



Too Sweet to Last?

Equity Research of DexCom, Inc.

Tomás Cruz

Dissertation written under the supervision of Professor Fani Kalogirou

Dissertation submitted in partial fulfilment of requirements for the International
MSc in Finance, at CATÓLICA-LISBON School of Business & Economics,
January 2026

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Supervisor: Professor Fani Kalogirou

Abstract

The Diabetes Care Devices market has become an increasingly important segment of global healthcare, driven by the long-term nature of diabetes management and the growing role of medical technology in chronic disease monitoring. Within this context, DexCom, Inc. has established itself as a leading provider of continuous glucose monitoring (CGM) systems, benefiting from favourable industry dynamics, rising diabetes prevalence, and the ongoing shift towards preventative care solutions.

Using publicly available information, this dissertation assesses whether Dexcom's market valuation is supported by its underlying fundamentals. A discounted cash flow (DCF) valuation yields a target price (TP) of US\$50, 22% below the current share price, supporting a Sell recommendation. Valuation based on earnings-related multiples, EV/EBITDA and P/E, similarly suggest limited upside, while a revenue-based multiple, EV/Sales, implies a valuation broadly in line with the current market price. Overall, the findings suggest that, despite favourable industry conditions and a strong competitive position, Dexcom's current valuation offers a limited margin of safety and remains highly sensitive to assumptions surrounding growth and profitability.

Keywords: DexCom, Inc., continuous glucose monitoring (CGM), equity valuation

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Tomás Cruz

Janeiro 2026

Supervisora: Professora Fani Kalogirou

Resumo

O mercado de dispositivos para cuidados de diabetes tem-se tornado cada vez mais relevante no setor da saúde a nível global, impulsionado pela natureza prolongada da gestão da diabetes e pelo papel crescente da tecnologia no acompanhamento de doenças crónicas. Neste contexto, a DexCom, Inc. afirmou-se como um dos principais fornecedores de sistemas de monitorização contínua da glicose (MCG), beneficiando de dinâmicas favoráveis no setor, do aumento na prevalência da diabetes e da transição para soluções de cuidados preventivos.

Esta dissertação avalia se a valorização de mercado da Dexcom é sustentada pelos seus fundamentos económicos. A avaliação através de um modelo de fluxos de caixa descontados resulta num preço-alvo de US\$50, 22% abaixo do preço da ação atualmente, o que sustenta uma recomendação de Venda. As valorizações baseadas em múltiplos de resultados apontam igualmente para um potencial de valorização limitado, enquanto um múltiplo de receitas sugere uma avaliação globalmente em linha com o preço de mercado. Em síntese, apesar de condições favoráveis no setor e de uma posição competitiva sólida, a valorização atual da Dexcom apresenta uma margem de segurança reduzida e revela elevada sensibilidade a pressupostos de crescimento e rentabilidade.

Palavras-chave: DexCom, Inc., monitorização contínua da glicose (MCG), avaliação da empresa

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Acknowledgments

A word of appreciation goes to my parents for supporting me throughout my education and for always encouraging me to follow my dreams. To my brothers, for being my best friends. And to my friends, both in my hometown and those I have met along the way, for sharing this journey with me – we are just getting started.

I would also like to thank my advisor, Professor Fani Kalogirou, for her time and guidance.

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List of Abbreviations

CGM	Continuous Glucose Monitoring
FDA	Food and Drug Administration
API	Application Performance Interface
U.S.	United States of America
IE	Ireland
CH	Switzerland
FY	Fiscal Year

p.p.	Percentage Points
CAGR	Compounded Annual Growth Rate
COGS	Cost of Goods Sold
R&D	Research and Development
SG&A	Selling, General, and Administrative
OpEx	Operating Expenditures
D&A	Depreciation and Amortisation
OWC	Operating Working Capital
CapEx	Capital Expenditures
FCFF	Free Cash Flow to the Firm
WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow
EV	Enterprise Value
EBITDA	Earnings Before Interests, Taxes, Depreciation, and Amortisation
EBIT	Earnings Before Interests and Taxes
TP	Target Price

1 Introduction

The Diabetes Care Devices market represents a growing segment within global healthcare, shaped by the long-term nature of diabetes management and the expanding role of medical technology in chronic care. Continuous Glucose Monitoring (CGM) has emerged as a key category in diabetes care, reflecting a shift away from periodic testing towards continuous, technology-enabled monitoring solutions. As global diabetes prevalence continues to rise, CGM systems are positioned to play an increasingly central role in disease management (Global Market Insights 2024).

Within this context, DexCom, Inc. (“Dexcom” or “the company”) has emerged as a leading provider of CGM systems, supported by a strong technological focus and a data-driven ecosystem centred on patient outcomes and connectivity. Dexcom has expanded rapidly in recent years, with revenues reaching US\$4.03bn in 2024, and maintains a dominant position in the U.S. market, complemented by expanded international operations. The company’s shares are publicly traded on NASDAQ with a market capitalization of US\$25.66bn (Refinitiv 2025). Dexcom’s investment profile is characterized by high-growth potential, margin volatility driven by intense research and development (R&D) and internationalization goals, competitive pressures within the CGM market, and evolving reimbursement and regulatory dynamics. These factors contribute to a valuation profile that is highly sensitive to assumptions regarding long-term profitability and market penetration.

This thesis seeks to address the following research questions: (i) What is Dexcom’s fair value and corresponding target price (TP)?; (ii) What is the resulting appropriate investment recommendation for the company?; and (iii) which drivers and risks most influence its valuation? To answer these questions, a business strategy assessment is complemented with an accounting analysis, financial and stock performance analysis, and a valuation exercise based on both a discounted cash flow (DCF) model and comparable trading multiples. The DCF base case valuation yields a TP for December 31, 2026, of US\$50, implying a 22% downside relative to current share price, and corresponding to a Sell recommendation. Relative valuation produces mixed signals: the EV/EBITDA and P/E TP, US\$46 and US\$39, respectively, also imply a downside and support a Sell recommendation, while the EV/Sales TP, US\$70, suggests a valuation broadly in line with the current share price, corresponding to a Hold recommendation. Overall, the analysis indicates that Dexcom’s current market valuation embeds optimistic expectations regarding future growth and margin expansion.

2 Business Strategy Analysis

2.1 Diabetes Care Devices Industry

2.1.1 Overview

The Diabetes Care Devices market is a medical technology market which includes medical devices used in the management and treatment of diabetes. These devices range from blood glucose meters and CGM systems to insulin pumps, insulin pens, and other related accessories. Diabetes drugs and supplements, such as insulin and oral hypoglycaemic agents, are out-of-scope.

Revenue in the Diabetes Care Devices market worldwide is projected to reach US\$33.38bn in 2025. The U.S. leads the market with projected revenues of US\$13.6bn, followed by China (US\$3.8bn), Germany (US\$1.5bn), Japan (US\$1.4bn), and the United Kingdom (US\$1.0bn), as depicted in Figure 1. Additionally, the market is anticipated to exhibit a compounded annual growth rate (CAGR) of 12.58% between 2025 and 2030, which will lead to a market volume of US\$60.36bn by 2030. This growth is fuelled by advancements in technology, increased prevalence of diabetes, and heightened awareness about effective management strategies among patients and healthcare providers (Statista 2025).

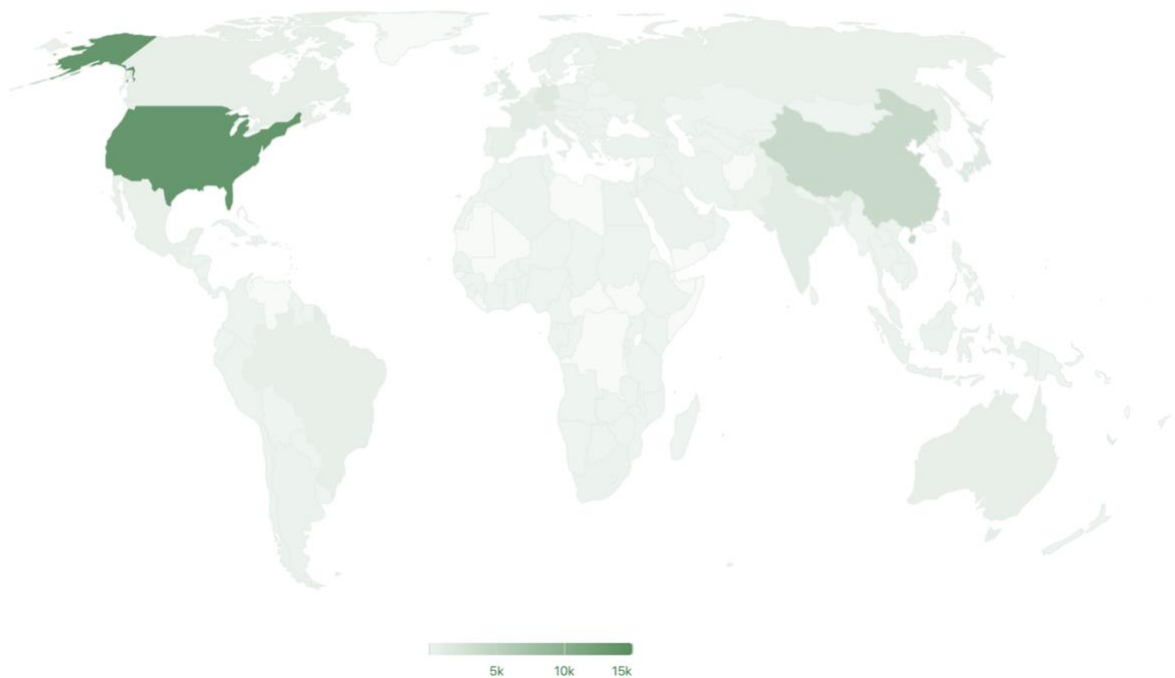


Figure 1: Revenues by Country (in US\$ millions)

Over the past decade, the Diabetes Care Devices market has experienced steady consolidation, with several legacy manufacturers exiting and a few large players capturing most of the value. In 2023, the five largest players accounted for 57% of total market share (Figure 2), reflecting a transition from a fragmented competitive landscape toward one characterized by scale, R&D intensity, and regulatory barriers to entry.

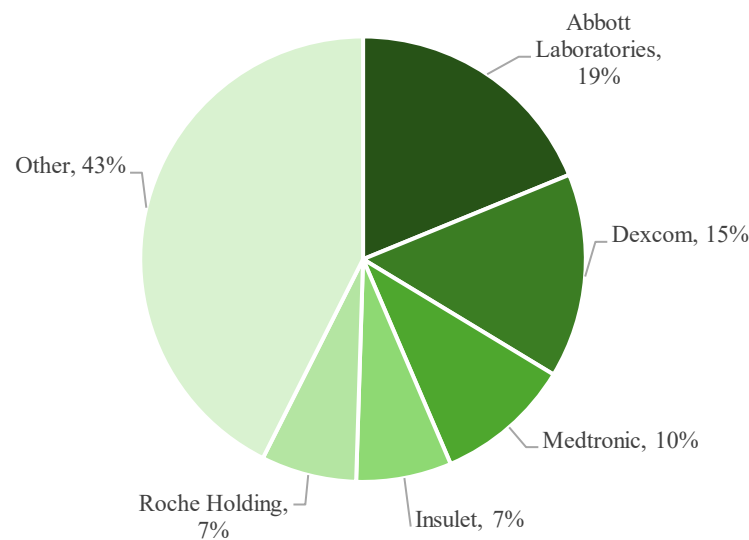


Figure 2: Brand Shares in 2023

The global Diabetes Care Devices market is witnessing a significant shift towards advanced digital solutions, enhancing patient engagement and improving health outcomes worldwide.

2.1.2 Key Trends

Consumers are increasingly prioritizing personalized diabetes management solutions, resulting in a rise in demand for insulin pens and CGM devices.

