

Zimmer Biomet

NYSE: ZBH · Healthcare · Medical Devices - Orthopedics

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE / DOWNSIDE
BUY	\$117.80	\$95.36	+23.5%

MARKET CAP	52-WEEK HIGH	52-WEEK LOW	NEXT EARNINGS
18.19B	\$106.88	\$79.12	11/4/26

P/E (Fwd)	EV/EBITDA	REVENUE (TTM)	EBITDA MARGIN
10.88x	10x	8.509B	29.7%

Report Date: 9/20/2026 · Analyst: Benjamin Evensen | Vireo Capital Research

1. INVESTMENT THESIS

We initiate coverage of Zimmer Biomet with a BUY rating and a blended price target of \$117.80, representing 23.5% upside from its 18 September 2026, share price of \$95.36. Zimmer trades at 10.88x forward earnings, compared with the peer median of 11.96x, reflecting steady investor doubt about the company’s history of supply constraints, ERP disruptions, and acquisition-integration challenges. Although the discount is partially justified, we believe the market is placing too much weight on past execution failures while underweighting recent financial and operational progress.

Zimmer Biomet reported revenue of \$7.39 billion, \$7.68 billion, and \$8.23 billion in 2023, 2024, and 2025, respectively, representing average annual growth of approximately 5.8%. This continued growth demonstrates the strength of the company’s product portfolio despite its operational challenges. We project revenue of \$8.59 billion in 2026, \$9.00 billion in 2027, and \$9.44 billion in 2028, representing growth of 4.3%, 4.8%, and 4.8%, respectively. We also forecast gross margins to remain near 70% and EBITDA margins to average approximately 28.5%. Unlevered free cash flow is projected to increase from \$1.54 billion in 2026 to \$1.70 billion in 2028, providing additional capacity for debt reduction, reinvestment, and returns to equity holders.

The company’s 2025 restructuring programs are intended to reduce costs, simplify the organization and accelerate decision-making. At the same time, recent acquisitions have expanded Zimmer Biomet’s addressable markets and technology portfolio. Paragon 28 strengthened the company’s position in the foot-and-ankle market and contributed materially to S.E.T. growth in 2025. Monogram Technologies provides an additional opportunity in surgical robotics, with commercialization of its semi-autonomous robotic technology targeted for 2027. Successful execution across these plans could improve shareholder trust and support a higher valuation multiple.

The main objection to our thesis is Zimmer Biomet’s history of repeated restructuring and integration difficulties. Its acquisitions have also consumed capital and increased the consequences of future execution problems. Our thesis, however,

does not require flawless execution or significant margin expansion beyond historical levels. It assumes continued mid-single-digit revenue growth, relatively stable profitability, and improving free cash flow generation. Our blended valuation incorporates DCF, EV/EBITDA, and forward P/E methodologies to lower reliance on any single approach. Nevertheless, the DCF remains highly sensitive to the 6.19% WACC and 2.5% terminal growth rate, making operational delivery and the assessment of these assumptions critical to achieving our price target.

BULL CASE vs. BEAR CASE

KEY BULL CASE	KEY BEAR CASE
Reported YoY revenue growth averaged approximately 5.8% annually from 2023 through 2025	Restructurings in 2019, 2021, 2023, and 2025 indicate persistent execution issues
UFCF projected to increase from \$1.54B in 2026 to \$1.70B in 2028	\$7.07B of net debt limits flexibility and increases acquisition risk
Paragon contributed 10.5 percentage points to 2025 S.E.T. growth	EBITDA margin projected to decline from 29.0% to 28.4% by 2028
Monogram semi-autonomous robotic launch targeted for 2027	DCF implies 17.6x terminal EV/EBITDA versus 9.48x median for peers

2. COMPANY OVERVIEW

Zimmer Biomet is an orthopedic medical-device company that develops instruments, implants, and technologies for surgeons to use in orthopedic procedures. Headquartered in Warsaw, Indiana, the original Zimmer business was founded in 1927 and merged with Biomet in 2015 to create Zimmer Biomet. The company has since become a leading competitor in the orthopedic market. Its core products include devices and instrumentation used in knee, hip, and S.E.T. procedures, including sports medicine, extremities, and trauma.

Zimmer Biomet mainly generates revenue by selling implants and related surgical products to hospitals, health systems, and ambulatory surgery centers. Because many of these products are consumed during individual procedures, revenue is closely tied to surgical procedure volume. Rather than purchasing all implant inventory outright, facilities often hold products on consignment and incur charges when they use those products in procedures.

