
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 21, 2014

INTUITIVE SURGICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

000-30713

(Commission
File Number)

77-0416458

(I.R.S. Employer
Identification No.)

1020 Kifer Road

Sunnyvale, California 94086

(Address of principal executive offices) (zip code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On October 21, 2014, Intuitive Surgical, Inc. (“Intuitive”) issued a press release announcing its financial results for the quarter ended September 30, 2014. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Current Report, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of Intuitive under the Securities Act of 1933 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

d) Exhibits.

The following exhibit is furnished with this report on Form 8-K:

99.1 Press Release issued by Intuitive Surgical, Inc., dated October 21, 2014.

SIGNATURES

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

INTUITIVE SURGICAL, INC.

Date: October 21, 2014

By /s/ Marshall L. Mohr

Name: Marshall L. Mohr

Title: Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued by Intuitive Surgical, Inc., dated October 21, 2014.

Contact: Investor Relations
(408) 523-2161

INTUITIVE SURGICAL ANNOUNCES **Third QUARTER EARNINGS**

SUNNYVALE, CALIF. October 21, 2014 - Intuitive Surgical, Inc. (NASDAQ: ISRG), the industry leader in robotic-assisted surgery, today announced financial results for the quarter ended September 30, 2014.

Q3 Highlights

- Worldwide *da Vinci* procedures grew nearly 10% over the third quarter of 2013.
- The Company placed 111 *da Vinci* Surgical Systems, compared to 101 in the third quarter of 2013 and 96 in the second quarter of 2014.
- The Company increased *da Vinci Xi* System sales from 50 during the second quarter of 2014, the quarter of launch, to 59 in the third quarter of 2014.
- The Company's *Firefly* fluorescence imaging product was cleared by the FDA for use with *da Vinci Xi*.
- The Company's wristed *Single-Site* needle driver was cleared by the FDA for use on benign hysterectomy, cholecystectomy, and salpingo-oophorectomy procedures.

Q3 Financial Summary

Revenue, gross profits, income from operations, net income, and earnings per share are reported on a GAAP and non-GAAP basis. The non-GAAP measures are described below and are reconciled to the corresponding GAAP measures at the end of this release.

GAAP revenue in the third quarter of 2014 was \$550 million, an increase of approximately 10% compared with \$499 million in the third quarter of 2013. Non-GAAP revenue in the third quarter was \$534 million, an increase of approximately 7% compared with \$499 million in the third quarter of 2013. Non-GAAP revenue excludes \$16 million of net revenue associated with *da Vinci Xi* trade-out offers.

Third quarter 2014 GAAP instrument and accessory revenue increased by approximately 14% to \$273 million compared with \$239 million for the third quarter of 2013. The increase in revenue was driven by approximately 10% higher *da Vinci* procedure volume and timing of customer orders. Higher procedure volume was driven by growth in U.S. general surgery procedures and worldwide urologic procedures.

Systems revenue on a GAAP basis increased to \$169 million in the third quarter of 2014, compared with \$159 million for the third quarter of 2013. Systems revenue on a non-GAAP basis decreased to \$154 million in the third quarter of 2014, compared with \$159 million for the third quarter of 2013. Intuitive Surgical shipped 111 *da Vinci* Surgical Systems during the three months ended September 30, 2014, compared with 101 in the same period last year.

Third quarter 2014 services revenue increased approximately 7% to \$109 million, compared with \$101 million for the third quarter of 2013, reflecting growth in the installed base of *da Vinci* Surgical Systems. GAAP and non-GAAP service revenue was the same in both quarters.

Third quarter 2014 GAAP income from operations decreased to \$159 million, compared with \$174 million in the third quarter of 2013. Third quarter 2014 non-GAAP income from operations decreased to \$197 million, compared with \$230 million in the third quarter of 2013.

Third quarter 2014 GAAP net income was \$124 million, or \$3.35 per diluted share, compared with \$157 million, or \$3.99 per diluted share, for the third quarter of 2013. Third quarter 2014 non-GAAP net income was \$145 million, or \$3.92 per diluted share, compared with \$194 million, or \$4.94 per diluted share, for the third quarter of 2013.

Intuitive Surgical ended the third quarter of 2014 with \$2.3 billion in cash, cash equivalents, and investments, an increase of \$219 million during the quarter, primarily driven by cash generated from operations.

