

INTUITIVE SURGICAL INC
Form 10-Q
July 22, 2015
Table of Contents

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 June 30, 2015

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
(State or Other Jurisdiction of
Incorporation or Organization)
1020 Kifer Road
Sunnyvale, California 94086
(Address of principal executive offices) (Zip Code)
(408) 523-2100
(Registrant's telephone number, including area code)

77-0416458
(I.R.S. Employer
Identification No.)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting company

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 37,019,120 shares of Common Stock, \$0.001 par value per share, outstanding as of July 16, 2015.

Table of Contents

INTUITIVE SURGICAL, INC.

TABLE OF CONTENTS

	Page No.
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements (unaudited):</u>	
<u>Condensed consolidated balance sheets as of June 30, 2015 and December 31, 2014</u>	<u>3</u>
<u>Condensed consolidated statements of comprehensive income for the three and six months ended June 30, 2015 and 2014</u>	<u>4</u>
<u>Condensed consolidated statements of cash flows for the six months ended June 30, 2015 and 2014</u>	<u>5</u>
<u>Notes to condensed consolidated financial statements</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>32</u>
<u>Item 4. Controls and Procedures</u>	<u>32</u>
PART II. OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>32</u>
<u>Item 1A. Risk Factors</u>	<u>32</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>33</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>33</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>33</u>
<u>Item 5. Other Information</u>	<u>33</u>
<u>Item 6. Exhibits</u>	<u>34</u>
<u>Signature</u>	<u>35</u>

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTUITIVE SURGICAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

in millions (except par values)	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$915.4	\$600.3
Short-term investments	646.1	632.2
Accounts receivable, net	321.5	315.1
Inventories	201.3	181.7
Prepays and other current assets	53.0	82.6
Deferred tax assets	25.9	35.1
Total current assets	2,163.2	1,847.0
Property, plant and equipment, net	408.6	387.4
Long-term investments	1,307.1	1,264.5
Long-term deferred tax assets	148.9	136.2
Intangible and other assets, net	125.6	126.3
Goodwill	201.1	198.0
Total assets	\$4,354.5	\$3,959.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$64.7	\$61.6
Accrued compensation and employee benefits	87.0	96.2
Deferred revenue	216.8	216.6
Other accrued liabilities	105.9	126.8
Total current liabilities	474.4	501.2
Other long-term liabilities	87.4	78.8
Total liabilities	561.8	580.0
Contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, 2.5 shares authorized, \$0.001 par value, issuable in series; no shares issued and outstanding as of June 30, 2015, and December 31, 2014	—	—
Common stock, 100.0 shares authorized, \$0.001 par value, 37.0 shares and 36.6 shares issued and outstanding as of June 30, 2015, and December 31, 2014, respectively	—	—
Additional paid-in capital	3,147.8	2,896.8
Retained earnings	651.3	487.7
Accumulated other comprehensive loss	(6.4) (5.1
Total stockholders' equity	3,792.7	3,379.4
Total liabilities and stockholders' equity	\$4,354.5	\$3,959.4

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

Table of Contents

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

in millions (except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2015	2014	June 30, 2015	2014
Revenue:				
Product	\$472.8	\$405.6	\$891.0	\$766.4
Service	113.3	106.6	227.2	210.5
Total revenue	586.1	512.2	1,118.2	976.9
Cost of revenue:				
Product	160.1	133.5	313.6	247.3
Service	39.5	34.3	81.3	69.8
Total cost of revenue	199.6	167.8	394.9	317.1
Gross profit	386.5	344.4	723.3	659.8
Operating expenses:				
Selling, general and administrative	163.3	161.2	325.3	377.0
Research and development	49.4			