CGM devices have become smaller, more accurate, and increasingly user-friendly, enabling continuous glucose tracking without frequent finger-prick tests. Modern sensors now last up to 14 days, require minimal calibration, and transmit real-time readings directly to smartphones and wearable devices, providing users with alerts and trend data to support day-to-day diabetes management (Almurashi, Rodriguez and Garg 2023). The next step in this technological evolution is the integration of CGMs with insulin pumps and dosing algorithms, allowing for increasingly automated insulin delivery.

There has also been an alarming rise in diabetes over the past three decades, which reflects the increase in obesity, compounded by the impacts of the marketing of unhealthy food and a lack of physical activity. In 2024, there were more than 500 million diabetes patients, as

depicted in Figure 3, and that number is bound to grow by 2.2% per year until 2029 (CAGR 2024-2029), increasing global prevalence from 10.2% to 11.2% (Statista 2025).

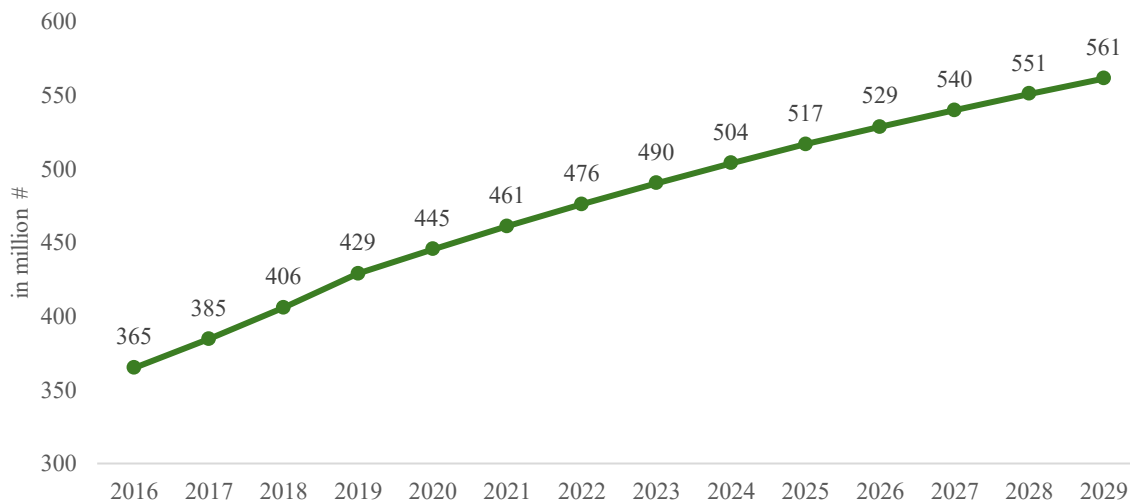


Figure 3: Number of Diabetes Patients

Other factors are also supporting market growth. Broader insurance coverage and reimbursement for CGM of both Type 1 and Type 2 diabetes have made devices more affordable. In parallel, regulatory agencies such as U.S. Food and Drug Administration (FDA) and European Medicines Agency have streamlined approval pathways for new CGM models, reducing time-to-market (U.S. Food & Drug Administration 2024). The expansion of telemedicine and remote patient monitoring, accelerated by the Covid-19 pandemic, has further increased adoption by integrating CGM data into digital care platforms (Global Market Insights 2024).

2.1.3 Outlook and Key Drivers

There are different growth drivers to the medical devices industry. Global market expansion is expected to remain robust through 2030, supported by technological innovation, demographic change, and growing healthcare expenditure. Digitalization is at the core, as sensors, connectivity and artificial intelligence turn traditional devices into connected systems that enable continuous monitoring and real-time data use. In CGM, these technologies improve treatment accuracy, patient engagement, and clinical decision-making. Another driver is the shift toward preventive care, with health systems favouring solutions that detect risks early and promote self-management. Emerging markets are also becoming key contributors, especially China and India, which are expected to rank among the top global medical device markets by 2030, driven by population growth, policy support, and improved access to care, as depicted in

Figure 4. Another growth engine is the adoption of value-based healthcare, where players and regulators demand clear evidence of cost effectiveness and improved outcomes. Finally, cross-industry collaboration between medical device firms, technology companies, and data platforms is driving faster product development and greater interoperability across systems (Heuvel, et al. 2018).

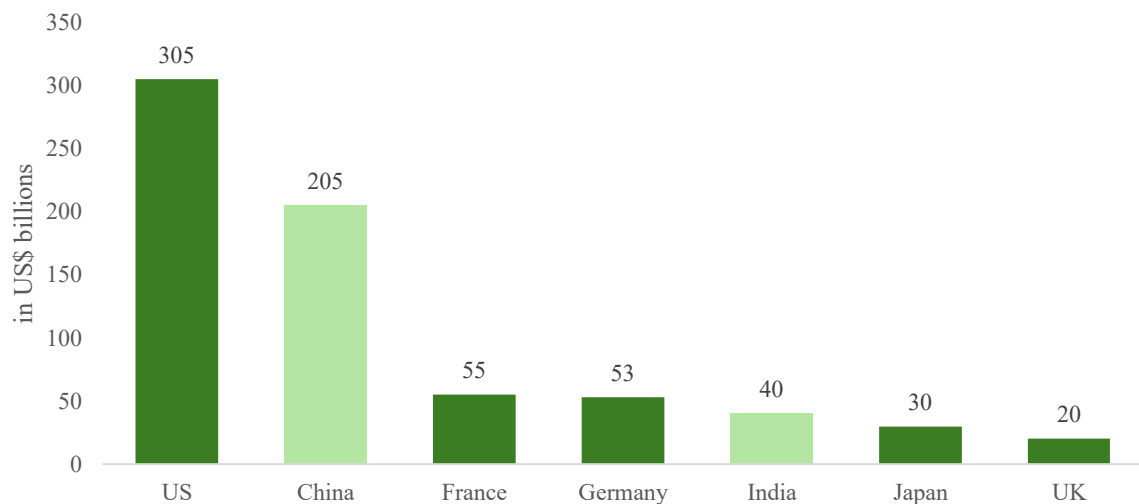


Figure 4: Top 7 Global Medical Device Markets by Forecasted Revenues in 2030

However, further research highlights an emerging headwind for the sector: the rapid adoption of GLP-1 drugs¹ for diabetes and obesity management. These treatments, which reduce blood glucose and promote weight loss, could moderate long term demand for certain MedTech products, including CGM systems, as fewer patients progress to advanced diabetes stages and require intensive monitoring. Nevertheless, this effect may be partially offset by increased use of CGM devices among individuals with prediabetes or those seeking preventive monitoring (Aggarwal, et al. 2025).

Despite these dynamics, the medical device industry faces risks that threaten margins and competitiveness. First, pricing pressure is intensifying as governments and insurers push down reimbursement rates, forcing manufacturers to lower prices and operate with tighter margins (Rajendran, Aggarwal and Verma 2025). Additionally, companies that fail to combine devices with data, services, or integrated platforms risk being reduced to low-margin hardware suppliers, and at the same time, cybersecurity and data privacy risks expose firms to breaches, regulatory penalties, and reputational damage (Britton and Britton-Colonnese 2017). Finally,

¹ Medications that activate the Glucagon-Like Peptide-1 receptor, causing reduced blood sugar, appetite, and energy intake. Originally manufactured for treatment of Type 2 diabetes, some of these medications have been approved for weight loss in obesity.

technology companies like Google and Alibaba are entering healthcare with data-driven models, challenging traditional players through superior digital capabilities and consumer reach (Szigetvári and Mesko 2023).

2.1.4 Key Players

The leading companies in the CGM segment are Abbott Laboratories, Dexcom, Medtronic, Roche, and Ascensia Diabetes Care, which together dominate global sales. They all offer integrated glucose monitoring solutions built around sensor-based continuous data collection and wireless transmission to mobile or cloud platforms. Their products share key features such as real-time glucose readings, predictive alerts, and compatibility with insulin-delivery systems and digital-health apps (Coherent Market Insights 2023).

Despite these similarities, each firm maintains a distinct positioning: Dexcom focuses exclusively on CGM technology; Abbott combines CGM within a broader diabetes-care portfolio and leverages mass-market scale; Medtronic integrates CGMs with its insulin pumps to deliver hybrid closed-loop systems; Roche remains active mainly through connected glucose-monitoring devices; and Ascensia sells and supports the Eversense CGM system, which was developed by Senseonics and uses a small sensor implanted under the skin. Please refer to Appendix 1 – Comparison of Leading CGM Players for key similarities and differences among the players.

2.1.5 External Analysis

Porter's Five Forces

According to Harvard Business School Professor Michael Porter, there are five forces that can be used to analyse a market and determine its competitiveness. These forces are internal competition, the potential for new entrants, the negotiating power of suppliers, the negotiating power of customers, and the ability to find substitutes (Porter 2008).

Internal competition in the CGM segment is strong but concentrated. A few firms dominate sales, leading to rivalry centred on technology, accuracy, and price. These firms compete through rapid innovation cycles, launching new generations of sensors with longer wear time, improved accuracy, and broader digital integration. At the same time, pricing pressure has increased, while high switching costs, strong brand loyalty, and regulatory complexity limit customer churn.

The threat of new entrants is medium. Developing and commercialising CGM systems requires substantial R&D investment, clinical validation, and regulatory approval, creating

high entry barriers. Established players benefit from strong brand trust, distribution networks, and insurance coverage agreements that are difficult for newcomers to replicate. While startups occasionally emerge, most struggle to scale independently and often end up partnering with larger firms, like Senseonics, which collaborates with Ascensia Diabetes Care to market its implantable Eversense CGM system (Senseonics 2025). However, the increasing overlap between medical devices and digital health has attracted large technology firms with significant financial resources, advanced data capabilities, and established customer bases, which partially mitigates traditional entry barriers and elevates the overall threat.

The bargaining power of suppliers is moderate to low. Production depends on specialized components, such as biosensors, microelectronics and adhesives, but these materials are sourced from multiple global suppliers, reducing dependency on any single one. Large manufacturers benefit from scale and vertical integration, giving them strong leverage in supplier negotiations. However, supply chain disruptions or shortages of high-quality sensor materials can temporarily increase supplier influence.

The bargaining power of customers is moderate. End users (patients) have limited power because CGM devices require prescription and differ in features and compatibility. In contrast, insurance and healthcare providers have great influence, as their reimbursement policies and purchasing decisions determine which products are used. As coverage expands and competing devices become more similar, price sensitivity is rising, giving these institutional buyers stronger negotiation leverage.

The threat of substitutes is moderate. Traditional fingerstick blood glucose meters remain a cheaper alternative, especially in markets with limited reimbursement. However, they provide only point-in-time readings and lack the continuous data and alerts offered by CGMs. Other emerging technologies, such as non-invasive glucose monitoring using optical or wearable sensors, are still in early development and not yet commercially viable. As a result, while substitutes exist, none currently match the convenience, accuracy, and clinical value of modern CGM systems.

PESTEL Analysis

The PESTEL framework, which relies on political, economic, social, technological, environmental and legal dimensions, also helps identify the macro-level trends and external pressures that influence competitiveness and long-term growth in the diabetes care devices market (Aguilar 1967), and confirms the takeaways from the Porter's Five Forces Analysis.

On the political side, governments are increasingly focused on regulation of medical device pricing and reimbursement. In emerging markets, political investment in healthcare infrastructure and local manufacturing incentives are expanding market access, while trade tensions continue to pose risks for global supply chains.

On the economic side, the industry is bound to grow given the rising healthcare spending, expanding insurance coverage, and increasing prevalence of chronic diseases such as diabetes. However, persistent pricing pressures from payers and hospital groups threaten profit margins.

On the social side, demand for CGM systems is being driven by aging, urbanization, and lifestyle-related conditions. Preventive behaviour and digital literacy are reshaping the relationship between consumers and device makers, fostering demand for personalized and connected care solutions. Nevertheless, the rapid uptake of GLP-1 drugs may temper long-term device demand, especially among Type 2 diabetes patients.

On the technological side, digitalization remains the most powerful disruptive source. Yet, fast-paced innovation also shortens product cycles and intensifies competition from technology firms with superior data capabilities.