This business model depends heavily on relationships and product familiarity. Surgeons who begin using Zimmer Biomet products early in their careers and become familiar with its instruments may be more likely to continue using the company’s systems, supporting repeat sales. Zimmer then uses direct sales representatives and independent distributors to provide technical and logistical support to surgical teams, including coordinating the instruments and inventory required for procedures. To establish and maintain these relationships, Zimmer Biomet provides product demonstrations, procedural training, and surgeon education designed to encourage product adoption. Once a facility invests in equipment, employee training, and standard workflows, switching systems becomes more disruptive and costly, helping create a recurring and relatively sticky revenue base.

3. INDUSTRY AND COMPETITIVE LANDSCAPE

Zimmer Biomet operates in the global orthopedic medical-device market, mainly within joint replacement, sports medicine, trauma, extremities, and surgical technology. The global joint-replacement market was estimated at \$23.42 billion in 2024 and is projected to reach \$31.09 billion by 2030, representing a 4.8% CAGR. Joint replacement is estimated to account for

roughly 37% of the overall orthopedic market, implying a total market of about \$65 billion based on industry estimates. Competition is concentrated, with Zimmer Biomet, Stryker, DePuy Synthes, and Smith+Nephew controlling more than 80% of the knee and hip markets. Zimmer was the estimated market-share leader in 2025, holding approximately 33% of knees and 25% of hips. Its knee and hip businesses generated approximately \$5.42 billion in 2025 sales. Surgeon familiarity, clinical history, and established hospital workflows provide some pricing power, but hospital purchasing groups, reimbursement pressure, and competition from alternative systems constrain it.

One advantage that diversified competitors such as Stryker and Johnson & Johnson have over Zimmer is their greater exposure to other medical-device categories. Zimmer, however, is expanding beyond its traditional business through acquisitions in faster-growing orthopedic markets. In 2025, Zimmer acquired Paragon 28, strengthening its position in foot and ankle, a market estimated at \$5.2 billion in 2024 and projected to reach \$6.9 billion by 2028, representing approximately 7% annual growth. Zimmer's S.E.T. revenue increased 15.2% in 2025, with Paragon contributing 10.5 percentage points of that growth. Zimmer also acquired Monogram Technologies, indicating an effort to improve its position in robotic-assisted surgery. These investments suggest that Zimmer is using its leadership in knees and hips to expand into faster-growing markets, although their ultimate value will depend on successful integration and commercialization.

COMPARABLE COMPANY ANALYSIS

Company	Ticker	Mkt Cap (\$B)	EV (\$B)	Rev (\$B)	EV/Rev	EV/EBITDA	P/E (Fwd)	Rev Growth
Zimmer Biomet	ZBH	\$18.19	\$25.33	\$8.51	2.98x	10.03x	10.88x	4.35%
Integra LifeSciences	IART	\$1.18	\$2.96	\$1.65	1.8x	9.34x	5.99x	1.6%
Enovis	ENOV	\$1.04	\$2.4	\$2.3	1.04x	6.31x	4.97x	4.89%
CONMED	CNMD	\$1.36	\$2.16	\$1.37	1.57x	9.48x	10.13x	3.42%
Globus Medical	GMED	\$9.95	\$9.22	\$3.14	2.93x	9.12x	14.52x	19.74%
Smith & Nephew	SNN	\$11.56	\$14.63	\$6.3	2.32x	10.6x	11.96x	5.99%
Medtronic	MDT	\$117.85	\$137.0	\$37.54	3.65x	13.2x	15.3x	9.77%
Stryker	SYK	\$105.53	\$117.5	\$25.84	4.55x	15.9x	17.19x	8.5%

All market data as of 9/18/2026. Source: Bloomberg, Yahoo finance, company filings, Vireo Capital Research estimates.

4. FINANCIAL ANALYSIS

In the second quarter of 2026 Zimmer Biomet reported revenue of \$2.177 billion, showing 4.8% reported growth. Adjusted diluted EPS was \$2.07. With this, management updated their full-year guidance to reported revenue growth of 3.9%–4.9% and adjusted diluted EPS of \$8.47–\$8.59. Furthermore, Evercore ISI upgraded Zimmer Biomet to Outperform.

In 2025, Zimmer retained approximately \$0.266 of EBITDA per revenue dollar, compared with \$0.297 in 2024, representing \$0.031 less EBITDA per dollar of sales. Although the company generated approximately \$553 million of additional revenue, gross profit increased by only \$251 million, and EBITDA declined by roughly \$90 million. This indicates that costs grew faster than sales and that Zimmer converted its additional revenue into profit less efficiently. Acquisition and integration expenses, restructuring charges, and other operating costs likely contributed to this compression.

