

VIREO CAPITAL RESEARCH

Equity Research · Initiating Coverage · 9/20/2026

Zimmer Biomet · NYSE: ZBH

Healthcare · Medical Devices - Orthopedics · Analyst: Benjamin Evensen · Vireo Capital Research

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE	MARKET CAP (B)	P/E (FWD)	EV / EBITDA	52-WEEK RANGE
BUY	\$117.80	\$95.36	23.5%	18.19	10.9x	10.0x	\$79.12 - \$106.88
REVENUE (TTM)	EBITDA MARGIN	FCF (TTM)	NET MARGIN	DIV YIELD	BETA	NET DEBT / (CASH)	NEXT EARNINGS
8.509B	30%	1.2B	9.5%	1.0%	0.47	\$7,069	11/4/2026

INVESTMENT SUMMARY

We initiate coverage of Zimmer Biomet with a BUY rating and a \$117.80 blended price target, representing ~23.5% upside from its current share price of \$95.36. Previous supply constraints, integration challenges and inconsistent execution have contributed to investor skepticism and, in our view, caused the market to undervalue the company’s long-term potential. Although Zimmer Biomet’s history provides legitimate reasons for caution, the company initiated additional global restructuring programs in February and December 2025 to reorganize key businesses, reduce costs, accelerate decision-making and concentrate resources on growth opportunities. Despite these challenges, Zimmer Biomet has continued to generate year-over-year revenue growth, demonstrating the underlying resilience of its product portfolio and end markets. We project revenue growth of 4.3% in 2026 and 4.8% in both 2027 and 2028. We believe sustained growth, combined with improved execution and more efficient operations, could strengthen free-cash-flow generation and support a rerating toward our blended price target.

KEY CATALYSTS

- Monogram robotic launch in 2027
- Paragon 28 integration and S.E.T. growth
- Restructuring savings and margin expansion

KEY RISKS

- Monogram development or launch delays
- Paragon 28 integration underperformance
- Margin compression weaken FCF and valuation

PRICE TARGET SUMMARY — BLENDED METHODOLOGY

Methodology	Weight	Implied Price	Commentary
DCF (3-Year Projection)	25%	\$190.35	6.2% 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 EPS of \$8.53; implies \$102.02 per share.

BLENDED PRICE TARGET · 100% · \$117.80 · 23.5% Upside

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Discounted Cash Flow Model · Zimmer Biomet · 9/20/2026

Zimmer Biomet	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	TERMINAL	OUTPUT	
A. REVENUE BUILD (\$MM)								
Total Revenue	\$7,679	\$8,232	\$8,589	\$9,003	\$9,436			
YoY Growth %	3.8%	7.2%	4.3%	4.8%	4.8%			
Knees	\$3,174	\$3,322	\$3,356	\$3,473	\$3,612			
Hips	\$1,999	\$2,094	\$2,188	\$2,286	\$2,378			
S.E.T.	\$1,866	\$2,150	\$2,301	\$2,439	\$2,585			
Other	\$640	\$666	\$745	\$805	\$861			
B. EBITDA & FREE CASH FLOW (\$MM)								
Gross Profit	\$5,487	\$5,738	\$6,070	\$6,298	\$6,546			
Gross Margin %	71.5%	69.7%	70.7%	70.0%	69.4%			
EBITDA	\$2,282	\$2,192	\$2,492	\$2,587	\$2,684			
EBITDA Margin %	29.7%	26.6%	29.0%	28.7%	28.4%			
EBIT (Operating Income)	\$1,286	\$1,098	\$1,371	\$1,413	\$1,449			
(-) Cash Taxes	(\$163)	(\$166)	(\$247)	(\$254)	(\$261)			
NOPAT	\$1,123	\$932	\$1,125	\$1,158	\$1,188			
(+) D&A	\$996	\$1,094	\$1,120	\$1,174	\$1,235			
(-) Capital Expenditures	(\$444)	(\$525)	(\$533)	(\$558)	(\$585)			
(-) Change in NWC	(\$261)	\$27	(\$174)	(\$130)	(\$136)			
Unlevered Free Cash Flow	\$1,414	\$1,527	\$1,538	\$1,644	\$1,702			
C. DCF CALCULATION								
Discount Period			1	2	3			
Unlevered FCF (from Section B)			\$1,538	\$1,644	\$1,702			
Discount Factor = 1/(1+WACC)^t			0.9417	0.8868	0.8350			
PV of Free Cash Flow			\$1,448	\$1,458	\$1,421			
D. KEY ASSUMPTIONS								
WACC	6.2%	CAPM-derived: Rf + Beta × ERP						
Terminal Growth Rate	2.5%	Conservative; below long-run nominal GDP						
Tax Rate	18.0%	Normalized ZBH ETR; based on historical ETR and management guidance						
Risk-Free Rate (Rf)	5.0%	10-year UST yield as of 9/18/26						
Equity Risk Premium	4.1%	Damodaran implied ERP Sep 2026						