On the environmental side, regulators and investors are pressuring manufacturers to reduce environmental impact. Device miniaturization, recyclable materials, and energy-efficient production processes are becoming competitive requirements. Additionally, single-use sensors and disposables raise concerns about medical waste and carbon footprint, pushing companies to develop circular design strategies and eco-friendly supply models (Chan 2024).

On the legal side, stricter approval pathways for AI-enabled devices, cybersecurity standards, and post-market surveillance obligations increase compliance costs but also raise barriers to entry.

2.2 DexCom, Inc.

2.2.1 Business Model Overview

DexCom, Inc. is a medical device company focused on the design, development, and commercialization of CGM systems in the U.S. and internationally. The company provides its systems for the management of diabetes and metabolic health by patients, caregivers, and clinicians. It received approval from the FDA and commercialised its first product in 2006, and its current products include Dexcom G6 and Dexcom G7, integrated CGM systems for diabetes

management which are clinically proven to lower A1C², reduce hyper and hypoglycaemia, and increase time in range³; Dexcom Share, a remote monitoring system; Dexcom Real-Time Application Performance Interface (API), which enables authorized third-party software developers to integrate real-time CGM data into their digital health apps and devices; Dexcom ONE+, that is designed to replace finger stick blood glucose testing for diabetes treatment decisions; and Stelo, a new over-the-counter glucose biosensor designed for adults with prediabetes and Type 2 diabetes. The company has a collaboration and license agreement with Verily Life Sciences LLC and Verily Ireland Limited to develop blood-based or interstitial glucose monitoring products. It makes its products directly to endocrinologists, physicians, and diabetes educators. The company was incorporated in 1999 and is headquartered in San Diego, California (yahoo! finance 2025).

2.2.2 Product Lines

Core CGM Systems

Dexcom G6 and Dexcom G7 are the company's main revenue drivers. These devices are intended for adults and children aged two years and older with Type 1 or Type 2 diabetes, particularly those using insulin, at risk of hypoglycaemia, or with gestational diabetes. Both provide real-time glucose readings, eliminate the need for routine finger-stick calibration, and integrate with smartphones, smartwatches, and insulin-delivery systems, allowing continuous and connected diabetes management.

The G6, introduced in 2018, features a 10-day sensor life and established Dexcom's leadership in sensor accuracy and digital interoperability. It automatically transfers glucose data to compatible mobile devices (iPhone, iPad, and compatible Android models) and wearables (Apple Watch and Wear OS by Google) and integrates with insulin-delivery systems through Dexcom's digital platforms, Clarity and Share, enabling real-time monitoring and clinical oversight. The G6 transmitter has a lifespan of three months, and a professional version, Dexcom G6 Pro, allows healthcare providers to use the system directly with patients (Dexcom 2025).

The newer G7, launched in 2023, builds on this foundation with a smaller, fully integrated sensor and transmitter, a shorter 30-minute warm-up period, and a 12-hour grace period after the 10-day wear time, improving comfort and flexibility for users. The G7 has also achieved

² Blood test that provides information about a person's average levels of blood glucose over the prior three months;

³ Time a person's blood glucose levels stay within a target range.

broader reimbursement coverage in the United States under Medicare, Medicaid, and major commercial insurers, supporting rapid adoption (Dexcom 2025). Please refer to Appendix 2 – Key Features of Dexcom G6 and Dexcom G7 for a detailed view of the products’ features.

Complementary Software & Connectivity

Dexcom complements its hardware with a suite of digital connectivity and data-management solutions that enhance usability and clinical value. The Dexcom Share monitoring system, offered for use with any Dexcom system, uses an app (Dexcom Follow) on the patient’s compatible iPhone, iPad or Android mobile device to transmit glucose information to the cloud and then to apps on the mobile devices of up to ten designated recipients, or ‘followers’, who can remotely monitor a patient’s glucose information and receive alert notifications anywhere they have a wireless connection (Dexcom 2025). Dexcom Clarity is the company’s cloud-based reporting software that aggregates and analyses glucose trends for patients and healthcare providers, supporting treatment adjustments and long-term management (Dexcom 2025). The Dexcom Real-Time API, cleared by the FDA in 2021, enables authorized third-party developers to integrate real-time CGM data into external digital health platforms and connected devices.

Adjacent Products

Dexcom ONE+ builds on the originally developed Dexcom ONE and is a simplified version of Dexcom’s CGM systems, designed to expand accessibility to a wider population of people with diabetes. It consists of three components: a sensor, a transmitter, and a display device, which can be either the Dexcom ONE+ mobile app or a standalone receiver. The device provides real-time glucose readings and retains most of the core features of the G6, including the elimination of the routine finger-stick tests. Dexcom ONE+ is primarily aimed at cost-sensitive markets and healthcare systems seeking a reliable yet affordable CGM option, supporting the company’s strategy to drive adoption across broader geographic and demographic segments (Dexcom 2025).

Stelo, announced in 2024, represented Dexcom’s entry into the consumer and prediabetes market. It targets adults not using insulin who have prediabetes or Type 2 diabetes and are not at significant risk of hypoglycaemia, which the company estimated to be 125 million in the U.S. alone. The device offers real-time insights into glucose fluctuations, helping users understand how diet, exercise, and sleep affect their glucose levels. Stelo is available without prescription and is designed for over-the-counter use, expanding Dexcom’s addressable market beyond traditional insulin-dependent patients (Stelo by Dexcom 2025).

2.2.3 Customers

Dexcom serves a diversified customer base that includes both end users and institutional partners. Its primary customers are individuals with Type 1 and Type 2 diabetes, but the company also maintains long-standing relationships with major distributors such as Byram Healthcare and RGH Enterprises, which facilitate product access in the U.S. Dexcom also partners with medical device manufacturers like Insulet Corporation, Tandem Diabetes Care, and Beta Bionics, which integrate Dexcom sensors into insulin-delivery systems, as well as digital health firms such as DarioHealth and Bio Conscious Technologies, which use Dexcom data for app-based glucose insights.

The company typically experiences seasonality, with lower sales in the first quarter of each year compared to the immediately preceding fourth quarter. This seasonal sales pattern relates to the U.S. annual insurance deductible resets and unfunded spending accounts (DexCom, Inc. 2024).

2.2.4 Geographies

From 2020 to 2024, Dexcom generated over 70% of its revenue in the U.S., though this share declined by 6 percentage points (p.p.), from 78% in 2020 to 72% in 2024, reflecting faster revenue growth in international markets as CGM adoption, reimbursement coverage and sensor-replacement cycles accelerate outside the U.S., as depicted in Figure 5.

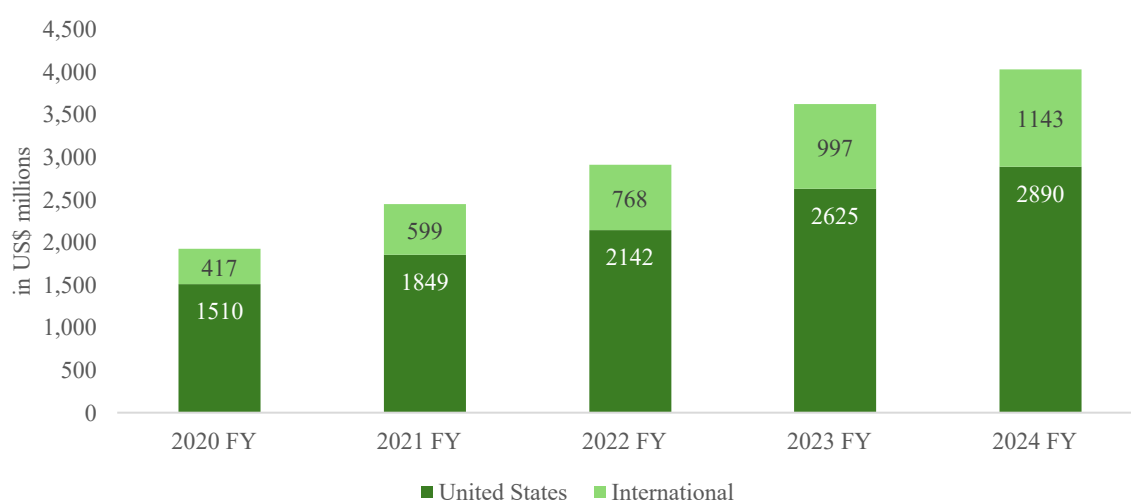


Figure 5: Revenues by Geography

In 2020, 100% of Dexcom's total assets were U.S.-based, but by 2024, U.S. assets represented only one-third. This shift is largely attributable to the significant investment in its

new manufacturing facility in Malaysia, a US\$670m project aimed at scaling production capacity to meet global demand and reduce dependency on the U.S (Aman 2020).

2.2.5 Corporate Structure

Dexcom operates through a network of majority-owned subsidiaries, including: SweetSpot Diabetes Care, Inc. and TypeZero Technologies LLC (both U.S.-based), which specialize in digital health and algorithmic software; DexCapital LLC, which acts as an asset management entity; and Nintamed GmbH & Co. KG in Germany and Australasian Medical & Scientific Ltd in Australia, which manage regional sales and customer support.

This structure reflects Dexcom's preference for centralized governance and direct oversight of assets, enhancing product quality control, regulatory compliance, and the protection of proprietary technologies across international markets.

Dexcom's equity is held by major institutional investors, with Vanguard Group Inc. (12.3%), BlackRock Inc. (9.9%), and State Street Global Advisors (4.3%) representing the largest shareholders (Refinitiv 2025).

2.2.6 Leadership

Dexcom's Board of Directors consists of nine members, including three women, while the executive leadership team includes ten members, of which three are women. The company is currently led by Jake Leach, Interim CEO, President, and COO, with Kevin Sayer serving as Executive Chairman. The leadership team combines long industry tenure and diverse expertise across healthcare technology, finance, and operations. The Board, chaired by Mark G. Foletta, includes experienced independent members from leading global firms (DexCom, Inc. 2024).

2.2.7 Strategy

Dexcom aims to maintain its position as the leading provider of CGM systems by using its technical expertise to develop and launch new products quickly. The company also continues to enhance its cloud-based data platforms, which allow people with diabetes to collect, analyse, and share glucose data from multiple devices with healthcare professionals and caregivers.

Dexcom is focused on strengthening its direct sales, marketing, and distribution capabilities while deepening its technology integration partnerships with other medical and digital-health companies. It continues to prioritise customer support, education, and product reliability, maintaining high standards of safety and quality across its portfolio.

Looking ahead, the company is pursuing broader reimbursement coverage from private insurers and national health systems to improve affordability and access. It is also expanding into new patient groups, including individuals with Type 2 diabetes not on intensive insulin therapy, those with prediabetes, as well as hospitalised, obese, and pregnant individuals.

2.2.8 Commercial Operations

Dexcom employs a mix of marketing and educational initiatives to promote product adoption, encourage continued use, and build brand loyalty. These include awareness campaigns targeting healthcare professionals and individuals with diabetes, training programs to support safe and effective product use, and a robust customer support infrastructure accessible by phone and online. The company also invests heavily in direct-to-consumer marketing, using television, print, digital, and social media, as well as sponsorships, community events, and brand ambassador programs to expand its user base and strengthen its market presence.

The company employs a direct sales organization in North America and selected international markets, targeting healthcare professionals who educate patients on CGM. In markets where a dedicated sales force is not yet established, Dexcom complements its efforts through e-commerce platforms, enabling direct engagement with customers and healthcare providers.

The company also relies on distribution partnerships which allow third-party distributors to market and sell its products, ensuring access in areas where it does not have a physical sales presence.

2.2.9 Competition

Dexcom competes directly with the Diabetes Care division of Abbott Laboratories, Medtronic plc's Diabetes Group, Roche Diabetes Care (division of Roche Diagnostics), privately held Life Scan, Inc., and Ascensia Diabetes Care.

2.2.10 Intellectual Property

The company's patent portfolio includes numerous issued and pending patent applications in the United States and other parts of the world. The company's issued patents as of December 31, 2024, are set to expire over a range of years, up to 2043, subject to some extensions.