These pressures strengthen the importance of Zimmer's cost-reduction initiatives, which are intended to simplify operations and raise efficiency. Despite the margin reduction, adjusted diluted EPS increased from \$8.00 in 2024 to \$8.20 in 2025, demonstrating some resilience in underlying earnings. However, adjusted EPS excludes several acquisitions, restructuring, and amortization-related expenses. We project EBITDA margin to recover from 26.6% in 2025 to 29.0% in 2026 before stabilizing

at 28.7% in 2027, making margin recovery an important test of whether Zimmer’s restructuring efforts are producing meaningful operational improvements.

Zimmer’s cash-flow performance has remained resilient. UFCF increased from \$1.17 billion in 2023 to \$1.41 billion in 2024 and \$1.53 billion in 2025. We project UFCF of \$1.54 billion in 2026 and \$1.64 billion in 2027, indicating gradual improvement as revenue grows and margins normalize. This cash generation will matter because Zimmer held approximately \$7.48 billion of total debt and \$410 million of cash as of June 30, 2026, resulting in net debt of roughly \$7.07 billion and estimated net leverage of approximately 2.8 times 2026 EBITDA. In addition, goodwill and intangible assets represented approximately 63% of total assets, reflecting the company’s acquisition-heavy history and creating possible integration and impairment risk. Stronger cash-flow conversion and successful integration will therefore be important to reduce leverage and preserve financial flexibility.

FINANCIAL SUMMARY

Metric	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
Revenue (USD B)	\$7.39	\$7.68	\$8.23	\$8.59	\$9.00	\$9.44
YoY Growth %	6.5%	3.8%	7.2%	4.3%	4.8%	4.8%
Gross Profit (USD B)	\$5.31	\$5.49	\$5.74	\$6.07	\$6.29	\$6.55
Gross Margin %	71.8%	71.5%	69.7%	70.7%	70.0%	69.4%
EBITDA (USD B)	\$2.23	\$2.28	\$2.19	\$2.49	\$2.59	\$2.68
EBITDA Margin %	30.1%	29.7%	26.6%	29.0%	28.7%	28.4%
EBIT (USD B)	\$1.28	\$1.29	\$1.10	\$1.37	\$1.41	\$1.45
Net Income (USD B)	\$1.02	\$0.90	\$0.71	\$0.89	\$0.94	\$1.00
EPS (Diluted, USD)	\$4.88	\$4.43	\$3.55	\$4.59	\$4.85	\$5.12
UFCF (USD B)	\$1.17	\$1.41	\$1.53	\$1.54	\$1.64	\$1.70
Net Debt / (Cash) (USD B)	\$5.35	\$5.68	\$6.93	\$7.07	\$6.70	\$6.35

Source: Company 10-K/10-Q filings (SEC EDGAR). FY2026E–FY2028E: Vireo Capital Research estimates.

5. VALUATION

To arrive at our blended price target, we used three valuation methodologies. Using actual results from 2023 through 2025, we projected revenue, EBITDA, and UFCF through 2028. Using a 5.01% risk-free rate, a 4.1% equity risk premium, a 0.47 five-year monthly beta, the after-tax cost of debt, and Zimmer’s debt and equity weights, we calculated a 6.19% WACC. We also assumed that UFCF would grow perpetually at 2.5% after 2028, reflecting Zimmer’s mature business profile, sustainable orthopedic demand, and a rate below long-run nominal GDP. These assumptions produced a DCF-implied share price of \$190.35. Because this result is highly sensitive to changes in WACC and terminal growth, we assigned the DCF a 25% weight, preserving exposure to potential intrinsic value while limiting reliance on its terminal assumptions.

We then used EV/EBITDA and P/E comparable-company analyses as market-based valuation checks. Our selected peer group produced a median EV/EBITDA multiple of 9.48x. Applying this multiple to FY2026E EBITDA generated an implied enterprise value, from which we subtracted approximately \$7.07 billion of net debt before dividing by diluted shares outstanding. This resulted in an implied price of \$86.26. We assigned EV/EBITDA the highest weight (40%) because it reflects observable market pricing, investor expectations, and operating comparisons while being less affected by differences in financing and taxes.

Finally, the peer group produced a median forward P/E multiple of approximately 11.96x. Applying this multiple to FY2026E adjusted diluted EPS implied a price of \$102.02. We weighted P/E at 35%, slightly below EV/EBITDA because adjusted EPS excludes certain acquisition-related expenses and is affected by interest expense, taxes, and share repurchases. Weighting the DCF, EV/EBITDA, and P/E methodologies at 25%, 40%, and 35%, respectively, produced a blended price target of \$117.80, representing approximately 23.5% upside from the \$95.36 reference price.

