferred tax assets	1,038.6	1,045.1
Intangible and other assets, net	787.6	773.9
Goodwill	347.5	347.5
Total assets	$ 19,220.4	$ 18,743.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 276.2	$ 193.4
Accrued compensation and employee benefits	309.7	535.6
Deferred revenue	496.3	468.8
Other accrued liabilities	455.9	547.5
Total current liabilities	1,538.1	1,745.3
Other long-term liabilities	474.6	468.3
Total liabilities	2,012.7	2,213.6
Contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, 2.5 shares authorized, $0.001 par value, issuable in series; zero shares issued and outstanding as of March 31, 2025, and December 31, 2024	—	—
Common stock, 600.0 shares authorized, $0.001 par value, 358.4 shares and 356.6 shares issued and outstanding as of March 31, 2025, and December 31, 2024, respectively	0.4	0.4
Additional paid-in capital	9,993.7	9,681.3
Retained earnings	7,139.4	6,803.3
Accumulated other comprehensive loss	(27.1)	(51.3)
Total Intuitive Surgical, Inc. stockholders' equity	17,106.4	16,433.7
Noncontrolling interest in joint venture	101.3	95.9
Total stockholders' equity	17,207.7	16,529.6
Total liabilities and stockholders' equity	$ 19,220.4	$ 18,743.2

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

INTUITIVE SURGICAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

in millions (except per share amounts)	Three Months Ended March 31, 2025	2024
Revenue:		
Product	$ 1,890.4	$ 1,577.1
Service	363.0	313.5
Total revenue	2,253.4	1,890.6
Cost of revenue:		
Product	670.7	554.4
Service	125.0	90.8
Total cost of revenue	795.7	645.2
Gross profit	1,457.7	1,245.4
Operating expenses:		
Selling, general and administrative	563.4	491.5
Research and development	316.2	284.5
Total operating expenses	879.6	776.0
Income from operations	578.1	469.4
Interest and other income, net	90.4	69.1
Income before taxes	668.5	538.5
Income tax benefit	(35.2)	(8.9)
Net income	703.7	547.4
Less: net income attributable to noncontrolling interest in joint venture	5.3	2.5
Net income attributable to Intuitive Surgical, Inc.	$ 698.4	$ 544.9
Net income per share attributable to Intuitive Surgical, Inc.:		
Basic	$ 1.95	$ 1.54
Diluted	$ 1.92	$ 1.51
Shares used in computing net income per share attributable to Intuitive Surgical, Inc.:		
Basic	357.5	353.5
Diluted	364.6	360.5
Other comprehensive income, net of tax:		
Unrealized gains (losses) on hedge instruments	$ (10.4)	$ 5.6
Unrealized gains (losses) on available-for-sale securities	29.1	(4.2)
Foreign currency translation gains	5.5	1.8
Employee benefit plan adjustments	0.1	(0.1)
Other comprehensive income	24.3	3.1
Total comprehensive income	728.0	550.5
Less: comprehensive income attributable to noncontrolling interest	5.4	2.1
Total comprehensive income attributable to Intuitive Surgical, Inc.	$ 722.6	$ 548.4

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

INTUITIVE SURGICAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

in millions	Three Months Ended March 31, 2025	2024
Operating activities:		
Net income	$ 703.7	$ 547.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and loss on disposal of property, plant, and equipment	137.5	104.2
Amortization of intangible assets	3.4	5.1
Gain on investments, accretion of discounts, and amortization of premiums on investments, net	(17.7)	(5.9)
Deferred income taxes	0.1	(7.2)
Share-based compensation expense	185.2	153.3
Amortization of contract acquisition assets	8.7	8.5
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	3.6	2.2
Inventory	(211.1)	(179.6)
Prepaids and other assets	(7.8)	(4.1)
Accounts payable	83.1	(7.5)
Accrued compensation and employee benefits	(226.0)	(271.2)
Deferred revenue	37.0	(4.0)
Other liabilities	(118.1)	(75.8)
Net cash provided by operating activities	581.6	265.4
Investing activities:		
Purchase of investments	(519.8)	(905.9)
Proceeds from sales of investments	—	100.2
Proceeds from maturities of investments	849.9	919.1
Purchase of property, plant, and equipment	(116.6)	(241.9)
Net cash provided by (used in) investing activities	213.5	(128.5)
Financing activities:		
Proceeds from issuance of common stock relating to employee stock plans	134.3	180.4
Taxes paid related to net share settlement of equity awards	(370.1)	(226.6)
Payment of deferred purchase consideration	—	(0.5)
Net cash used in financing activities	(235.8)	(46.7)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(4.5)	6.8
Net increase in cash, cash equivalents, and restricted cash	554.8	97.0
Cash, cash equivalents, and restricted cash, beginning of period	2,062.4	2,770.1
Cash, cash equivalents, and restricted cash, end of period	$ 2,617.2	$ 2,867.1

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements (Unaudited).

In this report, "Intuitive," the "Company," "we," "us," and "our" refer to Intuitive Surgical, Inc. and its wholly and majority-owned subsidiaries.

NOTE 1. DESCRIPTION OF THE BUSINESS

Intuitive develops, manufactures, and markets da Vinci® surgical systems and the Ion® endoluminal system. The Company's products and related services enable physicians and healthcare providers to improve the quality of and access to minimally invasive care. The da Vinci surgical system is designed to enable surgeons to perform a wide range of surgical procedures within our targeted general surgery, urologic, gynecologic, cardiothoracic, and head and neck specialties and consists of a surgeon console or consoles, a patient-side cart, and a high-performance vision system. The Ion endoluminal system is a flexible, robotic-assisted, catheter-based platform for which the first cleared indication is minimally invasive biopsies in the lung and consists of a system cart, a controller, a catheter, and a vision probe. Both systems use software, instruments, and accessories.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited Condensed Consolidated Financial Statements ("Financial Statements") and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. In the opinion of management, the accompanying Financial Statements of Intuitive Surgical, Inc. and its wholly and majority-owned subsidiaries have been prepared on a consistent basis with the audited Consolidated Financial Statements for the fiscal year ended December 31, 2024, and include all adjustments, consisting of only normal, recurring adjustments, necessary to fairly state the information set forth herein.

Certain information and footnote disclosures typically included in the annual consolidated financial statements have been condensed or omitted. Accordingly, these Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024, which was filed with the SEC on January 31, 2025. The results of operations for the first three months of 2025 are not necessarily indicative of the results to be expected for the entire fiscal year or any future periods.

The Financial Statements include the results and balances of the Company's majority-owned joint ventures, Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. and Intuitive Surgical-Fosun (HongKong) Co., Ltd. (collectively, the "Joint Venture"), with Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma"). The Company holds a controlling financial interest in the Joint Venture, and the noncontrolling interest is reflected as a separate component of the consolidated stockholders' equity. The noncontrolling interest's share of the earnings in the Joint Venture is presented separately in the Condensed Consolidated Statements of Comprehensive Income.

Risks and Uncertainties

The Company's future results of operations and liquidity could be materially adversely affected by uncertainties surrounding macroeconomic and geopolitical factors in both the U.S. and globally. These uncertainties include any introduction or modification of tariffs or trade barriers, supply chain challenges, inflationary pressures, elevated interest rates, and disruptions in commodity markets stemming from conflicts, such as those between Russia and Ukraine and conflicts in the Middle East, including Israel and Iran.

Recent tariff changes imposed by the U.S. and other countries have created increased risks and uncertainties surrounding the Company's future results of operations. The impact of tariffs in the first quarter of 2025 was not material. However, should universal tariffs be implemented as initially announced in April 2025, the Company anticipates a significant adverse impact on its future costs of revenue, which will impact its results of operations. Particularly, the reciprocal import tariffs imposed by China are expected to significantly increase the costs related to the Company's da Vinci Xi surgical system, potentially affecting its competitiveness for future tenders in the region. Additionally, the U.S. import tariffs, along with any reciprocal measures by other countries, are expected to increase the Company's cost of raw materials and finished goods imported from outside of the U.S. The Company anticipates that some of its suppliers will incur incremental tariff-related costs, which may be passed on to the Company. The ultimate impact of changes to tariffs or trade barriers will depend on various factors, including the timing, amount, scope, and nature of any tariffs or trade barriers that are implemented.

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires enhanced income tax disclosures, including specific categories and disaggregation of information in the effective tax rate reconciliation, disaggregated information related to income taxes paid, income or loss from continuing operations before income tax expense or benefit, and income tax expense or benefit from continuing operations. The requirements of the ASU are effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently in the process of evaluating the impact of this pronouncement on its related disclosures.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"), which requires disclosure about the types of costs and expenses included in certain expense captions presented on the income statement. The new disclosure requirements are effective for the Company's annual periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027, with early adoption permitted. The Company is currently in the process of evaluating the impact of this pronouncement on its related disclosures.

The Company continues to monitor new accounting pronouncements issued by the FASB and does not believe any accounting pronouncements issued through the date of this report will have a material impact on the Company's Financial Statements.

Significant Accounting Policies

There have been no new or material changes to the significant accounting policies discussed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024, that are of significance, or potential significance, to the Company.

NOTE 3. FINANCIAL INSTRUMENTS

Cash, Cash Equivalents, and Investments

The following tables summarize the Company's cash and available-for-sale debt securities' amortized cost, gross unrealized gains, gross unrealized losses, allowance for credit loss, and fair value by significant investment category reported as cash and cash equivalents, short-term investments, or long-term investments (in millions):

	As of March 31, 2025							
						Reported as:		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Loss	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments
Cash	$ 577.3	$ —	$ —	$ —	$ 577.3	$ 577.3	$ —	$ —
Level 1:								
Money market funds	1,786.7	—	—	—	1,786.7	1,786.7	—	—
U.S. treasuries	6,037.8	29.9	(10.1)	—	6,057.6	209.8	1,698.8	4,149.0
Subtotal	7,824.5	29.9	(10.1)	—	7,844.3	1,996.5	1,698.8	4,149.0
Level 2:								
Corporate debt securities	168.7	—	(2.5)	(0.1)	166.1	—	120.3	45.8
U.S. government agencies	510.7	2.3	(0.9)	—	512.1	—	117.0	395.1
Municipal securities	1.4	—	—	—	1.4	—	1.4	—
Subtotal	680.8	2.3	(3.4)	(0.1)	679.6	—	238.7	440.9
Total assets measured at fair value	$ 9,082.6	$ 32.2	$ (13.5)	$ (0.1)	$ 9,101.2	$ 2,573.8	$ 1,937.5	$ 4,589.9

	As of December 31, 2024							
						Reported as:		
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Loss	Fair Value	Cash and Cash Equivalents	Short-term Investments	Long-term Investments
Cash	$ 479.4	$ —	$ —	$ —	$ 479.4	$ 479.4	$ —	$ —
Level 1:								
Money market funds	1,516.1	—	—	—	1,516.1	1,516.1	—	—
U.S. treasuries	6,011.5	13.2	(27.5)	—	5,997.2	31.9	1,637.4	4,327.9
Subtotal	7,527.6	13.2	(27.5)	—	7,513.3	1,548.0	1,637.4	4,327.9
Level 2:								
Corporate debt securities	287.5	0.1	(3.7)	(0.1)	283.8	—	189.7	94.1
U.S. government agencies	552.2	1.5	(2.4)	—	551.3	—	154.2	397.1
Municipal securities	4.7	—	(0.1)	—	4.6	—	4.6	—
Subtotal	844.4	1.6	(6.2)	(0.1)	839.7	—	348.5	491.2
Total assets measured at fair value	$ 8,851.4	$ 14.8	$ (33.7)	$ (0.1)	$ 8,832.4	$ 2,027.4	$ 1,985.9	$ 4,819.1

The following table summarizes the contractual maturities of the Company's cash equivalents and available-for-sale debt securities, excluding money market funds (in millions):

	As of March 31, 2025	
	Amortized Cost	Fair Value
Mature in less than one year	$ 2,148.1	$ 2,147.2
Mature in one to five years	4,570.4	4,589.9
Total	$ 6,718.5	$ 6,737.1

Actual maturities may differ from contractual maturities, because certain borrowers have the right to call or prepay certain obligations. Gross realized gains and losses recognized on the sale of investments were immaterial for the periods presented.

The following tables present the breakdown of the available-for-sale debt securities with unrealized losses (in millions):

	As of March 31, 2025					
	Unrealized losses less than 12 months		Unrealized losses 12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasuries	$ 1,731.9	$ (7.2)	$ 118.5	$ (2.9)	$ 1,850.4	$ (10.1)
Corporate debt securities	—	—	122.6	(2.5)	122.6	(2.5)
U.S. government agencies	74.4	(0.3)	47.1	(0.6)	121.5	(0.9)
Municipal securities	—	—	1.4	—	1.4	—
Total	$ 1,806.3	$ (7.5)	$ 289.6	$ (6.0)	$ 2,095.9	$ (13.5)

	As of December 31, 2024					
	Unrealized losses less than 12 months		Unrealized losses 12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasuries	$ 2,744.4	$ (23.3)	$ 190.1	$ (4.2)	$ 2,934.5	$ (27.5)
Corporate debt securities	—	—	218.7	(3.7)	218.7	(3.7)
U.S. government agencies	178.1	(1.2)	106.7	(1.2)	284.8	(2.4)
Municipal securities	—	—	4.6	(0.1)	4.6	(0.1)
Total	$ 2,922.5	$ (24.5)	$ 520.1	$ (9.2)	$ 3,442.6	$ (33.7)

The Company's investments may, at any time, consist of money market funds, U.S. treasury and U.S. government agency securities, high-quality corporate notes and bonds, commercial paper, non-U.S. government agency securities, and taxable and tax-exempt municipal notes. The Company regularly reviews the securities in an unrealized loss position and evaluates the current expected credit loss by considering factors such as historical experience, market data, financial condition and near-term prospects of the investee, the extent of the loss related to the credit of the issuer, and the expected cash flows from the security. The Company segments its portfolio based on the underlying risk profiles of the securities and has a zero-loss expectation for U.S. treasury and U.S. government agency securities. The basis for this assumption is that these securities have consistently high credit ratings by rating agencies, have a long history with no credit losses, are explicitly guaranteed by a sovereign entity, which can print its own currency, and are denominated in a currency that is routinely held by central banks, used in international commerce, and commonly viewed as a reserve currency. Additionally, all of the Company's investments in corporate debt securities and municipal securities are in securities with high-quality credit ratings, which have historically experienced low rates of default.

The current unrealized losses on the Company's available-for-sale debt securities were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. As of March 31, 2025, the Company does not intend to sell the investments in unrealized loss positions, and it is not more-likely-than-not that the Company will be required to sell any of the investments before recovery of their amortized cost basis, which may be at maturity. Therefore, the Company does not expect to realize any losses on these available-for-sale debt securities. Additional factors considered in determining the treatment of unrealized losses include the financial condition and near-term prospects of the investee, the extent of the loss related to the credit of the issuer, and the expected cash flows from the security.

For the three months ended March 31, 2025, and 2024, credit losses related to available-for-sales debt securities were not material.

Equity Investments

The Company's equity investments may, at any time, consist of equity investments with and without readily determinable fair values. The Company generally recognizes equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

The following table is a summary of the activity related to equity investments (in millions):

	December 31, 2024 Carrying Value	Changes in Fair Value	Purchases / Sales / Other [1]	March 31, 2025 Carrying Value	Reported as:	
					Prepaids and other current assets	Intangible and other assets, net
Equity investments without readily determinable fair value (Level 2)	$ 84.6	$ (0.6)	$ 1.1	$ 85.1	$ —	$ 85.1

[1] Other includes foreign currency translation gains/(losses).

For the three months ended March 31, 2025, the Company did not hold any equity investments with readily determinable fair values (Level 1).

For the three months ended March 31, 2025, the Company recognized a net decrease in fair value of $0.6 million, primarily due to impairments and net decreases in observable price changes, which were recognized in interest and other income, net.