The company also has various registered trademarks and pending trademark applications around parts of the world. ‘Dexcom’, ‘Dexcom Clarity’, ‘Dexcom One’, and other trademarks are the company’s property (DexCom, Inc. 2024).

2.2.11 Government Regulation

Dexcom’s products are regulated as medical devices by several authorities, including the FDA. The company must comply with laws governing the development, testing, manufacturing, labelling, marketing, and distribution of its devices. Dexcom’s CGM systems are classified Class II Integrated Continuous Glucose Monitoring devices, subject to specific performance and safety standards under the FDA’s Quality System Regulation. The company and its contract manufacturers are required to follow Good Manufacturing Practice standards and maintain validated processes for design and production.

In the U.S., Dexcom’s operations are also subject to regulation from the Centres for Medicine & Medicaid Services, the Department of Veterans Affairs, and state health agencies overseeing device reimbursement and healthcare payments. The company is a covered entity under the Health Insurance Portability and Accountability Act, which sets strict requirements for protecting patient health information. It is also subject to the Physician Payment Sunshine Act, which mandates annual reporting of financial transfers or benefits provided to healthcare professionals and institutions.

Internationally, Dexcom’s products must comply with regulatory requirements in each market, including CE-market certification in Europe and comparable frameworks in other regions (DexCom, Inc. 2024).

2.2.12 Internal Analysis (SWOT)

Dexcom’s main strengths lie in its technological leadership and vertically integrated business model. Its CGM systems are recognized for superior accuracy, connectivity, and user experience, offering a clear competitive advantage in the medical device market. The company’s integrated digital ecosystem creates recurring data-driven revenue streams while enforcing user stickiness. Strong partnerships with device manufacturers further enhance interoperability and product appeal. Additionally, Dexcom’s direct distribution model in key markets and majority-owned global subsidiaries ensure control over quality, regulatory compliance, and supply chain efficiency. These capabilities provide Dexcom with sustained competitive advantages, as its proprietary technology, data ecosystem, and operational

integration are valuable, rare, and difficult to imitate, and the company is well organized to exploit them (Wernerfelt 1984).

Nevertheless, Dexcom also has weaknesses. The company remains highly dependent on its CGM product line, exposing it to concentration risk. Its premium pricing limits accessibility in cost-sensitive markets, and while Dexcom ONE+ addresses this gap, its adoption remains geographically constrained to selected European markets following CE Mark approval. The company's reliance on third-party payers and reimbursement systems creates pricing and policy risk, especially in the U.S., which still account for over 70% of revenues. Manufacturing and R&D expenses are substantial, and any delay in scaling its Malaysian facility could impact gross margins. Finally, the limited gender diversity within executive leadership and board composition may represent a governance area for improvement.

Dexcom's opportunities lie on the rising global diabetes prevalence and expanding reimbursement coverage for CGM devices. The launch of Dexcom Stelo opens a significant new market segment among prediabetic and non-insulin-dependent individuals, broadening the company's addressable base. Increasing international penetration provides additional upside. The integration of Dexcom's real-time data into external health platforms and apps presents new opportunities for partnerships, licensing, and digital health innovation.

Threats include: the intense competition from major healthcare players, which exert pricing pressure and accelerate innovation cycles; reimbursement policy changes, particularly under Medicare and private insurers, which could adversely affect revenue predictability; data privacy and cybersecurity risks associated with Dexcom's connected ecosystem; and global supply chain disruptions and currency fluctuations which could impact the company's cost structure and profitability as it expands internationally.

3 Accounting Analysis

3.1 Accounting Policies and Key Judgments

3.1.1 R&D Treatment

R&D is a material cost for Dexcom. In accordance with U.S. GAAP⁴, the company expenses R&D costs as incurred, including product development, clinical trials, and software

⁴ Generally Accepted Accounting Principles, which set the criteria for preparing, presenting, and reporting financial statements in the U.S.

development expenditures. Dexcom discloses that no software development costs have been capitalized, as technological feasibility and commercial release typically occur concurrently for its CGM systems.

R&D intensity increased materially during the G7 development cycle and broader platform expansion, contributing to temporary operating margin compression in 2021-2022. This reflects the timing of development expenditures rather than deterioration in pricing, demand, or operating leverage.

This means that no adjustment is made to reported R&D expenses. While part of the expenditure supports future revenue generation, the regulatory risk and uncertain economic life of products justify full expensing.

3.1.2 Revenue Recognition Framework

Dexcom recognizes revenue in accordance with ASC 606⁵ upon the transfer of control of its CGM products to customers. Revenue is reported net of variable consideration, including rebates, chargebacks, prompt-pay discounts, and product returns.

Variable consideration represents a key area of accounting judgement. Dexcom estimates these amounts at contract inception using historical data, current contractual terms, and expected payer mix, and updates estimates as additional information becomes available. Pharmacy rebates are disclosed as the most significant source of estimation uncertainty, with settlement periods that may extend up to one year after sale.

A sensitivity disclosed in the 10-K indicates that a 1% change in estimated products subject to pharmacy rebates would have impacted 2024 revenue by approximately US\$38.7m (DexCom, Inc. 2024), highlighting the materiality of these assumptions. While no material revenue restatements or abnormal adjustments are reported, revenue recognition relies on forward-looking estimates that may affect comparability across periods.

No adjustment is made to reported revenue. However, revenue growth and margins are interpreted with awareness that reported figures incorporate management estimates related to variable consideration rather than purely realized cash pricing.

⁵ Accounting standard that governs how and when revenue should be recognized from customer contracts.

3.1.3 Inventory Valuation

Dexcom values inventory at the lower of cost or net realizable value. Inventory includes raw materials, work in progress, and finished goods related to sensors, transmitters, and receivers.

Inventory valuation involves judgment related to excess, obsolete, or slow-moving inventory, particularly given rapid product iteration and technology transitions. Dexcom records inventory write-downs when estimated realizable value falls below carrying value, based on quality assessments, expected future demand, and product life cycle considerations.

Inventory balances increased during periods of elevated manufacturing activity and product transitions, notably surrounding the G7 rollout. While no material abnormal write-downs are disclosed, inventory remains exposed to execution risk related to production scaling and product mix shifts.

No adjustment is made to reported inventory levels as these are interpreted in conjunction with revenue growth, manufacturing ramp-ups, and product transaction dynamics rather than as an indicator of demand weakness.

3.1.4 Goodwill and Intangibles

Goodwill and intangible assets arise primarily from past acquisitions and strategic investments. Dexcom performs annual goodwill impairment testing, or more frequently if triggering events happen, by reporting the fair value of reporting units with their carrying amounts using discounted cash flow assumptions.

No goodwill impairments were recorded in the last five years, and changes in goodwill balance come from divestitures and foreign currency translation effects, rather than underperformance. Identifiable intangible assets consist mainly of acquired technology and are amortized over their estimated useful lives.

Given the absence of impairment charges and the limited weight of goodwill relative to total assets, goodwill does not materially distort reported earnings. However, it increases invested capital and should be considered when assessing capital efficiency and return metrics.

No adjustment is made to goodwill or intangible asset balances. Reported values are representative of the expected future economic benefits associated with acquired assets.

3.2 Earnings Quality and Accruals

Dexcom's earnings quality is primarily affected by accrual-based estimates associated with net revenue and operating provisions, rather than by capitalization policies or one-off

accounting items. The most relevant source of accrual risk comes from adjustments to previously recognized variable consideration (pharmacy rebates and chargebacks), as these estimates are finalized after the reporting period.

Additional accruals include warranty provisions, inventory reserves, and legal contingencies, which are recognized based on historical values and management judgment. These items have remained stable over time and have not generated material non-recurring charges in the last five years.

Overall, there is no indication of aggressive earnings management. Reported earnings have high quality, with variability driven primarily by business growth, product mix, and reimbursement dynamics rather than discretionary accounting practices.

3.3 Asset Quality and Balance Sheet Risks

Dexcom's balance sheet does not exhibit material signs of asset overstatement or aggressive accounting. The main balance sheet risks are operational rather than accounting-driven and relate to execution during product transitions and manufacturing scale-up.

Inventory and manufacturing assets carry exposure to demand forecasting and capacity utilization risk, especially during major technology rollouts. However, no abnormal write-downs or impairments have been recorded, and asset balances remain consistent with observed revenue growth and expansion plans.

Goodwill and intangible assets do not currently pose a material impairment risk under existing operating assumptions, and no indicators of balance sheet stress are evident.

Overall, balance sheet risk is limited and does not warrant accounting adjustments. Potential downside is linked to execution outcomes rather than inaccuracies.

4 Financial Analysis

4.1 Key Financial Metrics

Please refer to Appendix 3 – Formulas for Key Financial Metrics to see the formulas and Appendix 4 – Results for Key Financial Metrics to see the results from the key financial metrics between 2020 and 2024, which indicate that Dexcom is a growing company with a generally healthy profile.

4.1.1 Profitability

Gross margins declined from 66.4% in 2020 to 60.5% in 2024, remaining above the industry median of 56.0%. This decrease comes from higher cost of goods sold (COGS), as the company scaled production capacity and absorbed inflationary pressures in manufacturing and logistics. The ramp-up of the Malaysian plant likely contributed to short-term cost inefficiencies and depreciation charges, while increased sensor volumes in lower-priced international markets diluted margins.

Operating margin also compressed from 15.5% to 14.9%, underperforming the industry median (17.0%). The 2021 dip to 10.9% is explained by a sharp increase in R&D expenses, reflecting heavy investment in the Dexcom G7 development cycle, software integration, and the Stelo. Selling, general and administrative (SG&A) expenses also remained elevated as the company expanded sales infrastructure internationally, particularly in Europe and Asia-Pacific.

Earnings quality, measured as operating cash flow over net income, consistently exceeded 1.0, confirming that earnings are well supported by cash generation rather than accruals, and reflecting the company's disciplined working capital management.

The DuPont Analysis reveals a cyclical pattern on return on equity: an initial drop from 30.1% in 2020 to 11.2% in 2021, followed by recovery to 27.6% in 2024. The early decline confirms a temporary margin compression (lower return on sales) and R&D-driven profit contraction, while the subsequent rebound reflects the improvement in both profitability and asset utilization. Asset turnover increased steadily, indicating more efficient use of assets, and the stable financial leverage ratio suggests that this improvement was driven by operational efficiency rather than higher indebtedness.

4.1.2 Solvency and Liquidity

Dexcom shows a conservative solvency profile, with the debt-to-equity ratio stable near 1x throughout 2020-2024, reflecting balanced financing and low leverage risk. The rise in 2023 is related to debt funding for the Malaysian manufacturing facility.

Interest coverage ratio strengthened significantly, rising from 16.9x in 2020 to 31.6x in 2024. This improvement reflects faster growth in operating earnings relative to interest expenses, indicating increasing capacity to service debt and a lower risk of financial distress.

The sharp fall in both current and quick ratios indicates a transition from excess liquidity toward more efficient capital deployment as cash reserves were reinvested into expansion. Despite this, liquidity remains adequate for short-term obligations.

Cash flow coverage improved modestly, showing stronger debt-servicing capacity from higher cash flows. Meanwhile, equity financing dependence turned negative, signalling reduced reliance on new equity and greater use of internally generated funds, a sign of financial maturity.

4.1.3 Operating Efficiency

Dexcom's asset turnover rose steadily from 0.45x in 2020 to 0.62x in 2024, showing improved utilization of its assets base as revenue growth outpaced growth in total assets. This reflects scaling benefits from the new manufacturing facility and higher production efficiency.

Inventory turnover remained stable around 2-3x, suggesting effective inventory management despite expansion. The slight dip in 2023 aligns with higher safety stock levels during the supply-chain normalization. Days sales outstanding stayed near 130 days, consistent with the firm's reliance on reimbursement cycles through insurers and healthcare providers.

R&D intensity fell from 18.7% to 13.7%, marking greater operating leverage as revenue grew faster than R&D outlays. However, R&D efficiency fluctuated, peaking in 2023 before declining in 2024, indicating uneven short-term conversion of innovation spending into revenue growth.

