Stryker Corporation (SYK)

Updated January 29th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$390	**5 Year CAGR Estimate:**	10.6%	**Market Cap:**	$149 B
Fair Value Price:	$353	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	03/27/25[1]
% Fair Value:	110%	**5 Year Valuation Multiple Estimate:**	-2.0%	**Dividend Payment Date:**	04/30/25[2]
Dividend Yield:	0.9%	**5 Year Price Target**	$622	**Years Of Dividend Growth:**	31
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Buy

Overview & Current Events

Stryker is a global leader in the medical device sector. The company's product lines include surgical equipment, neurovascular products and orthopedic implants. The company was founded in 1941 by Dr. Homer Stryker because he felt that products that the medical device industry offered were not meeting the needs of his patients. Today, the company employs more than 46,000 people worldwide. In November of 2021, Stryker reorganized its businesses into two reporting segments: MedSurg and Neurotechnology, and Orthopaedics and Spine.

On December 10th, 2024, Stryker reported that it was raising its quarterly dividend 5% to $0.84 per share, extending the company's dividend growth streak to 31 consecutive years.

On January 6th, 2025, Stryker announced that it had agreed to buy Inari Medical, Inc. (NARI), which manufacturers neurovascular medical devices, for $4.9 billion in cash. The transaction is expected to close by the end of Q1 2025.

On January 28th, 2025, Stryker announced fourth quarter earnings results for the period ending December 31st, 2024. For the quarter, revenue improved 11% to $6.4 billion, which was $80 million better than expected. Adjusted earnings-per-share of $4.01 compared very favorably to $3.46 in the prior year and was $0.14 ahead of estimates. For the year, revenue grew 10.2% to $22.6 billion while adjusted earnings-per-share of $12.19 was up 15% from 2023.

Organic revenue was up 10.2% for both the quarter and full year. For the quarter, volume grew 9.1% and higher prices added 1.1% to results. MedSurg and Neurotechnology had sales of $3.9 billion, which represented 11.2% organic growth, while Orthopaedics and Spine was higher by 8.7% to $2.5 billion. As with prior quarters, results for both businesses were driven primarily by strong gains in volume. Prices were up 1.6% for MedSurg and 0.3% for Orthopaedics and Spine.

Stryker provided guidance for 2025 as well. The company expects organic revenue growth in a range of 8% to 9%. Adjusted earnings-per-share are forecasted to be in a range of $13.45 to $13.70 for the year. At the midpoint, this would represent growth of 11.4% from 2024. We have initiated our estimates accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.78	$4.35	$6.49	$7.28	$8.26	$7.43	$9.09	$9.34	$10.60	$12.19	***$13.58***	***$23.93***
DPS	$1.42	$1.57	$1.70	$1.93	$2.14	$2.36	$2.52	$2.78	$3.00	$3.20	***$3.36***	***$5.92***
Shares[3]	373	375	374	373	380	376	377	382	384	381	***381***	***370***

Stryker has grown earnings-per-share at a rate of 13.9% per year since 2015 and 12.8% over the last five years. We reaffirm our earnings growth rate of 12% as it strikes a balance between the long-term and medium-term growth rates while also taking into account the high base from which EPS starts. The ongoing recovering in elective procedures should also aid results. The company was very resilient during the last recession, only seeing a $0.01 decline in earnings in 2009.

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[1] Estimated ex-dividend date

[2] Estimated dividend payment date

[3] Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.

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The company did see earnings declines in 2013, 2014, and 2020 as well, but growth quickly returned in the ensuing years in each situation.

Stryker has increased its dividend at an average rate of 9.4% per year over the past 10 years, though that growth has slowed somewhat in the medium-term to 7.3%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	25.2	25.4	28.7	22.8	24	26.9	29.4	26.2	28.3	29.5	***28.7***	***26.0***
Avg. Yld.	1.5%	1.4%	1.3%	1.2%	1.0%	1.1%	0.9%	1.1%	1.0%	0.9%	***0.9%***	***1.0%***

Shares of Stryker have increased $34, or 9.6%, since our November 1st, 2024 report. Based off estimates for 2025, shares trade at 28.7 times earnings. We have raised our target P/E to 26 from 24.5 to be more in-line with the long-term average valuation. If shares reverted to our target price-to-earnings ratio by 2030, then multiple compression would be a 2.0% headwind to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

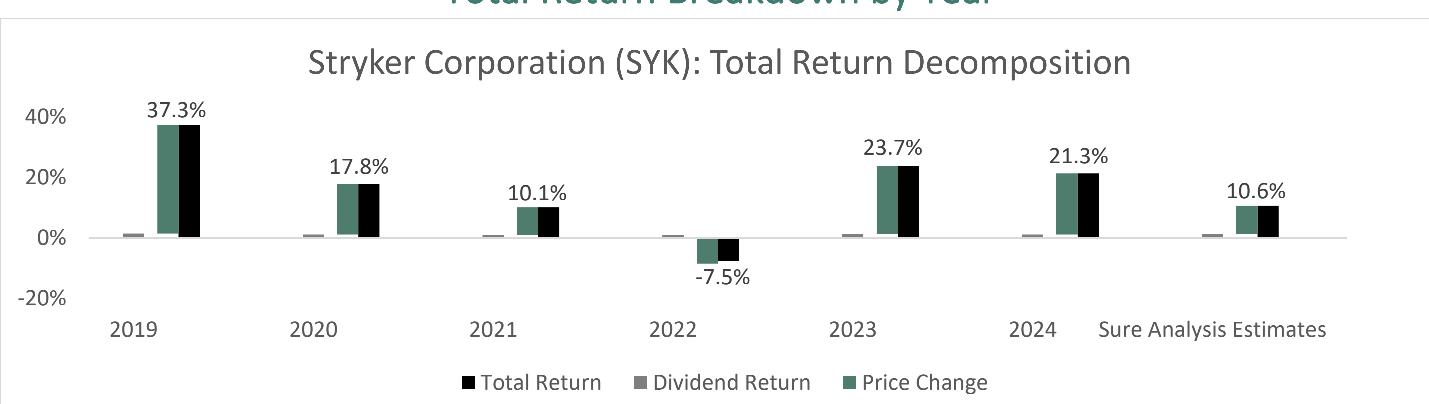
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	36%	35%	27%	25%	32%	28%	30%	28%	26%	***25%***	***25%***

