

Dexcom

Recommendation:

SELL

Investment Thesis

We recommend a **SELL** rating on Dexcom with a target price of \$57 - \$65.

Drivers of Thesis:

- Dexcom's is likely reaching maturity in the US CGM market, and this will be followed by a decline in revenue growth.
- Dexcom competes with Abbott and Medtronic in the CGM industry, which are both higher market cap. Dexcom is at a disadvantage when competing long-term with these companies.
- Pharmaceuticals like diet drugs and Ozempic are becoming more popular as alternative solutions to type-2 diabetes. Since Dexcom products are mainly marketed towards diabetics, a decrease in cases would heavily reduce sales.

Risks of Thesis

- Dexcom may not have yet reached maturity. If revenue growth stays high for several more years, share price would reflect strong earnings growth and increase overtime.
- Dexcom has been gaining a foothold in the international market. If they can expand further than they can experience more explosive revenue growth.
- Dexcom has started to created products for pre-diabetics and lifestyle focused consumers. If this becomes popularized, then they can unlock a new consumer base and continue high revenue growth.

Stock Price: \$76.15

Target Range: \$57 - \$65

Analysts:

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Financial Snapshot

Valuation Models

DCF: \$61.57

Relative Valuation: \$55.81 – \$84.51

Stock Performance Highlights

Current Price: \$76.15

52-Week Range: \$62.34 - \$142

Market Cap: \$29.568B

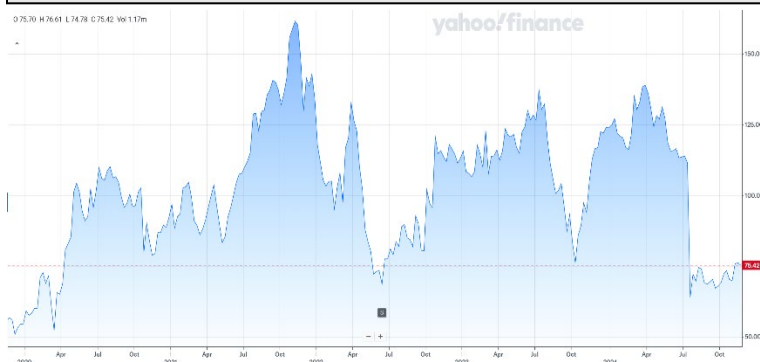
Financial Metrics

2024 Revenue: \$4,011.1M

2025 E Revenue: \$4,399.9M

2024 EPS: \$1.76

Dexcom 5 Year Stock Performance



Company Overview

Dexcom is a medical device company that produces CGM (Continuous Glucose Monitoring) devices. A CGM will give periodic data to the user that can be accessed through a website, app, and various smart devices. Historically, Dexcom has made CGM devices for diabetics who must be supplemented with a separate insulin pump device. In recent years, Dexcom created the Stelo, which is marketed towards pre-diabetics who don't need insulin, but still want to monitor their glucose. Dexcom markets itself as "easier than fingerstick" and its compatibility with smart devices to show easily understood data.

Dexcom Overview

Description

Dexcom is a medical device company that produces CGM (Continuous Glucose Monitoring) devices. The CGM devices they produce give periodic data to the user that can be accessed through a website, app, and various smart devices. Historically, Dexcom has made CGM devices for diabetics who must be supplemented with a separate insulin pump device. But in recent years, Dexcom created the Stelo, which is marketed towards pre-diabetics who don't need an insulin pump but still want to monitor their glucose. Dexcom markets itself as "easier than fingerstick" and for its compatibility with smart devices to show readable data.

Strategy

As the leading company in glucose sensing technology with 25 years of experience, Dexcom aims to continue offering affordable and user-friendly devices that help consumers gain more control over their diabetes. Dexcom works with most commercial insurances and Medicare to decrease the cost of their devices, and for those without insurance, they find ways to make their products more affordable. Dexcom finds a competitive advantage in the ease of their devices, the compatibility with various smart devices, and that their CGMs can be worn by children as young as 2 years old. This is the only CGM market that can monitor children that are young. Sensors work up to 10 days and must be changed out for new ones the consumer must purchase. Dexcom operates mainly in the USA but has expanded to many different countries to try to increase its market share.

Revenue Decomposition

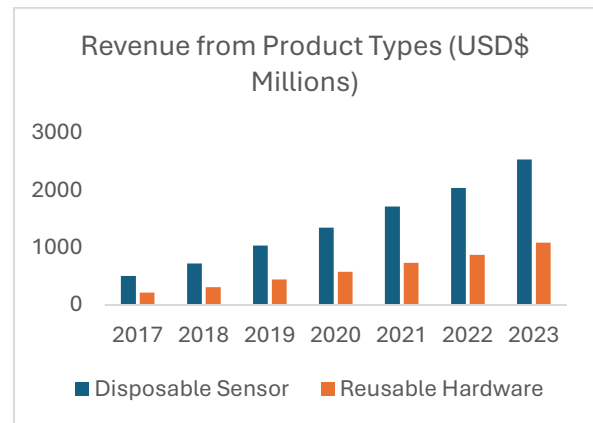
Device Revenue

Dexcom currently sells 3 main CGM devices. The G7, G6, and the Stelo Glucose Biosensor. The G6 is the older version of the G7, but Dexcom still supports it. Dexcom's CGMs contain parts divided into reusable hardware and a disposable sensor. The G7 and G6 sensors last up to 10 days, with a 12-hour grace period. They will send you an alert when it is time to change the sensors, so you don't have to constantly think about it. The Stelo Glucose Biosensor is for non-diagnosed diabetics who don't need insulin but still want to monitor their glucose levels for health purposes. The Stelo sensor can last up to 15 days and has a 12-hour grace period. The price for consumers varies depending

on their insurance plan, but according to Amazon Health, consumers with health insurance will pay around \$30 for three G7 sensors, and consumers without will pay \$377. A receiver can also be bought for around \$45 with insurance and \$335 without. However, consumers can use a smart device instead of purchasing the receiver.

Although Dexcom doesn't publish the cost to make a sensor, its operating margin is 21% of revenue. Pairing this fact with the disparity between revenue and COGS growth, with COGS growing much slower, it can be assumed most of this operating cost comes from Selling, General, and Administration, and the devices themselves are relatively inexpensive.

Since consumers must purchase around 3-4 sensors a month, disposable sensors sell much more often than reusable hardware, which is typically a one-time purchase. The graph below shows the difference between the two revenue types.

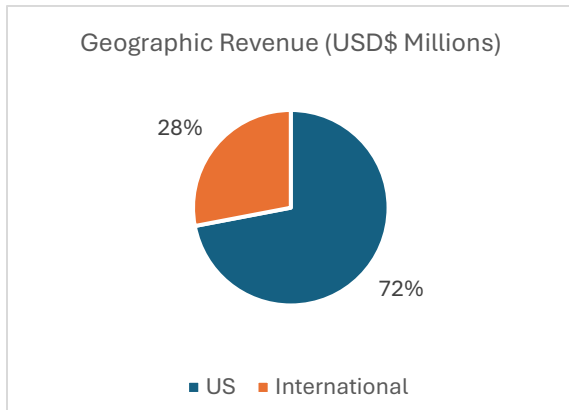


Geography Segmentation

Dexcom divides its two geographical markets into the United States and International. International makes up a wide variety of different countries on multiple continents. Although Dexcom sells in many different countries, no other country besides the US makes up more than 10% of Dexcom's total revenue. In the 2023 6-month end, the US made up 72% of total revenue while International had 28%. Below is a graph showing the distribution for 2023.

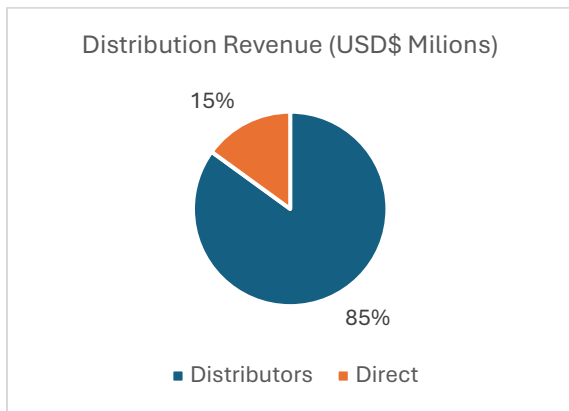
Due to the possibility of many different emerging geographical markets, the international market has much more growth potential than the US market which has stiffer competition and a more mature market. We forecast that Dexcom has reached almost maturity in

the US market, and more growth will occur in the International market. Since Dexcom has just broken into the international market, we predict that they have more opportunities for new consumers in this market, but it may take several years before they gain a strong foothold abroad.



Distribution Channels

Dexcom sells their CGM devices both directly and through distributors. In the 2023 6-month end, 85% of Dexcom’s Revenue was from distributors and only 15% of it was from direct sales. The graph below shows the distribution.



One drawback of having mostly distributors sell a product is that they most likely get a commission out of selling this item, which detracts from Dexcom’s income. If Dexcom can generate a higher percentage of sales as Direct, then they’ll be able to increase their Net Income.

Revenue Forecast

Dexcom’s 2023 revenue was \$3622 million with a 24.49% growth rate compared to the previous year. We forecast that revenue will continue to grow to \$4,399

million and have 9.69% annual growth in 2025, and \$5,177 million and have 8.12% annual growth in 2027. We have created this forecast under the assumption of the price per sensor, annual diabetics diagnosed, and what market share Dexcom holds on the CGM industry.

We predicted that price per sensor pack (3) is around \$45. We multiplied this with the 18 sensor packs a consumer must buy annually to find an annual price of \$810. We must assume the price per pack is \$45, but it can greatly vary due to different levels of insurance coverage. We then multiplied the number of US annual diabetic diagnoses and Dexcom’s market share of the CGM industry to find an approximated yearly revenue. Although reports show Dexcom holds about 40% of the CGM industry, it is unclear whether 40% of all diagnosed diabetics buy a Dexcom CGM, or if they find non-CGM alternatives instead. The price per sensor will also likely not stay constant and will instead increase to match the health care price inflation that has consistently occurred. This estimate also does not consider whether Dexcom will find success in the international market, and only focuses on current US business.

Overall, this revenue forecast could be seen as a conservative estimate of Dexcom’s future revenue. Dexcom will likely be able to find ways to surpass this growth estimate by increasing price, entering new markets, or selling to a larger base of US diabetics, but we believe that Dexcom will be able to grow by at least this much on an annual basis.

