
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: February 1, 2007
(Date of earliest event reported)

INTUITIVE SURGICAL, INC.

(exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

000-30713
Commission File Number

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

950 Kifer Road
Sunnyvale, California 94086
(Address of Principal executive offices, including zip code)

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

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 February 1, 2007, Intuitive Surgical issued a press release announcing its financial results for the quarter ended December 31, 2006. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference into this Item 2.02.

Intuitive is making reference to non-GAAP financial information in the press release. A reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures is contained in the attached press release.

Item 9.01. Financial Statements and Exhibits.

Press release issued by Intuitive Surgical, February 1, 2007.

(2)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by Intuitive Surgical, February 1, 2007

(4)

FOR IMMEDIATE RELEASE

Contacts: Ben Gong 408-523-2175
 Sarah Norton 408-523-2161

INTUITIVE SURGICAL ANNOUNCES \$112.6 MILLION FOURTH QUARTER REVENUE, UP 56%

SUNNYVALE, CALIF. February 1, 2007 – Intuitive Surgical, Inc. (NASDAQ: ISRG), the industry leader in surgical robotics, today reported fourth quarter 2006 revenue of \$112.6 million, increasing 56% from \$72.1 million for the fourth quarter of 2005. Higher revenue was driven by increased **da Vinci**[®] Surgical System sales and continued growth in recurring revenue.

Fourth quarter 2006 instrument and accessory revenue increased 62% to \$33.3 million from \$20.6 million during the fourth quarter of 2005. Fourth quarter 2006 system revenue increased 53% to \$63.0 million from \$41.3 million during the fourth quarter of 2005. Fourth quarter 2006 service and training revenue increased 60% to \$16.3 million from \$10.2 million during the fourth quarter of 2005.

Revenue for the year ended December 31, 2006 totaled \$372.7 million, increasing 64% from \$227.3 million for the year ended December 31, 2005.

Revenue (\$ Millions)	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2006	2005	Increase	2006	2005	Increase
Instruments/Accessories	\$ 33.3	\$ 20.6	\$ 12.7	\$ 111.7	\$ 67.8	\$ 43.9
Systems	63.0	41.3	21.7	205.9	124.6	81.3
Service/Training	16.3	10.2	6.1	55.1	34.9	20.2
	<u>\$ 112.6</u>	<u>\$ 72.1</u>	<u>\$ 40.5</u>	<u>\$ 372.7</u>	<u>\$ 227.3</u>	<u>\$ 145.4</u>

Fourth quarter 2006 operating income was \$35.4 million compared with \$23.5 million for the fourth quarter of 2005. Operating results for the fourth quarter of 2006 included \$6.8 million of stock compensation expense in accordance with the Financial Accounting Standards Board SFAS 123R. Excluding the \$6.8 million of non-cash stock compensation expense, fourth quarter 2006 operating income was \$42.2 million, up 80% compared with the fourth quarter of 2005.

Fourth quarter 2006 net income, including non-cash stock compensation expense, was \$23.6 million, or \$0.62 per diluted share. Excluding the impact of stock compensation expenses, fourth quarter 2006 net income was \$28.1 million, or \$0.73 per diluted share. Fourth quarter 2005 net income of \$49.5 million included a tax benefit of \$22.2 million associated with the recognition of deferred tax assets.

Net income for the year ended December 31, 2006, including non-cash stock compensation expense, was \$72.0 million, or \$1.89 per diluted share. Excluding the impact of stock compensation expenses, net income for the twelve months ended December 31, 2006 was \$88.3 million, or \$2.32 per diluted share.

Fourth quarter 2006 earnings before interest, taxes, depreciation, amortization, and non-cash stock compensation expenses (EBITDA) was \$45.1 million, up 78% compared to \$25.3 million for the fourth quarter 2005. EBITDA for the twelve months ended December 31, 2006 was \$142.4 million, up 89% compared to \$75.5 million for the twelve months ended December 31, 2005.

Intuitive ended the fourth quarter of 2006 with cash, cash equivalents and investments of \$330.3 million, up \$38.0 million from the end of the previous quarter and up \$127.6 million from fiscal year 2005.

Commenting on the announcement, Lonnie Smith, Chairman and CEO of Intuitive Surgical, said, "We are pleased with our fourth quarter revenue and earnings growth. Our financial results reflect the ongoing adoption of robotic surgery, driven by patients seeking out superior surgical outcomes enabled by the **da Vinci**[®] Surgical System."

The Company will also announce these results at a conference call today at 1:30 pm PDT. The dial-in numbers for the call are 877-909-3508 for participants located in the U.S. and 517-645-6051 for participants located outside the U.S. The passcode is ISRG and the meeting leader is Mr. Lonnie Smith. To access financial information that will be discussed on the call, please visit Intuitive Surgical's website at www.intuitivesurgical.com.