Stryker's strength during the most recent recession should give shareholders the confidence that the company can thrive in a difficult economic climate. As the leader in the medical device sector, Stryker's products are in demand around the world. For example, the company continues to see growth in its Mako robot installations, as well as a higher number of procedures performed. These figures are likely to grow as more surgeons become comfortable with using a robot during surgery. Another competitive advantage Stryker has over its peers is its organic growth. Over the past decade years, Stryker has consistently outperformed in peer group in the medical device sector in terms of organic growth. Investors are willing to pay up for that type of growth, which is why the company's price-to-earnings ratio has been higher than normal in recent years.

Final Thoughts & Recommendation

Following fourth quarter results, Stryker Corporation is now projected to return 10.6% annually over the next five years, up from our prior estimate of 8.8%. Our projected return stems from a 12% earnings growth rate and a starting yield of 0.9% that are offset by a low single-digit headwind from multiple contraction. Organic growth continues to be strong for the company, with both segments seeing higher product volumes. Shares still trade above our revised valuation target, but Stryker is one of the leading names in its industry. We have raised our 2030 price target $102 to $622 to reflect updated earnings estimates and a higher target P/E. We now rate shares of Stryker as a buy due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9,946	11,325	12,444	13,601	14,884	14,351	17,108	18,449	20,498	22,595
Gross Profit	6,602	7,504	8,180	8,938	9,696	9,057	10,968	11,578	13,058	14,440
Gross Margin	66.4%	66.3%	65.7%	65.7%	65.1%	63.1%	64.1%	62.8%	63.7%	63.9%
SG&A Exp.	3,610	4,137	4,552	5,099	5,356	5,361	6,427	6,455	7,129	7,685
D&A Exp.	397	546	642	723	778	812	990	998	1,028	1,050
Operating Profit	2,157	2,333	2,470	2,560	2,905	2,240	2,687	3,042	3,906	4,666
Operating Margin	21.7%	20.6%	19.8%	18.8%	19.5%	15.6%	15.7%	16.5%	19.1%	20.7%
Net Profit	1,439	1,647	1,020	3,553	2,083	1,599	1,994	2,358	3,165	2,993
Net Margin	14.5%	14.5%	8.2%	26.1%	14.0%	11.1%	11.7%	12.8%	15.4%	13.2%
Free Cash Flow	711	1,425	961	2,038	1,542	2,790	2,738	2,036	3,136	3,487
Income Tax	296	274	1,043	(1,197)	479	355	287	325	508	499

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	16,223	20,435	22,197	27,229	30,167	34,330	34,631	36,884	39,912	42,971
Cash & Equivalents	3,379	3,316	2,542	3,616	4,337	2,943	2,944	1,844	2,971	3,652
Accounts Receivable	1,662	1,967	2,198	2,332	2,893	2,701	3,022	3,565	3,765	3,987
Inventories	1,639	2,030	2,465	2,955	2,980	3,494	3,314	3,995	4,843	4,774
Goodwill & Int. Ass.	5,930	9,864	10,645	12,726	13,296	18,332	17,758	19,765	19,836	20,250
Total Liabilities	7,712	10,885	12,217	15,499	17,360	21,246	19,754	20,268	21,319	22,337
Accounts Payable	410	437	487	646	675	810	1,129	1,413	1,517	
Long-Term Debt	3,998	6,914	7,222	9,859	11,090	13,991	12,479	13,048	12,995	12,188
Shareholder's Equity	8,511	9,550	9,966	11,730	12,807	13,084	14,877	16,616	18,593	20,634
LTD/E Ratio	0.47	0.72	0.72	0.84	0.87	1.07	0.84	0.79	0.70	0.59

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.6%	9.0%	4.8%	14.4%	7.3%	5.0%	5.8%	6.6%	8.2%	7.2%
Return on Equity	16.8%	18.2%	10.4%	32.7%	17.0%	12.4%	14.3%	15.0%	18.0%	15.3%
ROIC	11.5%	11.4%	6.1%	18.3%	9.2%	6.3%	7.3%	8.3%	10.3%	9.3%
Shares Out.	373	375	374	373	380	376	377	382	384	381
Revenue/Share	26.11	29.92	32.74	35.76	39.18	37.74	44.75	48.27	53.42	58.60
FCF/Share	1.87	3.76	2.53	5.36	4.06	7.34	7.16	5.33	8.17	9.04

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.