Capital expenditures (CapEx) productivity increasing significantly, reflecting higher sales generated per dollar invested in new capacity. This confirms that Dexcom's capital expansion is translating into scalable operations and improved asset efficiency.

4.2 Historical Financial Performance

Please refer to Appendix 5 – Standardised Financial Statements (in thousands of US\$) for standardised historical financial statements and Appendix 6 – Results for Historical Financial Performance (in thousands of US\$) for key results.

Revenue

Dexcom's total revenues increased from US\$1.93bn in 2020 to US\$4.03bn in 2024, representing a CAGR of 20.3%. Growth has remained consistently strong, supported by CGM adoption, international expansion, and product innovation, particularly with the rollout of the Dexcom G7 in 2023. The year-on-year revenue increase averaged 20.4%, though growth decelerated in 2024 to 11.3% as the firm transitioned toward a more mature product cycle and broader payer coverage.

Gross Profit Margin and COGS

Dexcom's gross profit margin decreased from 66.4% to 60.5% in 2024, averaging 64.7% over the period. The contraction mainly results from rising COGS, which grew from 36.7% to 41.6% of revenues as manufacturing scaled up, international volumes expanded at lower price points, and new production capacity, particularly the Malaysian facility, introduced short-term cost inefficiencies.

EBITDA Margin and Operating Expenses

The EBITDA margin averaged 19.4% during 2020-2024, peaking at 22.1% in 2023 before slightly declining to 20.7% in 2024. The upward trend until 2023 reflects operating leverage from revenue growth, followed by normalization as inflationary pressures and R&D reinvestment resumed.

Operating expenses include SG&A and R&D. SG&A, which entails compensation for sales, marketing, information technology, administrative, commissions, legal, software, insurance, and consulting costs, remained stable at ~32-35% of revenues, despite significant commercial expansion, indicating disciplined overhead scaling relative to revenue growth. R&D, which consists of engineering, technology development, clinical trials, regulatory work, quality assurance, and employee compensation, was more volatile, rising sharply to 24.7% of revenues in 2021 during the peak of the G7 development cycle, but since then it has become stable at ~14%.

EBIT Margin and Depreciation and Amortization (D&A) Costs

Dexcom's EBIT margin ranged between 10.9% and 16.5%, averaging 14.2%. The low point in 2021 reflects temporarily elevated operating expenses and R&D tied to the development of the Dexcom G7, while the recovery from 2022 onward is driven by operating leverage as revenues scaled faster than overheads.

D&A expenses increased from US\$67m in 2020 to US\$234m in 2024, rising from 3.5% to 5.8% of revenues. This growth reflects Dexcom's expanding asset base following heavy investment in manufacturing capacity and infrastructure. Amortisation remains limited, consistent with the company's predominantly organic growth model.

Net Income Margin, Tax, and Interest

Dexcom's net income margin declined from 28.5% in 2020 to 14.3% in 2024, averaging 15.7% for the period. The drop in 2021 reflects heavy R&D spending and one-off tax effects, while the recovery through 2023-2024 stems from higher sales values and reduced effective

tax rates. The average effective tax rate was approximately 19.5%, excluding outlier years with deferred tax benefits.

Interest expenses remained consistently low at US\$17-20m per year from 2020 to 2024, despite an increase in total debt. This reflects the low interest structure of Dexcom's convertible notes, and interest costs had no material impact on profitability during the period.

Operating Working Capital (OWC)

Dexcom's OWC expanded from US\$596m to US\$1 416m, consistent with revenue growth. Accounts receivable rose proportionately to sales, while inventory levels remained stable, indicating efficient production planning. Accounts payable increased from US\$163m to US\$345m, reflecting stronger supplier relationships and extended payment terms. Overall, working capital discipline improved, supporting cash conversion despite the firm's global scale-up.

CapEx

CapEx increased from US\$199m in 2020 to US\$359m in 2024, averaging 10% of revenues. Investments have primarily targeted manufacturing expansion, automation, and digital infrastructure to support future sensor volumes. The peak in 2021-2022 coincides with construction in Malaysia and facility updates in the U.S.

5 Stock Performance Analysis

5.1 Dexcom Stock

Dexcom's initial public offering was on April 14, 2005, on NASDAQ. In 2024, the company had 412.7m weighted average diluted shares outstanding. The stock currently trades at US\$63.5 per share (close day of November 28, 2025). In the past 52 weeks, Dexcom traded at US\$93.25 at its highest (February 18, 2025) and US\$54.11 at its lowest (November 7, 2025). On November 28, 2025, the S&P 500 outperformed Dexcom by 34 percentage points on a rebased (100) basis (Refinitiv 2025), meaning that an investor tracking the S&P 500 would have earned a higher total return than an investor holding Dexcom over the same period, assuming identical starting values. Figure 6 compares Dexcom's one-year share price performance with the S&P 500 and selected peers (Abbott Laboratories, Insulet Corporation, Medtronic, and Ypsomed).

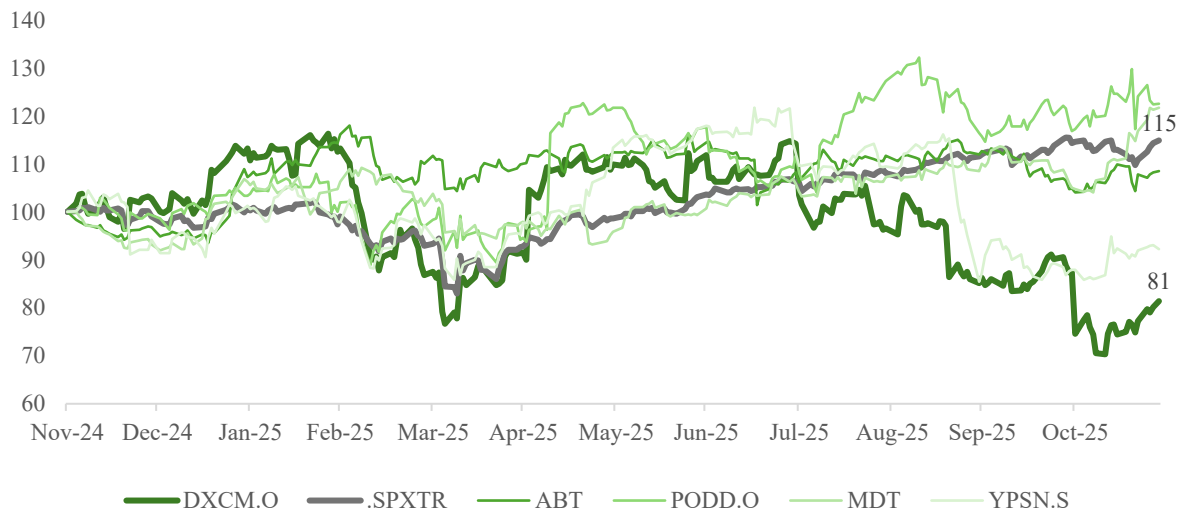


Figure 6: Indexed Total Return (Base = 100) of Dexcom, S&P 500, and Peers

The company has never declared or paid any cash dividends on its capital stock and does not expect to do so in the foreseeable future (DexCom, Inc. 2024). As a result, shareholder returns are driven solely by the share price performance, which distinguishes Dexcom from some peers and provides important context when comparing its relative performance versus the S&P 500 over the period shown.

5.2 Key Catalysts

Dexcom's share price is primarily supported by structural growth in CGM adoption. The company benefits from rising global diabetes prevalence and still-low CGM penetration, particularly among Type 2 patients not on intensive insulin therapy. Dexcom continues to expand approved indications and addressable populations, which supports sustained patient volume growth over the medium term.

International expansion represents a second, distinct growth driver. Dexcom remains underpenetrated outside the U.S., while reimbursement coverage and distribution infrastructure continue to improve across Europe and other international markets. Management identifies international markets as a long-term growth vector, with expansion occurring from a relatively low penetration base.

Product innovation and platform extension further support future growth. Dexcom continues to invest in next-generation sensors and software capabilities, including expansion beyond traditional CGM use cases. The launch of Stelo illustrates the company's strategy to widen its addressable market beyond prescription-based CGM (DexCom, Inc. 2024).

5.3 Key Risks

Dexcom faces competitive and pricing-related risks as the CGM market becomes increasingly crowded. Competitive pressure, reimbursement dynamics, and payer negotiations may lead to lower average selling prices or slower revenue growth. Pricing pressure is explicitly identified by management as a risk to future margins and revenue stabilization.

Regulatory and execution risk remains material. Dexcom's growth depends on obtaining regulatory approvals for new products, indications, and geographies, as well as the successful extension of clinical trials. Delays or failures in these processes could negatively impact product launches and revenue growth.

Operational and technology-related risks are also significant. As a data-driven medical device company, Dexcom is exposed to cybersecurity, data privacy, and system reliable risks. Additionally, intellectual property disputes, product liability claims, and potential government investigations could result in financial penalties or reputational damage.

Finally, macroeconomic conditions and capital market risks may affect the share price. Interest rate changes and obligations related to convertible senior notes introduce additional uncertainty for shareholders (DexCom, Inc. 2024).

6 Valuation

6.1 Discounted Cash Flow

The DCF is an intrinsic valuation method based on projected cash flows, growth, and risk. For Dexcom, the model covers 2025-2030 and follows the standard steps: reviewing historical financial performance, forecasting free cash flows to the firm (FCFF), calculating the terminal value, estimating the weighted average cost of capital (WACC) and terminal growth rate, and deriving the enterprise and equity value. The main advantage of the DCF is that it relies on company fundamentals rather than market pricing, making it useful when cash flows are stable and predictable or when comparables are limited. The main disadvantage is its sensitivity to the underlying assumptions (*Scariati, Mas and Ceka 2025*).

6.1.1 Forecasting for Base Case

The DCF forecasting period is from 2025 to 2030 because it captures Dexcom's product and market adoption cycles and provides enough time for growth and margins to normalize for a reliable terminal value. The assumptions are based on industry forecasts for diabetes care

devices, Dexcom's historical performance, standard operating benchmarks in the med-tech sector, and information from Dexcom's 10-K. Please refer to Appendix 7 – Assumptions for Base Case DCF (in thousands of US\$) for detailed base case forecasts and assumptions. Also, note that potential acquisitions are not included in the forecast.

Revenue

Revenue forecasts are based on the global population with diabetes (Types 1 and 2), sourced from Statista. Growth in the diabetic population remains steady at ~2% annually over the forecast horizon.

Current CGM penetration is derived from studies by the American Diabetes Association and the Journal of General Internal Medicine. These indicate that roughly 50% of patients with Type 1 Diabetes (10% of all cases) use CGM systems (Lacy, et al. 2024), and ~13% of patients with Type 2 Diabetes (90% of cases) use CGM systems, yielding a penetration of 16.7% in the U.S. (Mayberry, et al. 2023), well above levels observed internationally (e.g., in Asia it is below 1%). Global CGM penetration is assumed at 2% in 2024, increasing by 0.3 p.p. per year through 2030, supported by broader insurance reimbursement, rising Type 2 adoption, and the introduction of lower-cost CGM alternatives.

Dexcom's market share within the CGM segment is estimated at 35.0% in 2024. I assume a share increase to 36.0% by 2030, reflecting continued international expansion offset by rising competitive intensity.

The combination of rising global diabetes prevalence, higher CGM penetration, and slight increase in market share drives a substantial increase in Dexcom's client base, which rises from 3.5 million in 2024 to 7.8 million in 2030.

Regarding the average selling price, I assume it decreases by 1% annually, stabilizing in 2030, given pricing pressure from competitor products. Under these assumptions, Dexcom's revenues increase from US\$4.033bn in 2024 to US\$8.434bn in 2030, corresponding to a 13.1% CAGR. Please refer to Figure 7 to see historical and forecasted revenues.