Foreign Currency Derivatives

The objective of the Company's hedging program is to mitigate the impact of changes in currency exchange rates on net cash flow from foreign currency-denominated sales, expenses, intercompany balances, and other monetary assets or liabilities denominated in currencies other than the U.S. dollar ("USD"). The terms of the Company's derivative contracts are generally thirteen months or shorter. The derivative assets and liabilities are measured using Level 2 fair value inputs.

Cash Flow Hedges

The Company enters into currency forward contracts as cash flow hedges to hedge certain forecasted revenue transactions denominated in currencies other than the USD, primarily the Euro ("EUR"), the British Pound ("GBP"), the Japanese Yen ("JPY"), the Korean Won ("KRW"), the New Taiwan Dollar ("TWD"), and the Indian Rupee ("INR"). The Company also enters into currency forward contracts as cash flow hedges to hedge certain forecasted expense transactions denominated in EUR and the Swiss Franc ("CHF").

For these derivatives, the Company reports the unrealized after-tax gain or loss from the hedge as a component of accumulated other comprehensive loss in stockholders' equity and reclassifies the amount into earnings in the same period in which the hedged transaction affects earnings. The amounts reclassified to revenue and expenses related to the hedged transactions and the ineffective portions of cash flow hedges were not material for the three months ended March 31, 2025, and 2024.

Other Derivatives Not Designated as Hedging Instruments

Other derivatives not designated as hedging instruments consist primarily of forward contracts that the Company uses to hedge intercompany balances and other monetary assets or liabilities denominated in currencies other than the USD, primarily the EUR, GBP, JPY, KRW, CHF, TWD, INR, the Mexican Peso ("MXN"), and the Chinese Yuan ("CNY").

These derivative instruments are used to hedge against balance sheet foreign currency exposures. The related gains and losses were as follows (in millions):

	Three Months Ended March 31,	
	2025	2024
Recognized gains (losses) in interest and other income, net	$ (10.5)	$ 18.3
Foreign exchange gains (losses) related to balance sheet re-measurement	$ 7.7	$ (19.4)

The notional amounts for derivative instruments provide one measure of the transaction volume. Total gross notional amounts (in USD) for outstanding derivatives and the aggregate gross fair value at the end of each period were as follows (in millions):

	Derivatives Designated as Hedging Instruments		Derivatives Not Designated as Hedging Instruments	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Notional amounts:				
Forward contracts	$ 533.8	$ 382.2	$ 595.7	$ 693.5
Gross fair value recorded in:				
Prepaids and other current assets	$ 5.0	$ 14.9	$ 3.9	$ 13.0
Other accrued liabilities	$ 4.4	$ 2.1	$ 2.9	$ 2.4

NOTE 4. BALANCE SHEET DETAILS AND OTHER FINANCIAL INFORMATION

Balance Sheet Details

The following tables provide details of selected Condensed Consolidated Balance Sheet line items (in millions):

	As of	
Accounts receivable, net	March 31, 2025	December 31, 2024
Trade accounts receivable, net	$ 1,090.5	$ 1,117.2
Unbilled accounts receivable and other	155.0	138.7
Sales returns and allowances	(24.0)	(30.5)
Total accounts receivable, net	$ 1,221.5	$ 1,225.4

	As of	
Inventory	March 31, 2025	December 31, 2024
Raw materials	$ 549.7	$ 563.9
Work-in-process	230.2	205.7
Finished goods	773.7	717.6
Total inventory	$ 1,553.6	$ 1,487.2

Prepaids and other current assets	As of March 31, 2025	As of December 31, 2024
Net investment in sales-type leases – short-term	$ 127.9	$ 131.4
Other prepaids and other current assets	243.5	253.7
Total prepaids and other current assets	$ 371.4	$ 385.1

Other accrued liabilities – short-term	As of March 31, 2025	As of December 31, 2024
Income and other taxes payable	$ 58.0	$ 154.4
Accrued construction-related capital expenditures	78.2	57.2
Other accrued liabilities	319.7	335.9
Total other accrued liabilities – short-term	$ 455.9	$ 547.5

Other long-term liabilities	As of March 31, 2025	As of December 31, 2024
Income taxes – long-term	$ 231.8	$ 239.0
Deferred revenue – long-term	63.6	54.1
Other long-term liabilities	179.2	175.2
Total other long-term liabilities	$ 474.6	$ 468.3

Supplemental Cash Flow Information

The following table provides supplemental non-cash investing and financing activities (in millions):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Equipment transfers, including operating lease assets, from inventory to property, plant, and equipment	$ 165.2	$ 110.7
Acquisition of property, plant, and equipment in accounts payable and accrued liabilities	$ 97.8	$ 177.9

Restricted Cash

Amounts included in restricted cash primarily relate to the Company's insurance programs and certain employee-related benefits. The following table provides details of total cash, cash equivalents, and restricted cash as of the periods presented (in millions):

	As of March 31, 2025	As of December 31, 2024
Cash and cash equivalents	$ 2,573.8	$ 2,027.4
Restricted cash within other current assets	28.4	20.0
Restricted cash within other assets	15.0	15.0
Total cash, cash equivalents, and restricted cash	$ 2,617.2	$ 2,062.4

NOTE 5. REVENUE

Revenue from external customers is attributed to individual countries based on customer location. The following table presents revenue disaggregated by geography and type (in millions):

	Three Months Ended March 31,	
U.S.	**2025**	**2024**
Instruments and accessories	$ 963.8	$ 822.4
Systems	335.9	212.5
Service	238.5	203.6
Total U.S. revenue	$ 1,538.2	$ 1,238.5
Outside of the U.S. ("OUS")		
Instruments and accessories	$ 403.9	$ 336.5
Systems	186.8	205.7
Service	124.5	109.9
Total OUS revenue	$ 715.2	$ 652.1
Total		
Instruments and accessories	$ 1,367.7	$ 1,158.9
Systems	522.7	418.2
Service	363.0	313.5
Total revenue	$ 2,253.4	$ 1,890.6

Remaining Performance Obligations

The transaction price allocated to remaining performance obligations relates to amounts allocated to products and services for which revenue has not yet been recognized. A significant portion of these performance obligations relate to service obligations in the Company's system sale and lease arrangements that will be satisfied and recognized as revenue in future periods. The transaction price allocated to the remaining performance obligations was $2.67 billion as of March 31, 2025. The remaining performance obligations are expected to be satisfied over the term of the system sale, lease, and service arrangements. Approximately 44% of the remaining performance obligations are expected to be recognized in the next 12 months with the remainder recognized thereafter over the term of the system sale, lease, and service arrangements, which are generally up to 5 years.

Contract Assets and Liabilities

The following information summarizes the Company's contract assets and liabilities (in millions):

	As of	
	March 31, 2025	**December 31, 2024**
Contract assets	$ 19.9	$ 13.9
Deferred revenue	$ 559.9	$ 522.9

Contract assets for the periods presented primarily represent the difference between the revenue that was recognized based on the relative standalone selling price of the related performance obligations satisfied and the contractual billing terms in the arrangements. The Company did not have any significant impairment losses on its contract assets for the periods presented.

The Company invoices its customers based on the billing schedules in its sales arrangements. Payments are generally due 30 to 60 days from the date of invoice.

Deferred revenue for the periods presented primarily relates to service contracts where the service fees are billed up-front, generally quarterly or annually, prior to those services having been performed. The associated deferred revenue is generally recognized over the term of the service period.

During the three months ended March 31, 2025, the Company recognized $198 million of revenue that was included in the deferred revenue balance as of December 31, 2024. During the three months ended March 31, 2024, the Company recognized $189 million of revenue that was included in the deferred revenue balance as of December 31, 2023.

Intuitive System Leasing

The following table presents product revenue from Intuitive System Leasing arrangements (in millions):

	Three Months Ended March 31,	
	2025	2024
Sales-type lease revenue	$ 26.5	$ 13.3
Operating lease revenue*	$ 195.2	$ 148.0
*Variable lease revenue related to usage-based arrangements included within operating lease revenue	$ 111.7	$ 70.0

Trade Accounts Receivable

The allowance for doubtful accounts is based on the Company's assessment of the collectibility of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. For the three months ended March 31, 2025, and 2024, bad debt expense was not material.

The Company's exposure to credit losses may increase if its customers are adversely affected by changes in healthcare laws, procedure coverage and reimbursement, economic pressures or uncertainty associated with local or global economic recessions, or other customer-specific factors. Although the Company has historically not experienced significant credit losses, it is possible that there could be a material adverse impact from potential adjustments of the carrying amount of lease and trade receivables as hospital cash flows are impacted by macroeconomic factors, including inflation, tariffs, high interest rates, and staffing shortages.

NOTE 6. LEASES

Lessor Information related to Intuitive System Leasing

Sales-type Leases. Lease receivables relating to sales-type lease arrangements are presented on the Condensed Consolidated Balance Sheets as follows (in millions):

	As of	
	March 31, 2025	December 31, 2024
Gross lease receivables	$ 371.8	$ 393.4
Unearned income	(14.2)	(13.9)
Subtotal	357.6	379.5
Allowance for credit loss	(2.6)	(2.6)
Net investment in sales-type leases	$ 355.0	$ 376.9
Reported as:		
Prepaids and other current assets	$ 127.9	$ 131.4
Intangible and other assets, net	227.1	245.5
Net investment in sales-type leases	$ 355.0	$ 376.9

Contractual maturities of gross lease receivables as of March 31, 2025, are as follows (in millions):

Fiscal Year	Amount
Remainder of 2025	$ 96.6
2026	115.6
2027	77.7
2028	46.6
2029	29.1
2030 and thereafter	6.2
Total	$ 371.8

The Company enters into sales-type leases with certain qualified customers to purchase its systems. Sales-type leases have terms that generally range from 24 to 84 months and are usually collateralized by a security interest in the underlying assets.

The allowance for loan loss is based on the Company's assessment of the current expected lifetime loss on lease receivables. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, age of the lease receivable balances, and current economic conditions that may affect a customer's ability to pay. Lease receivables are considered past due 90 days after invoice.

The Company manages the credit risk of the net investment in sales-type leases using a number of factors relating to its customers, including, but not limited to, the following: size of operations; profitability, liquidity, and debt ratios; payment history; and past due amounts. The Company also uses credit scores obtained from external providers as a key indicator for the purposes of determining credit quality. The following table summarizes the amortized cost basis by year of origination and by credit quality for the net investment in sales-type leases as of March 31, 2025 (in millions):

	2025	2024	2023	2022	2021	Prior	Net Investment
Credit Rating:							
High	$ 14.4	$ 61.0	$ 28.9	$ 39.2	$ 26.1	$ 4.9	$ 174.5
Moderate	9.4	78.5	18.7	36.1	24.1	9.5	176.3
Low	—	2.9	0.8	1.2	1.2	0.7	6.8
Total	$ 23.8	$ 142.4	$ 48.4	$ 76.5	$ 51.4	$ 15.1	$ 357.6

For the three months ended March 31, 2025, and 2024, credit losses related to the net investment in sales-type leases were not material.

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

Acquisitions

There were no material acquisitions in the three months ended March 31, 2025, and 2024.

Pending Acquisitions

On January 21, 2025, Intuitive announced that it has entered into a definitive agreement with the current Intuitive technology distributors ab medica, Abex, Excelencia Robotica, and their affiliates to acquire the da Vinci and Ion distribution businesses in Italy, Spain, Portugal, Malta, and San Marino, and associated territories. The transaction consists of an upfront cash payment of approximately EUR 290 million and up to an additional EUR 31 million in commercial milestone cash payments, subject to certain closing adjustments. The Company expects to complete the transaction in the first half of 2026, subject to applicable regulatory approvals and customary closing conditions.

Goodwill

The following table summarizes the changes in the carrying amount of goodwill (in millions):

	Amount
Balance as of December 31, 2024	$ 347.5
Acquisition activity	—
Translation and other	—
Balance as of March 31, 2025	$ 347.5

Intangible Assets

The following table summarizes the components of gross intangible assets, accumulated amortization, and net intangible assets balances (in millions):

	As of March 31, 2025			As of December 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and developed technology	$ 203.3	$ (187.7)	$ 15.6	$ 203.3	$ (185.4)	$ 17.9
Customer relationships	27.1	(23.2)	3.9	27.3	(22.3)	5.0
Distribution rights and others	1.2	(1.1)	0.1	1.2	(1.1)	0.1
Total intangible assets	$ 231.6	$ (212.0)	$ 19.6	$ 231.8	$ (208.8)	$ 23.0

Amortization expense related to intangible assets was $3.4 million and $5.1 million for the three months ended March 31, 2025, and 2024, respectively.

The estimated future amortization expense related to intangible assets as of March 31, 2025, is as follows (in millions):

Fiscal Year	Amount
Remainder of 2025	$ 8.8
2026	5.4
2027	3.0
2028	1.4
2029	0.6
2030 and thereafter	0.4
Total	$ 19.6

The preceding expected amortization expense is an estimate. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, measurement-period adjustments to intangible assets, changes in foreign currency exchange rates, impairments of intangible assets, accelerated amortization of intangible assets, and other events.

NOTE 8. CONTINGENCIES

From time to time, the Company is involved in a variety of claims, lawsuits, investigations, and proceedings relating to securities laws, product liability, intellectual property, commercial, insurance, contract disputes, employment, and other matters. Certain of these lawsuits and claims are described in further detail below. It is not possible to predict what the outcome of these matters will be, and the Company cannot guarantee that any resolution will be reached on commercially reasonable terms, if at all.

A liability and related charge to earnings are recorded in the Financial Statements for legal contingencies when the loss is considered probable and the amount can be reasonably estimated. The assessment is re-evaluated each accounting period and is based on all available information, including the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to each case. Nevertheless, it is possible that additional future legal costs (including settlements, judgments, legal fees, and other related defense costs) could have a material adverse effect on the Company's business, financial condition, or future results of operations.

Product Liability Litigation

The Company is currently named as a defendant in a number of individual product liability lawsuits filed in various state and federal courts. The plaintiffs generally allege that they or a family member underwent surgical procedures that utilized the da Vinci surgical system and sustained a variety of personal injuries and, in some cases, death as a result of such surgery. Several of the filed cases have trial dates in the next 12 months.

The cases raise a variety of allegations including, to varying degrees, that plaintiffs' injuries resulted from purported defects in the da Vinci surgical system and/or failure on the Company's part to provide adequate training resources to the healthcare professionals who performed plaintiffs' surgeries. The cases further allege that the Company failed to adequately disclose and/or misrepresented the potential risks and/or benefits of the da Vinci surgical system. Plaintiffs also assert a variety of causes of action, including, for example, strict liability based on purported design defects, negligence, fraud, breach of express and implied warranties, unjust enrichment, and loss of consortium. Plaintiffs seek recovery for alleged personal injuries and, in many cases, punitive damages. The Company disputes these allegations and is defending against these claims.

The Company's estimate of the anticipated cost of resolving the pending cases is based on negotiations with attorneys for the claimants. The final outcome of the pending lawsuits and claims, and others that might arise, is dependent on many variables that are difficult to predict, and the ultimate cost associated with these product liability lawsuits and claims may be materially different than the amount of the current estimate and accruals and could have a material adverse effect on the Company's business, financial condition, or future results of operations. Although there is a reasonable possibility that a loss in excess of the amount recognized exists, the Company is unable to estimate the possible loss or range of loss in excess of the amount recognized at this time.

Patent Litigation

On October 19, 2022, a jury rendered a verdict against the Company awarding $10 million in damages to Rex Medical, L.P. in a patent infringement lawsuit. On September 20, 2023, the court granted the Company's post-trial motion and reduced the damages to Rex Medical L.P. to nominal damages of $1. On October 18, 2023, Rex Medical filed a notice of appeal to the

United States Court of Appeals for the Federal Circuit and, on October 31, 2023, Intuitive filed its notice of cross appeal. The parties have completed briefing before the Court of Appeals for the Federal Circuit. Based on currently available information, the Company does not believe that any losses arising from this matter would be material.