Cost Breakdown

Expense Analysis

Although Dexcom doesn’t publish the cost to make a sensor, its operating margin is 21% of revenue. Pairing this fact with the difference between revenue and COGS growth, with COGS growing much slower, it can be assumed most of this operating cost comes from Selling, General, and Administration, and the devices themselves are inexpensive compared to their selling price.

For the past 5 years, Dexcom’s cost of sales has been an average of 30% of the revenue. If the future devices created cost Dexcom similar amounts to produce, then this amount should stay constant or decrease in price if Dexcom sells for a higher price or finds cheaper ways to produce their products.

Dexcom also spends a sizable amount on research and development. To remain competitive against Abbott and Medtronic's diabetes device divisions, Dexcom must continue to spend or increase the investment into research and development. Because of this, we predict that the percentage invested in research and development compared to revenue will remain around 17% for future years.

One scenario where costs increase is due to tariffs. It is believed that a 20% tariff could be implemented for all imports, and two of Dexcom's main manufacturing plants are in Malaysia and Ireland, which would be affected. Dexcom also has a domestic plant in Arizona that wouldn't be affected, but it is unlikely this plant can produce all of Dexcom's products. Dexcom could respond to this by either raising device prices, letting cost % of revenue increase, or creating more domestic factories. All these situations would likely decrease income for a period.

Margin and Profit

On June 30, 2024, Dexcom reported a \$0.43 EPS and is estimated to end around \$4.00-\$4.05 Bn (11-13% growth). We expect both revenue and earnings to increase in the future. We believe that EPS will also increase up to \$3.03 in 2028 and \$4.63 in 2033. This estimate would be affected by missing or surpassing future earnings estimates. Historically, Dexcom has beaten estimates so we believe that they will be able to continue at least meeting expectations.

In 2024, Dexcom faced legal challenges due to accusations that they knew they were being too optimistic with annual revenue, so this may be something to be aware of in future years. An overoptimistic revenue forecast will most likely create an increase in stock price followed by a strong decrease when their earnings miss their forecast's expectation.

Debt maturity and Debt rating

Dexcom does not have an official debt rating, and the only long-term debt they have are senior convertible notes. Dexcom has a .57 cash flow ratio which means it will be difficult to pay their debt when it is due in 2028. One option available is to refinance their debt, but it is unsure whether that option will be available or whether they will be given a reasonable deal. Another option would be to sell more shares to do equity finance, but this would dilute current shares and upset current shareholders.

We expect Dexcom to pay off its debt by selling more shares. Dexcom already has a large amount of debt, and we don't expect them to take on anymore unless necessary. Instead, Dexcom will likely try to increase its share price by 2028 and sell more shares to pay off this debt.

Capital Expenditure Assumptions

Dexcom management has expressed interest in expanding operations into other countries, along with this, there may be more incentive to build more US domestic manufacturing plants due to future tariffs. It is expected that Dexcom's capital expenditure will increase from \$236 Million in 2023. The rate of increase is hard to determine since historical capital expenditures have been very volatile. If Dexcom wants to build any more manufacturing plants, especially domestic ones, to offset tariff costs, this will greatly increase Capital Expenditure costs. Dividends and Stock Repurchases

Dexcom does not give out dividends and has not announced any plans for future earnings. In the 2024 2nd quarter, Dexcom executed a \$750 Million share repurchase and has announced no plans for future repurchases.

Dexcom is still in a growth and development phase where they are trying to expand their share of the world CGM market. We believe Dexcom will continue to reinvest earnings into the company to increase the company's value. It can be assumed that until Dexcom's growth has stagnated, there won't be any dividends issued. If Dexcom chooses to pay off its debt by selling more shares, then owners' shares will be diluted as a result. To change this, future repurchases to increase the value per share may occur afterward.

Industry Analysis

Healthcare Overview

The healthcare sector is a forever evolving industry, that is continuously changing based on societal needs and expectations. It significantly impacts the health and prosperity of individuals, communities, and global economies. Although the needs of individuals are vastly different, healthcare demand will always be present.

Trends

Weight-Loss Drugs and Type 2 Diabetes Medication

GLP-1 (Glucagon-like peptide-1) has increased in popularity in recent years. These will curb your appetite, slow digestion, or affect how your body absorbs and metabolizes food. Along with this, Ozempic (semaglutide) has become a mainstream solution to type-2 diabetes and weight loss. Ozempic improves blood sugar levels in type-2 diabetic adults and can also result in weight loss. Ozempic is to be paired with exercise and a healthy diet for the best results.

The CGM monitor industry will directly suffer if pharmaceuticals like Ozempic show consistent, effective results and similar more potent drugs show up on the market. Although this doesn't address Type 1 diabetes, according to Congress, 95% of US diabetes is type 2. Dexcom would lose almost all of its consumer base if type 2 diabetes disappeared. We believe that Dexcom's total revenue will decline as more people switch to pharmaceuticals, but as of now, these drugs aren't a perfect cure. We believe a perfect cure isn't present in the new future, so Dexcom will be able to maintain most of its consumer base.

R&D Spending

R&D is one of the most important investments in the healthcare industry. Solutions to the wide expanse of healthcare problems are constantly evolving, and the healthcare industry must invest enough capital if it wants to create new innovative products that can solve new problems and gain large amounts of revenue in a very competitive market.

We believe that the company's average R&D spending will continue to increase. This will include Dexcom, who will likely continue to invest in inventing new CGM technology or creating a new product. Very few established companies who have started to make a profit will not sacrifice a positive net income to invest more in R&D. We predict most companies will keep R&D as a fixed percentage of their revenue, and R&D spending will increase accordingly as revenue increases.

Peer Comparison

Medtronic

Medtronic currently trades at \$87.53 per share, it has a 29.47 PE Ratio and \$2.97 EPS. Medtronic is a more general medical device company compared to Dexcom. They focus heavily on cardiovascular devices such as pacemakers and defibrillators, along with surgical

devices. But they also have a diabetes device division that creates both CGMs and insulin delivery devices. For CGM devices, Medtronic produces the Guardian Sensor and the Guardian Connect System which must be used together to connect to your phone to share live updates. It is meant for ages 14-75 and can be worn for up to 7 days. In comparison, Dexcom allows children 2 or older to wear their CGM which can last up to 10 days.

Price comparison between the two companies is difficult because consumers heavily rely on health insurance to cover the costs. Specifically, the Guardian 3 and 4 sensors are only covered by Medicare if also purchased with the insulin pump. This can be a plus if a consumer wants to purchase all parts from the same company, but it is a large drawback if they aren't able to due to their insurance plan having a different preferred pump.

Medtronic holds 25% of the CGM market, which is less than Dexcom's 40%. Medtronic has an advantage when it comes to long-term survivability due to the diversity of its products. Dexcom specifically works in the diabetes market, so changes to the market heavily swing its revenue and stock price, but Medtronic is less heavily affected. If the diabetes industry looks to be declining, then Medtronic would be a better pick since it could still find success in other products. But if the diabetes industry appears to be growing, then investing in Dexcom would benefit from a larger stock price increase than Medtronic.

Abbott Laboratories

Abbott Laboratories is trading at \$117.74 with a P/E of 35.70 and an EPS of \$0.94. Abbott also focuses on a wider range of markets than Dexcom. They offer products for nutrition supplements, diagnostics for diseases and viruses, cardiovascular, pain and movement, and diabetes care. The CGM monitor they sell is called the FreeStyle Libre. It links up with the LibreLinkUp smartphone app and the LibreView database to give both the individual and healthcare providers monitoring capability. The Libre can be worn by children 4 and up with a 14-day wear time. Although Dexcom's CGM allows younger children to wear their products, Abbott's CGM can be worn for 4 days longer in comparison.

The Libre device is also covered by most commercial insurance and Medicare. It is still difficult to determine

the price differences between Dexcom's G7 and Abbott's Freestyle, but Abbott emphasizes the large number of people who don't have to pay anything for their products. They also focus on the convenience of their products and how unintrusive it is to daily life. This would appeal to people who have more difficulties affording a CGM monitor or want it to be less hassle.

Abbott holds around 35% of the market share for diabetes devices. This is more than Medtronic's 25%, but less than Dexcom's 40%. Although Abbott is a larger company than Dexcom with a more diverse range of product focuses, it is still smaller than Medtronic. Since it has a relatively similar amount of assets and liabilities to Dexcom, it can be assumed that much less of Abbott's resources are invested into diabetes devices than Dexcom. If an investor wants to dilute their investment into diabetes devices, Abbott would be a stronger pick since its other products would help balance out dips in the diabetes market. However, if an investor believes that the diabetes industry will grow rapidly or find quick success, it would be advised to invest in Dexcom since their stock price will reflect the trends of the industry stronger. Dexcom is also more likely to create innovative products since a higher portion of R&D is being invested in diabetes devices.

Sensesonics Holdings Inc

Sensesonics is trading at \$0.30 per share and has \$0.13 EPS. Compared to Dexcom, it is an extremely small company and because of this, it is very difficult to compare any of the financials. Along with this, it is extremely risky. The reason we mention Sensesonics in our peer comparison is due to the new CGM device that has been released onto the market. The Eversense 365 is a CGM that doesn't need to be replaced for 365 days, or one year. This is much longer than the 10–14-day average that the big three competitors' CGMs are capable of. While Eversense 365 isn't likely to take up a large share of the market, it does show competitors what a CGM device can do and raises expectations of consumers. Eversense 365 has been FDA-approved and is available for US purchase for people 18 or older. One large disadvantage it faces is that it misses out on the large underage market that all three big companies focus heavily on.

Sensesonics has a lot more potential to grow compared to Dexcom but also has extreme amounts of risk associated with the company. Both companies focus heavily on CGMs, so their stock price and financial

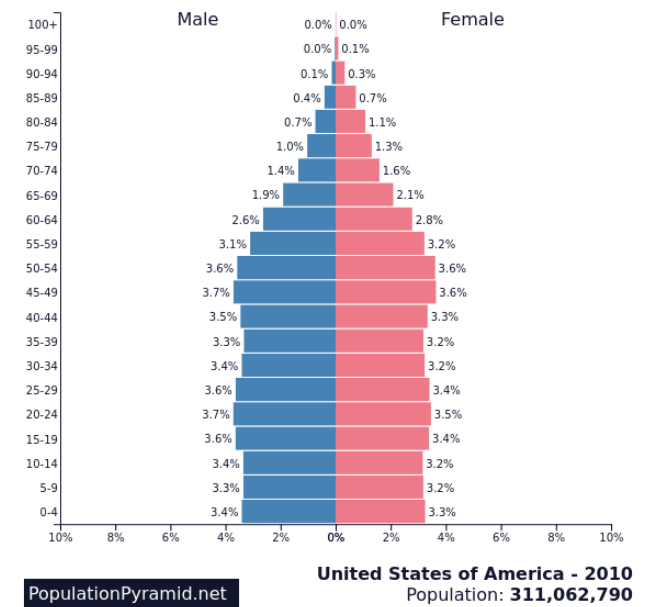
success are heavily related to the success of the market. Since Eversense can only be used by adults, it will most likely target type 2 diabetics who find out later in life compared to type 1 diabetics who are diagnosed in the first few years. This makes it more difficult for Sensesonics to break into the type 1 market since the consumers will already have used other CGMs for more than a decade.

