



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Stryker Q2 2026 Results

Share Price	US\$325.07
Date	03 August 2026

RESULTS SUMMARY

Stryker, a global leader in orthopaedic and neurological medical devices, reported mixed second-quarter 2026 results. Revenue was in line with expectations, while adjusted EPS of US\$3.69 increased 17.9% and exceeded expectations by 5.8%. Organic sales grew 9%, with reported revenue up 9.4%. Profitability also improved, with adjusted gross margin expanding by 40bps and adjusted operating margin by 170bps, benefiting from tariff refunds and comfortably exceeding estimates.

Beneath the headline numbers, performance across the business was mixed. MedSurg and Neurotechnology revenue missed expectations as Instruments recorded slower-than-expected growth and Vascular was affected by an unexpected manufacturing disruption. Orthopaedics offset some of this weakness, with strong performances from Trauma and Extremities and Ortho Tech, although Hips and Knees remained softer than anticipated. Despite management's positive comments on procedure volumes, investors were left seeking greater confidence in the outlook for these key franchises.

Management updated its full-year 2026 guidance, narrowing expected organic revenue growth to 8.3% - 9.3% from the previous 8.0% - 9.5%, while increasing adjusted EPS guidance to US\$14.95 - US\$15.10. The market's disappointment centred on the lowering of the upper-end of the revenue guidance, as investors had anticipated a stronger recovery following the first-quarter disruption.

The cyberattack earlier in the year has made Stryker's earnings profile unusually volatile, complicating short-term forecasting. However, we believe the underlying fundamentals remain intact. With its diversified portfolio, strong market positions and history of innovation, we continue to expect Stryker to deliver consistent long-term earnings growth and view it as a high-quality holding in portfolios.

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 Q2 2026 RESULTS

High-level numbers

- **Revenue was up 9.4% to US\$6.6bn** with organic growth of 9%. The pricing environment was mostly flat with increased volumes being the main growth driver. Growth was driven by continued strong capital spending by hospitals as well as an improvement in utilization. The
- **The Orthopaedics segment (45%)** grew revenue by 9.4% with organic sales rising 8.7%. With pricing flat, growth came from increased volumes. Trauma and Extremities was the standout out subsegment with growth of 11.9% as the expansion of Mako into Shoulder

group's Mako robot surgical technology continues to perform with Q2 seeing record installations.

- **Adjusted gross margin** increased 40bps to 66% on improvements in productivity, sales mix and a benefit from tariff refunds. Adjusted operating margin improved 170bps to 27.4%. Operating margin expansion was due to improved gross margin and managements continued focus on operating efficiencies with Selling, General and Admin costs decreasing 90bps as a percentage of revenue year-on-year.
- **Adjusted earnings per share of US\$3.69**, rising 17.9% year-on-year
- **Operating cash flow generation** was strong for the first six months of the year at US\$1.8bn vs \$1.4bn in the prior year, a 35% increase primarily due to stronger earnings.
- **Balance sheet** remains strong with net debt to EBITDA approx. 1.67x.

Segment Results

- **MedSurg and Neurotechnology, (55% of revenue)**, grew revenue by 9.7%, with organic sales growth of 9.2%. Growth came primarily from volumes with a slight increase in price. The Medical and Endoscopy sub-segments performed well, growing 13.4% and 11.7% year-on-year, respectively. Instruments growth was slightly slower at 9.3%. Vascular, while still one of the smaller contributing segments, saw a significant headwind in the quarter due to a disruption at a production plant leading to a decrease in sales of 0.7%. Management indicated they are still seeing solid capital spending by hospitals with the backlog remaining elevated from the cyber-attack disruption in Q1.

continues to see increase adoption by surgeons.

Ortho Tech growth was strong at 10.3%, benefiting from record installations of Mako machines. Knees growth, while still solid, was slightly slower at 8.4%. Hips was the laggard in the segment, growing 4.9% due to some disruption from the doctor's strike in Europe and in the middle east due to the ongoing conflict.

- **Geographically** growth was led by international markets (25% of revenue) at 11%, with the US (75% of revenue) seeing growth of 8.9%. Growth internationally was higher in MedSurg and Neurotechnology at 13.3% with Medical and Endoscopy seeing high teen growth. In the US growth was stronger in Orthopaedics where Trauma and Extremities saw solid growth of 12.5%. The only area to see lower revenue was Vascular in the U.S. due to the manufacturing plant disruption.

Looking ahead

Management narrowed its full-year 2026 guidance, now expecting organic revenue growth of 8.3%–9.3%, compared with previous guidance of 8.0%–9.5%, while reaffirming adjusted EPS guidance of US\$14.95–US\$15.10. The updated outlook reflects growing confidence that the business is recovering from the cyberattack-related disruption experienced in the first quarter.

The manufacturing disruption at Inari has also been resolved, with inventory expected to be rebuilt during the third quarter and normal sales volumes anticipated to resume in the fourth quarter.

The bottom line

The cyberattack has created an unusually volatile earnings profile this year, making short-term forecasting more challenging. However, we believe the underlying business remains fundamentally strong. Stryker's diversified product portfolio, leading market positions and consistent innovation continue to support an attractive long-term growth outlook, and we remain confident in its ability to deliver sustainable earnings growth over the medium to long term.

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