Commercial Litigation

On May 10, 2021, Surgical Instrument Service Company, Inc. ("SIS") filed a complaint in the Northern District of California Court alleging antitrust claims against the Company relating to EndoWrist service, maintenance, and repair processes. The Court granted in part and denied in part the Company's Motion to Dismiss, and discovery has commenced. The Company filed an answer denying the antitrust allegations and filed counterclaims against SIS. The counterclaims allege that SIS violated the Federal Lanham Act, California's Unfair Competition Law, and California's False Advertising Law and that SIS is also liable to the Company for Unfair Competition and Tortious Interference with Contract. The parties filed summary judgment and Daubert motions, and the Court held a hearing on these motions on September 7, 2023.

On March 31, 2024, the Court granted-in-part and denied-in-part both Intuitive's and plaintiff's motions for summary judgment, and issued additional rulings related to expert witnesses. Trial in this matter commenced on January 6, 2025. On January 28, 2025, after the close of both plaintiff's and Intuitive's cases in chief, the Court found in Intuitive's favor on all of SIS's antitrust claims and stayed Intuitive's counterclaims. On February 27, 2025, SIS filed a Notice of Appeal to the Ninth Circuit Court of Appeals. SIS's brief is due May 22, 2025, and Intuitive's response is due June 23, 2025. Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from this matter.

Three class action complaints were filed against the Company in the Northern District of California Court alleging antitrust allegations relating to the service and repair of certain instruments manufactured by the Company. A complaint by Larkin Community Hospital was filed on May 20, 2021, a complaint by Franciscan Alliance, Inc. and King County Public Hospital District No. 1 was filed on July 6, 2021, and a complaint by Kaleida Health was filed on July 8, 2021. The Court has consolidated the Franciscan Alliance, Inc. and King County Public Hospital District No. 1 and Kaleida Health cases with the Larkin Community Hospital case, which is now captioned on the Larkin docket as "In Re: da Vinci Surgical Robot Antitrust Litigation." A Consolidated Amended Class Action Complaint has been filed on behalf of each plaintiff named in the earlier-filed cases. On January 14, 2022, Kaleida Health voluntarily dismissed itself as a party to this case. On January 18, 2022, the Company filed an answer against the plaintiffs in this matter, and discovery has commenced.

With regard to this class action case, on September 7, 2023, the Court heard argument on the parties' respective motions for summary judgment and motions related to expert testimony. On March 31, 2024, the Court granted-in-part and denied-in-part plaintiffs' motion for summary judgment on certain market definition issues and denied Intuitive's motion on the antitrust claims. In denying Intuitive's motion, the Court declined to decide whether third-party companies were required to obtain 510(k) clearance for their services with respect to EndoWrist instruments, and in the absence of a formal ruling from the FDA on that question denied Intuitive's motion for summary judgment challenging plaintiffs' standing on that ground. There were additional rulings on the expert witness issues as well. In the summary judgment order, the Court ruled with plaintiffs that the da Vinci robot and EndoWrist instruments occupy separate product markets for antitrust purposes. The Court also ruled that there is an antitrust aftermarket for the repair and replacement of EndoWrist instruments, and that Intuitive holds monopoly power in that aftermarket. The Court denied summary judgment for plaintiffs on the issue of whether soft-tissue surgical robots constitute a relevant antitrust market or are part of a larger market that includes laparoscopic and open surgery for antitrust purposes. On July 30, 2024, the Court granted Intuitive's motion for reconsideration, vacating those portions of the Court's March 31, 2024 Order granting summary judgment as to the definition of a U.S. market for EndoWrist instrument repair and replacement and Intuitive's market power in such a market. On March 31, 2025, the Court granted plaintiff's motion for class certification. No trial date has been scheduled for this matter. Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from this matter.

On September 18, 2024, Restore Robotics Repairs ("Restore") filed a complaint in the United States District Court for the Northern District of Florida alleging antitrust claims against the Company relating to the service and replacement of X/Xi EndoWrist instruments for use with the da Vinci X and Xi surgical systems. On December 9, 2024, Intuitive filed a motion to dismiss to which plaintiff responded by amending its complaint. Intuitive filed a motion to dismiss the first amended complaint on January 31, 2025. Plaintiff filed an opposition to Intuitive's motion to dismiss on February 14, 2025, and Intuitive filed a reply on March 26, 2025. The Court has not yet ruled on that motion. On April 7, 2025, Plaintiff filed a motion for leave to file a second amended complaint. On April 21, 2025, Intuitive filed an opposition to Plaintiff's motion for leave to file a second amended complaint. Based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from this matter.

NOTE 9. STOCKHOLDERS' EQUITY

Stockholders' Equity

The following tables present the changes in stockholders' equity (in millions):

	Three Months Ended March 31, 2025							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	356.6	$ 0.4	$ 9,681.3	$ 6,803.3	$ (51.3)	$ 16,433.7	$ 95.9	$ 16,529.6
Issuance of common stock through employee stock plans	2.4	—	134.3	—	—	134.3	—	134.3
Shares withheld related to net share settlement of equity awards	(0.6)	—	(7.8)	(362.3)	—	(370.1)	—	(370.1)
Share-based compensation expense related to employee stock plans	—	—	185.9	—	—	185.9	—	185.9
Net income attributable to Intuitive Surgical, Inc.	—	—	—	698.4	—	698.4	—	698.4
Other comprehensive income	—	—	—	—	24.2	24.2	0.1	24.3
Net income attributable to noncontrolling interest in joint venture	—	—	—	—	—	—	5.3	5.3
Ending balance	358.4	$ 0.4	$ 9,993.7	$ 7,139.4	$ (27.1)	$ 17,106.4	$ 101.3	$ 17,207.7

	Three Months Ended March 31, 2024							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Intuitive Surgical, Inc. Stockholders' Equity	Noncontrolling Interest in Joint Venture	Total Stockholders' Equity
	Shares	Amount						
Beginning balance	352.3	$ 0.4	$ 8,576.4	$ 4,743.0	$ (12.2)	$ 13,307.6	$ 89.7	$ 13,397.3
Issuance of common stock through employee stock plans	3.0	—	180.4	—	—	180.4	—	180.4
Shares withheld related to net share settlement of equity awards	(0.6)	—	(6.6)	(220.0)	—	(226.6)	—	(226.6)
Share-based compensation expense related to employee stock plans	—	—	152.8	—	—	152.8	—	152.8
Net income attributable to Intuitive Surgical, Inc.	—	—	—	544.9	—	544.9	—	544.9
Other comprehensive income (loss)	—	—	—	—	3.5	3.5	(0.4)	3.1
Cash dividends declared and payable by joint venture	—	—	—	—	—	—	(8.0)	(8.0)
Net income attributable to noncontrolling interest in joint venture	—	—	—	—	—	—	2.5	2.5
Ending balance	354.7	$ 0.4	$ 8,903.0	$ 5,067.9	$ (8.7)	$ 13,962.6	$ 83.8	$ 14,046.4

Stock Repurchase Program

The Company's Board of Directors (the "Board") has authorized an aggregate of $10.0 billion of funding for the Company's common stock repurchase program (the "Repurchase Program") since its establishment in March 2009. The most recent authorization occurred in July 2022, when the Board increased the authorized amount available under the Repurchase Program to $3.5 billion, including amounts remaining under previous authorization. As of March 31, 2025, the remaining amount of share repurchases authorized by the Board under the Repurchase Program was approximately $1.1 billion.

The Company did not make any stock repurchases during the three months ended March 31, 2025, and 2024.

Accumulated Other Comprehensive Loss, Net of Tax, Attributable to Intuitive Surgical, Inc.

The components of accumulated other comprehensive loss, net of tax, attributable to Intuitive Surgical, Inc. are as follows (in millions):

	Three Months Ended March 31, 2025				
	Gains on Hedge Instruments	Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Losses	Employee Benefit Plans	Total
Beginning balance	$ 11.0	$ (14.6)	$ (33.1)	$ (14.6)	$ (51.3)
Other comprehensive income (loss) before reclassifications	(16.0)	29.1	5.4	—	18.5
Amounts reclassified from accumulated other comprehensive income	5.6	—	—	0.1	5.7
Net current-period other comprehensive income (loss)	(10.4)	29.1	5.4	0.1	24.2
Ending balance	$ 0.6	$ 14.5	$ (27.7)	$ (14.5)	$ (27.1)

	Three Months Ended March 31, 2024				
	Gains (Losses) on Hedge Instruments	Unrealized Losses on Available-for-Sale Securities	Foreign Currency Translation Gains	Employee Benefit Plans	Total
Beginning balance	$ (2.5)	$ (29.7)	$ 19.4	$ 0.6	$ (12.2)
Other comprehensive income (loss) before reclassifications	4.1	(4.3)	2.2	—	2.0
Amounts reclassified from accumulated other comprehensive income (loss)	1.5	0.1	—	(0.1)	1.5
Net current-period other comprehensive income (loss)	5.6	(4.2)	2.2	(0.1)	3.5
Ending balance	$ 3.1	$ (33.9)	$ 21.6	$ 0.5	$ (8.7)

The tax impacts for amounts recognized in other comprehensive income before reclassifications and reclassified from accumulated other comprehensive loss relating to hedge instruments, available-for-sale securities, foreign currency translation gains (losses), and employee benefit plans for the three months ended March 31, 2025, and 2024, were not material to the Company's Financial Statements.

NOTE 10. SHARE-BASED COMPENSATION

In April 2024, the Company's shareholders approved an amended and restated 2010 Incentive Award Plan to provide for an increase in the number of shares of common stock reserved for issuance thereunder from 110,350,000 to 115,350,000. As of March 31, 2025, approximately 17.1 million shares were reserved for future issuance under the Company's stock plans, and a maximum of approximately 7.4 million of these shares can be awarded as restricted stock units ("RSUs").

Restricted Stock Units

RSU activity under all stock plans for the three months ended March 31, 2025, was as follows (in millions, except per share amounts):

	Shares	Weighted-Average Grant-Date Fair Value
Unvested balance as of December 31, 2024	5.2	$ 314.39
RSUs granted	1.5	$ 580.31
RSUs vested	(1.6)	$ 295.53
RSUs forfeited	(0.1)	$ 334.82
Unvested balance as of March 31, 2025	5.0	$ 401.13

Stock Options

Stock option activity under all stock plans for the three months ended March 31, 2025, was as follows (in millions, except per share amounts):

	Stock Options Outstanding	
	Number Outstanding	Weighted-Average Exercise Price Per Share
Balance as of December 31, 2024	7.1	$ 192.90
Options granted	—	$ —
Options exercised	(0.5)	$ 127.00
Options forfeited or expired	—	$ 239.02
Balance as of March 31, 2025	6.6	$ 197.44

As of March 31, 2025, options to purchase an aggregate of 5.8 million shares of common stock were exercisable at a weighted-average price of $188.13 per share.

Performance Stock Units

In 2022, the Company began granting performance stock units ("PSUs") to officers and other key employees subject to three-year cliff vesting and pre-established, quantitative goals. Whether any PSUs vest, and the amount that do vest, is tied to completion of service over three years and the achievement of three equally-weighted, quantitative goals that directly align with or help drive the Company's strategy and long-term total shareholder return.

In the first quarter of 2025, the Company had four types of PSU awards: the 2022 PSU awards, the 2023 PSU awards, the 2024 PSU awards, and the 2025 PSU awards. The 2022 PSU grant metrics were focused on relative total shareholder return ("TSR"), year-over-year da Vinci procedure growth for 2023, and two-year compound annual da Vinci procedure growth for 2024. The 2022 PSU awards vested in the first quarter of 2025. The 2023 PSU grant metrics are focused on relative TSR, da Vinci and Ion procedure growth in 2024 compared to 2022, and da Vinci and Ion procedure growth in 2025 compared to 2022. The 2024 PSU grant metrics are focused on relative TSR, da Vinci and Ion procedure growth in 2025 compared to 2023, and da Vinci and Ion procedure growth in 2026 compared to 2023. The 2025 PSU grant metrics are focused on relative adjusted operating margin as compared to selected peers, da Vinci and Ion procedure growth in 2026 compared to 2024, and da Vinci and Ion procedure growth in 2027 compared to 2024.

The TSR metric used in the 2022, 2023, and 2024 PSU awards is considered a market condition, and the expense is determined at the grant date. The procedure growth and relative adjusted operating margin metrics are considered performance conditions, and the expense is recorded based on the forecasted performance, which is reassessed each reporting period based on the probability of achieving the performance conditions. The number of shares earned at the end of the three-year period will vary, based on actual performance, from 0% to 125% of the target number of PSUs granted. PSUs are subject to forfeiture if employment terminates prior to the vesting date. PSUs are not considered issued or outstanding shares of the Company.

The Company calculates the fair value for each component of the PSUs individually. The fair value for the component with the TSR metric was determined using Monte Carlo simulation. The fair value per share for the components with the procedure growth metrics is equal to the closing stock price on the grant date.

PSU activity for the three months ended March 31, 2025, was as follows (in millions, except per share amounts):

	Shares	Weighted-Average Grant Date Fair Value Per Share
Unvested balance as of December 31, 2024	0.3	$ 306.94
Granted	0.1	$ 580.93
Vested	(0.1)	$ 299.32
Performance change	—	$ 267.23
Forfeited	—	$ —
Unvested balance as of March 31, 2025	0.3	$ 367.92

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan ("ESPP"), employees purchased approximately 0.2 million shares for $75.5 million and approximately 0.3 million shares for $68.4 million during the three months ended March 31, 2025, and 2024, respectively.

Share-Based Compensation Expense

The following table summarizes share-based compensation expense (in millions):

	Three Months Ended March 31,	
	2025	2024
Cost of revenue – product (before capitalization)	$ 30.9	$ 22.8
Amounts capitalized into inventory	(28.5)	(21.4)
Amounts recognized in income for amounts previously capitalized in inventory	27.8	21.3
Cost of revenue – product	$ 30.2	$ 22.7
Cost of revenue – service	8.2	7.0
Total cost of revenue	38.4	29.7
Selling, general and administrative	82.3	68.2
Research and development	69.0	57.7
Share-based compensation expense before income taxes	189.7	155.6
Income tax benefit	37.0	32.4
Share-based compensation expense after income taxes	$ 152.7	$ 123.2

The fair value of each right to acquire stock granted under the ESPP was estimated using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions:

	Three Months Ended March 31,	
	2025	2024
ESPP		
Risk-free interest rate	4.2%	4.6%
Expected term (in years)	1.2	1.2
Expected volatility	30%	32%
Fair value at grant date	$170.50	$115.48

NOTE 11. INCOME TAXES

Income tax benefit for the three months ended March 31, 2025, was $35.2 million, or 5.3% of income before taxes, compared to $8.9 million, or 1.7% of income before taxes, for the three months ended March 31, 2024.

The effective tax rates for the three months ended March 31, 2025, and 2024, differed from the U.S. federal statutory rate of 21% primarily due to the excess tax benefits associated with employee equity plans, the federal research and development credit benefit, and the effect of income earned by certain overseas entities being taxed at rates lower than the federal statutory rate, partially offset by state income taxes (net of the federal benefit) and U.S. tax on foreign earnings.

The Company's provision for income taxes for the three months ended March 31, 2025, and 2024, included excess tax benefits associated with employee equity plans of $145.4 million and $111.1 million, respectively, which reduced the Company's effective tax rate by 21.8 and 20.6 percentage points, respectively.

The Company files federal, state, and foreign income tax returns in many jurisdictions in the U.S. and OUS. Years before 2017 are considered closed for significant jurisdictions. Certain of the Company's unrecognized tax benefits could change due to activities of various tax authorities, including evolving interpretations of existing tax laws in the jurisdictions in which the Company operates, potential assessment of additional tax, possible settlement of audits, or through normal expiration of various statutes of limitations, which could affect the Company's effective tax rate in the period in which they change. It is reasonably possible that our existing unrecognized tax benefits may decrease by up to $49 million as a result of expirations of the statute of limitations and audit conclusions in various jurisdictions within the next 12 months.