PRICE TARGET DERIVATION

Methodology	Weight	Implied Price	Key Assumptions
DCF (3-Year)	25%	\$190.35	6.19% WACC and 2.5% terminal growth rate; DCF implies \$190.35 per share.
EV/EBITDA Comps	40%	\$86.26	9.48x peer-median multiple applied to FY2026E EBITDA; implies \$86.26 per share.
P/E Comps	35%	\$102.02	11.96x peer-median forward P/E applied to FY2026E adjusted diluted EPS of \$8.53; implies \$102.02 per share.
BLENDED PRICE TARGET	100%	\$117.80	~23.5% Upside

6. CATALYSTS

Several catalysts could help Zimmer Biomet achieve our price target. The first is the commercialization of Monogram Technologies, which Zimmer acquired on October 7, 2025. Monogram's CT-based, semi-autonomous knee-robotic system received FDA 510(k) clearance in March 2025 and is expected to launch with Zimmer implants in early 2027. Successful adoption could expand the ROSA ecosystem and provide evidence of effective integration. Monogram is expected to contribute revenue beginning in 2027 and become accretive to adjusted EPS after 2027.

The second catalyst represents the ongoing integration of Paragon 28, acquired in April 2025. Paragon expanded Zimmer into the approximately \$5.2 billion foot-and-ankle market, which is projected to reach \$6.9 billion by 2028. Zimmer's S.E.T. revenue grew 15.2% in 2025, with Paragon contributing 10.5 percentage points. In the first half of 2026, S.E.T. reported 12.5% growth, including an 8.7-percentage-point contribution from Paragon, while organic constant-currency growth was 2.6%. Continuing growth after the acquisition contribution lapses would validate Zimmer's diversification strategy and ability to cross-sell through its existing commercial network.

The final catalyst is improved restructuring and commercial execution. Zimmer ended 2025 with an EBITDA margin of 26.6%, reflecting acquisition and integration expenses, restructuring charges, and other operating costs. We project EBITDA margin to recover to 29.0% in 2026, a 240-basis-point expansion. Alongside projected revenue growth of 4.35%, this would produce EBITDA growth of approximately 13.7%. Management's updated 2026 guidance calls for reported revenue growth of 3.9%–4.9% and adjusted EPS of \$8.47–\$8.59. Achieving these targets would validate the restructuring program, improve cash-flow conversion, and potentially support a valuation rerating.

7. RISKS TO OUR THESIS

Four primary risks could prevent Zimmer Biomet from reaching our price target. The first is acquisition and commercialization failure. A delay in Monogram's expected 2027 launch could postpone revenue contribution and adjusted EPS accretion, while weak surgeon adoption, integration difficulties, or additional regulatory delays could reduce its strategic value. Paragon 28 presents a similar risk. During the first half of 2026, Paragon contributed 8.7 percentage points of S.E.T.'s 12.5%

reported growth, while organic constant-currency growth was only 2.6%. If organic growth remains near current levels or cross-selling does not improve, Paragon could generate less value than expected from the acquisition.

The second risk is failure to recover margins. Zimmer's EBITDA margin declined from 29.7% in 2024 to 26.6% in 2025, while our model assumes a recovery to 29.0% in 2026. At projected revenue of \$8.59 billion, maintaining a 26.6% margin would produce approximately \$2.28 billion of EBITDA, around \$210 million below our \$2.49 billion forecast. This would reduce UFCF, slow debt reduction, and lower both our DCF and EV/EBITDA valuations. We would become more cautious if margins remain below approximately 27%.

The third risk is continued pricing and reimbursement pressure. Zimmer has said hospital purchasing groups, provider consolidation, reimbursement changes, and competitive pricing can put downward pressure on product prices. Because knees and hips generated approximately \$5.42 billion of revenue in 2025, even modest additional pricing pressure could meaningfully affect revenue and margins. We view this as a continuing risk rather than an immediate break in the thesis. Still, sustained price declines beyond what we forecast would reduce both EBITDA and our valuation.

The fourth risk is competitive share loss in robotic-assisted surgery. Zimmer continues to invest in ROSA and acquired Monogram to strengthen its robotics position, with a 2027 launch still expected. If ROSA adoption weakens or Monogram is delayed, Zimmer could lose some of the growth expected from its robotics strategy. This would make it harder to reach our revenue forecasts and could also limit the valuation rerating assumed in our BUY thesis. We would review our thesis if Monogram were delayed beyond 2027, margins remain below 27%, or Zimmer's organic growth meaningfully falls below our forecast for a sustained period.

