

INTUITIVE SURGICAL INC

Form 8-K

January 24, 2014

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): January 23, 2014

INTUITIVE SURGICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction

of incorporation)

1020 Kifer Road

Sunnyvale, California 94086

(Address of principal executive offices) (zip code)

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

000-30713

(Commission

File Number)

77-0416458

(I.R.S. Employer

Identification No.)

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 January 23, 2014, we issued a press release announcing our financial results for the quarter ended December 31, 2013. A copy of the press release is attached hereto as Exhibit 99.1.

Additional supplemental financial and procedure information is provided in the tables attached hereto as Exhibit 99.2, which has also been posted to the Investor Relations section of the Intuitive website at:

<http://phx.corporate-ir.net/phoenix.zhtml?c=122359&p=irol-IRHome>.

The information in this Current Report, including Exhibit 99.1 and 99.2, 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.

In our conference call that is held in connection with the issuance of our press release, we plan to make reference to certain non-GAAP financial measures. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is included in Exhibit 99.2 attached hereto.

About Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with with U.S. generally accepted accounting principles (“GAAP”), we use the following non-GAAP financial measures: 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 means 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”) expense. 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 health of our business. We define non-GAAP net income as net income excluding the amortization of intangible assets and expenses related to SBC, net of the related tax benefits. The tax benefits of amortization of intangible assets and SBC are calculated using the applicable tax rates. We define non-GAAP EPS as non-GAAP net income divided by the weighted average outstanding shares, on a fully-diluted basis. We consider these non-GAAP financial measures to be useful metrics for management and investors because they exclude the effect of the amortization of intangible assets and SBC so that Intuitive Surgical’s management and investors can compare Intuitive Surgical’s recurring operating results over multiple periods. Because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use under FASB ASC Topic 718, Intuitive Surgical’s management believes that providing a non-GAAP financial measure that excludes SBC allows investors to make meaningful comparisons between Intuitive Surgical’s recurring operating results and those of other companies, as well as providing Intuitive Surgical’s management with an important tool for financial and operational decision making and for evaluating Intuitive Surgical’s own recurring operating results over different periods of time. However, in order to provide a complete picture of our recurring operating results, we exclude from non-GAAP net income and non-GAAP EPS the tax effects associated with the amortization of intangible assets and SBC. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on our operating results.

There are a number of limitations related to the use of non-GAAP net income and non-GAAP EPS versus net income and EPS calculated in accordance with GAAP. First, non-GAAP net income and non-GAAP EPS excludes 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 Intuitive Surgical's business. Second, SBC is an important part of our employees' compensation and impacts their performance. Third, 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.

Item 9.01. Financial Statements and Exhibits.

d) Exhibits.

The following exhibits are furnished with this report on Form 8-K:

- 99.1 Press Release issued by Intuitive Surgical, Inc., dated January 23, 2014.
 - 99.2 Supplemental financial and procedure information, as of January 23, 2014.
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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: January 23, 2014

By /s/ Marshall L. Mohr

Name: Marshall L. Mohr

Title: Senior Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
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99.1	Press release issued by Intuitive Surgical, Inc., dated January 23, 2014.
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99.2	Supplemental financial and procedure information, as of January 23, 2014.
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