The Company is subject to the examination of its income tax returns by the Internal Revenue Service and other tax authorities. The outcome of these audits cannot be predicted with certainty. The Company's management regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of the Company's provision for income taxes. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

NOTE 12. NET INCOME PER SHARE

The following table presents the computation of basic and diluted net income per share attributable to Intuitive Surgical, Inc. (in millions, except per share amounts):

	Three Months Ended March 31,	
	2025	2024
Numerator:		
Net income attributable to Intuitive Surgical, Inc.	$ 698.4	$ 544.9
Denominator:		
Weighted-average shares outstanding used in basic calculation	357.5	353.5
Add: dilutive effect of potential common shares	7.1	7.0
Weighted-average shares outstanding used in diluted calculation	364.6	360.5
Net income per share attributable to Intuitive Surgical, Inc.:		
Basic	$ 1.95	$ 1.54
Diluted	$ 1.92	$ 1.51

Share-based compensation awards of approximately 0.6 million and 0.9 million shares for the three months ended March 31, 2025, and 2024, respectively, were outstanding but were not included in the computation of diluted net income per share attributable to Intuitive Surgical, Inc. common stockholders, because the effect of including such shares would have been anti-dilutive in the periods presented.

NOTE 13. SEGMENT INFORMATION

Intuitive is committed to advancing minimally invasive care through a comprehensive ecosystem of products and services. This connected ecosystem includes systems, instruments and accessories, learning, and services connected by a digital portfolio that enables actionable digital insights across the care continuum. The systems, as well as the instruments and accessories, are primarily developed and manufactured by Intuitive. For the three months ended March 31, 2025, and 2024, domestic revenue accounted for 68% and 66%, respectively, of total revenue, while revenue from the Company's OUS markets accounted for 32% and 34%, respectively, of total revenue. The Company manages the business activities on a consolidated basis and operates in one reportable segment.

Intuitive's Chief Executive Officer is the Chief Operating Decision Maker ("CODM"). The CODM utilizes the Company's long-range plan, which includes product development roadmaps and long-range financial models, as a key input to resource allocation. The CODM makes decisions on resource allocation, assesses performance of the business, and monitors budget versus actual results using income from operations. Net income is also a measure that is considered in monitoring budget versus actual results.

Significant expenses within income from operations, as well as within net income, include cost of revenue, research and development, and selling, general and administrative expenses, which are each separately presented on the Company's Consolidated Statements of Income. Other segment items within net income include interest and other income, net, and income tax expense.

The Company's long-lived assets consist primarily of property, plant and equipment, net. As of March 31, 2025, and December 31, 2024, 82% and 83%, respectively, of long-lived assets were in the U.S. As of March 31, 2025, and December 31, 2024, no individual country other than the U.S. accounted for 10% or more of these assets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition as of March 31, 2025, and results of operations for the three months ended March 31, 2025, and 2024, should be read in conjunction with management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2024.

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements relate to expectations concerning matters that are not historical facts. Statements using words such as "estimates," "projects," "believes," "anticipates," "plans," "expects," "intends," "may," "will," "could," "should," "would," "targeted," and similar words and expressions are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements related to future results of operations, future financial condition, our financing plans and future capital requirements, our potential tax assets or liabilities, and statements based on current expectations, estimates, forecasts, and projections about the economies and geographic markets in which we operate and our beliefs and assumptions regarding these economies and markets. These forward-looking statements are necessarily estimates reflecting the judgment of our management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should be considered in light of various important factors, including, but not limited to, the following: the overall macroeconomic environment, which may impact customer spending and our costs, including tariffs, the levels of inflation, and interest rates; the conflict between Ukraine and Russia; conflicts in the Middle East; disruption to our supply chain, including difficulties in obtaining a sufficient supply of materials; curtailed or delayed capital spending by hospitals; the impact of global and regional economic and credit market conditions on healthcare spending; delays in obtaining new product approvals, clearances, or certifications from the Food and Drug Administration ("FDA"), comparable regulatory authorities, or notified bodies; the risk of our inability to comply with complex FDA and other regulations, which may result in significant enforcement actions; regulatory approvals, clearances, certifications, and restrictions or any dispute that may occur with any regulatory body; healthcare reform legislation in the U.S. and its impact on hospital spending, reimbursement, and fees levied on certain medical device revenues; changes in hospital admissions and actions by payers to limit or manage surgical procedures; the timing and success of product development and customer acceptance of developed products; the results of any collaborations, in-licensing arrangements, joint ventures, strategic alliances, or partnerships, including the joint venture with Shanghai Fosun Pharmaceutical (Group) Co., Ltd.; our completion of and ability to successfully integrate acquisitions; intellectual property positions and litigation; risks associated with our operations and any expansion outside of the U.S.; unanticipated manufacturing disruptions or the inability to meet demand for products; our reliance on sole- and single-sourced suppliers; the results of legal proceedings to which we are or may become a party; adverse publicity regarding us and the safety of our products and adequacy of training; the impact of changes to tax legislation, guidance, and interpretations; changes in tariffs, trade barriers, and regulatory requirements (including changes to tariffs imposed by the U.S. on imports from various countries, including Mexico, where we currently manufacture a significant majority of our instruments and accessories); and other risks and uncertainties, including those listed under the caption "Risk Factors." Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report and which are based on current expectations and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those risk factors described throughout this filing and identified under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2024, as updated by our other filings with the Securities and Exchange Commission ("SEC"). Our actual results may differ materially and adversely from those expressed in any forward-looking statement, and we undertake no obligation to publicly update or release any revisions to these forward-looking statements, except as required by law.

Overview

As part of our mission, we believe that minimally invasive care is life-enhancing care. Since our founding 30 years ago, we have been delivering on this mission by combining innovative technology with clinical expertise to advance minimally invasive care. We do so by providing a comprehensive ecosystem that includes robotic-assisted systems, instruments and accessories, customer learning, and support services all connected by a digital portfolio that enables actionable insights across the care continuum.

To assure continued alignment with the patients and healthcare community we serve, we have adopted the Quintuple Aim as our "north star." Starting foremost with a focus on patients, we seek to demonstrate that our products can deliver better outcomes that are validated by rigorous peer-reviewed evidence. Second, we aim to work with clinicians and care teams to create better patient experiences that enable patients to more quickly get back to what matters most in their lives, with fewer complications, less pain and discomfort, and greater predictability. Third, we aim to enable the care teams who use our platforms and technology-enabled ecosystem to have better experiences that augment their skills while reducing fatigue and increasing efficiency and reliability. Fourth, we aim to help lower the total cost of care per patient episode when compared with existing treatment alternatives, providing a return on investment for hospitals and healthcare systems and value for payers. Lastly, we aim to expand access to high-quality minimally invasive care by partnering with hospitals, healthcare systems, and patient advocacy groups to address barriers to care.

While surgery and acute interventions have improved significantly in the past few decades, there remains a significant need to improve across all aspects of the Quintuple Aim. Stakeholders continue to expect better clinical outcomes and decreased variability of outcomes across clinicians and care teams. Globally, healthcare systems continue to be stressed and lacking in critical resources, including the professionals who staff care teams. At the same time, healthcare providers, payers, and governments strain to cover the healthcare needs of their populations and demand lower total cost per patient to treat disease. In the face of these challenges, we continue to believe that we are well-positioned to synthesize scientific and technological advances in biology, computing, imaging, algorithms, and robotics to deliver meaningful and measurable value to all of our stakeholders.

Open surgery remains a prevalent form of surgery and is used in almost every area of the body. However, the large incisions required for open surgery create trauma to patients, typically resulting in longer hospitalization and recovery times, increased hospitalization costs, and additional pain and suffering relative to minimally invasive surgery ("MIS"), where MIS is available. For over four decades, MIS has reduced trauma to patients by allowing selected surgeries to be performed through small ports rather than large incisions. MIS has been widely adopted for certain surgical procedures.

Da Vinci surgical systems enable surgeons to extend the benefits of MIS to many patients who would otherwise undergo a more invasive surgery by using computational, robotic, and imaging technologies to overcome many of the limitations of traditional open surgery or conventional MIS. Surgeons using a da Vinci surgical system operate while seated comfortably at a console viewing a 3D, high-definition image of the surgical field. This immersive console connects surgeons to the surgical field and their instruments. While seated at the console, the surgeon manipulates instrument controls in a natural manner, similar to open surgical technique. Our technology is designed to provide surgeons with a range of articulation of the surgical instruments used in the surgical field analogous to the motions of a human wrist, while filtering out the tremor inherent in a surgeon's hand. In designing our products, we focus on making our technology easy and safe to use.

Our da Vinci products fall into five broad categories: da Vinci surgical systems, da Vinci instruments and accessories, da Vinci stapling, da Vinci energy, and da Vinci vision, including Firefly fluorescence imaging systems and da Vinci endoscopes. We provide a comprehensive suite of systems, learning, and services offerings. Digitally enabled for nearly three decades, these three offerings aim to decrease variability by providing dependable, consistent functionality and an integrated user experience. Our systems category includes robotic platforms, software, vision, energy, and instruments and accessories. Our learning category includes learning and enabling technology, such as simulation and telepresence, as well as technical training programs and personalized peer-to-peer learning opportunities. We have a global network of field service engineers and distributors through which we deliver a suite of services, including installation, repair, maintenance, around-the-clock technical support, and system monitoring. We also offer customized analytics and consultation to hospitals for program optimization.

We have commercialized the following da Vinci surgical systems: the da Vinci standard surgical system in 1999, the da Vinci S surgical system in 2006, the da Vinci Si surgical system in 2009, the fourth-generation da Vinci Xi surgical system in 2014, and the fifth-generation da Vinci 5 surgical system in 2024. We extended our fourth-generation platform by adding the da Vinci X surgical system, commercialized in 2017, and the da Vinci SP surgical system, commercialized in 2018. The da Vinci SP surgical system accesses the body through a single incision, while the other da Vinci surgical systems access the body through multiple incisions. All da Vinci systems include a surgeon's console (or consoles), imaging electronics, a patient-side cart, and computational hardware and software.

We are in the early stages of launching our da Vinci SP surgical system and have an installed base of 291 da Vinci SP surgical systems as of March 31, 2025. We have received FDA clearance for the da Vinci SP surgical system for urologic,

colorectal, general thoracoscopic, and certain transoral procedures. Additionally, the da Vinci SP surgical system has received regulatory clearance in South Korea for a broad set of procedures. The da Vinci SP surgical system has also received regulatory clearance in Japan for the same set of procedures that are currently allowed with the da Vinci Xi surgical system in Japan. In January 2024, the da Vinci SP surgical system received European certification in accordance with Regulation (EU) 2017/745 of the European Parliament and of the Council of 5 April 2017 on medical devices (the "EU MDR") for use in endoscopic abdominopelvic, thoracoscopic, transoral otolaryngology, transanal colorectal, and breast surgical procedures, and we are commercializing the da Vinci SP surgical system in select major European countries as part of a measured rollout. In August 2024, we obtained regulatory clearance in Taiwan for our da Vinci SP surgical system for use in endoscopic abdominopelvic, thoracoscopic, transoral otolaryngology, transanal colorectal, transanal total mesorectal excision, and breast surgical procedures. We plan to seek FDA clearances for additional indications for the da Vinci SP surgical system and expand the system's regulatory approvals (including for additional indications) in other outside of the U.S. ("OUS") markets over time. The success of the da Vinci SP surgical system is dependent on positive experiences and improved clinical outcomes for the procedures for which it has been cleared as well as securing additional clinical clearances.

In March 2024, we obtained FDA clearance for our da Vinci 5 surgical system, our next-generation multi-port robotic system, for use in all surgical specialties and procedures indicated for da Vinci Xi, except for cardiac and pediatric indications. In October 2024, we obtained regulatory clearance in South Korea for the da Vinci 5 surgical system for use in urologic, general, gynecologic, thoracoscopic, thoracoscopically-assisted cardiotomy, and transoral otolaryngology surgical procedures. We are in the midst of a phased launch of our da Vinci 5 surgical system, which we expect to extend over several quarters, giving us time to mature our supply and manufacturing processes for the new system. As of March 31, 2025, we have an installed base of 509 da Vinci 5 surgical systems. Additionally, we are in the regulatory processes in Japan and Europe for our da Vinci 5 surgical system.

We offer approximately 70 different multi-port da Vinci instruments to provide surgeons with flexibility in choosing the types of tools needed to perform a particular surgery. These multi-port instruments are generally robotically controlled and provide end effectors (tips) that are similar to those used in either open or laparoscopic surgery. We offer advanced instrumentation for the da Vinci 5, da Vinci X, and da Vinci Xi surgical systems, including da Vinci energy and da Vinci stapler products, to provide surgeons with sophisticated, computer-aided tools to precisely and efficiently interact with tissue. The da Vinci 5, da Vinci X, and da Vinci Xi surgical systems generally share the same instruments, whereas the da Vinci Si surgical system uses instruments that are not compatible with the da Vinci 5, da Vinci X, and da Vinci Xi systems. Additionally, we have introduced a unique set of force feedback instruments that are only compatible with our da Vinci 5 surgical system. We also currently offer 14 core instruments on our da Vinci SP surgical system. We plan to expand our da Vinci SP instrument offering over time.

Our learning and enabling technology offerings facilitate access to education and training on our products. Our enabling technologies include telepresence and Advanced Insights Suite (which includes Case Insights and Insights Engine), and our learning technology solutions include Intuitive Learning, SimNow, customized training models, remote case observations, and remote proctoring.

In 2019, we commercialized our Ion endoluminal system, which is a flexible, robotic-assisted, catheter-based platform that utilizes instruments and accessories for which the first cleared indication is minimally invasive biopsies in the lung. Our Ion system extends our commercial offering beyond surgery into diagnostic, endoluminal procedures. The system features an ultra-thin, ultra-maneuverable catheter that can articulate 180 degrees in all directions and allows navigation far into the peripheral lung and provides the stability necessary for precision in a biopsy. Many suspicious lesions found in the lung may be small and difficult to access, which can make diagnosis challenging, and Ion helps physicians obtain tissue samples from deep within the lung, which could help enable earlier diagnosis. Our Ion endoluminal system has received FDA clearance, and OUS regulatory clearances include European certification in accordance with the EU MDR, regulatory clearance in South Korea, and National Medical Products Administration ("NMPA") regulatory clearance in China. We plan to seek additional clearances, approvals, and certifications for our Ion endoluminal system in OUS markets over time.

The success of new product introductions depends on a number of factors including, but not limited to, pricing, competition, geographic market and consumer acceptance, the effective forecasting and management of product demand, inventory levels, the management of manufacturing and supply costs, and the risk that new products may have quality or other defects in the early stages of introduction.

Tariff Update

On February 1, 2025, the U.S. imposed 25% tariffs on imports from Mexico and Canada, with several subsequent changes related to exemptions and effective dates, including an exemption for any goods that are within the scope of the United States-Mexico-Canada Agreement ("USMCA"). We currently manufacture a significant majority of our instruments and accessories in Mexicali, Mexico, most of which are certified under the requirements of USMCA and, therefore, have not been subject to the recently imposed tariffs. As a result, the impact of tariffs on us was not material in the first quarter of 2025.

On April 2, 2025, the U.S. imposed a 10% universal tariff on all imports that are not subject to the USMCA. The U.S. announced additional tariffs that vary by country, which are currently paused for 90 days. We import some raw materials and finished goods from outside of the U.S., which are subject to these tariffs, including our endoscopes, a majority of which are manufactured in Germany. We anticipate that some of our suppliers will incur incremental tariffs and may pass on those additional costs to us.

On April 7, 2025, the U.S. imposed a tariff on all imports from China, currently up to 145%. Our operations involve importing certain raw materials and finished goods from China, which are subject to the U.S. tariff. Concurrently, China has imposed a 125% tariff on all imports from the U.S. We import sub-assemblies to support our local da Vinci Xi surgical system manufacturing. Additionally, we sell U.S.-manufactured da Vinci Xi surgical systems into China. Both imports are subject to the Chinese tariff. We expect these tariffs to have a significant impact on the product cost of our da Vinci Xi surgical system in China, potentially hindering our competitiveness in securing future tenders in the region.

Based on these recently announced and implemented global tariffs, and assuming such tariffs remain in place, we anticipate a significant increase in our cost of revenues for the second half of 2025, which will impact our results of operation. The ultimate impact of changes to tariffs and trade barriers will depend on various factors, including the timing, amount, scope, and nature of any tariffs and trade barriers that are implemented.