8. ESG NOTE

Zimmer Biomet manufactures orthopedic implants that can remain inside patients for many years, making product quality and patient safety extremely important. An implant defect is much more serious than a normal product return because it could require revision surgery and directly affect the patient's health. Quality issues could also lead to recalls, lawsuits, regulatory restrictions, and a loss of trust from surgeons and patients. In surgery, physicians often become comfortable using certain systems, and losing their trust could mean losing business to competitors. This could hurt the revenue growth and margin improvement built into our thesis. In a downside scenario where a major quality issue caused EBITDA to fall just 5%, it would lower our implied valuation and reduce the upside behind our BUY recommendation. Because of this, strong quality control, regulatory compliance, and patient-safety practices are important to patients, the business, and ultimately the stock.

9. MANAGEMENT AND OWNERSHIP

Ivan Tornos joined Zimmer Biomet in 2018 after holding senior medical-device roles at BD, C.R. Bard, Covidien, and Johnson & Johnson. He became Chief Operating Officer in 2021, then President and CEO in 2023, and Chairman in 2025. Paul Stellato currently serves as interim CFO, having been appointed in April 2026. Although the absence of a permanent CFO creates some leadership uncertainty, Stellato brings more than 20 years of finance and investor-relations experience and previously served as Zimmer's Controller, Chief Accounting Officer, and head of Corporate FP&A.

Tornos has played a central role in Zimmer's recent strategy, including the acquisitions of Paragon 28 and Monogram Technologies, restructuring initiatives, and broader portfolio expansion. Both Tornos and Stellato have relevant experience in

executing the operational improvements built into our projections. However, restored margins, successful integration of recent acquisitions, and sustained organic growth are still needed before their efforts can be viewed as a completed turnaround. We therefore have measured confidence in management, while recognizing that future execution remains the most important factor.

Insider ownership is below 1%, so management has limited direct financial alignment with shareholders. Tornos still owns a meaningful personal stake, but most recent insider activity has come from equity compensation and tax-related share withholding rather than open-market buying or selling. Institutional ownership remains high, with Vanguard, Dodge & Cox, and BlackRock among the largest holders. Short interest was about 5.9% of float as of July 31, 2026, which suggests some skepticism around Zimmer’s execution, but not enough to make the stock look heavily shorted. Zimmer also declared a quarterly cash dividend of \$0.24 per share, payable on or about October 30, 2026, to shareholders of record as of September 30. Overall, we view the ownership base and dividend as positives, but they are not major drivers of our BUY thesis.

MANAGEMENT TEAM

Name	Role	Background
Ivan Tornos	Chairman, President and CEO	Joined Zimmer in 2018; became COO in 2021, CEO in August 2023 and chairman in May 2025; previously held senior medical-device roles at BD, C.R. Bard, Covidien and Johnson & Johnson; experienced in regulated global healthcare businesses.
Paul Stellato	Interim CFO	Appointed interim CFO in April 2026; joined Zimmer in May 2022; previously served as controller, chief accounting officer and head of corporate FP&A; more than 20 years of finance and investor-relations experience; involved in capital allocation, acquisitions and share repurchases.

Insider Ownership: <1.0% | Major Holders: Vanguard 12.3% | Dodge & Cox 11.4% | Short Interest: 5.9% of float (7/31/26) | Dividend Yield: ~1.0%

10. CONCLUSION

We reiterate our BUY rating and blended price target of \$117.80, representing approximately 23.5% upside from Zimmer Biomet’s September 18, 2026, share price of \$95.36. Although investor skepticism reflects legitimate historical execution problems, we believe the market undervalues the company’s resilient revenue base and recent operational progress. Under CEO Ivan Tornos, the acquisitions of Paragon 28 and Monogram Technologies have positioned Zimmer to expand beyond its core hip and knee businesses into foot and ankle products and next-generation robotics. Although margins compressed in 2025, we expect profitability to recover and cash-flow generation to remain strong. Successful acquisition integration, restructuring execution, and margin recovery will be critical to achieving our projections. While meaningful execution risks remain, we believe the potential 23.5% return adequately compensates investors for those risks and supports our BUY rating.

ANALYST CERTIFICATION

I, Benjamin Evensen, certify that the views expressed in this report accurately reflect my personal views about Zimmer Biomet and its securities. I have not received and will not receive direct or indirect compensation related to the specific recommendations expressed herein. This report represents my independent analysis based on publicly available information.

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