About Intuitive's Products:

The **da Vinci**[®] Surgical System consists of a surgeon's viewing and control console having an integrated, high-performance InSite[®] 3-D vision system, a patient-side cart consisting of three or four robotic arms that position and precisely maneuver endoscopic instruments and an endoscope, and a variety of articulating EndoWrist[®] Instruments. By integrating computer-enhanced technology with surgeons' technical skills, Intuitive believes that its system enables surgeons to perform better surgery in a manner never before experienced. The **da Vinci**[®] Surgical System seamlessly and directly translates the surgeon's natural hand, wrist and finger movements on instrument controls at the surgeon's console outside the patient's body into corresponding micro-movements of the instrument tips positioned inside the patient through small puncture incisions, or ports.

The **Aesop**[®] Endoscope Positioner is a voice-activated robotic arm that automates the critical task of endoscope positioning, providing the surgeon with direct control over a smooth, precise and stable view of the internal surgical field.

The **Hermes**[®] Control Center is a centralized system designed to voice control a series of networked “smart” medical devices.

Intuitive[®], **da Vinci**[®], **da Vinci S**[™], **InSite**[®], **EndoWrist**[®], **Hermes**[®], and **Aesop**[®] are trademarks or registered trademarks of Intuitive Surgical, Inc.

About non-GAAP Financial Measures:

To supplement our consolidated financial statements presented in accordance with GAAP, Intuitive has presented the following information defined as non-GAAP financial information by the SEC: non-GAAP (pro forma) statements of operations and EBITDA. The presentation of non-GAAP 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. For more information on these non-GAAP financial measures, please see the tables captioned “Unaudited Reconciliation of GAAP to non-GAAP Consolidated Statements of Operations” and “Unaudited Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) Reconciliation” included in this press release.

Intuitive’s management believe that these non-GAAP financial measures provide meaningful supplemental information regarding the Company’s performance and liquidity by excluding certain expenses that may not be indicative of core operating results. Intuitive believes that both management and investors benefit from referring to these non-GAAP financial measures in assessing Intuitive’s performance and when planning, forecasting and analyzing future periods.

Intuitive has computed its non-GAAP financial measures using the same consistent method from quarter to quarter. The accompanying tables have more details on the GAAP financial measures that are most directly comparable to non-GAAP financial measures and the related reconciliations between these financial measures.

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This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 the following: timing and success of product development and market acceptance of developed products; regulatory approvals, clearances and restrictions; 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 Intuitive Surgical operates; and unanticipated manufacturing disruptions; delays in regulatory approvals of new manufacturing facilities or the inability to meet demand for products. Words such as “estimate”, “project”, “plan”, “intend”, “expect”, “anticipate”, “believe” and similar 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 to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events.

INTUITIVE SURGICAL, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Revenue:				
Products	\$ 96,287	\$ 61,919	\$ 317,599	\$ 192,417
Services	16,280	10,176	55,083	34,921
Total revenue	<u>112,567</u>	<u>72,095</u>	<u>372,682</u>	<u>227,338</u>
Cost of revenue:				
Products	29,161	18,785	97,615	58,357
Services	8,461	4,748	27,231	15,412
Total cost of revenue	<u>37,622</u>	<u>23,533</u>	<u>124,846</u>	<u>73,769</u>
Gross profit	74,945	48,562	247,836	153,569
Operating costs and expenses:				
Selling, general and administrative	31,050	20,784	110,703	67,443
Research and development	8,448	4,268	29,778	17,354
Total operating costs and expenses	<u>39,498</u>	<u>25,052</u>	<u>140,481</u>	<u>84,797</u>
Income from operations	35,447	23,510	107,355	68,772
Interest and other income, net	4,181	1,928	12,783	5,035
Income before income taxes	39,628	25,438	120,138	73,807
Income tax expense (benefit)	15,987	(24,087) *	48,094	(20,327) *
Net income	<u>\$ 23,641</u>	<u>\$ 49,525</u>	<u>\$ 72,044</u>	<u>\$ 94,134</u>
Net income per common share:				
Basic	\$ 0.64	\$ 1.38	\$ 1.96	\$ 2.68
Diluted	<u>\$ 0.62</u>	<u>\$ 1.31</u>	<u>\$ 1.89</u>	<u>\$ 2.51</u>
Shares used in computing basic and diluted net income per common share:				
Basic	37,009	35,819	36,737	35,070
Diluted	<u>38,241</u>	<u>37,675</u>	<u>38,093</u>	<u>37,488</u>

* Includes a one-time deferred tax benefit of \$22.2 million related to the reversal of the tax asset valuation allowances.