Macroeconomic Environment

Our future results of operations and liquidity could be materially adversely affected by uncertainties surrounding macroeconomic and geopolitical factors both in the U.S. and globally. These uncertainties include any introduction or modification of tariffs or trade barriers, supply chain challenges, inflationary pressures, elevated interest rates, and disruptions in commodity markets stemming from conflicts, such as those between Russia and Ukraine and conflicts in the Middle East, including Israel and Iran.

During the first quarter of 2025, we continued to experience isolated stresses to supply, particularly for specific component materials and at certain subcontract suppliers that were operationally challenged to meet our production requirements. These isolated instances did not have a material impact on our business during the first quarter of 2025. As a result of the escalation in tariffs, import restrictions, and retaliatory measures between major economies, we may experience tariff-related inflation in raw materials costs as well as supply shortages as companies seek alternative sources of supply of critical materials and navigate adjustments in logistics and transportation routes.

Elevated interest rates have made access to credit more difficult, and the ability of certain suppliers to fund investments in capacity and infrastructure as well as any insolvency of certain suppliers, including sole- and single-sourced suppliers, may present heightened continuity risks. Additionally, although incidents of cybersecurity breaches have not significantly impacted our supply chain to date, they continue to be actively monitored to protect supply continuity. We are actively engaged in activities that seek to mitigate the impact of any supply chain risks and disruptions on our operations.

Some hospitals continue to experience challenges with staffing and cost pressures that could affect their ability to provide patient care. Additionally, certain hospitals are facing significant financial pressure as supply chain constraints and inflation have driven up operating costs and elevated interest rates have made access to credit more expensive. Hospitals may also be adversely affected by the liquidity concerns as a result of the broader macroeconomic environment. Any or all of these factors could negatively impact the number of da Vinci procedures performed or surgical systems placed and have a material adverse effect on our business, financial condition, or results of operations.

Business Model

Overview

We generate up-front revenue from the placement of da Vinci surgical systems through sales or sales-type lease arrangements and recurring revenue over time through fixed-payment or usage-based operating lease arrangements. We also earn recurring revenue from the sales of instruments, accessories, and services.

The da Vinci surgical system generally sells for between $0.7 million and $3.1 million, depending on the model, configuration, and geography, and represents a significant capital equipment investment for our customers when purchased. Our instruments and accessories have limited lives and will either expire or wear out as they are used in surgery, at which point they need to be replaced. We generally earn between $1,000 and $3,600 of instruments and accessories revenue per surgical procedure performed, depending on the type and complexity of the specific procedures performed and the number and type of instruments used. We typically enter into service contracts at the time systems are sold or leased at an annual fee between $100,000 and $225,000, depending on the configuration of the underlying system and the composition of the services offered under the contract. Our system sale arrangements generally include a five-year period of service, with the first year of service provided for free. These service contracts have generally been renewed at the end of the initial contractual service periods.

We generate revenue from our Ion endoluminal system in a business model consistent with the da Vinci surgical system model described above. We generate up-front revenue from the placement of Ion systems through sales or sales-type lease arrangements and recurring revenue over time through fixed-payment or usage-based operating lease arrangements. We also earn recurring revenue from the sales of instruments, accessories, and services. The Ion endoluminal system generally sells for between $500,000 and $815,000. Our instruments and accessories have limited lives and will either expire or wear out as they are used in procedures, at which point they need to be replaced. We typically enter into service contracts at the time systems are sold or leased at an annual fee between $55,000 and $80,000.

Additionally, as part of our ecosystem of products and services, we provide a portfolio of learning offerings and digital solutions. We do not currently generate material revenue from these offerings.

Recurring Revenue

Recurring revenue consists of instruments and accessories revenue, service revenue, and operating lease revenue. Recurring revenue increased to $7.04 billion, or 84% of total revenue in 2024, compared to $5.94 billion, or 83% of total revenue in 2023, and $4.92 billion, or 79% of total revenue in 2022.

Instruments and accessories revenue has grown at a faster rate than systems revenue over time. Instruments and accessories revenue increased to $5.08 billion in 2024, compared to $4.28 billion in 2023 and $3.52 billion in 2022. The increase in instruments and accessories revenue largely reflects continued procedure adoption.

Service revenue was $1.31 billion in 2024, compared to $1.17 billion in 2023 and $1.02 billion in 2022. The increase in service revenue was primarily driven by the growth of the base of installed da Vinci surgical systems producing service revenue. The installed base of da Vinci surgical systems grew 15% to approximately 9,902 as of December 31, 2024; 14% to approximately 8,606 as of December 31, 2023; and 12% to approximately 7,544 as of December 31, 2022.

We use the installed base, number of placements, and utilization of systems as metrics for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Management believes that the installed base, number of placements, and utilization of systems provide meaningful supplemental information regarding our performance, as management believes that the installed base, number of placements, and utilization of systems are indicators of the rate of adoption of our robotic-assisted medical procedures as well as an indicator of future recurring revenue. Management believes that both it and investors benefit from referring to the installed base, number of placements, and utilization of systems in assessing our performance and when planning, forecasting, and analyzing future periods. The installed base, number of placements, and utilization of systems also facilitate management's internal comparisons of our historical performance. We believe that the installed base, number of placements, and utilization of systems are useful to investors as metrics, because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making, and (2) they are used by institutional investors and the analyst community to help them analyze the performance of our business. The vast majority of our installed systems are connected via the internet. System logs can also be accessed by field engineers for systems that are not connected to the internet. We utilize this information as well as other information from agreements and discussions with our customers that involve estimates and judgments, which are, by their nature, subject to substantial uncertainties and assumptions. Estimates and judgments for determining the installed base, number of placements, and utilization of systems may be impacted over time by various factors, including system internet connectivity, hospital and distributor reporting behavior, and inherent complexities in new agreements. Such estimates and judgments are also susceptible to technical errors. In addition, the relationship between the installed base, number of placements, and utilization of systems and our revenues may fluctuate from period to period, and growth in the installed base, number of placements, and utilization of systems may not correspond to an increase in revenue. The installed base, number of placements, and utilization of systems are not intended to be considered in isolation or as a substitute for, or superior to, revenue or other financial information prepared and presented in accordance with U.S. generally accepted accounting principles ("GAAP").

Intuitive System Leasing

Since 2013, we have entered into sales-type and fixed-payment operating lease arrangements directly with certain qualified customers as a way to offer customers flexibility in how they acquire systems and expand their robotic-assisted programs while leveraging our balance sheet. These leases generally have commercially competitive terms as compared to other third-party entities that offer equipment leasing. We also enter into usage-based operating lease arrangements with qualified customers that have committed da Vinci programs where we charge for the system and service as procedures are performed, offering greater predictability in costs for customers. We believe that all of these alternative financing structures have been effective and well-received, and we are willing to expand the proportion of any of these structures based on customer needs and demand.

We include systems placed under fixed-payment and usage-based operating lease arrangements, as well as sales-type lease arrangements, in our system placement and installed base disclosures. We exclude operating lease-related revenue, including usage-based revenue, and Ion system revenue from our da Vinci surgical system average selling price ("ASP") computations.

The following table summarizes our system placements under leasing arrangements:

	Year Ended December 31,		
	2024	2023	2022
Da Vinci System Placements under Leasing Arrangements			
Fixed-payment operating lease arrangements	309	304	276
Usage-based operating lease arrangements	467	355	216
Total da Vinci system placements under operating lease arrangements	776	659	492
% of Total da Vinci system placements	51 %	48 %	39 %
Sales-type lease arrangements	88	45	99
Total da Vinci system placements under leasing arrangements	864	704	591
Ion System Placements under Leasing Arrangements			
Fixed-payment operating lease arrangements	85	63	61
Usage-based operating lease arrangements	68	54	40
Total Ion system placements under operating lease arrangements	153	117	101
% of Total Ion system placements	56 %	55 %	53 %
Sales-type lease arrangements	4	5	11
Total Ion system placements under leasing arrangements	157	122	112

Operating lease revenue has grown at a faster rate than overall systems revenue and was $654 million, $501 million, and $377 million for the years ended December 31, 2024, 2023, and 2022, respectively, of which $338 million, $217 million, and $133 million, respectively, was variable lease revenue related to our usage-based operating lease arrangements. Variable lease revenue related to our usage-based operating lease arrangements has been included in our operating lease metrics herein.

Revenue for systems sold or placed under a sales-type lease arrangement is recognized upfront whereas revenue for fixed-payment operating lease arrangements is recognized on a straight-line basis over time. Therefore, in a period when the number of operating lease placements increases as a proportion of total system placements, total systems revenue is reduced, which can create volatility in the systems revenue recognized in any given period. We generally set fixed-payment and usage-based operating lease arrangements' pricing at a modest premium relative to purchased systems reflecting the time value of money and, in the case of usage-based operating lease arrangements, the risk that system utilization may fall short of anticipated levels.

Revenue for usage-based operating lease arrangements is recognized as the system is used to perform procedures. Variable usage-based arrangements create better matching of reimbursements and cost for our customers. They also reduce our customers' overall risk and need for capital outlay. However, because the number of procedures performed in any given period can vary significantly for many reasons, including but not limited to healthcare emergencies, alternative treatment options, and patient preferences, revenue recognized from these arrangements can be highly volatile.

Customers generally do not have the right to exit or terminate a fixed-payment lease without incurring a penalty. Generally, lease transactions generate similar gross profit margins as our sale transactions. However, because of the variability in revenue recognized for usage-based lease arrangements, including our customers' ability to exit or cancel those arrangements prior to the end of the lease term, there is no guarantee that we will recuperate the cost of the leased system, which, in turn, could adversely impact our gross profit margins if utilization of those systems are different than our expectations.

The following table summarizes our systems installed at customers under operating leasing arrangements:

	Year Ended December 31,		
	2024	2023	2022
Da Vinci System Installed Base under Operating Leasing Arrangements			
Fixed-payment operating lease arrangements	1,307	1,204	1,018
Usage-based operating lease arrangements	1,492	1,023	665
Total da Vinci system installed base under operating lease arrangements	2,799	2,227	1,683
Ion System Installed Base under Operating Leasing Arrangements			
Fixed-payment operating lease arrangements	126	96	72
Usage-based operating lease arrangements	193	118	60
Total Ion system installed base under operating lease arrangements	319	214	132

Our exposure to the credit risks relating to our lease financing arrangements may increase if our customers are adversely affected by economic pressures or uncertainty, changes in healthcare laws, coverage and reimbursement, or other customer-specific factors. As a result of these macroeconomic factors impacting our customers, we may be exposed to defaults under our lease financing arrangements. Moreover, usage-based operating lease arrangements generally contain no minimum payments; therefore, customers may exit such arrangements without paying a financial penalty to us.

For some operating lease arrangements, our customers are provided with the right to purchase the leased system at certain points during and/or at the end of the lease term. Revenue generated from customer purchases of systems under operating lease arrangements ("Lease Buyouts") was $109 million, $74 million, and $72 million for the years ended December 31, 2024, 2023, and 2022, respectively. We expect that revenue recognized from customer exercises of buyout options will fluctuate based on the timing of when, and if, customers choose to exercise such buyout options.

Systems Revenue

System placements are driven by procedure growth in most geographic markets. In some markets, system placements are constrained by regulation. In geographies where da Vinci procedure adoption is in an early stage or system placements are constrained by regulation, system sales will precede procedure growth. System placements also vary due to seasonality, largely aligned with hospital budgeting cycles. On an annual basis, we typically place a higher proportion of systems in the fourth quarter and a lower proportion in the first quarter as many customer budgets are reset. Systems revenue is also affected by the proportion of system placements under operating lease arrangements, recurring fixed-payment and usage-based operating lease revenue, Lease Buyouts, product mix, ASPs, trade-in activities, customer mix, and specified-price trade-in rights. We generally do not provide specified-price trade-in rights or upgrade rights at the time of a system purchase; however, as we continue the phased launch of our next-generation da Vinci 5 surgical system, specified-price trade-in rights will continue to be included in certain arrangements. For trade-in activities involving operating lease upgrades, depending on the timing and terms of the upgrade transaction, the amount of revenue generated on the initial and new lease arrangements may not, in the aggregate, generate the same amount of revenue that a traditional sale and trade-in transaction would. Systems revenue increased 17% to $1.97 billion in 2024. Systems revenue remained flat at $1.68 billion in 2023. Systems revenue declined 1% to $1.68 billion in 2022.

Procedure Mix / Products

Our da Vinci surgical systems are generally used for soft tissue surgery for areas of the body between the pelvis and the neck, primarily in general, gynecologic, urologic, cardiothoracic, and head and neck surgical procedures. Within these categories, procedures range in complexity from cancer and other highly complex procedures to less complex procedures for benign conditions. Cancer and other highly complex procedures tend to be reimbursed at higher rates than less complex procedures for benign conditions. Thus, hospitals are more sensitive to the costs associated with treating less complex, benign conditions. Our strategy is to provide hospitals with attractive clinical and economical solutions across the spectrum of procedure complexity. Our fully featured da Vinci 5 and da Vinci Xi surgical systems with advanced instruments (including da Vinci energy and da Vinci stapler products) and our Integrated Table Motion product target the more complex procedure segment. Our da Vinci X surgical system is targeted toward price-sensitive geographic markets and procedures. Our da Vinci SP surgical system complements the da Vinci 5, da Vinci X, and da Vinci Xi surgical systems by enabling surgeons to access narrow workspaces.

Procedure and Placement Seasonality

More than half of the da Vinci procedures performed are for benign conditions, most notably hernia repairs, hysterectomies, and cholecystectomies. These benign procedures and other short-term elective procedures tend to be more seasonal than cancer operations and surgeries for other life-threatening conditions. Seasonality in the U.S. for procedures for benign conditions typically results in higher fourth quarter procedure volume when more patients have met annual deductibles and lower first quarter procedure volume when deductibles are reset. Seasonality outside of the U.S. varies and is more pronounced around local holidays and vacation periods, which have lower procedure volume.

In addition, historically, placements of our da Vinci surgical systems have tended to be heavier in the fourth quarter and lighter in the first quarter, as hospital budgets are reset.

Distribution Channels

We provide our products through direct sales organizations in the U.S., Europe (excluding Italy, Spain, Portugal, Greece, and Eastern European countries), China (through our majority-owned joint ventures, Intuitive Surgical-Fosun Medical Technology (Shanghai) Co., Ltd. and Intuitive Surgical-Fosun (HongKong) Co., Ltd. (collectively, the "Joint Venture"), with Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma")), Japan, South Korea, India, Taiwan, and Canada. In the remainder of our OUS markets, we provide our products through distributors.

Regulatory Activities

Overview

Our products must meet the requirements of a large and growing body of international regulations and standards that govern the product safety, efficacy, advertising, labeling, safety reporting design, manufacture, materials content and sourcing, testing, certification, packaging, installation, use, and disposal of our products. Examples of such standards include electrical safety standards, such as those of the International Electrotechnical Commission, and composition standards, such as the Reduction of Hazardous Substances and the Waste Electrical and Electronic Equipment Directives in the European Union ("EU"). Failure to meet these standards could limit our ability to market our products in those regions that require compliance with such standards.

Our products and operations are also subject to increasingly stringent medical device, privacy, and other regulations by national, regional, federal, state, and local authorities. After a device is placed on the market, numerous FDA and comparable foreign regulatory requirements continue to apply. These requirements include establishment registration, potential quality system and manufacturing audits and inspections, and device listing with the FDA or other foreign regulatory authorities and compliance with medical device reporting regulations, which require that manufacturers report to the FDA or other foreign regulatory authorities if their device caused or contributed, or may have caused or contributed, to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur.

We anticipate that timelines for the introduction of new products and/or indications may be extended relative to past experience as a result of these regulations. For example, we have seen elongated regulatory approval timelines in the U.S. and Europe.