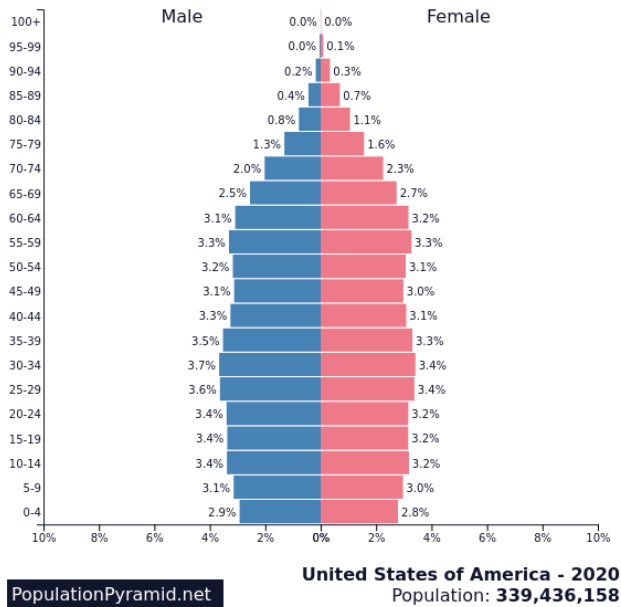
Economic Analysis

Trends

Demographics

Demographics are a major economic driver because of the population's rising age, which can be attributed to proper healthcare. Proper healthcare is proven to increase a person's life, which then eventually increases healthcare spending.





Between 2010 and 2020, the United States median age increased from 37.2 to 38.8 and the number of people over the age of 65 increased from 13% to 16.8%. The above graphs show an increase in population starting at age 55 and up from 2010 to 2020. These increases occurred because of medical advancements such as new prescription drugs and vaccines, better awareness regarding nutrition and fitness, and safer medical procedures. With age increases comes more health issues though, such as diabetes and cancer. We estimate that the median age will increase to 39.54 by the end of 2025 and 36.8% of the population will be over the age of 50.

This increase in human lifespan increases the healthcare revenue. Although quality of life and lifespan have increased, so has the cost. The longer someone is alive, and the more resources that must be contributed to their well-being the higher the cost. Dexcom will also benefit from this increase in lifespan as many people develop type-2 diabetes later in life. We predict that as lifespan increases, so will Dexcom's revenue.

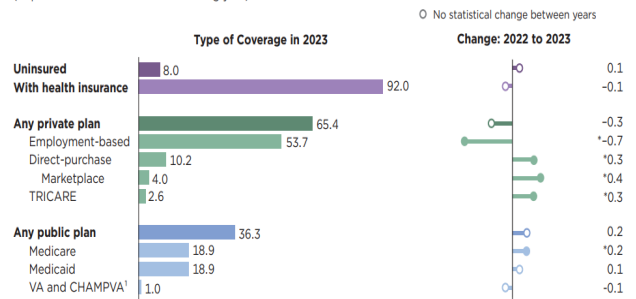
Unemployment Rate

Growing by more than 1% annually due to health and age, healthcare is considered one of the largest and fastest growing sectors. With this growth comes the need to hire and retain more workers but when those needs aren't met, it can diminish the level of service provided. Even though the unemployment rate is projected to increase from 4% to 4.2% in the next year,

we believe the healthcare sector is also going to continue increasing by a minimum of 1% meaning that the people and communities' needs may go unmet.

Most Americans obtain their health insurance through their employer (see below graph) which is another reason why the unemployment rate is important to the healthcare sector. When unemployment rates increase, most of the population lose their insurance which results in less money spent in the healthcare sector. This is due to not being able to afford to fill in prescriptions and visit the doctor. We believe that as unemployment rates rise, Dexcom's revenue will decrease. But this decrease will not be perfectly elastic since Dexcom's CGM is a necessity for many diabetics.

Figure 1. Percentage of People by Type of Health Insurance Coverage and Change From 2022 to 2023 (Population as of March of the following year)

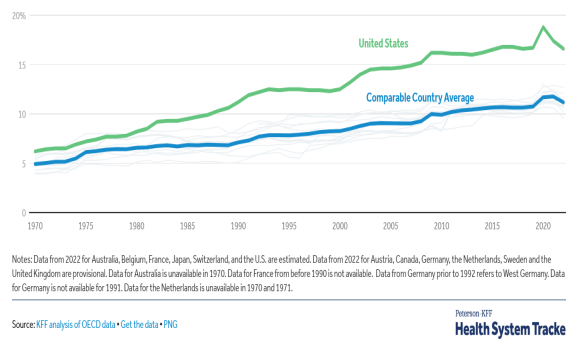


Source: U.S. Census Bureau

GDP Growth

The United States spent \$12,555 (PPP adjusted) per person on healthcare in 2022 which was \$4,000 more than any other higher income country. Countries relative to the United States spent about half of what the United States spent at an average of \$6,651 per person. Though the United States GDP growth rate is still relatively higher than the comparable country average (see below graph), their growth rate has decreased since 2020 while the comparable country average continues to increase.

Health expenditures as percent of GDP, 1970-2022



GDP growth percentages have recently hovered around 2-3.5% annually, and we forecast annual GDP growth to be 2.5% on an annual basis. If a large dip in GDP growth occurs due to a US or world crisis, we forecast growth to drop to as low as -8%, but recovery efforts will likely ensure a high spike of up to 13%. An increase in GDP will indicate a stronger economy which will help Dexcom, as will most companies. One area that could potentially grow larger than average would be Dexcom's pre-diabetic Stelo product. If GDP decreases and the economy starts to slow down, Dexcom will not be too affected since their G7 CGM monitors are an essential product for diabetics and

Inflation

US healthcare inflation has historically been greater than US total inflation, and in 2024 it was close to 40% higher. The difference between healthcare inflation and total inflation has continually grown, and we forecast that the difference will continue to increase until a critical point is reached. This point will most likely be indicated by government action being taken to limit the prices of specific or general healthcare products and will likely take some time before the bill is passed.

Dexcom has benefited from the increase in prices since their product is necessary for diabetics. However, their prices must be still low enough that consumers don't switch to a competitor's brand. Dexcom would likely suffer in total revenue if the government curbs the price inflation of healthcare products, but since Dexcom likely has a large operating margin, the company will likely survive and remain a large player in the CGM industry.

Government healthcare spending and support

Government healthcare spending has increased as a percentage of GDP over time. According to the Congressional Budget Office, increases in federal

healthcare programs can be driven by rising enrollment and increases in health care spending for individuals who enroll.

We forecast that government healthcare spending will continue to increase as a portion of US GDP. Health care has historically been sold at a high price and there isn't any indication that this will change. This means prices will continue to rise and people will pay more either through insurance or out of pocket. Dexcom would benefit from the continuous rise in prices since their products are mostly price inelastic. People need glucose monitors, so as long as Dexcom's pricing remains competitive compared to other CGMs, they will still have a large share of the market. One area where there would be a decrease is from the Stelo glucose monitor. Since this is more in line with a fitness tracker, its sales will decrease if the price increases since it isn't a necessity.

Valuation Analysis

Valuation Approach

While creating our valuation models, we used historical data from 2014 through 2023 to obtain as much information as we could to make our future predictions. To find Dexcom's historical data, we sifted through their 10-K balance sheets, income statements, cash flow statements, and footnotes. This information allowed us to create a discounted cash flow model, economic profit model, dividend discount model, and relative valuation model

Valuation Models

Discounted Cash Flow (DCF) and Economic Profit (EP) Models

Estimated Share Price: \$61.57

Our first step in creating our DCF model was to estimate Dexcom's free cash flow by first projecting NOPLAT and Invested Capital for the next ten years (2024-2033). We then found the difference between NOPLAT and Invested Capital to find free cash flow. For our Economic Profit model, we estimated Economic Profit forecasts by taking our beginning Invested Capital (2023-2032) and multiplying each year by our projected return on invested capital (ROIC) minus Dexcom's weighted average cost of capital (WACC). Next, we discounted both our free cash flows and our economic profit back to the present value using our WACC. Finally,

once we subtracted by our non-operating assets and liabilities, we arrived at our equity value. We divided this value by Dexcom's shares outstanding to obtain our estimated share price. We believe this to be the best value model for Dexcom because it considers the time value of money.

Dividend Discount Model (DDM)

Implied Price: \$27.05

Historically, Dexcom has not provided dividends and therefore we do not predict that they will start within the next ten years. Because of this, we do not believe this to be an accurate model for them. We recommend focusing more on the discount cash flow and economic profit model.

Relative Valuation Model

Share Price Range: \$55.81 – \$84.51

This share price is a range of relative P/E to the PEG for 2024. For our relative valuation model, we chose Medtronic, Abbott Laboratories, Edwards Lifesciences Corporation, and Boston Scientific Corporation. We chose these companies because they are/were in the diabetes management device field and their size is comparable to Dexcom's. We do not, however, believe this to be an accurate valuation model because, although the peer companies we have chosen are comparable in size and device management, they each differ quite largely to be considered a true comparison.

Although Edward Lifesciences Corporation and Boston Scientific Corporation used to produce CGM devices, they no longer do, which means that relative value comparison to Dexcom who only produces CGM devices. In the same sense, since Medtronic and Abbott Laboratories have a more diverse product breadth, it is difficult to compare to Dexcom because they produce more than CGM devices.

We also did not include Sensesonics (as mentioned above) as a competitor in the Relative Valuation Model because they are quite smaller than Dexcom and the other companies. They would be considered an outlier which can skew this model's data even further.