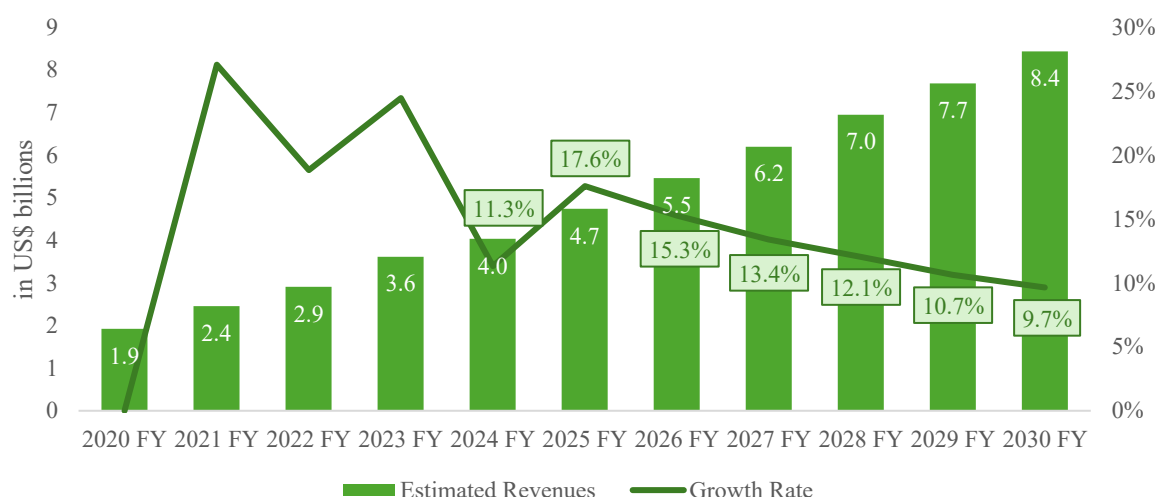


Figure 7: Historical and Forecasted Revenues and Growth Rate for the DCF Base Case

Gross Profit Margin and COGS

COGS are expected to decrease gradually from 40% in 2024 to 34% in 2030 as manufacturing efficiency improves, resulting in a gross margin expansion of 6 p.p. to 66% by 2030. Scale benefits from higher G7 volumes, automation in sensor production, component cost reductions, and higher plant utilization drive most of the improvement. These gains are partially offset by competitive pricing pressure and a larger share of international volumes, which carry lower reimbursement rates.

EBITDA Margin and Operating Expenses

I do not expect a material expansion of SG&A infrastructure. As the business scales internationally, SG&A should grow more slowly than revenue, resulting in operating leverage. I therefore assume that SG&A decreases from 32% to 30% of revenues throughout the forecast period. This assumption aligns with Dexcom's recent cost trajectory and with benchmark indicating that leading med-tech companies typically operate with SG&A in the 29% to 34% range (Kaltenbach, Nyctelius, et al. 2022).

R&D expenses are expected to rise temporarily from 14% to 15% of revenues in 2025 and 2026 since the company describes ongoing investment in product development (G7, Stelo, future sensors, insulin delivery integration, predictive modelling and machine learning), but I assume they stabilize at 13% of revenues, still above the ~7% level typical of mature med-tech companies but appropriate for Dexcom's product pipeline (Kaltenbach and Bühren 2025).

Combined, these expense dynamics support a gradual improvement in EBITDA margin from 20.7% in 2024 to 28.8% in 2030, driven by scale efficiencies rather than aggressive cost reductions.

EBIT Margin and D&A Costs

EBIT margin increases from 14.9% in 2024 to 23.0% in 2030, reflecting operational leverage and manufacturing efficiencies.

Dexcom applies straight-line depreciation across its asset base. According to its 10-K, software and hardware typically have useful lives of 3-5 years, machinery and equipment 4-15 years, and buildings up to 40 years. As a result, depreciation grows gradually and closely tracks capital investment rather than fluctuating materially year to year.

Over the past three years, D&A has stabilized at roughly 5.6-6.0% of revenue, reflecting ongoing manufacturing expansion and limited amortization of intangibles. I assume this ratio remains constant throughout the forecast period, resulting in a D&A at 5.8% of revenue annually from 2025 to 2030. Please refer to Figure 8 for selected historical and forecasted costs.

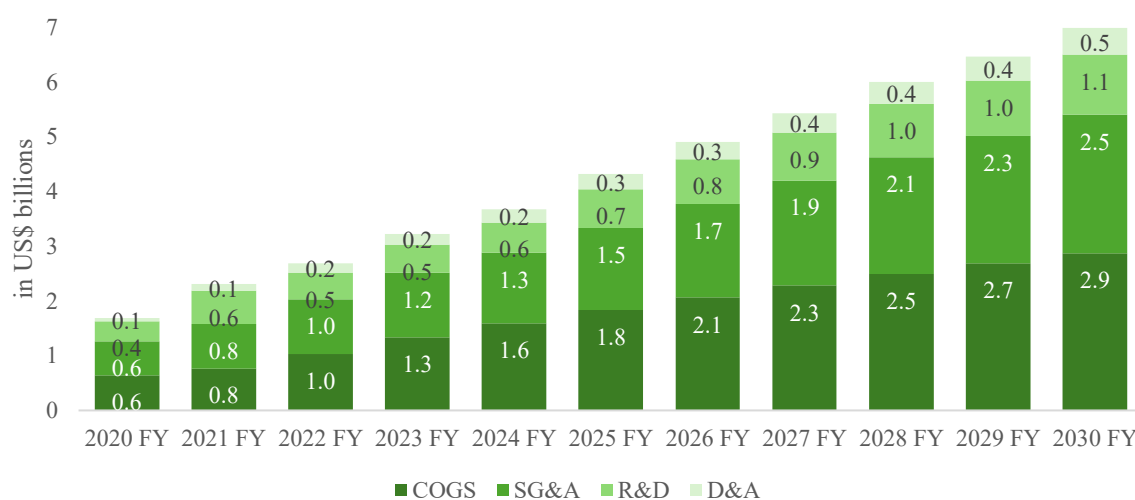


Figure 8: Historical Selected and Forecasted Costs for the DCF Base Case

Net Income Margin, Tax, and Interest

Net income is projected to increase from US\$576.2m in 2024 to US\$1 436.7m in 2030, with the margin growing by 9.7 p.p. to 16.1%, supported by rising operating margins and stable financing costs.

Interest expense is kept constant at approximately US\$18.9m per year, reflecting Dexcom's historically stable leverage and low-coupon convertible notes. Non-operating items recorded under "other income (expense), net", including investment income, FX effects, and gains or losses on securities, are not forecasted beyond 2024, as they are volatile, non-core, and not tied to underlined business performance.

From 2025 onward, taxes are calculated by applying a marginal tax rate of 25.21% to forecasted EBT. The marginal tax rate was derived using OECD statutory corporate tax rates

and a weighted average based on Dexcom’s revenue mix between the U.S. and international markets (OECD 2025). The U.S. statutory rate is applied to domestic revenues, while an average statutory rate for all non-U.S. countries is applied to international revenues.

OWC

OWC items are projected as fixed percentages of revenue, consistent with Dexcom’s historical averages. Current assets are assumed to remain at ~43% of sales throughout the forecast period, while current liabilities are maintained at ~8% of sales. Please refer to Figure 9 for a detailed breakdown of OWC items as a % of revenues.

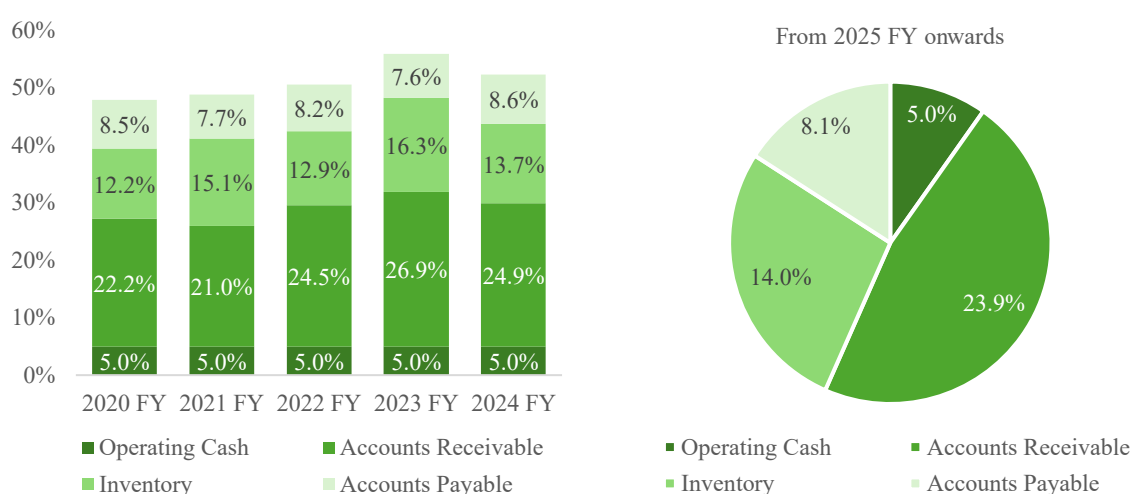


Figure 9: Historical and Forecasted Breakdown of OWC Items for the DCF Base Case

CapEx

CapEx is projected as a percentage of revenues, starting at 7.7% in 2025, which corresponds to the average CapEx of the two most recent years. Consistent with the management guidance disclosed in the Dexcom 10-K, this ratio is assumed to decline gradually by 0.2 p.p. per year throughout the forecast horizon, reflecting expected efficiency gains and increasing scale in capital deployment, while still capturing the sustained infrastructure investments required to support the company’s long-term growth (DexCom, Inc. 2024).

6.1.2 Free Cash Flow to the Firm

Please refer to Appendix 8 – Formulas for Valuation to see all the formulas used for computations, and to Table 1 to see the FCFE value for each year. The marginal tax rate considered was the 25.21%, derived from the OECD statutory tax rates.

6.1.3 Weighted Average Cost of Capital

To discount Dexcom's projected cash flows, I estimate the WACC using market-based inputs and standard valuation methods. The risk-free rate is set at 4.14%, corresponding to the yield on the 10-year U.S. Treasury as reported by the Federal Reserve Bank of St. Louis (Federal Reserve Bank of St. Louis 2025). Since Dexcom is U.S.-listed and reports in U.S. dollars, the U.S. Treasury Yield is an appropriate benchmark.

To determine Dexcom's unlevered beta, I considered three approaches: (i) a peer-group beta unlevered manually using each peer's D/E ratio, (ii) an empirical estimate derived from the covariance of Dexcom's returns with market returns, and (iii) Damodaran's sector beta for healthcare products. As detailed in 6.2.1, the peer group – Abbott Laboratories, Insulet Corporation, Medtronic, and Ypsomed – was selected based on their current or upcoming presence in Dexcom's core markets, their exposure to diabetes and CGM systems, and their comparable regulatory environments as publicly traded companies. After unlevering each peer's beta and applying revenue-based weights, the peer derived unlevered beta was 0.85. The regression approach resulted in an unlevered beta close to 1, and Damodaran's healthcare products unlevered beta is 0.92 (NYU Stern School of Business 2025). Since the average of these methods converges around 0.92, I adopt Damodaran's unlevered beta of 0.92 for consistency and because it aligns closely with the independently derived estimates.

Dexcom's D/E ratio based on market prices has remained relatively stable from 2020 to 2024, therefore I re-lever the beta using the current D/E ratio. Applying the standard Hamada formula gives a levered beta of 1.00, indicating that Dexcom's systematic risk is aligned with the overall equity market.

The cost of equity, 7.79%, is calculated using the Capital Asset Pricing Model. The market return is computed as the annualized average of monthly MSCI World returns from the last 20 years.

The cost of debt is estimated using a synthetic-rating approach. I compute Dexcom's interest coverage ratio and map it to a default spread using Damodaran's table for large non-financial firms (NYU Stern School of Business 2025). Adding this default spread to the risk-free rate yields a pre-tax cost of debt of 4.59%.