Clearances, Approvals, and Certifications

We have generally obtained the regulatory clearances, approvals, and certifications required to market our products associated with our da Vinci multi-port surgical systems (da Vinci S, da Vinci Si, da Vinci Xi, and da Vinci X systems) for our targeted surgical specialties within the U.S., South Korea, Japan, and the European markets in which we operate. We have additionally obtained regulatory clearances, approvals, and certifications for the following products over the past several years:

- In March 2025, we obtained FDA clearance for our SP SureForm 45 stapler and our SP SureForm 45 curved-tip stapler for use with our da Vinci SP surgical system, which may be particularly useful in thoracic and colorectal surgical procedures.
- In February 2025, we obtained European certification in accordance with the EU MDR to extend the number of uses of our catheter instrument used with our Ion endoluminal system from five to eight uses. In April 2024, we obtained FDA clearance to extend the number of uses of our catheter instrument from five to eight uses.
- In December 2024, we obtained FDA clearance for the use of our da Vinci SP surgical system in colorectal surgical procedures. In July 2024, we obtained FDA clearance for the use of our da Vinci SP surgical system in general thoracoscopic surgical procedures. In April 2023, we obtained FDA clearance for the use of our da Vinci SP surgical system in simple prostatectomy procedures. We also obtained FDA clearance for the use of our da Vinci SP surgical system in transvesical approaches to simple and radical prostatectomy.

- In December 2024, we obtained European certification in accordance with the EU MDR for our E-200 generator. In July 2023, we received regulatory clearance for our E-200 generator in Japan and South Korea. In November 2022, we obtained FDA clearance for our E-200 generator. The E-200 generator can be used in da Vinci robotic procedures, as well as non-robotic open and laparoscopic procedures, to deliver high-frequency energy for cutting, coagulation, and vessel sealing of tissues. The E-200 generator includes the same advanced energy capability as the E-100 generator and supports the same vessel sealing instruments.
- In October 2024, we obtained regulatory clearance in South Korea for our da Vinci 5 surgical system, our next-generation multi-port robotic system, for use in urologic, general, gynecologic, thoracoscopic, thoracoscopically-assisted cardiotomy, and transoral otolaryngology surgical procedures. In March 2024, we obtained FDA clearance for our da Vinci 5 surgical system for use in all surgical specialties and procedures indicated for da Vinci Xi, except for cardiac and pediatric indications as well as one contraindication related to the use of force feedback in hysterectomy and myomectomy surgical procedures. We are in the midst of a phased launch of our da Vinci 5 surgical system, which we expect to extend over several quarters, giving us time to mature our supply and manufacturing processes for the new system.
- In September 2024, we obtained FDA clearance for our redesigned 8 mm SureForm 30 stapler and 8 mm SureForm 30 Curved-Tip stapler instruments and reloads for use with our da Vinci 5, da Vinci X, and da Vinci Xi surgical systems in general, thoracic, gynecologic, urologic, and pediatric surgical procedures. In April 2024, we obtained European certification in accordance with the EU MDR for our redesigned 8 mm SureForm 30 stapler and 8 mm SureForm 30 Curved-Tip stapler instruments and reloads for use in general, thoracic, gynecologic, urologic, and pediatric surgical procedures.
- In August 2024, we obtained regulatory clearance in Taiwan for our da Vinci SP surgical system for use in endoscopic abdominopelvic, thoracoscopic, transoral otolaryngology, transanal colorectal, transanal total mesorectal excision, and breast surgical procedures. In January 2024, we obtained European certification in accordance with the EU MDR for our da Vinci SP surgical system for use in endoscopic abdominopelvic, thoracoscopic, transoral otolaryngology, transanal colorectal, and breast surgical procedures. We are commercializing the da Vinci SP surgical system in select major European countries as part of a measured rollout. In September 2022, we obtained regulatory clearance for our da Vinci SP surgical system in Japan for use in general, thoracic (excluding cardiac procedures and intercostal approaches), urologic, gynecologic, and transoral head and neck surgical procedures.
- In March 2024, we received NMPA regulatory clearance for our Ion endoluminal system in China. We placed our first Ion systems in China during the third quarter of 2024 and will continue our rollout of the Ion system in China in a measured fashion while we optimize training pathways and collect additional clinical data. In September 2023, we received regulatory clearance in South Korea for our Ion endoluminal system. We expect the introduction of the Ion system in South Korea to follow the refinement of our training pathways in the region and the gathering of local clinical and economic data. In March 2023, we obtained European certification in accordance with the EU MDR for our Ion endoluminal system. In Europe, we continued commercialization in the United Kingdom ("UK") and are beginning to place Ion systems in continental Europe with a similar approach of initially focusing on the collection of clinical data in support of our European reimbursement strategy.
- In August 2023, following approval by China's NMPA for a local version of our da Vinci Xi surgical system in June 2023, our Joint Venture received a manufacturing license that permits the Joint Venture to manufacture our da Vinci Xi surgical system for sale to customers in China.

Refer to the descriptions of our new products that received regulatory clearances, approvals, or certifications in 2025, 2024, and 2023 in the *Recent Product Introductions* section below.

In June 2023, the China National Health Commission published the 14th five-year plan quota for major medical equipment to be sold in China on its official website (the "2023 Quota"). Under the 2023 Quota, the government will allow for the sale of 559 new surgical robots into China, which could include da Vinci surgical systems as well as surgical systems introduced by others. As of March 31, 2025, including systems that were sold in prior quarters, we have placed 134 da Vinci surgical systems under the 2023 Quota. Future sales of da Vinci surgical systems under this and any previously published open quotas are uncertain, as they are open to other medical device companies that have introduced robotic-assisted surgical systems and are dependent on hospitals completing a tender process and receiving associated approvals. Our ability to track the number of systems that could be sold under these quotas in the future is limited by provincial and national agencies making such information publicly available.

Since 2022, several provinces in China have implemented significant limits on what hospitals can charge patients for surgeries using robotic surgical technology, including soft tissue surgery. These limits have significantly impacted the number of procedures performed and have impacted our instruments and accessories revenue in those provinces. However, as of the date of this report, these limits have not had a material impact on our business, financial condition, or results of operations, as

only a small portion of our installed base in China is currently located in the impacted provinces. Companies providing robotic surgical technology, including our Joint Venture, have been meeting with Chinese government healthcare agencies to discuss these developments and to provide feedback. We cannot assure you that additional provincial or national healthcare agencies and administrations will not impose similar limits, and we expect to continue to face increased pricing pressure, both of which could further impact the number of procedures performed and our instruments and accessories revenue in China.

The Japanese Ministry of Health, Labor, and Welfare ("MHLW") considers reimbursement for procedures in April of even-numbered years. The process for obtaining reimbursement requires Japanese university hospitals and surgical societies, with our support, to seek reimbursement. There are multiple pathways to obtain reimbursement for procedures, including those that require in-country clinical and economic data. An additional five da Vinci procedures were granted reimbursement in April 2024, including lobectomy for benign conditions. In addition, we received higher reimbursement for certain da Vinci rectal resection procedures, as compared to open procedure reimbursements. The additional reimbursed procedures have varying levels of conventional laparoscopic penetration and will generally be reimbursed at rates equal to the conventional laparoscopic procedures. Given the reimbursement level and laparoscopic penetration for these additional procedures, there can be no assurance that the adoption pace for these procedures will be similar to prostatectomy or partial nephrectomy, given their higher reimbursement, or any other da Vinci procedure.

Field Actions, Recalls, and Corrections

Medical device companies have regulatory obligations to correct or remove medical devices in the field that could pose a risk to health. The definition of "recalls and corrections" is expansive and includes repair, replacement, inspections, relabeling, and issuance of new or additional instructions for use or reinforcement of existing instructions for use and training when such actions are taken for specific reasons of safety or compliance. These field actions require stringent documentation, reporting, and monitoring worldwide. There are other actions that a medical device manufacturer may take in the field without reporting including, but not limited to, routine servicing and stock rotations.

As we determine whether a field action is reportable in any regulatory jurisdiction, we prepare and submit notifications to the appropriate regulatory agency for the particular jurisdiction. Regulators can require the expansion, reclassification, or change in scope and language of the field action. In general, upon submitting required notifications to regulators regarding a field action that is a recall or correction, we will notify customers regarding the field action, provide any additional documentation required in their national language, and arrange, as required, the return or replacement of the affected product or a field service visit to perform the correction.

Field actions, as well as certain outcomes from regulatory activities, can result in adverse effects on our business, including damage to our reputation, delays by customers of purchase decisions, reduction or stoppage of the use of installed systems, and reduced revenue as well as increased expenses.

Procedures

We model patient value as equal to *procedure efficacy / invasiveness*. In this equation, *procedure efficacy* is defined as a measure of the success of the procedure in resolving the underlying disease, and *invasiveness* is defined as a measure of patient pain and disruption of regular activities. When the patient value of a robotic-assisted procedure is greater than that of alternative treatment options, patients may benefit from seeking out surgeons or physicians and hospitals that offer robotic-assisted medical procedures, which could potentially result in a local market share shift. Adoption of robotic-assisted procedures occurs by procedure and by market and is driven by the relative patient value and total treatment costs of robotic-assisted procedures as compared to alternative treatment options for the same disease state or condition.

We use the number and type of procedures as metrics for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Management believes that the number and type of procedures provide meaningful supplemental information regarding our performance, as management believes procedure volume is an indicator of the rate of adoption of our robotic-assisted medical procedures as well as an indicator of future revenue (including revenue from usage-based operating lease arrangements). Management believes that both it and investors benefit from referring to the number and type of procedures in assessing our performance and when planning, forecasting, and analyzing future periods. The number and type of procedures also facilitate management's internal comparisons of our historical performance. We believe that the number and type of procedures are useful to investors as metrics, because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making, and (2) they are used by institutional investors and the analyst community to help them analyze the performance of our business. The vast majority of our installed systems are connected via the internet. System logs can also be accessed by field engineers for systems that are not connected to the internet. We utilize certain methods that rely on information collected from the installed systems for determining the number and type of procedures performed that involve estimates and judgments, which are, by their nature, subject to substantial uncertainties and assumptions. Estimates and judgments for determining the number and type of procedures may be impacted over time by various factors, including changes in treatment modalities, hospital and distributor reporting behavior, and system

internet connectivity. Such estimates and judgments are also susceptible to algorithmic or other technical errors. In addition, the relationship between the number and type of procedures and our revenues may fluctuate from period to period, and procedure volume growth may not correspond to an increase in revenue. The number and type of procedures are not intended to be considered in isolation or as a substitute for, or superior to, revenue or other financial information prepared and presented in accordance with GAAP.

Da Vinci Procedures

The adoption of robotic-assisted surgery using the da Vinci surgical system has the potential to grow for those procedures that offer greater patient value than to non-da Vinci alternatives and competitive total economics for healthcare providers. Our da Vinci surgical systems are used primarily in general, gynecologic, urologic, cardiothoracic, and head and neck surgical procedures. We focus our organization and investments on developing, marketing, and training products and services for procedures in which da Vinci can bring patient value relative to alternative treatment options and/or economic benefit to healthcare providers. Target procedures in general surgery include hernia repair (both ventral and inguinal), colorectal, cholecystectomy, and bariatric procedures. Target procedures in urology include prostatectomy and partial nephrectomy. Target procedures in gynecology include hysterectomy for both cancer and benign conditions and sacrocolpopexy. In cardiothoracic surgery, target procedures include lung resection. In head and neck surgery, target procedures include transoral surgery. Not all indications, procedures, or products described may be available in a given country or region or on all generations of da Vinci surgical systems. Surgeons and their patients need to consult the product labeling in their specific country and for each product in order to determine the cleared uses, as well as important limitations, restrictions, or contraindications.

In 2024, approximately 2,683,000 surgical procedures were performed with da Vinci surgical systems, compared to approximately 2,286,000 and 1,875,000 surgical procedures performed with da Vinci surgical systems in 2023 and 2022, respectively. The increase in our overall procedure volume in 2024 was largely attributable to growth in U.S. general surgery, OUS general surgery (particularly cancer), OUS urologic surgery, and U.S. gynecologic surgery procedures. The overall procedure volume in the 2022 comparative year reflects disruption caused by the COVID-19 pandemic.

U.S. da Vinci Procedures

Overall U.S. procedure volume with da Vinci surgical systems grew to approximately 1,757,000 in 2024, compared to approximately 1,532,000 in 2023 and approximately 1,282,000 in 2022. General surgery was our largest and fastest growing U.S. specialty in 2024 with procedure volume that grew to approximately 1,063,000 in 2024, compared to approximately 896,000 in 2023 and approximately 720,000 in 2022. Gynecology was our second largest U.S. surgical specialty in 2024 with procedure volume that grew to approximately 423,000 in 2024, compared to approximately 390,000 in 2023 and approximately 341,000 in 2022. Urology was our third largest U.S. surgical specialty in 2024 with procedure volume that grew to approximately 186,000 in 2024, compared to approximately 173,000 in 2023 and approximately 162,000 in 2022.

OUS da Vinci Procedures

Overall OUS procedure volume with da Vinci surgical systems grew to approximately 926,000 in 2024, compared to approximately 754,000 in 2023 and approximately 593,000 in 2022. Urology was our largest OUS surgical specialty in 2024 with procedure volume that grew to approximately 435,000 in 2024, compared to approximately 381,000 in 2023 and approximately 316,000 in 2022. General surgery was our second largest and fastest growing OUS specialty in 2024 with procedure volume that grew to approximately 254,000 in 2024, compared to approximately 188,000 in 2023 and approximately 133,000 in 2022. Gynecology was our third largest OUS surgical specialty in 2024 with procedure volume that grew to approximately 142,000 in 2024, compared to approximately 110,000 in 2023 and approximately 86,000 in 2022.

Ion Procedures

The adoption of robotic-assisted bronchoscopy using the Ion endoluminal system has the potential to grow if it can offer greater patient value than non-Ion alternatives and competitive total economics for healthcare providers.

In 2024, approximately 95,500 biopsy procedures were performed with Ion systems, compared to approximately 53,800 in 2023 and approximately 23,500 in 2022. The increase in our overall procedure volume in 2024 reflects a larger installed base of approximately 805 systems, an increase of 51% compared to the installed base of approximately 534 systems as of 2023. In 2024, 2023, and 2022, the vast majority of Ion biopsy procedures were performed in the U.S.

Recent Business Events and Trends

Da Vinci Procedures

Overall. Total da Vinci procedures performed by our customers grew approximately 17% for the three months ended March 31, 2025, compared to approximately 16% for the three months ended March 31, 2024. The first quarter 2025 procedure growth was largely attributable to growth in U.S. general surgery, OUS general surgery (particularly cancer), OUS urology, and OUS gynecology procedures.

U.S. Procedures. U.S. da Vinci procedures grew approximately 13% for the three months ended March 31, 2025, compared to approximately 14% for the three months ended March 31, 2024. The first quarter 2025 U.S. procedure growth was largely attributable to strong growth in general surgery procedures, most notably cholecystectomy and hernia repair procedures. The number of U.S. da Vinci bariatric procedures performed continued to decline in the mid-single digits in the first quarter of 2025 compared to the first quarter of 2024.

OUS Procedures. OUS da Vinci procedures grew approximately 24% for the three months ended March 31, 2025, compared to approximately 20% for the three months ended March 31, 2024. The first quarter 2025 OUS procedure growth was driven by growth in general surgery procedures, most notably colorectal and hernia repair procedures, urologic procedures, most notably prostatectomy and partial nephrectomy procedures, and gynecologic procedures, most notably hysterectomy procedures. The first quarter 2025 OUS procedure growth rate reflects continued da Vinci adoption in European and Asian markets. We saw strong procedure growth in the UK, India, and South Korea during the first quarter of 2025. We believe that growth in these global markets is being driven by increased acceptance among surgeons and health systems, supported by expanded global evidence validating the clinical and economic value of da Vinci procedures as well as increased surgeon training. In South Korea, the doctor strikes that began in the first quarter of 2024 continued; however, we saw a recovery in the number of procedures performed in the first quarter of 2025, and the growth rate in South Korea modestly exceeded the overall OUS procedure growth rate. The sustainability of this recovery and the extent of the continued impact of these strikes on procedures in South Korea remains uncertain.