Commenting on the announcement, Dr. Gary Guthart, President and CEO of Intuitive Surgical, said, "We are pleased with our third quarter procedure and *da Vinci* system placement growth, the positive surgeon response to our *da Vinci Xi* System, and our progress in expanding our international business."

Additional supplemental financial and procedure information has been posted to the Investor Relations section of the Intuitive website at: <http://phx.corporate-ir.net/phoenix.zhtml?c=122359&p=irol-IRHome>

Webcast and Conference Call Information

Intuitive Surgical will hold a teleconference at 1:30 p.m. PDT today to discuss the third quarter 2014 financial results. The call is being webcast by NASDAQ OMX and can be accessed at Intuitive Surgical's website at www.intuitivesurgical.com or by dialing (800) 230-1092; or (612) 288-0337.

About Intuitive Surgical, Inc.

Intuitive Surgical, Inc. (Nasdaq: ISRG), headquartered in Sunnyvale, Calif., is the global leader in robotic-assisted, minimally invasive surgery. Intuitive Surgical develops, manufactures and markets the *da Vinci* Surgical System. Intuitive Surgical's mission is to extend the benefits of minimally invasive surgery to those patients who can and should benefit from it.

About the *da Vinci* Surgical System

The *da Vinci* Surgical System is a surgical platform designed to enable complex surgery using a minimally invasive approach. The *da Vinci* Surgical System consists of an ergonomic surgeon console or consoles, a patient-side cart with three or four interactive arms, a high-performance vision system and proprietary *EndoWrist*® instruments. Powered by state-of-the-art technology, the *da Vinci* Surgical System is designed to scale, filter and seamlessly translate the surgeon's hand movements into more precise movements of the *EndoWrist* instruments. The net result is an intuitive interface with improved surgical capabilities. By providing surgeons with superior visualization, enhanced dexterity, greater precision and ergonomic comfort, the *da Vinci* Surgical System makes it possible for skilled surgeons to perform more minimally invasive procedures involving complex dissection or reconstruction. For more information about clinical evidence related to *da Vinci* Surgery, please visit www.intuitivesurgical.com/company/clinical-evidence/

da Vinci® and *EndoWrist*® are trademarks of Intuitive Surgical, Inc.

Forward-Looking Statements

This press release contains forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best 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, therefore, be considered in light of various important factors, including, but not limited to, the following: the impact of global and regional economic and credit market conditions on health care spending; health care reform legislation in the United States and its impact on hospital spending, reimbursement and fees which will be levied on certain medical device revenues; decreases in hospital admissions and actions by payers to limit or manage surgical procedures; timing and success of product development and market acceptance of developed products; procedure counts; regulatory approvals, clearances and restrictions or any dispute that may occur with any regulatory body; guidelines and recommendations in the health care and patient communities; intellectual property positions and litigation; competition in the medical device industry and in the specific markets of surgery in which we operate; unanticipated manufacturing disruptions or the inability to meet demand for products; the results of legal proceedings to which we are or may become a party; product liability and other litigation claims; adverse publicity regarding the Company and the safety of our products and adequacy of training; our ability to expand into foreign markets; and other risk factors under the heading "Risk Factors" in our report on Form 10-K for the year ended December 31, 2013, as updated from time to time by our quarterly reports on Form 10-Q and our other filings with the Securities and Exchange Commission. Statements concerning placement growth, surgeon response, international expansion and 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. You are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date of this press release. We undertake no obligation to publicly update or release any revisions to these forward-looking statements, except as required by law.

About Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we use the following non-GAAP financial measures: non-GAAP revenue, non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income, and non-GAAP earnings per share ("EPS"). The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use these non-GAAP financial measures for financial and operational decision-making and as a mean to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding non-cash charges, such as amortization of intangible assets and share-based compensation ("SBC") expenses. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors both 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 our institutional investors and the analyst community to help them analyze the performance of our business.

Non-GAAP revenue. We define non-GAAP revenue as revenue excluding the impact of reserve adjustments recorded in connection with trade-in rights provided to certain customers in connection with the launch of our *da Vinci Xi* Surgical System that are accounted for as a right of return.

