APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Stryker Q4 2025 Results

Share Price	US$360,20
Date	04 February 2026

RESULTS SUMMARY

Stryker, a leader in orthopaedic and neurological medical devices, reported strong fourth-quarter 2025 results, surpassing analyst expectations on both revenue and earnings. Organic sales grew 11%, with reported revenue up 11.4%, aided by currency tailwinds (+1%) and slightly offset by divestitures (-0.6%). Margins were mixed: gross margin fell 10bps to 65.2%, missing expectations, while operating margin improved 100bps, exceeding forecasts. Adjusted earnings per share rose 11.5% to US$4.47, above estimates of US$4.40.

All business segments performed well. MedSurg and Neurotechnology led growth with 12.6% organic expansion, while Orthopaedics grew 8.4% organically. The US continued to drive performance with reported revenue up 11.7%, while international markets increased 10.6%.

Looking ahead to 2026, Stryker expects revenue growth of 8–9.5% and earnings growth of around 10%, slightly above market expectations. Over the long term, the company is well positioned to benefit from rising demand for innovative, minimally invasive surgical solutions.

OUR LONG-TERM INVESTMENT VIEW

- Stryker is a leader in innovative orthopaedic and neurological medical services and consumables. The company has a diversified portfolio of medical technology devices and services, with no single product or service segment representing more than 20% of total revenue. This helps to reduce the company's risk from any one product or market.
- Stryker has clear areas of strength in knee and hip implants and associated robotic systems. These products and services benefit from the long-term theme of ageing populations in developed markets.
- The medical device market is less cyclical than other healthcare segments, such as pharmaceuticals. This means that Stryker's revenue is less likely to be impacted by economic downturns.
- Stryker is a market leader in its areas of competence, which gives it pricing power and negotiating leverage with hospitals and healthcare systems.
- Stryker is committed to innovation, spending around 6% of revenue annually on research and development. This helps to ensure that the company's products remain competitive and in demand. Overall, Stryker is a well-positioned company with a strong track record of growth. The company's diversified portfolio, focus on innovation, and leadership position in its key markets make it a good long-term investment.

UNPACKING THE Q4 2025 RESULTS

High-level numbers

- **Revenue was up 11.4% to US$7,2bn,** ahead of analyst expectations of US$7.1bn. The group benefited by a 1% tailwind from currency movements with net divestitures having a 0,6% negative impact. The pricing environment was favourable with the group reporting a 0.1% benefit from higher pricing with increased volumes being the main growth driver (+10,9%). Growth was driven by continued strong capital spending by hospitals as well as an improvement in utilization. The group's Mako robot surgical technology continues to
- Within the segment growth in the US was 17,5%, led by growth of instruments of 19,2% as well as the addition of Inari in Vascular. Internationally, revenue increased 13,1% with Endoscopy leading growth at 26,3%.
- **The Orthopaedics segment (36%)** grew revenue by 2,2% with organic sales rising 8,4%. Growth was driven by Knees as well as Trauma & Extremities, both rising 9% year-on-year.
- Growth was again led by US markets, which reported organic growth of 8,5% in revenue vs

be a standout, reflecting the market-leading position the group has in robotic-assisted procedures.

- **Gross margin decreased slightly to 65.2%**, missing expectations of 65,8%. The group experience headwinds from tariffs which were slightly offset by sales mix and continued improvement in their supply chain. Adjusted operating margin, however, improved 100bps to 30,2% with reported operating margin at 25,2%, beating expectations. Operating margin expansion was due to management continued focus on operating efficiencies with Selling, General and Admin costs decreasing 110bps as a percentage of revenue year-on-year.
- **Cash flow generation** was strong for the year at US$5bn vs $4,2bn in the prior year, a 19% increase on stronger earnings and improved working capital.
- **Diluted earnings per share of US$4.39**, rising 11,2% year-on-year and beating estimates of US$4,4.

Segment Results

- **MedSurg and Neurotechnology, the largest operating segment (64%),** which includes Medical Instruments and Endoscopy equipment**,** grew revenue by 17,5%, with organic sales growth of 12,6%. The Instruments sub-segment performed well, growing 17,1% year-on-year. Vascular, while still one of the smaller contributing segments, saw a significant increase in contribution due to the addition of Inari earlier in the year. All 5 sub-segments grew by at least double digits as capital spending by hospitals continues to be strong.

5,8% for the international business. In the US, the knee business grew 8,9%, driven by Stryker's market-leading position in robotic-assisted knee procedures and the strength of its installed Mako base. The Trauma and Extremities subsegment was once again the fastest-growing segment in the US, up 9,1%.

- The segment continues to be supported by the growing prevalence of ambulatory surgery centres (which provide same-day surgical care, diagnostic and preventive procedures). This increase in accessibility and flexibility of surgery procedures is a strong tailwind for the segment.

Looking ahead

Stryker’s growth outlook remains strong, with management guiding for 8% – 9.5% revenue growth and continued margin expansion, supporting expected EPS growth of around 10%.

With sustained demand for minimally invasive surgeries, favourable demographics, and robust hospital capital spending, management appears well positioned to achieve their 2026 earnings targets, potentially marking the company’s fifth consecutive year of double-digit growth.

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