Ion Procedures

Overall. Total Ion procedures performed by our customers grew approximately 58% for the three months ended March 31, 2025, compared to approximately 90% for the three months ended March 31, 2024. The first quarter 2025 procedure growth was largely attributable to a larger installed base of Ion systems and the conversion of other lung biopsy modalities.

System Demand

We placed 367 da Vinci surgical systems in the first quarter of 2025, compared to 313 systems in the first quarter of 2024. The increase in system placements reflects continued demand for additional capacity by our customers as a result of procedure growth as well as demand for our next-generation da Vinci 5 system, including the impact from customers beginning to trade in fourth-generation da Vinci systems. During the first quarter of 2025, we placed 147 da Vinci 5 systems, compared to 8 systems in the first quarter of 2024.

We placed 49 Ion systems in the first quarter of 2025, compared to 70 systems in the first quarter of 2024. In the U.S., where we estimate that penetration of lung biopsy is approaching the halfway point, our customers' focus has begun to shift from increasing capacity to increasing utilization of their existing systems.

We continue to see some customers challenged by staffing shortages, decreased government funding in healthcare (particularly in Europe), and other financial pressures. As a result, we expect our customers to continue to be cautious in their overall capital spending. In addition, system demand in China has been adversely impacted by increasing robotic-assisted surgical system competition from domestic companies and, to a lesser extent, a broader central government focus on systematic governance. Currently, the extent and impact of the competitive dynamics and this campaign in China on our business remains uncertain.

We expect that future placements of da Vinci surgical systems will be impacted by a number of factors: supply chain risks; economic and geopolitical factors; inflationary pressures; high interest rates; hospital staffing shortages; procedure growth rates; evolving system utilization and point-of-care dynamics; capital replacement trends, including a declining number of older generation systems available for trade-in transactions; additional reimbursements in various global markets, such as in Japan; the timing around governmental tenders and authorizations, as well as governmental actions impacting the tender process, such as the governance campaign in China; hospitals' response to the evolving healthcare environment; the timing of when we receive regulatory clearance in our other OUS markets for our da Vinci 5, da Vinci X, da Vinci Xi, and da Vinci SP surgical systems and related instruments; and the market response.

Demand may also be impacted by the competition we currently face, or expect to face, from companies offering products for open or MIS surgeries, companies providing other therapeutic approaches for target clinical conditions, and companies

developing diagnostic solutions that could serve as alternatives to current or planned Intuitive offerings. Companies that have introduced products in the field of robotic-assisted medical procedures, or have made explicit statements about their efforts to enter the field, include, but are not limited to, the following: Beijing Surgerii Robotics Company Limited; CMR Surgical Ltd.; Distalmotion SA; Harbin Sizhe Rui Intelligent Medical Equipment Co., Ltd.; Johnson & Johnson; Karl Storz SE & Co. KG; Medicaroid Corporation; Medtronic plc; meerecompany Inc.; Noah Medical; Shandong Weigao Group Medical Polymer Company Ltd.; Shanghai Microport Medbot (Group) Co., Ltd.; Shenzhen Edge Medical Co., Ltd.; and SS Innovations International, Inc.

Many of the above factors will also impact future demand for our Ion endoluminal system, as we extend our commercial offering into diagnostics, along with additional factors associated with a new product introduction, including, but not limited to, our ability to optimize manufacturing and our supply chain, competition, clinical data to demonstrate value, and market acceptance.

Recent Product Introductions

Da Vinci 5. Da Vinci 5 builds on da Vinci Xi's highly functional design, featuring force feedback technology and instruments that enable surgeons to sense and measure the force exerted on tissue during surgery. It also includes new surgeon controllers, powerful vibration and tremor controls, a next-generation 3D display and image system, and throughput and workflow enhancements, such as an integrated electrosurgical unit and insufflation capabilities technology. Da Vinci 5 has more than 10,000 times the computing power of da Vinci Xi, allowing for innovative new system capabilities and advanced digital experiences, including integration with our My Intuitive app, SimNow (virtual reality simulator), Case Insights (computational observer), and Intuitive Hub (edge computing system). Additionally, the redesigned console provides greater surgeon comfort with customizable positioning, allowing surgeons to find their best fit for surgical viewing and comfort, including the ability to sit completely upright.

E-200 Generator. The E-200 generator is an advanced electrosurgical generator designed to provide high-frequency energy for cutting, coagulation, and vessel sealing of tissues. The E-200 generator is integrated with the da Vinci 5 surgical system, is compatible with the da Vinci X and Xi surgical systems, and can also function as a standalone electrosurgical generator. When connected to a da Vinci system, the E-200 delivers high-frequency energy to da Vinci instruments, with control and status messages communicated through an Ethernet cable. The E-200 generator is also compatible with third-party handheld monopolar and bipolar instruments, as well as fingerswitch-equipped instruments and Intuitive-provided auxiliary footswitches. The E-200 generator includes the same advanced energy capability as the E-100 generator and supports the same vessel sealing instruments.

SureForm 30 Curved-Tip Stapler and Reloads. The 8 mm SureForm 30 curved-tip stapler and reloads (gray, white, and blue) were designed for use with our multi-port da Vinci surgical systems to help surgeons better visualize and reach anatomy through a combination of the 8 mm diameter instrument shaft and jaws, 120-degree cone of wristed articulation, and the curved tip. As it fits through the 8 mm da Vinci surgical system instrument cannula, the stapler allows different angles for surgeons to approach patient anatomy. Consistent with our other SureForm staplers, the 8 mm SureForm 30 curved-tip stapler integrates SmartFire technology, which makes automatic adjustments to the firing process as staples are formed and the transection is made. The technology makes more than 1,000 measurements per second, helping achieve a consistent staple line.

SP SureForm 45 Stapler and SP SureForm 45 Curved-Tip Stapler. The SP SureForm 45 stapler and SP SureForm 45 curved-tip stapler were both designed for use with the da Vinci SP surgical system, providing precision and versatility in minimally invasive procedures. Featuring wristed articulation and a 45 mm staple line, these staplers enhance access to anatomical structures through a single-port approach. Consistent with our multi-port SureForm staplers, these staplers integrate SmartFire technology to monitor tissue compression and make automatic adjustments during firing to optimize staple formation and transection. With real-time monitoring of over 1,000 measurements per second, these staplers help achieve a secure and consistent staple line. The staplers use the same reloads (gray, white, blue, green, and black) as the multi-port SureForm 45 staplers.

First Quarter 2025 Operational and Financial Highlights

- Total revenue increased by 19% to $2.25 billion for the three months ended March 31, 2025, compared to $1.89 billion for the three months ended March 31, 2024.
- Approximately 732,000 da Vinci procedures were performed during the three months ended March 31, 2025, an increase of 17% compared to approximately 627,000 da Vinci procedures for the three months ended March 31, 2024.
- Approximately 30,700 Ion procedures were performed during the three months ended March 31, 2025, an increase of 58% compared to approximately 19,500 Ion procedures for the three months ended March 31, 2024.
- Instruments and accessories revenue increased by 18% to $1.37 billion for the three months ended March 31, 2025, compared to $1.16 billion for the three months ended March 31, 2024.
- Systems revenue increased by 25% to $523 million for the three months ended March 31, 2025, compared to $418 million during the three months ended March 31, 2024.
- During the three months ended March 31, 2025, we placed 367 da Vinci surgical systems compared to 313 systems during the three months ended March 31, 2024. The first quarter 2025 da Vinci surgical system placements included 147 da Vinci 5 systems compared to 8 systems during the three months ended March 31, 2024.
- As of March 31, 2025, we had a da Vinci surgical system installed base of approximately 10,189 systems, an increase of 15% compared to an installed base of approximately 8,887 systems as of March 31, 2024.
- Utilization of da Vinci surgical systems, measured in terms of procedures per system per year, increased 2% relative to the first quarter of 2024.
- During the three months ended March 31, 2025, we placed 49 Ion systems compared to 70 systems during the three months ended March 31, 2024.
- As of March 31, 2025, we had an Ion system installed base of approximately 853 systems, an increase of 41% compared to an installed base of approximately 604 systems as of March 31, 2024.
- Gross profit as a percentage of revenue was 64.7% for the three months ended March 31, 2025, compared to 65.9% for the three months ended March 31, 2024.
- Operating income increased by 23% to $578 million for the three months ended March 31, 2025, compared to $469 million during the three months ended March 31, 2024. Operating income included $190 million and $156 million of share-based compensation expense related to employee stock plans and $8.5 million and $5.1 million of intangible asset-related charges for the three months ended March 31, 2025, and 2024, respectively.
- As of March 31, 2025, we had $9.10 billion in cash, cash equivalents, and investments. Cash, cash equivalents, and investments increased by $0.27 billion, compared to $8.83 billion as of December 31, 2024, primarily as a result of cash provided by operating activities and proceeds from stock option exercises and employee stock purchases, partially offset by cash used for taxes paid related to net share settlements of equity awards and capital expenditures.

Results of Operations

The following discussion should be read in conjunction with our unaudited Condensed Consolidated Financial Statements ("Financial Statements") and Notes thereto.

Certain information from our unaudited Condensed Consolidated Statements of Income has been summarized below (in millions, except percentages):

	Three Months Ended March 31,			
	2025	% of Total Revenue	2024	% of Total Revenue
Revenue:				
Product	$ 1,890.4	84 %	$ 1,577.1	83 %
Service	363.0	16 %	313.5	17 %
Total revenue	2,253.4	100 %	1,890.6	100 %
Cost of revenue:				
Product	670.7	30 %	554.4	29 %
Service	125.0	5 %	90.8	5 %
Total cost of revenue	795.7	35 %	645.2	34 %
Product gross profit	1,219.7	54 %	1,022.7	54 %
Service gross profit	238.0	11 %	222.7	12 %
Gross profit	1,457.7	65 %	1,245.4	66 %
Operating expenses:				
Selling, general and administrative	563.4	25 %	491.5	26 %
Research and development	316.2	14 %	284.5	15 %
Total operating expenses	879.6	39 %	776.0	41 %
Income from operations	578.1	26 %	469.4	25 %
Interest and other income, net	90.4	4 %	69.1	4 %
Income before taxes	668.5	30 %	538.5	29 %
Income tax benefit	(35.2)	(1) %	(8.9)	— %
Net income	703.7	31 %	547.4	29 %
Less: net income attributable to noncontrolling interest in joint venture	5.3	— %	2.5	— %
Net income attributable to Intuitive Surgical, Inc.	$ 698.4	31 %	$ 544.9	29 %

Total Revenue

Total revenue increased by 19% to $2.25 billion for the three months ended March 31, 2025, compared to $1.89 billion for the three months ended March 31, 2024, resulting from 18% higher instruments and accessories revenue, 25% higher systems revenue, and 16% higher service revenue.

We generally sell our products and services in local currencies where we have direct distribution channels. Revenue denominated in foreign currencies as a percentage of total revenue was approximately 25% and 26% for the three months ended March 31, 2025, and March 31, 2024, respectively. Fluctuations in foreign currency exchange rates had an unfavorable impact on OUS total revenue of $8 million and $11 million for the three months ended March 31, 2025, and 2024, respectively. The impact of fluctuations in foreign currency exchange rates was determined by comparing current period revenue converted to USD using exchange rates that were effective in the comparable prior year period, net of the impacts from foreign currency hedging.

Revenue generated in the U.S. accounted for 68% and 66% of total revenue in the three months ended March 31, 2025, and March 31, 2024, respectively. We believe that U.S. revenue has accounted for the large majority of total revenue due to U.S. patients' ability to choose their provider and method of treatment, reimbursement structures supportive of innovation and MIS, and our initial investments focused on U.S. infrastructure. We have been investing in our business in OUS markets, and our OUS procedures have grown faster in proportion to U.S. procedures. We expect that our OUS procedures and revenue will make up a greater portion of our business in the long term.

The following table summarizes our revenue and system unit placements (in millions, except percentages and unit placements):

	Three Months Ended March 31,	
	2025	2024
Revenue		
Instruments and accessories	$ 1,367.7	$ 1,158.9
Systems	522.7	418.2
Total product revenue	1,890.4	1,577.1
Service	363.0	313.5
Total revenue	$ 2,253.4	$ 1,890.6
U.S.	$ 1,538.2	$ 1,238.5
OUS	715.2	652.1
Total revenue	$ 2,253.4	$ 1,890.6
% of Revenue – U.S.	68%	66%
% of Revenue – OUS	32%	34%
Instruments and accessories	$ 1,367.7	$ 1,158.9
Service	363.0	313.5
Operating lease revenue	195.2	148.0
Total recurring revenue	$ 1,925.9	$ 1,620.4
% of Total revenue	85%	86%
Da Vinci Surgical System Placements by Region		
U.S. unit placements	204	148
OUS unit placements	163	165
Total unit placements*	367	313
*Systems placed under fixed-payment operating lease arrangements (included in total unit placements)	91	65
*Systems placed under usage-based operating lease arrangements (included in total unit placements)	107	94
Da Vinci Surgical System Placements involving Trade-ins or Lease Upgrades		
Unit placements involving trade-ins or lease upgrades	67	29
Unit placements not involving trade-ins or lease upgrades	300	284
Ion System Placements**	49	70
**Systems placed under fixed-payment operating lease arrangements (included in total unit placements)	14	26
**Systems placed under usage-based operating lease arrangements (included in total unit placements)	15	13

Product Revenue

Product revenue increased by 20% to $1.89 billion for the three months ended March 31, 2025, compared to $1.58 billion for the three months ended March 31, 2024.

Instruments and accessories revenue increased by 18% to $1.37 billion for the three months ended March 31, 2025, compared to $1.16 billion for the three months ended March 31, 2024. The increase in instruments and accessories revenue was primarily driven by approximately 17% higher da Vinci procedure volume and approximately 58% higher Ion procedure volume. The first quarter 2025 U.S. da Vinci procedure growth was approximately 13%, driven primarily by strong growth in

general surgery procedures, most notably cholecystectomy and hernia repair procedures. The number of U.S. da Vinci bariatric procedures performed continued to decline in the mid-single digits in the first quarter of 2025 compared to the first quarter of 2024. The first quarter 2025 OUS da Vinci procedure growth was approximately 24%, driven by growth in general surgery procedures, most notably colorectal and hernia repair procedures, urologic procedures, most notably prostatectomy and partial nephrectomy procedures, and gynecologic procedures, most notably hysterectomy procedures. Geographically, the first quarter 2025 OUS da Vinci procedure growth was driven by several markets with particular strength in the UK, India, and South Korea.

Systems revenue increased by 25% to $523 million for the three months ended March 31, 2025, compared to $418 million for the three months ended March 31, 2024. The higher first quarter 2025 system revenue was primarily driven by an increase in da Vinci system placements, higher operating lease revenue, higher first quarter 2025 ASPs, and higher lease buyout revenue, partially offset by a higher proportion of da Vinci system placements under operating leases.

During the first quarter of 2025, 367 da Vinci surgical systems were placed compared to 313 systems during the first quarter of 2024. By geography, 204 systems were placed in the U.S., 88 in Europe, 52 in Asia, and 23 in other markets during the first quarter of 2025, compared to 148 systems placed in the U.S., 84 in Europe, 56 in Asia, and 25 in other markets during the first quarter of 2024. The increase in system placements was primarily driven by continued demand for additional capacity by our customers as a result of procedure growth as well as demand for our next-generation da Vinci 5 system, including the impact from customers beginning to trade in fourth-generation da Vinci systems. As of March 31, 2025, we had a da Vinci surgical system installed base of approximately 10,189 systems, compared to an installed base of approximately 8,887 systems as of March 31, 2024. The incremental system installed base reflects continued procedure growth and further customer validation that robotic-assisted surgery addresses their Quintuple Aim objectives.