Non-GAAP gross profit. We define non-GAAP gross profit as gross profit excluding the amortization of intangible assets, expenses related to SBC, and the impact of revenue and costs deferred in connection with trade-in rights provided to certain customers in connection with the launch of our *da Vinci Xi* Surgical System that are accounted for as a right of return.

Non-GAAP income from operations. We define non-GAAP income from operations as income from operations excluding the amortization of intangible assets, expenses related to SBC, and other special items.

Non-GAAP net income and EPS. We define non-GAAP net income as net income excluding the amortization of intangible assets, expenses related to SBC, non-cash impairment of investment, and other special items, net of the related tax effects. The tax effects are determined by applying a calculated non-GAAP effective tax rate, which is commonly referred to as the with-and-without method. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on our operating results. We define non-GAAP EPS as non-GAAP net income divided by the weighted average outstanding shares, on a fully-diluted basis.

There are a number of limitations related to the use of non-GAAP measures versus measures calculated in accordance with GAAP. Non-GAAP gross profit, non-GAAP income from operations, non-GAAP net income, and non-GAAP EPS exclude amortization of intangible assets and SBC, which are recurring expenses. SBC has been and will continue to be for the foreseeable future a significant recurring expense in our business. Also the components of the costs that we exclude in our calculation of non-GAAP net income and non-GAAP EPS may differ from the components that our peer companies exclude when they report their results of operations. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP net income and non-GAAP EPS and evaluating non-GAAP net income and non-GAAP EPS together with net income and EPS calculated in accordance with GAAP.

INTUITIVE SURGICAL, INC.
UNAUDITED QUARTERLY CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE DATA)

In millions (except per share data)	Three months ended		
	September 30, 2014	June 30, 2014	September 30, 2013
Revenue:			
Instruments and accessories	\$ 272.8	\$ 261.9	\$ 239.1
Systems	168.8	143.7	158.5
Services	108.5	106.6	101.4
Total revenue	550.1	512.2	499.0
Cost of revenue:			
Product	150.3	133.5	112.0
Service	39.2	34.3	30.3
Total cost of revenue	189.5	167.8	142.3
Gross profit	360.6	344.4	356.7
Operating expenses:			
Selling, general, and administrative	154.0	161.2	139.3
Research and development	47.5	40.2	43.2
Total operating expenses	201.5	201.4	182.5
Income from operations	159.1	143.0	174.2
Interest and other income (expense), net	2.0	(0.4)	3.9
Income before taxes	161.1	142.6	178.1
Income tax expense	37.4	38.6	21.3
Net income	\$ 123.7	\$ 104.0	\$ 156.8
Net income per share:			
Basic	\$ 3.43	\$ 2.82	\$ 4.06
Diluted	\$ 3.35	\$ 2.77	\$ 3.99
Shares used in computing net income per share:			
Basic	36.1	36.9	38.6
Diluted	36.9	37.6	39.3

INTUITIVE SURGICAL, INC.
UNAUDITED NINE MONTHS ENDED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE DATA)

In millions (except per share data)	Nine months ended	
	September 30,	
	2014	2013
Revenue:		
Instruments and accessories	\$ 789.5	\$ 764.7
Systems	418.5	630.3
Services	319.0	293.9
Total revenue	1,527.0	1,688.9
Cost of revenue:		
Product	397.6	399.2
Service	109.0	93.5
Total cost of revenue	506.6	492.7
Gross profit	1,020.4	1,196.2
Operating expenses:		
Selling, general, and administrative	531.0	426.3
Research and development	130.7	126.0
Total operating expenses	661.7	552.3
Income from operations	358.7	643.9
Interest and other income, net	5.5	12.5
Income before taxes	364.2	656.4
Income tax expense	92.2	151.6
Net income	<u>\$ 272.0</u>	<u>\$ 504.8</u>
Net income per share:		
Basic	<u>\$ 7.33</u>	<u>\$ 12.75</u>
Diluted	<u>\$ 7.18</u>	<u>\$ 12.46</u>
Shares used in computing net income per share:		
Basic	<u>37.1</u>	<u>39.6</u>
Diluted	<u>37.9</u>	<u>40.5</u>