Sensitivity Analysis

Cost of Sales vs SG&A

		Cost of Sales							
		61.57	\$ 674	\$ 774	\$ 874	\$ 974	\$1,074	\$1,174	\$1,274
SG&A	\$1,038	64.21	63.77	63.33	62.89	62.45	62.01	61.57	
	\$1,138	63.77	63.33	62.89	62.45	62.01	61.57	61.13	
	\$1,238	63.33	62.89	62.45	62.01	61.57	61.13	60.69	
	\$1,338	62.89	62.45	62.01	61.57	61.13	60.69	60.25	
	\$1,438	62.45	62.01	61.57	61.13	60.69	60.25	59.81	
	\$1,538	62.01	61.57	61.13	60.69	60.25	59.81	59.37	
	\$1,638	61.57	61.13	60.69	60.25	59.81	59.37	58.93	

In the above table, we tested the effects of increasing or decreasing the Cost of Sales and the Selling, General, and Administration Expense in relation to Dexcom's discounted cash flow share price. After creating this table, we noticed that the Cost of Sales and the SG&A expenses change at the same rate as they increase and as they decrease. A similar rate change could be because these two items are not tied together like the other tables.

Beta vs Risk-Free Rate

		Beta						
		0.84	0.87	0.90	0.93	0.96	0.99	1.02
Risk-Free Rate	3.93%	64.48	63.69	62.94	62.20	61.50	60.82	60.16
	3.98%	64.23	63.45	62.70	61.98	61.28	60.61	59.96
	4.03%	63.98	63.21	62.47	61.76	61.07	60.40	59.76
	4.08%	63.73	62.97	62.24	61.53	60.85	60.19	59.56
	4.13%	63.49	62.74	62.01	61.32	60.64	59.99	59.36
	4.18%	63.25	62.51	61.79	61.10	60.43	59.79	59.16
	4.23%	63.01	62.28	61.57	60.89	60.23	59.59	58.97

In the above table, we tested the effects of increasing or decreasing the Beta and the risk-free rate in relation to Dexcom's discounted cash flow share price. We found that manipulating the Beta creates a greater change in price than manipulating the risk-free rate. Factors that can cause this change could be changes in inflation and financial leverage.

CV Growth of NOPLAT vs WACC

		CV Growth of NOPLAT						
		0.15%	0.20%	0.25%	0.30%	0.35%	0.40%	0.45%
WACC	7.38%	65.00	65.17	65.35	65.53	65.71	65.89	66.08
	7.58%	63.64	63.80	63.96	64.13	64.29	64.46	64.64
	7.78%	62.35	62.50	62.65	62.81	62.96	63.12	63.28
	7.98%	61.13	61.27	61.41	61.56	61.70	61.85	61.99
	8.18%	59.98	60.11	60.24	60.37	60.51	60.64	60.78
	8.38%	58.88	59.00	59.12	59.25	59.37	59.50	59.63
	8.58%	57.84	57.95	58.06	58.18	58.30	58.41	58.53

In the above table, we tested the effects of increasing or decreasing the CV Growth of NOPLAT and the WACC in relation to Dexcom's discounted cash flow share price. We found that manipulating the CV growth rate creates a greater change in price than manipulating the WACC. Factors that can cause this change are higher operating margins and change in capital structure.

Forecasted Marginal Tax Rate vs Pre-Tax Cost of Debt

		Forecasted Marginal Tax Rate							
		61.57	21.32%	22.32%	23.32%	24.32%	25.32%	26.32%	27.32%
Pre-Tax Cost of Debt	4.99%	61.95	62.01	62.07	62.13	62.19	62.25	62.32	
	5.09%	61.76	61.82	61.88	61.94	62.01	62.07	62.13	
	5.19%	61.57	61.63	61.69	61.75	61.82	61.88	61.94	
	5.29%	61.38	61.44	61.50	61.57	61.63	61.70	61.76	
	5.39%	61.19	61.25	61.32	61.38	61.45	61.51	61.58	
	5.49%	61.00	61.06	61.13	61.19	61.26	61.33	61.39	
	5.59%	60.81	60.87	60.94	61.01	61.07	61.14	61.21	

In the above table, we tested the effects of increasing or decreasing the Forecasted Marginal Tax Rate and the Pre-Tax Cost of Debt in relation to Dexcom's discounted cash flow share price. When we manipulated the forecasted marginal tax rate and the pre-tax cost of debt, we initially realized that they both change at a similar rate but upon further inspection, we notice that the pre-tax cost of debt changes slightly more than the forecasted marginal tax rate. Factors that could cause these differences include changes in tax laws or credits and depreciation.

Normal Cash Estimate (% of Sales) vs ERP

		Normal Cash Estimate (% Sales)							
		66.80	2.08%	2.18%	2.28%	2.38%	2.48%	2.58%	2.68%
ERP	4.51%	70.43	70.41	70.38	70.35	70.32	70.29	70.26	
	4.76%	69.19	69.16	69.13	69.10	69.07	69.05	69.02	
	5.01%	68.01	67.98	67.95	67.92	67.89	67.87	67.84	
	5.26%	66.89	66.86	66.83	66.80	66.77	66.75	66.72	
	5.51%	65.82	65.79	65.77	65.74	65.71	65.68	65.65	
	5.76%	64.81	64.78	64.75	64.73	64.70	64.67	64.64	
	6.01%	63.85	63.82	63.79	63.76	63.73	63.71	63.68	

In the above table, we tested the effects of increasing or decreasing the Normal Cash Estimate (% of Sales) and the Equity Risk Premium in relation to Dexcom's discounted cash flow share price. We found that manipulating the ERP creates a greater change in price than manipulating the Normal Cash Estimate (% of Sales). Changes in ERP can be associated with market volatility.

Short Term Investment ROI% vs R&D

		ST Investment ROI%							
		61.57	1.20%	2.20%	3.20%	4.20%	5.20%	6.20%	7.20%
R&D	\$ 479	55.94	57.79	59.75	61.83	64.04	66.38	68.87	
	\$ 499	55.86	57.71	59.66	61.74	63.95	66.28	68.77	
	\$ 519	55.78	57.63	59.58	61.65	63.85	66.19	68.67	
	\$ 539	55.71	57.54	59.49	61.57	63.76	66.10	68.57	
	\$ 559	55.63	57.46	59.41	61.48	63.67	66.00	68.47	
	\$ 579	55.55	57.38	59.32	61.39	63.58	65.91	68.37	
	\$ 599	55.47	57.30	59.24	61.30	63.49	65.81	68.28	

In the above table, we tested the effects of increasing or decreasing the Short-Term Investment ROI% and the Research and Development in relation to Dexcom's discounted cash flow share price. We found that manipulating the ST Investment ROI% creates a greater change in price than manipulating the R&D. Changes in ST Investment ROI% can be associated with interest rates and inflation.

Disclaimer:

This report was created by students enrolled in the Applied Equity Valuation (FIN:4250) class at the University of Iowa. The report was originally created to offer an internal investment recommendation for the University of Iowa Krause Fund and its advisory board. The report also provides potential employers and other interested parties an example of the students' skills, knowledge, and abilities. Members of the Krause Fund are not registered investment advisors, brokers or officially licensed financial professionals. The investment advice contained in this report does not represent an offer or solicitation to buy or sell any of the securities mentioned. Unless otherwise noted, facts and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Krause Fund may hold a financial interest in the companies mentioned in this report.

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Revenue Decomposition

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	
Revenue by Product type																					
Sensor packs purchased annually	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Approximate price per sensor	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00	\$ 45.00
Annual price	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00	\$ 810.00
Annual diabetic diagnoses	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000	1200000
Diabetes Revenue Growth (Millions)	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00	\$ 972.00
Dexcom's market share	15%	18%	15%	32%	46%	46%	54%	47%	73%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Yearly rev growth (Millions)	\$ 142.80	\$ 171.30	\$ 145.20	\$ 313.10	\$ 444.40	\$ 450.70	\$ 521.80	\$ 461.30	\$ 712.50	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80	\$ 388.80
Revenue	259.20	402.00	573.30	718.50	1031.60	1476.00	1926.70	2448.50	2909.80	3622.30	4011.10	4399.90	4788.70	5177.50	5566.30	5955.10	6343.90	6732.70	7121.50	7510.30	
Growth Rate		42.61%	25.33%	43.58%	43.08%	30.54%	27.08%	18.84%	24.49%	10.73%	9.69%	8.84%	8.12%	7.51%	6.98%	6.53%	6.13%	5.77%	5.46%		