Using market value weights for equity (US\$30.38bn) and debt (US\$2.59bn), and applying the cost of equity, cost of debt, and marginal tax rate described above, Dexcom's WACC is 7.45%. All approaches and computations are detailed in Appendix 9 – Weighted Average Cost of Capital.

6.1.4 Terminal Value (TV)

The TV represents all cash flows expected beyond 2030. The TV is discounted back to December 31, 2026, the date at which the TP is computed. The terminal growth rate is set at 3.08%, consistent with long-run inflation in the U.S. (Federal Reserve Bank of St. Louis 2025). The value of FCFF from 2027 to 2030 accounts for 12% of the enterprise value (EV), with the remaining 88% attributable to the TV.

6.1.5 EV to Equity Value

The present value of forecasted FCFF is from 2027-2030 combined with the present value of the TV results in an EV of US\$22.29bn. To derive the equity value, adjustments are made for non-operating items. Cash and equivalents are added back, and Dexcom's non-core equity investments, reported as long-term non-marketable securities, are included at book value, as the company does not disclose a market value. Dexcom is fully consolidated and therefore has no minority interests. Current outstanding convertible notes, with a combined principal value of US\$2.44bn, are subtracted as a proxy for market value of debt. Dexcom reports no deferred tax liabilities and no option-based instruments requiring separate valuation. All dilution from restricted stock units is already incorporated into the diluted share count. No further adjustments are required.

After these adjustments, the equity value amounts to US\$20.45bn, corresponding to a target share price of US\$50 when divided by Dexcom's FY2024 weighted average diluted shares outstanding (412.7m). This represents a 22% downside to the current share price (US\$63), meaning the current market price exceeds the intrinsic value implied by the DCF. The resulting valuation corresponds to multiples of 22.8x EV/EBITDA and 40.0x P/E. Please refer to Table 1 to see the EV to Equity Bridge.

	2027 FY	2028 FY	2029 FY	2030 FY
EBIT	1 134 219	1 357 155	1 673 829	1 939 864
NOPAT	848 302	1 015 039	1 251 885	1 450 857
Net CapEx	95 489	93 114	87 650	79 246
Change in OWC	255 640	260 821	257 957	258 779
FCFF	497 172	661 104	906 278	1 112 832
TV				26 246 976
PV of FCFF	462 696	572 596	730 514	834 807
PV of TV				19 689 547

Σ PV of FCFF	2 600 613
PV of Terminal Value	19 689 547
Deferred Tax Liability	0
(+) Enterprise value	22 290 161
(+) Excess Cash	606 100
(+) Unconsolidated Equity Investments	119 300
(-) Debt	2 441 400
(-) Minority Interests	0
= Equity	20 454 861
/ Shares Outstanding	412 700 000
= Value per Share (US\$)	50
Share Price as of 28.Nov.25 (US\$)	63
Implied Upside/Downside	-22%

Table 1: DCF Base Case and EV to Equity Bridge

Note: All values are in thousands of US\$, except if stated otherwise. The stock is rated “Sell” if the value per share (TP) is at least 20% below the current share price, and “Buy” if the TP is at least 20% above the current share price. The “Hold” rating implies the stock is expected to perform in line with the market.

6.1.6 DCF Scenarios

To assess valuation uncertainty, I develop two DCF scenarios that test the sensitivity of Dexcom’s intrinsic value to different revenue trajectories and cost dynamics. Please refer to Appendix 10 – Assumptions for Bull and Bear Case DCFs (in thousands of US\$) for detailed bull and bear cases revenue and cost assumptions.

In the bull case, I assume a more optimistic adoption curve for CGM systems (more than doubling from 2.00% in 2024 to 4.70% in 2030), supported by higher penetration among Type 2 patients, broader reimbursement, and moderate international share gains (market share increases 2.8 p.p. to 37.80% by 2030). Additionally, I assume ASP pressure is softer, with a 0.5% annual decline, reflecting sustained premium positioning of the G7 platform. On the cost side, SG&A and R&D gradually decline as a proportion of revenues to 28.6% and 7.3%, respectively, consistent with operating scale and supported by benchmarks from the Roland Berger medical device reports. These assumptions generate a higher EBIT and FCFF trajectory, resulting in an enterprise value of US\$39.30bn and a target price of US\$91 per share (Buy, +43%).

In the bear case, I assume that CGM adoption is slower, pricing pressure is stronger, and reimbursement expansion is more limited, particularly if GLP-1 therapies reduce the eligible monitoring population. Revenues are reduced by removing incremental penetration assumptions and keeping market share constant, while ASP erosion accelerates to 2% per year. Additionally, SG&A and R&D are held constant as a share of revenues from 2024 onwards

(31.9% and 13.7%, respectively), limiting margin expansion and operating leverage. Under this scenario, enterprise value declines to US\$12.06bn, or US\$25 per share (Sell, -61%).

Table 2 summarises the results for both cases. The valuation spread is significant, demonstrating that Dexcom's intrinsic value is primarily driven by long-term CGM penetration, pricing durability, and the scalability of its operating cost base, rather than by short-term fluctuations.

	Bull Case	Bear Case
(+) Enterprise Value	39 304 385	12 059 045
(-) Other Items	1 716 000	1 716 000
= Equity	37 469 085	10 223 745
/ Shares Outstanding	412 700 000	412 700 000
= Value per Share (US\$)	91	25
Share Price as of 28.Nov.25 (US\$)	63	63
Implied Upside/Downside	43%	-61%

Table 2: DCF Bull and Bear Cases

6.1.7 Sensitivity Analysis

A sensitivity analysis is conducted by varying the terminal growth rate between 2.08% and 4.08% and the WACC between 6.45% and 8.45%. The result shows a valuation range between US\$33 per share ($g = 2.08\%$, $WACC = 8.45\%$) and US\$94 per share ($g = 4.08\%$, $WACC = 6.45\%$), as seen in Figure 10. The base case ($g = 3.08\%$, $WACC = 7.45\%$) yields US\$50 per share, which confirms that Dexcom's valuation is highly sensitive to changes in discount rate and terminal growth assumptions, as expected for a high-growth business.

		WACC				
		6.45%	6.95%	7.45%	7.95%	8.45%
Terminal Growth Rate	2.08%	51	45	40	36	33
	2.58%	58	50	44	40	36
	3.08%	66	57	50	44	39
	3.58%	78	65	56	49	43
	4.08%	94	77	64	55	48

Figure 10: Sensitivity Analysis

6.2 Comparable Trading Multiples

Comparable trading multiples is a form of relative valuation where a company's value is inferred from the market valuations of similar publicly traded companies. The approach involves identifying an appropriate peer group, selecting relevant valuation multiples, and applying the peers' median multiples to the target company's financial metrics. This method benefits from reflecting current market conditions and investor expectations, though its simplicity also makes it sensitive to peer selection and market noise (Schueler 2020).

6.2.1 Comparable Peers

The peer group selected for the valuation includes Abbott Laboratories, Insulet Corporation, Medtronic, and Ypsomed. The selection process began with a broad industry screening in Refinitiv Workspace using the TRBC Industry Name classification. Starting from the “Medical Equipment, Supplies & Distribution” segment, which includes 746 companies, I applied two quick filters to remove small players: a minimum revenue threshold of US\$500m and a market capitalization threshold of US\$5bn. From this reduced sample, peers were further assessed based on: (i) their operational exposure to Dexcom’s main market, the U.S.; (ii) their involvement in diabetes-care technologies, CGM systems, or complementary medical devices; and (iii) their alignment with Dexcom’s business model, including hardware-software integration, recurring consumables, and regulatory oversight. Only publicly listed companies with sufficient disclosure and stable financial statements were considered. Please refer to Table 3 to see Dexcom’s peer group and trading multiples retrieved from Refinitiv Workspace.

Ticker	HQ	Market Cap (US\$ bn)	Revenue (US\$ m)	EBITDA (US\$ m)	EBITDA Margin	EV / EBITDA		P / E		ND / EBITDA
						2025 FY	2026 FY	2025 FY	2026 FY	
DXCM.OQ	U.S.	24.4	4 033	1 105	21.6%	17.9	14.5	30.4	25.3	-0.2
ABT.N	U.S.	223.5	41 950	10 730	24.5%	19.3	17.5	24.9	22.6	0.7
MDT.N	IE	134.6	33 537	9 688	28.8%	15.4	14.1	18.6	17.2	1.9
YPSN.S	CH	5.7	847	247	29.1%	15.9	15.5	25.9	27.6	1.2
PODD.OQ	U.S.	23.0	2 072	413	18.8%	38.3	30.8	67.1	52.9	1.5
Peers' Median						17.6	16.5	25.4	25.1	

Table 3: Dexcom Peer Group and Trading Multiples

Among the selected companies, Abbott Laboratories is the most relevant comparable. Its FreeStyle franchise is one of the dominant CGM systems globally, competing directly with Dexcom’s G-series. Abbott shares Dexcom’s underlying revenue drivers, including expanding CGM adoption, high recurring sensor revenues, and significant U.S. reimbursement exposure, and operates at a comparable technological and regulatory level.

Insulet Corporation is also highly comparable, as its Omnipod insulin-delivery platform is used in conjunction with CGM technology and serves the same patient population. Insulet’s business model relies on recurring consumables, premium device pricing, and strong U.S. distribution channels, closely mirroring Dexcom’s economic characteristics.

Medtronic offers broad comparability through the presence of a well-established diabetes segment that manufactures both insulin pumps and CGM systems, positioning it as a long-standing competitor.

Ypsomed is the least comparable of the four but still provides valuable insights. The company focuses on insulin-delivery devices, pens, and patch pumps and collaborates with CGM manufacturers within the broader diabetes-technology ecosystem. While smaller in scale and more Europe-oriented, it shares characteristics with Dexcom, including regulated medical device production, consumable-driven revenue streams, and a strong link to diabetes management workflows.

6.2.2 Peer Multiples

Dexcom's target price is based on 1-year forward looking multiples, using 2026 estimates. The valuation relies on EV/Sales, EV/EBITDA and P/E. (Fama and French 2015) show that incorporating expected profitability improves valuation accuracy relative to models based solely on historical accounting information. (Easton, et al. 2002) demonstrate that forecast-based earnings multiples explain equity values more effectively than trailing earnings, book values, or sales metrics.

Given Dexcom's business model where scale, top-line growth, and sensor adoption rate are the primary value drivers, EV/Sales provides the cleanest comparability across firms with differing R&D structures and margin utility. (Damodaran 2023) demonstrates that revenue-based multiples are especially informative for high-growth, R&D-intensive firms because sales are the best measure of economic scale before operating leverage and margin expansion take hold.

EV/EBITDA is applied because it provides a capital structure-neutral measure of operating performance, which is essential in medical technology, where leverage levels are substantially different among firms. (Damodaran 2012) notes that EV/EBITDA is one of the most robust multiples for valuing companies with significant intangible assets, characteristic of medical device manufacturers whose value is driven by R&D and IP rather than physical assets. In addition, (Kaplan and Ruback 1995) show that enterprise-value multiples closely approximate discounted cash-flow valuations, making them reliable with predictable cash generation, such as diabetes care devices.

The P/E multiple is included because it directly reflects investors' expectations about future earnings, which tend to be central in high-growth, innovation-driven health-tech businesses.

I apply the median of the peer multiples, as prior research shows that the median provides more robust valuations by reducing the influence of outliers. (Bhojraj and Lee 2002) find that median-based multiples consistently outperform mean-based approaches in prediction accuracy, particularly when peer groups include firms of varying size or profitability.

6.2.3 Output

Dexcom's peer group currently trades at a median EV/Sales multiple of 5.4x. Applying this multiple to Dexcom's 2026E revenues yields an implied enterprise value of US\$29.66bn, corresponding to a target price of US\$70 per share, or +10% upside, leading to a Hold recommendation. Using the peer group minimum and maximum multiples of 3.8x and 6.5x produces a valuation range between US\$48 and US\$85 per share, reflecting a downside of -24% and an upside of +33%, respectively.