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

In millions	September 30, 2014	December 31, 2013
Cash, cash equivalents and investments	\$ 2,262.7	\$ 2,753.9
Accounts receivable, net	259.1	301.4
Inventories	198.9	179.6
Property, plant and equipment, net	335.4	309.9
Goodwill	198.0	137.4
Deferred tax assets	176.6	135.7
Other assets	220.8	132.4
Total assets	<u>\$ 3,651.5</u>	<u>\$ 3,950.3</u>
Accounts payable and other accrued liabilities	\$ 347.5	\$ 247.2
Deferred revenue	219.8	201.7
Total liabilities	567.3	448.9
Stockholders' equity	3,084.2	3,501.4
Total liabilities and stockholders' equity	<u>\$ 3,651.5</u>	<u>\$ 3,950.3</u>

INTUITIVE SURGICAL, INC.
UNAUDITED RECONCILIATION OF GAAP FINANCIAL MEASURES TO NON-GAAP FINANCIAL MEASURES
(IN MILLIONS, EXCEPT PER SHARE DATA)

In millions (except per share data)	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
GAAP revenue	\$ 550.1	\$ 512.2	\$ 499.0	\$ 1,527.0	\$ 1,688.9
Deferral (recognition) of revenue related to <i>Xi</i> trade-out offers	(16.0)	(5.7)	—	3.9	—
Non-GAAP revenue	<u>\$ 534.1</u>	<u>\$ 506.5</u>	<u>\$ 499.0</u>	<u>\$ 1,530.9</u>	<u>\$ 1,688.9</u>
GAAP gross profit	\$ 360.6	\$ 344.4	\$ 356.7	\$ 1,020.4	\$ 1,196.2
<i>Xi</i> trade-out offers	(13.9)	(3.4)	—	2.2	—
Share-based compensation expense	8.8	7.9	8.8	24.2	22.7
Amortization of intangible assets	3.6	1.8	2.6	7.2	8.4
Non-GAAP gross profit	<u>\$ 359.1</u>	<u>\$ 350.7</u>	<u>\$ 368.1</u>	<u>\$ 1,054.0</u>	<u>\$ 1,227.3</u>
GAAP income from operations	\$ 159.1	\$ 143.0	\$ 174.2	\$ 358.7	\$ 643.9
<i>Xi</i> trade-out offers	(13.9)	(3.4)	—	2.2	—
Share-based compensation expense	45.2	41.9	50.4	127.9	127.3
Amortization of intangible assets	6.5	4.7	5.3	15.9	16.6
Product liability litigation charge	—	9.6	—	77.0	—
Non-GAAP income from operations	<u>\$ 196.9</u>	<u>\$ 195.8</u>	<u>\$ 229.9</u>	<u>\$ 581.7</u>	<u>\$ 787.8</u>
GAAP net income	\$ 123.7	\$ 104.0	\$ 156.8	\$ 272.0	\$ 504.8
<i>Xi</i> trade-out offers	(13.9)	(3.4)	—	2.2	—
Share-based compensation expense	45.2	41.9	50.4	127.9	127.3
Amortization of intangible assets	6.5	4.7	5.3	15.9	16.6
Product liability litigation charge	—	9.6	—	77.0	—
Impairment of investment	—	4.2	—	4.2	—
Tax adjustments	(16.8)	(20.8)	(18.4)	(75.8)	(47.1)
Non-GAAP net income	<u>\$ 144.7</u>	<u>\$ 140.2</u>	<u>\$ 194.1</u>	<u>\$ 423.4</u>	<u>\$ 601.6</u>
GAAP net income per share - diluted	\$ 3.35	\$ 2.77	\$ 3.99	\$ 7.18	\$ 12.46
<i>Xi</i> trade-out offers	(0.38)	(0.09)	—	0.06	—
Share-based compensation expense	1.22	1.11	1.28	3.37	3.14
Amortization of intangible assets	0.18	0.13	0.13	0.42	0.41
Product liability litigation charge	—	0.26	—	2.03	—
Impairment of investment	—	0.11	—	0.11	—
Tax adjustments	(0.45)	(0.56)	(0.46)	(2.00)	(1.16)
Non-GAAP net income per share - diluted	<u>\$ 3.92</u>	<u>\$ 3.73</u>	<u>\$ 4.94</u>	<u>\$ 11.17</u>	<u>\$ 14.85</u>