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Balance Sheet

Scale: Millions

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Current assets:																				
Cash & cash equivalents	71.8	86.1	94.5	441.5	1137	446.2	817.6	1052.6	642.3	566.3	-13.1	2943.1	1421.5	3474.9	4512.2	5625.2	5511.0	8213.4	8210.9	11255.8
Short-term marketable securities	11.8	29.1	29.2	107.1	248.6	1087.1	1890.1	1678.6	1813.9	2157.8	2248.5	2343.0	2441.5	2544.1	2651.0	2762.4	2878.5	2999.5	3125.6	3257.0
Accounts receivable, net	42.4	74.1	101.7	134.3	226.7	286.3	428.5	514.3	713.3	973.9	944.6	1036.2	1127.8	1219.3	1310.9	1402.4	1494.0	1585.6	1677.1	1768.7
Inventory	16	35.2	45.4	-	70.7	119.8	234.7	357.3	306.7	559.6	511.2	560.7	610.3	659.8	709.4	758.9	808.5	858.0	907.5	957.1
Prepaid & other current assets	3.9	6.8	9.2	16.6	16.5	30	53.9	81.6	192.6	168.3	170.5	187.0	203.6	220.1	236.6	253.1	269.7	286.2	302.7	319.3
Total current assets	145.9	231.3	280	744.7	1699.5	1969.4	3424.8	3684.4	3668.8	4425.9	3861.7	7070.1	5804.6	8118.2	9420.1	10802.1	10961.6	13942.7	14223.9	17557.8
Property & equipment, net	31.2	54.7	109.4	145.6	183.1	321.3	515.3	801.8	1055.6	1113.1	1222.4	1314.8	1393.1	1459.3	1515.3	1562.7	1602.8	1636.8	1665.5	1689.8
Operating lease right-of-use assets	-	-	-	-	-	71.5	93.3	88.1	80.0	71.4	78.4	84.3	89.4	93.6	97.2	100.2	102.8	105.0	106.8	108.4
Goodwill	3.2	3.7	11.3	12.1	18.7	18.6	19.3	26.5	25.7	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2	25.2
Intangibles, net	-	-	-	-	-	-	-	-	173.3	134.5	99.3	66.7	35.8	7.2	0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	-	-	-	-	-	-	216.4	220.8	341.2	419.4	421.8	422.3	422.3	422.3	422.3	422.3	422.3	422.3	422.3	422.3
Other assets	0.6	0.1	1.9	1.7	14.7	14.2	21.4	-	47.1	75	78.2	81.4	84.9	88.4	92.1	96.0	100.1	104.3	108.6	113.2
Total assets	184.6	292	402.8	904.1	1916	2395	4290.5	4863.6	5391.7	6264.5	5786.9	9064.9	7855.2	10214.2	11572.2	13008.6	13214.8	16236.2	16552.3	19916.7
Current liabilities:																				
Accounts payable & accrued liabilities	20.4	38.9	68.1	87.2	147.1	256.4	481.1	573	901.8	1345.5	1152.4	1264.1	1375.8	1487.5	1599.2	1710.9	1822.6	1934.3	2046.1	2157.8
Accrued payroll & related expenses	17.2	24.9	33.4	48.5	72.4	88.5	114.3	125.2	134.3	171	205.1	225.0	244.9	264.8	284.7	304.6	324.4	344.3	364.2	384.1
Current portion of long-term senior convertible notes	-	-	-	-	-	-	-	-	772.6	0	0	1207.5	0	0	1250	0	0	0	0	0
Short-term operating lease liabilities	-	-	-	-	0	13.6	16.5	20.5	20.5	21.1	17.9	19.2	20.4	21.3	22.2	22.9	23.4	23.9	24.4	24.7
Deferred revenue	0.7	0.8	0.9	3.2	2.9	1.7	2.2	2.1	10.1	18.4	20.4	22.3	24.3	26.3	28.3	30.2	32.2	34.2	36.2	38.1
Total current liabilities	40.6	66.9	102.4	138.9	222.4	360.2	614.1	720.8	1839.3	1556	1395.8	2738.2	1665.4	1800.0	3184.3	2068.6	2202.7	2336.8	2470.8	2604.7
Long term senior convertible notes	0	0	0	327.6	1010.3	1059.7	1667.2	1702.7	1197.7	2434.2	1462.65	2615.13	1622.43	2878.96	1780.39	3154.1	1942.76	3427.25	2103.55	3699.83
Long-term operating lease liabilities	0	0	0	0	72.4	101.8	98.6	94.6	80.1	72.3	77.8	82.4	86.3	89.7	92.5	94.8	96.8	98.5	100.0	100.0
Other long-term liabilities	1.5	3.9	16.6	18.2	20	20.1	80.9	90.0	128.3	125.6	116.3	122.7	129.0	135.1	141.5	148.0	154.5	160.9	167.2	173.6
Total liabilities	44.4	70.8	119	484.7	1252.7	1512.4	2464	2612.1	3259.9	4195.9	3047.1	5553.9	3499.3	4900.4	5195.9	5463.2	4394.8	6021.8	4840.1	6578.2
Stockholders' equity:																				
Common equity	638	776.8	905.7	1093.7	1560.6	1675.9	2125.3	2504.5	2258.1	3514.6	3514.6	3514.6	3514.6	3514.6	3514.6	3514.6	3514.6	3514.6	3514.6	3514.6
Preferred stock, \$0.001 par value, 5.0 million shares authorized; no shares issued and outstanding at December 31, 2023 and December 31, 2022	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock, \$0.001 par value, 800.0 million shares authorized; 407.2 million and 385.4 million shares issued and outstanding, respectively, at December 31, 2023; and 393.2 million and 386.3 million shares issued and outstanding, respectively, at December 31, 2022	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Accumulated other comprehensive income (loss)	-0.1	-0.3	-1	-2.6	1.5	2.3	3.2	0.5	-11.6	-16.7	-16.7	-16.7	-16.7	-16.7	-16.7	-16.7	-16.7	-16.7	-16.7	-16.7
Retained earnings (accumulated deficit)	-497.8	-555.4	-621	-671.8	-798.9	-695.7	-202.1	-47.4	479.9	1021.4	1692.7	2463.8	3308.7	4266.6	5329.1	6498.2	7772.8	9167.3	10665.0	12291.3
Treasury stock, at cost	-	-	-	-	100	100	100	206.2	595	2451.1	2451.1	2451.1	2451.1	2451.1	2451.1	2451.1	2451.1	2451.1	2451.1	2451.1
Total stockholders' equity (deficit)	140.2	221.2	283.8	419.4	663.3	882.6	1826.5	2251.5	2131.8	2068.6	2739.9	3511.0	4355.9	5313.8	6376.3	7545.4	8820.0	10214.5	11712.2	13338.5
Total liabilities and stockholders' equity	184.6	292.0	402.8	904.1	1916.0	2395.0	4290.5	4863.6	5391.7	6264.5	5786.9	9064.9	7855.2	10214.2	11572.2	13008.6	13214.8	16236.2	16552.3	19916.7

Additional paid-in capital 638 776.8 905.7 1093.7 1560.6 1675.9 2125.3 2504.5 2258.1 3514.6

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Historical Cash Flow Statement

Scale: Millions

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating activities										
Net income (loss)	-22.4	-57.6	-65.6	-50.2	-127.1	101.1	493.6	154.7	341.2	541.5
Adjustments to reconcile net income to cash provided by operating activities:										
Depreciation & amortization	8.4	10.8	15	16.1	29.1	48.7	67.1	102	155.9	186
Share-based compensation	50	82.7	110.8	106.2	101.9	102.7	119.4	113.4	126.5	150.8
Collaborative research & development fee	-	-	-	-	-	-	-	87.1	-	-
Loss (gain) on extinguishment of debt	-	-	-	-	-	-	5.9	1.5	-	-
Non-cash interest expense	-	-	-	9.4	17.9	49.6	74	88.7	6.3	7.8
Realized loss (gain) on equity investment	-	-	-	-	-44.1	4.2	-	-11.6	-0.2	-1.9
Deferred income taxes (including benefit from valuation allowance release)	-	-	-	-	-	-	-277.3	-4.9	-21.6	-55
Other non-cash income & expenses	-	0.5	1	7.9	4.7	2.1	13.7	43.6	34.7	-83.9
Accounts receivable, net	-16.3	-31.7	-27.2	-31.8	-93.2	-60	-142.3	-75.5	-199.9	-260.1
Inventory	-7	-19.2	-9.8	0.4	-25.5	-49.1	-114.5	-112.2	49.3	-252.6
Prepaid & other assets	-0.4	-2.5	-3.9	-6.7	-3	-7.2	-2.4	-21.3	-131.6	19.3
Operating lease right-of-use assets & liabilities, net	-	-	-	-	-	-2.4	-0.8	-0.1	-5.8	-4.5
Accounts payable & accrued liabilities	8.3	17.8	21.1	21.1	56.2	109	194.5	58	295.1	466.5
Accrued payroll & related expenses	2.2	7.7	8.5	14.8	23.8	16	26.1	10.4	8.5	37.2
Deferred revenue & other liabilities	0.4	2.4	4.9	2.6	-	-	18.6	8.7	11.1	-2.6
Net cash flows from operating activities	23.6	49	56.2	92	123.2	314.5	475.6	442.5	669.5	748.5
Investing activities										
Purchase of marketable securities	-	-	-	-	-452.5	-2030.4	-3058.2	-2473.1	-2266.3	-3200.4
Proceeds from sale & maturity of marketable securities	-	-	-	-	392.1	1196.4	2250.5	2666.3	2127.8	-
Purchase of property & equipment	-16.2	-33.3	-55.7	-66	-67.1	-180	-199	-389.2	-364.8	-236.6
Acquisitions, net of cash acquired	-	-	-	-	-	-	-	-30.2	-3.9	-
Other investing activities	-	-	-	-	-	-	-	-	-14.3	-17.6
Net cash flows from investing activities	-16.8	-51.5	-55.9	-144.4	-139.8	-1015.2	-1018	-216.1	-521.5	-507.2
Financing activities										
Net proceeds from issuance of common stock	24	19.1	10.4	10.1	10.8	11.9	15.3	20.3	22.5	26.6
Purchases of treasury stock	0	0	0	0	-100	0	0	0	-557.7	-688.7
Proceeds from issuance of convertible notes, net of issuance costs	-	-	-	389	836.6	-	1188.8	-	-	1230.6
Other financing activities	-	-	-	-	-1.9	-1.2	-9.4	-9.9	-17.3	1.5
Repayment of equipment loan	-	-	-	-	-	-	-	-	-	-787.3
Purchases of capped call transactions	-	-	-	-	-	-	-	-	-	-101.3
Net cash flows from financing activities	21.8	16.8	8.1	399.1	710.4	10.7	912.1	10.4	-552.5	-318.6
Effect of exchange rate changes on cash, cash equivalents & restricted cash	-	-	-	0.3	1.8	-0.7	2.1	-1.4	-5.8	1.5
Increase (decrease) in cash, cash equivalents & restricted cash	28.6	14.3	8.4	347	695.6	-690.7	371.8	235.4	-410.3	-75.8
Cash, cash equivalents & restricted cash, beginning of period	43.2	71.8	86.1	94.5	441.5	1137.1	446.4	818.2	1053.6	643.3
Cash, cash equivalents & restricted cash, end of period	71.8	86.1	94.5	441.5	1137.1	446.4	818.2	1053.6	643.3	567.5