Beta (5Y Monthly)	0.47	Source: Yahoo Finance, 5Y monthly beta, 9/20/26				
Net Debt / (Cash) (\$mm)	\$7,069	Most recent quarter; negative = net cash				
Diluted Shares (mm)	193	Source: ZBH Q2 2026 financial results				
Terminal EV/EBITDA Check	17.6x	Cross-check vs trading comps median				

E. VALUATION OUTPUT

Sum of PV of Forecast FCFs (\$mm)	\$4,327							
Terminal Value — Gordon Growth Model (\$mm)	\$47,232							
PV of Terminal Value (\$mm)	\$39,441							
Enterprise Value (\$mm)	\$43,768							
(-) Net Debt / (+) Net Cash (\$mm)	(\$7,069)							
Equity Value (\$mm)	\$36,699							
÷ Diluted Shares Outstanding (mm)	193							
DCF Implied Share Price	\$190.35							
Current Market Price	\$95.36							
Implied Upside / (Downside)	99.6%							

F. SENSITIVITY ANALYSIS — DCF IMPLIED SHARE PRICE (\$)

TGR ↓ / WACC →	\$190.35	5.75%	6.00%	6.25%	6.50%	7.00%	8.00%	9.00%
	1.5%	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?
	2.0%	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?
	2.5%	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?
	3.0%	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?
	3.5%	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?	#NAME?

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Comparable Company Analysis · Zimmer Biomet · 9/20/2026

Company	Ticker	Mkt Cap (\$B)	EV (\$B)	Revenue (\$B)	EV/Revenue	EV/EBITDA	P/E (Fwd)	Rev Growth	EBITDA Margin	FCF Yield
► Zimmer Biomet	ZBH	18.19	25.33	8.51	2.98	10.03	10.88	4.35%	29.68%	6.60%
Smith & Nephew	SNN	\$11.6	\$14.6	\$6.3	2.3x	10.6x	12.0x	6.0%	21.9%	7.4%
Enovis	ENOV	\$1.0	\$2.4	\$2.3	1.0x	6.3x	5.0x	4.9%	16.5%	6.1%
Globus Medical	GMED	\$10.0	\$9.2	\$3.1	2.9x	9.1x	14.5x	19.7%	32.2%	7.6%
Integra LifeSciences	IART	\$1.2	\$3.0	\$1.7	1.8x	9.3x	6.0x	1.6%	19.2%	2.2%
CONMED	CNMD	\$1.4	\$2.2	\$1.4	1.6x	9.5x	10.1x	3.4%	16.6%	9.9%
Stryker	SYK	\$105.5	\$117.5	\$25.8	4.6x	15.9x	17.2x	8.5%	28.6%	4.5%
Medtronic	MDT	\$117.9	\$137.0	\$37.5	3.7x	13.2x	15.3x	9.8%	27.7%	5.2%
25th Percentile	-	\$1.3	\$2.7	\$2.0	1.7x	9.2x	8.1x	4.2%	17.9%	4.8%
Median	-	\$10.0	\$9.2	\$3.1	2.3x	9.5x	12.0x	6.0%	21.9%	6.1%
75th Percentile	-	\$58.5	\$66.1	\$16.1	3.3x	11.9x	14.9x	9.1%	28.1%	7.5%
Mean	-	\$35.5	\$40.8	\$11.2	2.6x	10.6x	11.4x	7.7%	23.2%	6.1%

IMPLIED VALUATION FROM TRADING COMPARABLES

Methodology	Multiple Applied	Reference Metric	Implied EV	Implied Price						
EV / Revenue	2.3x	\$8.5	\$19.7	\$65.74						
EV / EBITDA	9.5x	\$2.5	\$23.7	\$86.26						
P/E (Forward)	12.0x	\$8.5	—	\$102.02						
Comps Blended Implied Price	\$84.67	vs. Current:	\$95.36	(11.2%)						

COLOR CODING LEGEND

Blue text	Hardcoded inputs — numbers the analyst changes for scenarios or updates
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Green text	Cross-sheet links pulling from another tab in this workbook
Yellow background	Key assumption cells requiring attention or updating

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