



**Driving healthcare innovation**  
 Stryker Corporation: transforming patient care for over 150 million patients annually.

**stryker**

Innovation leadership is a key hallmark of a high-quality business. When we think about major innovation trends globally, the most prominent headlines usually spotlight the technology sector. Recent excitement about artificial intelligence and its many applications is a prime example. However, less visible yet equally transformative is the pace of innovation in a sector often considered more constant: healthcare.

The pace of healthcare innovations has accelerated dramatically in recent decades, leading to significant advancements in healthcare services and improving quality of life. For instance, the world witnessed the rapid development of the mRNA vaccine platform, which played a crucial role in combating the covid-19 pandemic. Additionally, new GLP-1 agonists are showing potential in addressing the growing global obesity epidemic.

The healthcare subsector of medical devices stands out as a vital contributor to enhanced medical treatments. This is due primarily to the adoption of new and innovative medical technologies by physicians and health systems worldwide. These technologies have been clinically proven to deliver superior patient outcomes, improved surgical techniques, and operating room efficiencies.

A standout leader in the medical devices subsector is Stryker Corporation (NYSE: SYK). With a diverse product portfolio spanning orthopaedics, medical and surgical equipment, and neurotechnology, Stryker's products are available in over 75 countries, affecting more than 150 million patients annually. If you have ever been treated in an operating room in a hospital, chances are you encountered one or more of Stryker's products.

Stryker's journey began in Michigan, USA, in 1941, founded by a prominent orthopaedic surgeon and medical device inventor Dr Homer Stryker – which is fitting given the company has been at the forefront of medical innovation in the orthopaedic surgical category over the past decade. Beyond continuous enhancements in knee and hip implant designs, such as cementless designs that better promote bone growth, Stryker revolutionised the field in 2017 with its Mako Robotic-Arm, assisting surgeons in performing knee and hip replacements with unprecedented precision.

Clinical studies highlight that Mako Robotic procedures result in meaningfully higher patient satisfaction rates, with lower post-operative pain, faster recovery times, more accurate bone resections and implant placement and reduced soft tissue damage. This has accelerated surgeon adoption, with over 60% of knee and 30% of hip implants sold by Stryker in the US now implanted using a Mako Robot.

Despite significant investments by competitors in R&D, they have struggled to dethrone Stryker's leadership. This underscores Stryker's R&D strength, driven by its unique 'bottom-up' capital allocation model and the 'innovation flywheel' effect stemming from long-standing relationships with leading surgeons and teaching hospitals. Stryker holds over 5,000 patents, 400 of which are in its digital robotics platform – a ten-fold increase in the past decade. Plans are underway to extend the Mako Robot to new surgical indications, including upper extremities (shoulder) and spine.

Stryker's innovation is not limited to orthopaedics. The company is advancing surgical planning and navigational software for

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## Mako Robotic procedures result in meaningfully higher patient satisfaction rates...


cranial and spine procedures with its Q Guidance System and improving surgical visualisation and fluorescence imaging for minimally invasive surgeries with its 1788 platform. The growing installed base of Stryker's systems, alongside the lack of superior alternatives from competitors, underscores the impressive nature of its advancements.

Importantly, impactful innovation can lead to pricing power through a combination of patient/physician preferences and patent protection, and higher switching costs due to the invasive nature of surgical products and the growing clinical evidence of improved patient outcomes. This gives us confidence in Stryker's above-peer growth outlook, which is particularly bolstered by its ability to benefit three key stakeholders in health systems worldwide where expenditure continues to reach new heights: patients, surgeons, and hospitals.

By Wilson Nghe, Investment Analyst

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