Dexcom*Forecasted Cash Flow Statement*

Scale: Millions

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating Cash Flows:										
Net Income	671.26	771.12	844.90	957.94	1062.48	1169.07	1274.66	1394.46	1497.73	1626.28
Depreciation	171.22	188.03	202.25	214.29	224.47	233.09	240.38	246.55	251.77	256.19
Amortization	35.20	32.60	30.90	28.60	7.20	0.00	0.00	0.00	0.00	0.00
Deferred Tax Assets	-2.43	-0.46	-0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Changes in WC Accounts:	-	-	-	-	-	-	-	-	-	-
Accrued payroll and related expenses	34.13	19.88	19.88	19.88	19.88	19.88	19.88	19.88	19.88	19.88
Accounts Receivables	29.28	-91.56	-91.56	-91.56	-91.56	-91.56	-91.56	-91.56	-91.56	-91.56
Inventory	48.43	-49.55	-49.55	-49.55	-49.55	-49.55	-49.55	-49.55	-49.55	-49.55
Pre-paid & other current assets	-2.21	-16.53	-16.53	-16.53	-16.53	-16.53	-16.53	-16.53	-16.53	-16.53
Accounts Payable & accrued liabilities	-193.09	111.70	111.70	111.70	111.70	111.70	111.70	111.70	111.70	111.70
Other Long Term Liabilities	-9.31	6.45	6.25	6.13	6.43	6.48	6.43	6.39	6.39	6.40
Deferred Revenue	1.97	1.97	1.97	1.97	1.97	1.97	1.97	1.97	1.97	1.97
Net Cash from Operating Activities	784.47	973.66	1060.22	1182.88	1276.51	1384.57	1497.39	1623.33	1731.82	1864.80
Investing Cash Flows:										
Short-Term Marketable Securities	-90.69	-94.50	-98.48	-102.62	-106.93	-111.42	-116.11	-120.99	-126.07	-131.37
Property and Equipment, gross	-280.49	-280.49	-280.49	-280.49	-280.49	-280.49	-280.49	-280.49	-280.49	-280.49
Operating lease right-of-use assets	-7.01	-5.93	-5.02	-4.25	-3.59	-3.04	-2.57	-2.18	-1.84	-1.56
Intangibles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Assets	-3.15	-3.28	-3.42	-3.57	-3.72	-3.87	-4.04	-4.21	-4.38	-4.57
Net Cash from Investing Activities	-381.35	-384.21	-387.41	-390.92	-394.73	-398.83	-403.21	-407.86	-412.79	-417.99
Financing Cash Flows:										
Long term senior convertible notes	-971.55	1152.48	-992.70	1256.52	-1098.56	1373.71	-1211.34	1484.49	-1323.70	1596.29
Common Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term operating lease liabilities	-3.22	1.35	1.14	0.97	0.82	0.69	0.59	0.50	0.42	0.36
Long term operating lease liabilities	-7.78	5.47	4.63	3.92	3.31	2.80	2.37	2.01	1.70	1.44
Current portion of long-term senior convertible notes	0.00	1207.50	-1207.50	0.00	1250.00	-1250.00	0.00	0.00	0.00	0.00
Dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Treasury Stock, at cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Cash from Financing Activities	-982.54	2366.80	-2194.43	1261.41	155.57	127.20	-1208.38	1487.00	-1321.58	1598.08
Cash and Cash Equivalents, Beg of Period	566.3	-13.1	2943.1	1421.5	3474.9	4512.2	5625.2	5511.0	8213.4	8210.9
Cash and Cash Equivalents, End of Period	-13.1	2943.1	1421.5	3474.9	4512.2	5625.2	5511.0	8213.4	8210.9	11255.8

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Common Size Income Statement

Scale:

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenue %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of sales	28.74%	28.06%	31.38%	29.27%	32.82%	33.59%	30.08%	27.20%	29.93%	31.68%	24.29%	24.29%	24.29%	24.29%	24.29%	24.29%	24.29%	24.29%	24.29%	24.29%
Depreciation	3.24%	2.69%	2.62%	2.24%	2.82%	3.30%	3.32%	3.94%	4.95%	4.07%	4.27%	4.27%	4.22%	4.14%	4.03%	3.91%	3.79%	3.66%	3.54%	3.41%
Amortization							0.16%	0.23%	0.41%	1.07%	0.88%	0.74%	0.65%	0.55%	0.13%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross profit (loss)	68.02%	69.25%	66.00%	68.49%	64.36%	63.11%	66.44%	68.63%	64.72%	63.19%	70.57%	70.70%	70.84%	71.02%	71.55%	71.80%	71.92%	72.05%	72.18%	72.30%
Operating expenses:																				
Research & development	26.77%	34.20%	27.23%	25.80%	19.36%	18.53%	18.68%	21.12%	16.64%	13.96%	13.43%	13.43%	13.43%	13.43%	13.43%	13.43%	13.43%	13.43%	13.43%	13.43%
Collaborative research & development fee	-	-	-	-	21.10%	-	-	3.56%	-	-	-	-	-	-	-	-	-	-	-	-
Selling, general & administrative expense	49.54%	49.25%	49.92%	48.60%	41.95%	34.94%	32.22%	33.10%	34.37%	32.73%	33.36%	33.36%	33.36%	33.36%	33.36%	33.36%	33.36%	33.36%	33.36%	33.36%
Total operating expenses	76.31%	83.46%	77.15%	74.41%	82.42%	53.47%	50.90%	57.78%	51.27%	46.69%	46.79%	46.79%	46.79%	46.79%	46.79%	46.79%	46.79%	46.79%	46.79%	46.79%
Operating income (loss)	-8.29%	-14.20%	-11.15%	-5.92%	-18.06%	9.64%	15.54%	10.86%	13.44%	16.50%	23.78%	23.91%	24.06%	24.23%	24.76%	25.01%	25.14%	25.26%	25.39%	25.51%
Interest & other income (expense), net	-	-	-	-	0.23%	1.79%	0.84%	-0.07%	0.62%	3.11%	-0.17%	0.81%	0.84%	1.87%	2.17%	2.68%	3.21%	3.96%	4.28%	5.04%
Income (loss) before income taxes	-8.60%	-14.30%	-11.32%	-6.76%	-12.26%	7.06%	11.68%	7.10%	13.43%	19.61%	23.61%	24.73%	24.89%	26.10%	26.93%	27.70%	28.35%	29.22%	29.67%	30.55%
Income tax expense (benefit)	0.04%	0.02%	0.12%	0.22%	0.06%	0.21%	-13.94%	0.78%	1.70%	4.66%	6.87%	7.20%	7.25%	7.60%	7.84%	8.06%	8.25%	8.51%	8.64%	8.90%
Net income (loss)	-8.64%	-14.33%	-11.44%	-6.99%	-12.32%	6.85%	25.62%	6.32%	11.73%	14.95%	16.74%	17.53%	17.64%	18.50%	19.09%	19.63%	20.09%	20.71%	21.03%	21.65%

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Common Size Balance Sheet

Scale

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	
Current assets:																					
Cash & cash equivalents	27.70%	21.42%	16.48%	61.45%	110.22%	30.23%	42.44%	42.99%	22.07%	15.63%	-0.33%	66.89%	29.68%	67.11%	81.06%	94.46%	86.87%	121.99%	115.30%	149.87%	
Short-term marketable securities	4.55%	7.24%	5.09%	14.91%	24.10%	73.65%	98.10%	68.56%	62.34%	59.57%	56.06%	53.25%	50.98%	49.14%	47.63%	46.39%	45.37%	44.55%	43.89%	43.37%	
Accounts receivable, net	16.36%	18.43%	17.74%	18.69%	21.98%	19.40%	22.24%	21.00%	24.51%	26.89%	23.55%	23.55%	23.55%	23.55%	23.55%	23.55%	23.55%	23.55%	23.55%	23.55%	
Inventory	6.17%	8.76%	7.92%	-	6.85%	8.12%	12.18%	14.59%	10.54%	15.45%	12.74%	12.74%	12.74%	12.74%	12.74%	12.74%	12.74%	12.74%	12.74%	12.74%	
Prepaid & other current assets	1.50%	1.69%	1.60%	2.31%	1.60%	2.03%	2.80%	3.33%	6.62%	4.65%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Total current assets	56.29%	57.54%	48.84%	103.65%	164.74%	133.43%	177.75%	150.48%	126.08%	122.18%	96.27%	160.69%	121.21%	156.80%	169.23%	181.39%	172.79%	207.09%	199.73%	233.78%	
Property & equipment, net	12.04%	13.61%	19.08%	20.26%	17.75%	21.77%	26.75%	32.75%	36.28%	30.73%	30.47%	29.88%	29.09%	28.19%	27.22%	26.24%	25.27%	24.31%	23.39%	22.50%	
Operating lease right-of-use assets	-	-	-	-	-	4.84%	4.84%	3.60%	2.75%	1.97%	1.95%	1.92%	1.87%	1.81%	1.75%	1.68%	1.62%	1.56%	1.50%	1.44%	
Goodwill	1.23%	0.92%	1.97%	1.68%	1.81%	1.26%	1.00%	1.08%	0.88%	0.70%	0.63%	0.57%	0.53%	0.49%	0.45%	0.42%	0.40%	0.37%	0.35%	0.34%	
Intangibles, net	-	-	-	-	-	-	-	-	5.96%	3.71%	2.48%	1.52%	0.75%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Deferred tax assets	-	-	-	-	-	-	11.23%	9.02%	11.73%	11.58%	10.52%	9.60%	8.82%	8.16%	7.59%	7.09%	6.66%	6.27%	5.93%	5.62%	
Other assets	0.23%	0.02%	0.33%	0.24%	1.42%	0.96%	1.11%	-	1.62%	2.07%	1.95%	1.85%	1.77%	1.71%	1.66%	1.61%	1.58%	1.55%	1.53%	1.51%	
Total assets	71.22%	72.64%	70.26%	125.83%	185.73%	162.26%	222.69%	198.64%	185.29%	172.94%	144.27%	206.02%	164.04%	197.28%	207.90%	218.44%	208.31%	241.16%	232.43%	265.19%	
Current liabilities:																					
Accounts payable & accrued liabilities	7.87%	9.68%	11.88%	12.14%	14.26%	17.37%	24.97%	23.40%	30.99%	37.14%	28.73%	28.73%	28.73%	28.73%	28.73%	28.73%	28.73%	28.73%	28.73%	28.73%	
Accrued payroll & related expenses	6.64%	6.19%	5.83%	6.75%	7.02%	6.00%	5.93%	5.11%	4.62%	4.72%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	5.11%	
Current portion of long-term senior convertible notes	-	-	-	-	-	-	-	-	26.55%	-	-	-	-	-	-	-	-	-	-	-	
Short-term operating lease liabilities	-	-	-	-	-	0.92%	0.86%	0.84%	0.70%	0.58%	0.45%	0.44%	0.43%	0.41%	0.40%	0.38%	0.37%	0.36%	0.34%	0.33%	
Deferred revenue	0.27%	0.20%	0.16%	0.45%	0.28%	0.12%	0.11%	0.09%	0.35%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	
Total current liabilities	15.66%	16.64%	17.86%	19.33%	21.56%	24.40%	31.87%	29.44%	63.21%	42.96%	34.80%	62.23%	34.78%	34.77%	57.21%	34.74%	34.72%	34.71%	34.69%	34.68%	
Long term senior convertible notes	-	-	-	66.57%	152.18%	113.76%	130.24%	101.32%	63.60%	106.35%	51.68%	84.07%	47.82%	78.29%	44.70%	73.77%	42.58%	70.65%	40.92%	68.14%	
Long-term operating lease liabilities	-	-	-	-	-	7.77%	7.95%	5.87%	5.02%	3.50%	2.56%	2.50%	2.43%	2.35%	2.25%	2.16%	2.08%	2.00%	1.92%	1.84%	
Other long-term liabilities	0.58%	0.97%	2.90%	2.53%	1.94%	1.36%	4.20%	3.68%	4.41%	3.47%	2.90%	2.79%	2.69%	2.61%	2.54%	2.49%	2.43%	2.39%	2.35%	2.31%	
Total liabilities	17.13%	17.61%	20.76%	67.46%	121.43%	102.47%	127.89%	106.68%	112.03%	115.84%	75.97%	126.23%	73.07%	94.65%	93.35%	91.74%	69.28%	89.44%	67.96%	87.59%	
Stockholders' equity:																					
Common equity	246.14%	193.23%	157.98%	152.22%	151.28%	113.54%	110.31%	102.29%	77.60%	97.03%	87.62%	79.88%	73.39%	67.88%	63.14%	59.02%	55.40%	52.20%	49.35%	46.80%	
Preferred Stock	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Common Stock	0.04%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	
Accumulated other comprehensive income (loss)	-0.04%	-0.07%	-0.17%	-0.36%	0.15%	0.16%	0.17%	0.02%	-0.40%	-0.46%	-0.42%	-0.38%	-0.35%	-0.32%	-0.30%	-0.28%	-0.26%	-0.25%	-0.23%	-0.22%	
Retained earnings (accumulated deficit)	-192.05%	-138.16%	-108.32%	-93.50%	-77.44%	-47.13%	-10.49%	-1.94%	16.49%	28.20%	42.20%	56.00%	69.09%	82.41%	95.74%	109.12%	122.52%	136.16%	149.76%	163.66%	
Treasury stock, at cost	-	-	-	-	9.69%	6.78%	5.19%	8.42%	20.45%	67.67%	61.11%	55.71%	51.19%	47.34%	44.03%	41.16%	38.64%	36.41%	34.42%	32.64%	
Total stockholders' equity (deficit)	54.09%	55.02%	49.50%	58.37%	64.30%	59.80%	94.80%	91.95%	73.26%	57.11%	68.31%	79.80%	90.96%	102.63%	114.55%	126.70%	139.03%	151.71%	164.46%	177.60%	
Total liabilities and stockholders' equity	71.22%	72.64%	70.26%	125.83%	185.73%	162.26%	222.69%	198.64%	185.29%	172.94%	144.27%	206.02%	164.04%	197.28%	207.90%	218.44%	208.31%	241.16%	232.43%	265.19%	