The following table summarizes our da Vinci system placements and systems installed at customers under leasing arrangements:

	Three Months Ended March 31,	
	2025	2024
Da Vinci System Placements under Leasing Arrangements		
Fixed-payment operating lease arrangements	91	65
Usage-based operating lease arrangements	107	94
Total da Vinci system placements under operating lease arrangements	198	159
% of Total da Vinci system placements	54%	51%
Sales-type lease arrangements	10	6
Total da Vinci system placements under leasing arrangements	208	165
Da Vinci System Installed Base under Operating Leasing Arrangements		
Fixed-payment operating lease arrangements	1,308	1,223
Usage-based operating lease arrangements	1,598	1,112
Total da Vinci system installed base under operating leasing arrangements	2,906	2,335

Operating lease revenue, including the contribution from Ion systems, was $195 million for the three months ended March 31, 2025, of which $112 million was variable lease revenue related to usage-based arrangements, compared to $148 million for the three months ended March 31, 2024, of which $70 million was variable lease revenue related to usage-based arrangements. Revenue from Lease Buyouts was $39 million for the three months ended March 31, 2025, compared to $29 million for the three months ended March 31, 2024. We expect revenue from Lease Buyouts to fluctuate period to period depending on the timing of when, and if, customers choose to exercise buyout options embedded in their leases.

The da Vinci surgical system ASP, excluding systems placed under fixed-payment or usage-based operating lease arrangements, Ion systems, and the impact of specified-price trade-in rights, was approximately $1.62 million for the three months ended March 31, 2025, compared to approximately $1.38 million for the three months ended March 31, 2024. The higher first quarter 2025 ASP was largely driven by favorable product mix, including from da Vinci 5 sales, and lower pricing discounts. ASP fluctuates from period to period based on geographic and product mix, product pricing, systems placed involving trade-ins, and changes in foreign exchange rates.

During the first quarter of 2025, 49 Ion systems were placed compared to 70 systems during the first quarter of 2024. By geography, 45 systems were placed in the U.S., three in Europe, and one in other markets during first quarter of 2025, compared to 66 systems placed in the U.S. and four in Europe during the first quarter of 2024. In the U.S., where we estimate that penetration of lung biopsy is approaching the halfway point, our customers' focus has begun to shift from increasing

capacity to increasing utilization of their existing systems. As of March 31, 2025, we had an Ion system installed base of approximately 853 systems, compared to an installed base of approximately 604 systems as of March 31, 2024.

The following table summarizes our Ion system placements and systems installed at customers under leasing arrangements:

	Three Months Ended March 31,	
	2025	2024
Ion System Placements under Leasing Arrangements		
Fixed-payment operating lease arrangements	14	26
Usage-based operating lease arrangements	15	13
Total Ion system placements under operating lease arrangements	29	39
% of Total Ion system placements	59%	56%
Sales-type lease arrangements	3	—
Total Ion system placements under leasing arrangements	32	39
Ion System Installed Base under Operating Leasing Arrangements		
Fixed-payment operating lease arrangements	124	111
Usage-based operating lease arrangements	210	133
Total Ion system installed base under operating leasing arrangements	334	244

Service Revenue

Service revenue increased by 16% to $363 million for the three months ended March 31, 2025, compared to $314 million for the three months ended March 31, 2024. The increase in service revenue was primarily driven by a larger installed base of systems producing service revenue.

Gross Profit

Product

Product gross profit for the three months ended March 31, 2025, increased by 19% to $1.22 billion, representing 64.5% of product revenue, compared to $1.02 billion, representing 64.8% of product revenue, for the three months ended March 31, 2024. The lower product gross profit margin for the three months ended March 31, 2025, was primarily driven by higher costs associated with our da Vinci 5 surgical system, incremental fixed overhead costs, including depreciation expense, associated with expanded manufacturing capacity, and higher scrap, partially offset by lower excess and obsolete inventory charges. The impact of tariffs for the three months ended March 31, 2025, was immaterial.

Product gross profit for the three months ended March 31, 2025, and 2024, included share-based compensation expense of $30.2 million and $22.7 million, respectively, and intangible assets amortization expense of $2.2 million and $3.6 million, respectively.

Our capital expenditures increased during 2024, as we continued to build the infrastructure needed to scale our business. As a result, in 2025, depreciation expense has increased and will continue to increase as additional projects are placed in service, which may impact our future gross profit margin.

Service

Service gross profit for the three months ended March 31, 2025, increased by 7% to $238.0 million, representing 65.6% of service revenue, compared to $222.7 million, representing 71.0% of service revenue, for the three months ended March 31, 2024. The higher service gross profit for the three months ended March 31, 2025, was primarily driven by higher service revenue, reflecting a larger installed base of da Vinci surgical systems, partially offset by a lower service gross profit margin. The lower service gross profit margin for the three months ended March 31, 2025, was primarily driven by an unfavorable repair mix, higher costs associated with our da Vinci 5 surgical system, and incremental fixed costs, including depreciation expense, partially offset by lower logistics costs and lower excess and obsolete inventory charges.

Service gross profit for the three months ended March 31, 2025, and 2024, included share-based compensation expense of $8.2 million and $7.0 million, respectively, and intangible assets amortization expense of $0.2 million and $0.2 million, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs for sales, marketing, and administrative personnel, sales and marketing activities, trade show expenses, legal expenses, regulatory fees, and general corporate expenses.

Selling, general and administrative expenses for the three months ended March 31, 2025, increased by 15% to $563.4 million, compared to $491.5 million for the three months ended March 31, 2024. The increase in selling, general and administrative expenses for the three months ended March 31, 2025, was primarily driven by higher headcount and personnel-related expenses, including share-based compensation expense, and higher legal expenses.

Selling, general and administrative expenses for the three months ended March 31, 2025, and 2024, included share-based compensation expense of $82.3 million and $68.2 million, respectively, and intangible assets amortization expense of $0.5 million and $0.8 million, respectively.

Research and Development Expenses

Research and development costs are expensed as incurred and primarily include costs associated with the design, development, testing, and significant enhancement of our products. Our main product development initiatives include multi-port, Ion, and SP platform investments as well as digital products and services.

Research and development expenses for the three months ended March 31, 2025, increased by 11% to $316.2 million, compared to $284.5 million for the three months ended March 31, 2024. The increase in research and development expenses for the three months ended March 31, 2025, was primarily driven by higher headcount and personnel-related expenses, including share-based compensation expense, and other project costs incurred to support a broad set of product development initiatives.

Research and development expenses for the three months ended March 31, 2025, and 2024, included share-based compensation expense of $69.0 million and $57.7 million, respectively, and intangible asset-related charges of $5.6 million and $0.5 million, respectively.

Research and development expenses fluctuate with project timing. Based upon our broader set of product development initiatives and the stage of the underlying projects, we expect to continue to make substantial investments in research and development and anticipate that research and development expenses will continue to increase in the future.

Interest and Other Income, Net

Interest and other income, net, for the three months ended March 31, 2025, increased by 31% to $90.4 million, compared to $69.1 million for the three months ended March 31, 2024. The increase in interest and other income, net, for the three months ended March 31, 2025, was primarily driven by higher average cash and investment balances and higher average interest rates.

Income Tax Benefit

Income tax benefit for the three months ended March 31, 2025, was $35.2 million, or 5.3% of income before taxes, compared to $8.9 million, or 1.7% of income before taxes, for the three months ended March 31, 2024.

Our higher income tax benefit (lower effective tax rate) for the three months ended March 31, 2025, compared to the three months ended March 31, 2024, was primarily due to higher excess tax benefits, as discussed below, higher federal research and development credit benefits, and lower U.S. taxes on foreign earnings.

Our provision for income taxes for the three months ended March 31, 2025, and 2024, included excess tax benefits associated with employee equity plans of $145.4 million and $111.1 million, respectively, which reduced our effective tax rate by 21.8 and 20.6 percentage points, respectively. The amount of excess tax benefits or deficiencies will fluctuate from period to period based on the price of our stock, the volume of share-based awards settled or vested, and the value assigned to employee equity awards under GAAP, which results in increased income tax expense volatility.

In 2021, the Organization for Economic Co-operation and Development ("OECD") established an inclusive framework on base erosion and profit shifting and agreed on a two-pillar solution to global taxation, focusing on global profit allocation and a 15% global minimum effective tax rate ("Pillar Two"). The OECD issued Pillar Two model rules and continues to release guidance on these rules. In January 2025, the OECD released additional guidance, which includes a limitation on certain deferred tax assets recognized after November 2021. Various countries, including Switzerland and EU member states, have enacted or have announced plans to enact new tax laws to implement the global minimum tax. We considered the applicable tax law changes and additional guidance on Pillar Two implementation in the relevant countries, and there is no material impact to our tax provision for the three months ended March 31, 2025. We will continue to evaluate the impact of these tax law changes and additional guidance on future reporting periods.

We file federal, state, and foreign income tax returns in many jurisdictions in the U.S. and OUS. Years before 2017 are considered closed for significant jurisdictions. Certain of our unrecognized tax benefits could change due to activities of various

tax authorities, including evolving interpretations of existing tax laws in the jurisdictions in which we operate, potential assessment of additional tax, possible settlement of audits, or through normal expiration of various statutes of limitations, which could affect our effective tax rate in the period in which they change.

We are subject to the examination of our income tax returns by the Internal Revenue Service and other tax authorities. The outcome of these audits cannot be predicted with certainty. Management regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. If any issues addressed in our tax audits are resolved in a manner not consistent with management's expectations, we could be required to adjust our provision for income taxes in the period such resolution occurs.

Liquidity and Capital Resources

Sources and Uses of Cash and Cash Equivalents

Our principal source of liquidity is cash provided by our operations, as well as the issuance of common stock through the exercise of stock options and our employee stock purchase program. Cash and cash equivalents plus short- and long-term investments increased by $0.27 billion to $9.10 billion as of March 31, 2025, from $8.83 billion as of December 31, 2024, primarily as a result of cash provided by operating activities and proceeds from stock option exercises and employee stock purchases, partially offset by cash used for taxes paid related to net share settlements of equity awards and capital expenditures.

Our cash requirements depend on numerous factors, including market acceptance of our products, the resources we devote to developing and supporting our products, and other factors. We expect to continue to devote substantial resources to expand procedure adoption and acceptance of our products. We have made substantial investments in our commercial operations, product development activities, facilities, and intellectual property. Based on our business model, we anticipate that we will continue to be able to fund future growth through cash provided by our operations. We believe that our current cash, cash equivalents, and investment balances, together with income to be derived from our business, will be sufficient to meet our liquidity requirements for the foreseeable future. However, we may experience reduced cash flow from operations as a result of macroeconomic and geopolitical headwinds.

See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our Form 10-K for the fiscal year ended December 31, 2024, for discussion on the impact of interest rate risk and market risk on our investment portfolio.

Condensed Consolidated Cash Flow Data

The following table summarizes our cash flows (in millions):

	Three Months Ended March 31,	
	2025	2024
Net cash provided by (used in):		
Operating activities	$ 581.6	$ 265.4
Investing activities	213.5	(128.5)
Financing activities	(235.8)	(46.7)
Effect of exchange rates on cash, cash equivalents, and restricted cash	(4.5)	6.8
Net increase in cash, cash equivalents, and restricted cash	$ 554.8	$ 97.0

Operating Activities

For the three months ended March 31, 2025, net cash provided by operating activities of $582 million was less than our net income of $704 million, primarily due to the following factors:

1. Changes in operating assets and liabilities resulted in $439 million of cash used in operating activities during the three months ended March 31, 2025. Accrued compensation and employee benefits decreased by $226 million, primarily due to payment of 2024 incentive compensation and payments for stock purchases related to our ESPP. Inventory, including the transfer of equipment from inventory to property, plant, and equipment, increased by $211 million, primarily to address the growth in our business, including the expansion of our leasing business, and to mitigate risks of disruption that could arise from global supply chain shortages. Refer to Note 4 to the Financial Statements for further details in the supplemental cash flow information. Other accrued liabilities decreased by $118 million, primarily due to income tax payments made in the period. The unfavorable impact of these items on cash provided by operating activities was partially offset by an increase in accounts payable of $83 million, primarily due to the timing of invoicing and payments, and an increase in deferred revenue of $37 million, primarily due to the timing of payment and delivery of goods and services.

2. Our net income included non-cash charges of $317 million, consisting primarily of share-based compensation of $185 million and depreciation expense and losses on the disposal of property, plant, and equipment of $138 million.

Investing Activities

Net cash provided by investing activities for the three months ended March 31, 2025, consisted primarily of net proceeds from maturities on investments of $330 million, partially offset by $117 million paid for the acquisition of property, plant, and equipment. We invest predominantly in high quality, fixed income securities. Our investment portfolio may, at any time, contain investments in money market funds, U.S. treasury and U.S. government agency securities, high-quality corporate notes and bonds, commercial paper, non-U.S. government agency securities, and taxable and tax-exempt municipal notes.

Financing Activities

Net cash used in financing activities for the three months ended March 31, 2025, consisted primarily of cash used for taxes paid on behalf of employees related to net share settlements of vested employee equity awards of $370 million, partially offset by cash proceeds from stock option exercises and employee stock purchases of $134 million.

Capital Expenditures

We expect to continue to invest in infrastructure needed to scale and supply our customers with highly differentiated products manufactured in highly automated factories to facilitate outstanding performance in product quality, availability, and cost. A significant portion of this investment involves the construction of facilities to expand our manufacturing and commercial capabilities. We have also been vertically integrating key technologies to develop a more robust supply chain, enabling us to bring important products to market at attractive price points. These integration efforts include increased ownership of our imaging pipelines and investments in strategic instruments and accessories technologies that allow us to serve our customers better. We expect these capital investments to range between $650 million and $750 million in 2025, the majority of which will be facilities-related investments. We intend to fund these capital investments with cash generated from operations.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our Financial Statements, which have been prepared in accordance with GAAP. The preparation of these Financial Statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. On an ongoing basis, we evaluate our critical accounting estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no new or material changes to the critical accounting estimates discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, that are of significance, or potential significance, to the Company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the three months ended March 31, 2025, compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information included in Note 8 to the Condensed Consolidated Financial Statements (Unaudited) included in Part I, Item 1 of this Quarterly Report is incorporated herein by reference.

ITEM 1A. RISK FACTORS

You should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, which could materially affect our business, financial position, or future results of operations. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial position, or future results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered sales of equity securities during the period covered by this report.

(c) Issuer Purchases of Equity Securities

The table below summarizes our stock repurchase activity for the quarter ended March 31, 2025:

Fiscal Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of a Publicly Announced Program	Approximate Dollar Amount of Shares That May Yet be Purchased Under the Program [1]
January 1 to January 31, 2025	—	$ —	—	$ 1.1 billion
February 1 to February 28, 2025	—	$ —	—	$ 1.1 billion
March 1 to March 31, 2025	—	$ —	—	$ 1.1 billion
Total during quarter ended March 31, 2025	—	$ —	—	

[1] Represents the cumulative amount remaining for stock repurchases under the Board-authorized Repurchase Program established in March 2009. In July 2022, the Board increased the authorized amount available under our Repurchase Program by $3.5 billion. Authorizations under the Repurchase Program do not expire.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Plans

On January 29, 2025, Amy L. Ladd, M.D., a member of the Company's Board of Directors, adopted a Rule 10b5-1 trading plan. Dr. Ladd's trading plan provides for the potential exercise and sale of up to 8,776 shares of the Company's common stock subject to stock options until January 29, 2026. This trading plan was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and the Company's policies regarding transactions in the Company's securities.

On January 31, 2025, Amal M. Johnson, a member of the Company's Board of Directors, adopted a Rule 10b5-1 trading plan. Ms. Johnson's trading plan provides for the potential exercise and sale of up to 5,346 shares of the Company's common stock subject to stock options until March 13, 2026. This trading plan was entered into during an open insider trading window and is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and the Company's policies regarding transactions in the Company's securities.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Company, as Amended.	10-Q	000-30713	3.1	7/23/2020
3.2	Amendment No. 2 to Amended and Restated Certificate of Incorporation of the Company.	10-Q	000-30713	3.1	10/20/2021
3.3	Amended and Restated Bylaws of the Company.	8-K	000-30713	3.1	2/1/2021
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File, because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema.				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.				
104*	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).				

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTUITIVE SURGICAL, INC.

By: /s/ JAMIE E. SAMATH
Jamie E. Samath
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and duly authorized signatory)

Date: April 23, 2025