INTUITIVE SURGICAL, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED STATEMENTS OF
OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three months ended December 31, 2006			Three months ended December 31, 2005
	GAAP	123R Impact	Pro Forma	As Reported
Revenue:				
Products	\$ 96,287	\$ —	\$ 96,287	\$ 61,919
Services	16,280	—	16,280	10,176
Total revenue	<u>112,567</u>	<u>—</u>	<u>112,567</u>	<u>72,095</u>
Cost of revenue:				
Products	29,161	(629)	28,532	18,785
Services	8,461	(399)	8,062	4,748
Total cost of revenue	<u>37,622</u>	<u>(1,028)</u>	<u>36,594</u>	<u>23,533</u>
Gross profit	74,945	1,028	75,973	48,562
% total revenue	66.6%	0.9%	67.5%	67.4%
Operating costs and expenses:				
Selling, general, and administrative	31,050	(4,315)	26,735	20,784
Research and development	8,448	(1,441)	7,007	4,268
Total operating costs and expenses	<u>39,498</u>	<u>(5,756)</u>	<u>33,742</u>	<u>25,052</u>
Income from operations	35,447	6,784	42,231	23,510
% total revenue	31.5%	6.0%	37.5%	32.6%
Interest and other income, net	4,181	—	4,181	1,928
Income before income taxes	39,628	6,784	46,412	25,438
Income tax expense (benefit)	15,987	2,345	18,332	(24,087) *
Net income	<u>\$ 23,641</u>	<u>\$ 4,439</u>	<u>\$ 28,080</u>	<u>\$ 49,525</u>
Net income per common share:				
Basic	<u>\$ 0.64</u>	<u>\$ 0.12</u>	<u>\$ 0.76</u>	<u>\$ 1.38</u>
Diluted	<u>\$ 0.62</u>	<u>\$ 0.11</u>	<u>\$ 0.73</u>	<u>\$ 1.31</u>
Shares used in computing basic and diluted net income per common share:				
Basic	<u>37,009</u>		<u>37,009</u>	<u>35,819</u>
Diluted	<u>38,241</u>		<u>38,241</u>	<u>37,675</u>

* Includes a one-time deferred tax benefit of \$22.2 million related to the reversal of the tax asset valuation allowances.

INTUITIVE SURGICAL, INC.
UNAUDITED RECONCILIATION OF GAAP TO NON-GAAP CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year ended December 31, 2006			Year ended December 31, 2005
	GAAP	123R Impact	Pro Forma	As Reported
Revenue:				
Products	\$317,599	\$ —	\$317,599	\$192,417
Services	55,083	—	55,083	34,921
Total revenue	372,682	—	372,682	227,338
Cost of revenue:				
Products	97,615	(2,417)	95,198	58,357
Services	27,231	(1,452)	25,779	15,412
Total cost of revenue	124,846	(3,869)	120,977	73,769
Gross profit	247,836	3,869	251,705	153,569
% total revenue	66.5%	1.0%	67.5%	67.6%
Operating costs and expenses:				
Selling, general, and administrative	110,703	(16,037)	94,666	67,443
Research and development	29,778	(5,354)	24,424	17,354
Total operating costs and expenses	140,481	(21,391)	119,090	84,797
Income from operations	107,355	25,260	132,615	68,772
% total revenue	28.8%	6.8%	35.6%	30.3%
Interest and other income, net	12,783	—	12,783	5,035
Income before income taxes	120,138	25,260	145,398	73,807
Income tax expense (benefit)	48,094	8,962	57,056	(20,327)*
Net income	\$ 72,044	\$ 16,298	\$ 88,342	\$ 94,134
Net income per common share:				
Basic	\$ 1.96	\$ 0.44	\$ 2.40	\$ 2.68
Diluted	\$ 1.89	\$ 0.43	\$ 2.32	\$ 2.51
Shares used in computing basic and diluted net income per common share:				
Basic	36,737		36,737	35,070
Diluted	38,093		38,093	37,488

* Includes a one-time deferred tax benefit of \$22.2 million related to the reversal of the tax asset valuation allowances.

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

	<u>12/31/06</u>	<u>12/31/05</u>
Cash, cash equivalents, and investments	\$ 330,296	\$ 202,739
Accounts receivable, net	94,680	52,849
Inventory	24,295	15,170
Property and equipment, net	59,939	52,225
Goodwill	118,240	124,638
Deferred tax assets	31,677	40,758
Other assets	12,663	13,208
Total assets	<u>\$ 671,790</u>	<u>\$ 501,587</u>
Accounts payable and other accrued liabilities	\$ 44,700	\$ 33,485
Deferred revenue	37,385	25,511
Total liabilities	82,085	58,996
Stockholders' equity	589,705	442,591
Total liabilities and stockholders' equity	<u>\$ 671,790</u>	<u>\$ 501,587</u>

INTUITIVE SURGICAL, INC.
UNAUDITED CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AND
AMORTIZATION (EBITDA) RECONCILIATION
(IN THOUSANDS)

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Net income	\$23,641	\$ 49,525	\$ 72,044	\$ 94,133
Interest and other income, net	(4,181)	(1,928)	(12,783)	(5,035)
Income tax expense (benefit)	15,987	(24,087)	48,094	(20,327)
Depreciation and amortization	2,831	1,791	9,773	6,727
SFAS 123R stock compensation expense	6,784	—	25,260	—
EBITDA	<u>\$45,062</u>	<u>\$ 25,301</u>	<u>\$142,388</u>	<u>\$ 75,498</u>