Additional paid-in capital 212.10% 243.36% 190.79% 225.03% 180.84% 213.17% 168.96% 200.83% 163.84% 201.24%

Dexcom

Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:

Risk-Free Rate	4.08%
Beta	0.93
Equity Risk Premium	5.26%
Cost of Equity	8.96%

ASSUMPTIONS:

10-year Treasury bond
2yr Weekly Beta
1928-2023 geometric average relative to the 10-year T

Cost of Debt:

Risk-Free Rate	4.08%
Implied Default Premium	1.21%
Pre-Tax Cost of Debt	5.29%
Marginal Tax Rate	24%
After-Tax Cost of Debt	4.00%

10-year Treasury bond
Average YTM on competitor's 20-year corporate bond

Market Value of Common Equity:

Total Shares Outstanding	376.89
Current Stock Price	\$70.35
MV of Equity	26,514.56

MV Weights

80.12%

Market Value of Debt:

Short-Term Debt	2580
Current Portion of LTD	0
Long-Term Debt	3873.48
PV of Operating Leases	124.70
MV of Total Debt	6,578.17

19.88%

Market Value of the Firm

33,092.73

100.00%

Estimated WACC

7.98%

Dexcom
Value Driver Estimation

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:																				
Revenue	259.2	402.0	573.3	718.5	1031.6	1476.0	1926.7	2448.5	2909.8	3622.3	4011.1	4399.9	4788.7	5177.5	5566.3	5955.1	6343.9	6732.7	7121.5	7510.3
Cost of Sales	-74.5	-112.8	-179.9	-210.3	-338.6	-495.8	-579.5	-666.0	-870.8	-1147.4	-974.2	-1068.6	-1163.1	-1257.5	-1351.9	-1446.3	-1540.8	-1635.2	-1729.6	-1824.1
Research and Development	-69.4	-137.5	-156.1	-185.4	-199.7	-273.5	-359.9	-517.1	-484.2	-505.8	-538.5	-590.7	-642.9	-695.1	-747.3	-799.5	-851.7	-903.9	-956.1	-1008.3
Selling, general & administrative	-128.4	-198.0	-286.2	-349.2	-432.8	-515.7	-620.7	-810.5	-1000.2	-1185.4	-1338.2	-1467.9	-1597.6	-1727.3	-1857.0	-1986.7	-2116.4	-2246.2	-2375.9	-2505.6
Collab Research and Develop				-48.9				-33.2												
Implied Interest on Operating Lease							3.8	4.9	4.7	4.2	3.8	4.1	4.5	4.7	5.0	5.1	5.3	5.4	5.6	5.7
Depreciation	-8.4	-10.8	-15.0	-16.1	-29.1	-48.7	-64.0	-96.4	-144.1	-147.4	-171.2	-188.0	-202.3	-214.3	-224.5	-233.1	-240.4	-246.6	-251.8	-256.2
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	-3.1	-5.6	-11.8	-38.6	-35.2	-32.6	-30.9	-28.6	-7.2	0.0	0.0	0.0	0.0	0.0
EBIT	-21.5	-57.1	-63.9	-42.5	-17.5	142.3	303.3	324.6	403.4	601.9	957.6	1056.2	1156.4	1259.4	1383.3	1494.6	1599.9	1706.3	1813.7	1921.8
Income tax expense	0.1	0.1	0.7	1.6	0.6	3.1	-268.6	19.2	49.6	168.9	275.8	316.8	347.1	393.5	436.5	480.3	523.6	572.8	615.3	668.1
Interest and Other Income					-0.5	-6.4	-3.6	0.6	-5.3	-27.4	2.0	-10.4	-11.6	-28.2	-35.1	-46.6	-59.3	-77.6	-88.8	-110.1
Lease Interest						-20.82	-23.207	-20.849	-17.325	-14.821	-16.688	-19.352	-20.419	-21.323	-22.087	-22.734	-23.281	-23.744	-24.136	-24.468
Adjusted Taxes (Less)	0.1	0.1	0.7	1.6	0.06119	-24.104	-295.41	-1.0006	26.9686	126.665	261.042	286.987	315.019	344.028	379.276	410.963	441.039	471.526	502.361	533.489
Deferred Taxes (Add)							-277.3	-4.9	-21.6	-55	-2.4	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NOPLAT:	-21.6	-57.2	-64.6	-44.1	-17.5	166.4	321.4	320.7	354.8	420.3	694.1	768.7	841.4	915.4	1004.1	1083.6	1158.9	1234.8	1311.3	1388.3
Invested Capital (IC):																				
Normal Cash	6.2	9.6	13.6	17.1	24.6	35.1	45.9	58.3	69.3	86.2	95.5	104.7	114.0	123.2	132.5	141.7	151.0	160.2	169.5	178.7
Accounts Receivable	42.4	74.1	101.7	134.3	226.7	286.3	428.5	514.3	713.3	973.9	944.6	1036.2	1127.8	1219.3	1310.9	1402.4	1494.0	1585.6	1677.1	1768.7
Inventory	16.0	35.2	45.4	-	70.7	119.8	234.7	357.3	306.7	559.6	511.2	560.7	610.3	659.8	709.4	758.9	808.5	858.0	907.5	957.1
Prepaid Expenses	3.9	6.8	9.2	16.6	16.5	30.0	53.9	81.6	192.6	168.3	170.5	187.0	203.6	220.1	236.6	253.1	269.7	286.2	302.7	319.3
Sum Operating Assets (Add)	68.5	125.7	169.9	168.0	338.5	471.2	763.0	1011.5	1281.9	1788.0	1721.8	1888.7	2055.5	2222.4	2389.3	2556.2	2723.1	2890.0	3056.9	3223.8
Accounts Payable	20.4	38.9	68.1	87.2	147.1	256.4	481.1	573.0	901.8	1345.5	1152.4	1264.1	1375.8	1487.5	1599.2	1710.9	1822.6	1934.3	2046.1	2157.8
Accrued Expenses	17.2	24.9	33.4	48.5	72.4	88.5	114.3	125.2	134.3	171.0	205.1	225.0	244.9	264.8	284.7	304.6	324.4	344.3	364.2	384.1
Deferred Revenue	0.7	0.8	0.9	3.2	2.9	1.7	2.2	2.1	10.1	18.4	20.4	22.3	24.3	26.3	28.3	30.2	32.2	34.2	36.2	38.1
Sum Operating Liabilities (Less)	38.3	64.6	102.4	138.9	222.4	346.6	597.6	700.3	1046.2	1534.9	1377.9	1511.5	1645.0	1778.6	1912.2	2045.7	2179.3	2312.9	2446.4	2580.0
Net Property, Plant, and Equipment (Add)	31.2	54.7	109.4	145.6	183.1	321.3	515.3	801.8	1055.6	1113.1	1222.4	1314.8	1393.1	1459.3	1515.3	1562.7	1602.8	1636.8	1665.5	1689.8
Intangible Assets									173.3	134.5	99.3	66.7	35.8	7.2	0.0	0.0	0.0	0.0	0.0	0.0
Capitalized PV of Operating Leases	-	-	-	-	-	71.5	93.3	88.1	80.0	71.4	78.4	84.3	89.4	93.6	97.2	100.2	102.8	105.0	106.8	108.4
Net Other Operating Assets (Add)	0.0	0.0	0.0	0.0	0.0	71.5	93.3	88.1	253.3	205.9	177.7	151.0	125.2	100.8	97.2	100.2	102.8	105.0	106.8	108.4
Other non-interest bearing operating liabilities	1.5	3.9	16.6	18.2	20.0	20.1	80.9	90.0	128.3	125.6	116.3	122.7	129.0	135.1	141.5	148.0	154.5	160.9	167.2	173.6
Other Operating Liabilities (Less)	1.5	3.9	16.6	18.2	20.0	20.1	80.9	90.0	128.3	125.6	116.3	122.7	129.0	135.1	141.5	148.0	154.5	160.9	167.2	173.6
Invested Capital (IC):	59.9	111.9	160.3	156.5	279.2	497.3	693.1	1111.1	1416.3	1446.5	1627.6	1720.3	1799.7	1868.8	1948.1	2025.4	2095.0	2158.1	2215.6	2268.3
Free Cash Flow (FCF):																				
NOPLAT	-57.2	-64.6	-44.1	-17.5	166.4	321.4	320.7	354.8	420.3	694.1	768.7	841.4	915.4	1004.1	1083.6	1158.9	1234.8	1311.3	1388.3	
Change in IC	52.0	48.5	-3.8	122.7	218.2	195.7	418.0	305.2	30.3	181.1	92.7	79.4	69.1	79.3	77.3	69.6	63.1	57.5	52.8	
FCF	-109.2	-113.1	-40.3	-140.2	-51.8	125.7	-97.3	49.6	390.0	513.0	676.1	762.0	846.4	924.8	1006.3	1089.3	1171.8	1253.8	1335.6	
Return on Invested Capital (ROIC):																				
NOPLAT	-57.2	-64.6	-44.1	-17.5	166.4	321.4	320.7	354.8	420.3	694.1	768.7	841.4	915.4	1004.1	1083.6	1158.9	1234.8	1311.3	1388.3	
Beginning IC	59.9	111.9	160.3	156.5	279.2	497.3	693.1	1111.1	1416.3	1446.5	1627.6	1720.3	1799.7	1868.8	1948.1	2025.4	2095.0	2158.1	2215.6	
ROIC	-96%	-58%	-28%	-11%	60%	65%	46%	32%	30%	48%	47%	49%	51%	54%	56%	57%	59%	61%	63%	
Economic Profit (EP):																				
Beginning IC	59.9	111.9	160.3	156.5	279.2	497.3	693.1	1111.1	1416.3	1446.5	1627.6	1720.3	1799.7	1868.8	1948.1	2025.4	2095.0	2158.1	2215.6	
x (ROIC - WACC)	-104%	-66%	-35%	-19%	52%	57%	38%	24%	22%	40%	39%	41%	43%	46%	48%	49%	51%	53%	55%	
EP	-62.0	-73.5	-56.9	-30.0	144.1	281.7	265.4	266.1	307.3	578.7	638.9	704.2	771.8	855.0	928.2	997.3	1067.7	1139.2	1211.6	

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Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	0.30%
CV Year ROIC	0.63
WACC	7.98%
Cost of Equity	8.96%

Fiscal Years Ending Dec. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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DCF Model:

Free Cash Flow (FCF)	513.0	676.1	762.0	846.4	924.8	1006.3	1089.3	1171.8	1253.8	1335.6
Continuing Value (CV)										17990.9
PV of FCF	475.1	579.9	605.3	622.6	630.0	634.9	636.5	634.1	628.4	9016.3

Value of Operating Assets:	14463.0
Non-Operating Adjustments:	
Cash and cash equivalents	11077.0
Marketable Securities	3257.0
Operating Lease ROU Assets	-108.4
Debt	-6453.5
PV of Operating Leases	-124.7
Value of Equity	22110.4
Shares Outstanding	385.9
Intrinsic Value of Last FYE	\$ 57.30
Implied Price as of Today	\$ 61.57

EP Model:

Economic Profit (EP)	578.7	638.9	704.2	771.8	855.0	928.2	997.3	1067.7	1139.2	1211.6
Continuing Value (CV)										15775.4
PV of EP	535.9	548.0	559.3	567.8	582.5	585.6	582.7	577.8	570.9	7906.0

Total PV of EP	13016.5
Invested Capital (last FYE)	1446.5
Value of Operating Assets:	14463.0
Non-Operating Adjustments:	
Cash and cash equivalents	11077.0
Marketable Securities	3257.0
Operating Lease ROU Assets	-108.4
Debt	-6453.5
PV of Operating Leases	-124.7
Value of Equity	22110.4
Shares Outstanding	385.9
Intrinsic Value of Last FYE	\$ 57.30
Implied Price as of Today	\$ 61.57

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Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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EPS	\$ 1.76	\$ 2.05	\$ 2.24	\$ 2.54	\$ 2.82	\$ 3.10	\$ 3.38	\$ 3.70	\$ 3.97	\$ 4.31
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Key Assumptions

CV growth of EPS	2.44%
CV Year ROE	13.89%
Cost of Equity	8.96%

Future Cash Flows

P/E Multiple (CV Year)										12.64
EPS (CV Year)										\$ 4.31
Future Stock Price										\$ 54.52
Dividends Per Share	0	0	0	0	0	0	0	0	0	0
Discounted Cash Flows	0	0	0	0	0	0	0	0	0	\$ 25.18

Intrinsic Value as of Last FYE \$ 25.18

Implied Price as of Today \$ 27.05

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Relative Valuation Models

Ticker	Company	Price	EPS		P/E 24	P/E 25	Est. 5yr		
			2024E	2025E			EPS gr.	PEG 24	PEG 25
MDT	Medtronic	\$90.07	\$2.76	\$5.45	32.63	16.53	5.5	5.92	3.00
ABT	Abbott Laboratories	\$117.65	\$4.44	\$4.67	26.50	25.19	8.3	3.21	3.05
EW	Edwards Lifesciences Corporation	\$67.54	\$2.51	\$2.53	26.91	26.70	6.9	3.92	3.89
BSX	Boston Scientific Corporation	\$83.62	\$2.05	\$2.46	40.79	33.99	13.8	2.95	2.46
			Average		31.71	25.60		4.00	3.10

DXCM	Dexcom	\$70.35	\$1.76	\$2.05	40.0	34.4	12.0	3.3	2.9
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Implied Relative Value:

P/E (EPS24)	\$ 55.81
P/E (EPS25)	\$ 52.38
PEG (EPS24)	\$ 84.51
PEG (EPS25)	\$ 76.11

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Key Management Ratios

Fiscal Years Ending Dec. 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Liquidity Ratios:																				
Current Ratio (Current Assets/Current Liabilities)	\$ 3.59	\$ 3.46	\$ 2.73	\$ 5.36	\$ 7.64	\$ 5.47	\$ 5.58	\$ 5.11	\$ 1.99	\$ 2.84	\$ 2.77	\$ 2.58	\$ 3.49	\$ 4.51	\$ 2.96	\$ 5.22	\$ 4.98	\$ 5.97	\$ 5.76	\$ 6.74
Quick Ratio (Current Assets-Inventory/Current Liabilities)	\$ 3.20	\$ 2.93	\$ 2.29	-	\$ 7.32	\$ 5.13	\$ 5.19	\$ 4.62	\$ 1.83	\$ 2.48	\$ 2.40	\$ 2.38	\$ 3.12	\$ 4.14	\$ 2.74	\$ 4.86	\$ 4.61	\$ 5.60	\$ 5.39	\$ 6.37
Cash Ratio (Cash & Cash Equivalents/Current Liabilities)	\$ 1.77	\$ 1.29	\$ 0.92	\$ 3.18	\$ 5.11	\$ 1.24	\$ 1.33	\$ 1.46	\$ 0.35	\$ 0.36	\$ (0.01)	\$ 1.07	\$ 0.85	\$ 1.93	\$ 1.42	\$ 2.72	\$ 2.50	\$ 3.51	\$ 3.32	\$ 4.32
Asset-Management Ratios:																				
Receivables Turnover (Sales/Accounts Receivable)	-15.90	-12.68	-21.08	-22.59	-11.07	-24.60	-13.54	-32.43	-14.56	-13.93	137.01	-48.05	-52.30	-56.55	-60.79	-65.04	-69.28	-73.53	-77.78	-82.02
Asset Turnover (Rev/Total Assets)	1.40	1.38	1.42	0.79	0.54	0.62	0.45	0.50	0.54	0.58	0.69	0.49	0.61	0.51	0.48	0.46	0.48	0.41	0.43	0.38
Inventory Turnover (COGS/Ave Inventory)		4.41	4.46	-	-	5.21	3.27	2.25	2.62	2.65	1.82	1.99	1.99	1.98	1.97	1.97	1.97	1.96	1.96	1.96
Financial Leverage Ratios:																				
Debt-to-Assets Ratio (Total Debt/Total Assets)	0.23	0.24	0.30	0.54	0.65	0.63	0.57	0.54	0.60	0.67	0.53	0.61	0.45	0.48	0.45	0.42	0.33	0.37	0.29	0.33
Debt-to-Equity Ratio (Total Debt/Total Equity)	0.30	0.32	0.42	1.16	1.89	1.71	1.35	1.16	1.53	2.03	1.11	1.58	0.80	0.92	0.81	0.72	0.50	0.59	0.41	0.49
Asset-to-Equity Ratio (Total Assets/Total Equity)	1.32	1.32	1.42	2.16	2.89	2.71	2.35	2.16	2.53	3.03	2.11	2.58	1.80	1.92	1.81	1.72	1.50	1.59	1.41	1.49
Profitability Ratios:																				
Return on Equity (NI/Beg TSE)		-41.08%	-29.66%	-17.69%	-30.31%	15.24%	55.93%	8.47%	15.15%	25.40%	32.45%	28.14%	24.06%	21.99%	19.99%	18.33%	16.89%	15.81%	14.66%	13.89%
Return on Assets (NI/Total Assets)	-12.13%	-19.73%	-16.29%	-5.55%	-6.63%	4.22%	11.50%	3.18%	6.33%	8.64%	11.60%	8.51%	10.76%	9.38%	9.18%	8.99%	9.65%	8.59%	9.05%	8.17%
Return on Invested Capital (NOPLAT/IC)	-36.08%	-51.13%	-40.29%	-28.18%	-6.28%	33.46%	46.37%	28.87%	25.05%	29.05%	42.65%	44.69%	46.75%	48.98%	51.54%	53.50%	55.32%	57.22%	59.19%	61.20%
Payout Policy Ratios:																				
Dividend Payout Ratio (Dividend/EPS)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payout Ratio ((Divs. + Repurchases)/NI)	0%	0%	0%	0%	-10%	0%	0%	0%	-19%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Notes for using this worksheet:

1. Include at least 3-4 ratios per category
2. Provide the definition for each ratio
3. Display consistent decimal places

Dexcom*Valuation of Options Granted under ESOP*

Current Stock Price	\$70.35
Risk Free Rate	4.08%
Current Dividend Yield	0.00%
Annualized St. Dev. of Stock Returns	44.92%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	2.9	105.98	1.70	\$ 8.30	\$ 24.08
Total	2.9	\$ 105.98	1.70	\$ 8.30	\$ 24.08

^Scale: Millions