Applying the peers' median EV/EBITDA of 16.5x yields a target price of US\$46, with a valuation range of US\$39 to US\$87 per share. Using the peers' median P/E of 25.1x results in a target price of US\$39 and a valuation range of US\$27 to US\$82. Please refer to Table 4 to see the peer valuation output.

TP (EV / Sales)	Min	Target	Max
EV / Sales, x	3.8	5.4	6.5
EV, thousands of US\$	20 642 348	29 658 818	35 698 866
Equity Value, thousands of US\$	19 887 948	28 904 418	34 944 466
Target Share Price, US\$	48	70	85
Implied Upside/Downside, %	-24%	10%	33%
Implied Rating (Sell/Hold/Buy)	Sell	Hold	Buy
TP (EV / EBITDA)	Min	Target	Max
EV / EBITDA, x	14.1	16.5	30.8
EV, thousands of US\$	16 867 094	19 739 448	36 751 785
Equity Value, thousands of US\$	16 112 694	18 985 048	35 997 385
Target Share Price, US\$	39	46	87
Implied Upside/Downside, %	-38%	-28%	37%
Implied Rating (Sell/Hold/Buy)	Sell	Sell	Buy
TP (P / E)	Min	Target	Max
P / E, x	17.2	25.1	52.9
Target Share Price, US\$	27	39	82
Implied Upside/Downside, %	-58%	-38%	30%
Implied Rating (Sell/Hold/Buy)	Sell	Sell	Buy
Average Target Price, US\$	38	52	85
Implied Upside/Downside, %	-40%	-19%	34%

Table 4: Peer Valuation Output

6.3 Versus Consensus

Dexcom is covered by a broad range of sell-side analysts across major investment banks and brokerages. Based on data from Refinitiv Workspace, the consensus analyst recommendation is Buy, with a mean TP of US\$86.8, implying an upside of 36.7% relative to the current share price.

While analyst reports consistently disclose ratings and target prices, valuation methodologies are not uniformly detailed in publicly available summaries, which limits direct

comparability of underlying assumptions. Consequently, differences in target prices are more appropriately interpreted as reflecting variation in assumptions regarding revenue growth, margin expansion, forecast horizons, and terminal valuation.

As shown in Table 5, analyst target prices remain relatively clustered around the mean, indicating broadly aligned expectations for Dexcom’s long-term growth prospects, competitive position within CGM monitoring, and potential for operating leverage.

Company	Recommendation	Review Date	TP in US\$
Evercore ISI	In Line	25/Nov/25	68
Piper Sandler Companies	Overweight	02/Dec/25	75
Wells Fargo Securities, LLC	Overweight	07/Dec/25	93
Rothschild & Co Redburn	Buy	13/Nov/25	90
Raymond James	Strong Buy	31/Oct/25	83

Table 5: Selected Sell-Side Analyst Recommendations and TPs for Dexcom

Finally, sell-side analysts typically benefit from greater access to management and proprietary market data, and analyst estimates are updated at different points in time. The factors affect the comparability of published target prices and should be considered when evaluating consensus valuations.

7 Conclusion

This thesis aimed at performing an equity valuation and providing an investment recommendation for DexCom, Inc., a leading pure-play provider of CGM systems operating within a structurally growing segment of the medical devices industry. Based on a comprehensive analysis of Dexcom’s strategy, financials, and valuation, the results indicate that the company’s current market valuation embeds assumptions that exceed those supported by the base case fundamentals, as seen in Figure 11, resulting in a Sell recommendation.

Dexcom operates in a growing CGM market and benefits from rising diabetes prevalence, increasing adoption of digital health solutions, and a strong technological position. Nevertheless, these strengths are offset by margin volatility related to competitive pressure, reimbursement uncertainty, and execution risk associated with product transitions and manufacturing scale-up.

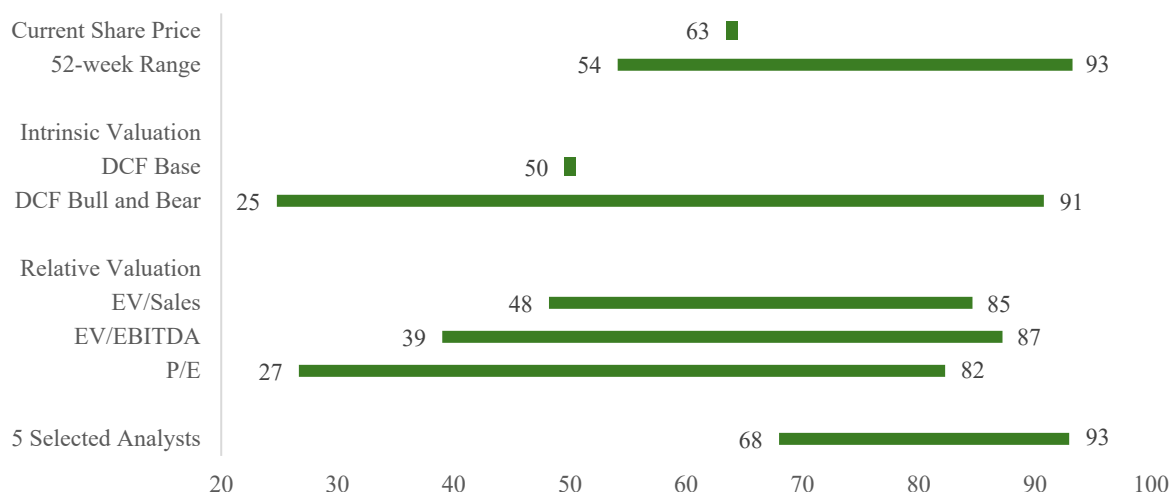


Figure 11: Valuation Range Summary

The DCF analysis yields a base case TP of US\$50, implying a downside relative to the current market price, and supports a Sell recommendation. The DCF outcome reflects conservative but reasonable assumptions regarding long-term revenue growth, margin normalization following periods of high R&D investment, and capital intensity as the company scales its manufacturing footprint and international presence. Scenario and sensitivity analyses highlight that Dexcom's valuation depends heavily on assumptions regarding terminal growth and long-term operating margins.

Relative valuation was applied to complement the DCF results. The EV/EBITDA and P/E approaches generate TP that also imply material downside and corroborate the Sell recommendation (US\$46 and US\$39, respectively), suggesting that Dexcom trades at elevated earnings-based multiples relative to peers. In contrast, the EV/Sales multiple produces a TP of US\$70, broadly in line with the current market price, corresponding to a Hold recommendation. Since revenue-based multiples support the current share price, but earnings-based multiples imply limited upside, this suggests that the stock price embeds optimistic growth and margin assumptions.

Additionally, the valuation results were compared with sell-side analyst TP, which are, on average, higher than those derived in this thesis. The difference reflects more optimistic growth and margin assumptions, and likely differences in information access and update timing.

In conclusion, while Dexcom operates within an attractive and expanding industry and benefits from a strong competitive position, the current market valuation appears to price in favourable outcomes that exceed the base case fundamentals identified in this analysis.

Consequently, the stock does not offer an attractive risk-return profile at current levels. This thesis contributes to the understanding of equity valuation in high-growth medical device companies by illustrating how differences in growth and margin assumptions can lead to different valuation outcomes.

8 Limitations and Future Research

This analysis is subject to several limitations inherent to equity valuation. First, the DCF valuation relies on long-term assumptions to which the estimated intrinsic value is highly sensitive. Second, the analysis is based exclusively on publicly available information, which may lag real-time developments and does not incorporate non-public insights available to company management or sell-side analysts. Third, the valuation reflects a static assessment at a specific point in time and does not account for unforeseen changes in competitive dynamics, regulatory frameworks, reimbursement policies, or technological disruption within the CGM market. Finally, relative valuation is constrained by the availability and comparability of peer firms, as differences in business models, growth profiles, and profitability can limit the interpretability of trading multiples. As a result, the conclusions should be interpreted as conditional on the stated assumptions rather than as precise forecasts of future market outcomes.

Future research could focus on monitoring Dexcom's execution against its growth and profitability targets, as well as reassessing information as new data regarding competition, reimbursement, and technological innovation becomes available. Additionally, the analysis could be extended by applying a real options valuation framework to Dexcom's growth opportunities. Real options models allow for the explicit valuation of managerial flexibility under uncertainty, which is not captured through the DCF. This may be particularly relevant given the uncertainty surrounding Dexcom's geographic positioning and expansion goals (Luehrman 1998).

9 Appendix

Appendix 1 – Comparison of Leading CGM Players

dexcom



Abbott

Medtronic



Primary CGM Role	Dedicated CGM provider	CGM within broader diabetes portfolio	CGM as part of integrated diabetes systems	CGM adjacent, connected monitoring	Distributor of implantable CGM
CGM Technology Type	Wearable, sensor-based CGM	Wearable, sensor-based CGM	Wearable, sensor-based CGM	Connected glucose-monitoring devices	Implantable, long-duration CGM
Integration with Insulin Delivery	Compatible with third-party pumps	Limited	Fully integrated with own pumps	Minimal	None
Digital Connectivity	Mobile apps and cloud platforms	Mobile apps and cloud platforms	Mobile apps and cloud platforms	Connected digital platforms	Mobile apps and cloud platforms
Target Customers	Technology-oriented CGM users	Broad, mass-market users	Patients seeking automated insulin delivery	Users of connected monitoring solutions	Niche users seeking long sensor life
Key Differentiators	CGM specialization and interoperability	Scale and affordability	Closed-loop system integration	Diagnostics and connectivity expertise	Unique implantable sensor design
Geographic Scope of Operations	North America, Europe, selected global markets	Global	Global	Global	North America, Europe
Relative Pricing Level	Premium	Lower cost	Premium	Mid-range	Premium

Appendix 2 – Key Features of Dexcom G6 and Dexcom G7

dexcom G6

dexcom G7

Launch Year	2018	2023
Warm-up Time	2 hours	0.5 hours
Grace Period after Wear Time	None	12 hours
Sensor and Transmitter Design	Separate sensor and reusable transmitter	Fully integrated, all-in-one sensor and transmitter
Transmitter Lifespan	c. 3 months	Single use (replaced with each sensor)
Integration with Insulin Delivery	Compatible with selected insulin pumps and insulin delivery systems	Expanded compatibility with insulin pumps and automated insulin delivery systems
Size and Comfort	Larger	Smaller, thinner, more discreet design
Reimbursement Coverage (U.S.)	Broad commercial and public payer coverage	Broader and faster-expanding coverage
Sensor Wear Duration	10 days	
Fingerstick Calibration	Not required	
Glucose Readings	Real-time continuous glucose readings	
Alerts and Alarms	Customizable alerts, including urgent low glucose	
Smart Device Compatibility	Smartphones and smartwatches	
Digital Platforms	Dexcom Clarity and Dexcom Share	
Target Users	Adults and children aged ≥ 2 years	

Appendix 3 – Formulas for Key Financial Metrics

1 Profitability

- a) $\text{Gross Margin} = \frac{\text{Revenues} - \text{COGS}}{\text{Revenues}}$
- b) $\text{Operating Margin} = \frac{\text{Revenues} - \text{COGS} - \text{OpEx}}{\text{Revenues}}$
- c) $\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Revenues}}$
- d) $\text{Earnings Quality Ratio} = \frac{\text{Operating Cash Flow}}{\text{Net Profit}}$

Where a ratio >1 means that earnings are backed by cash, therefore have high quality, and a ratio <1 signals accrual-heavy or lower-quality earnings

e) DuPont Analysis

$\text{ROE} = \text{Return on Assets} \times \text{Financial Leverage} (=)$

$\text{ROE} = \text{Return on Sales} \times \text{Asset Turnover} \times \text{Financial Leverage} (=)$

$$\text{ROE} = \frac{\text{Net Profit}}{\text{Revenues}} \times \frac{\text{Revenues}}{\text{Avg. Total Assets}} \times \frac{\text{Avg. Total Assets}}{\text{Avg. Owners' Equity}}$$

2 Solvency and Liquidity

- a) $\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Avg. Owners' Equity}}$
- b) $\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest Expenses}}$
- c) $\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$
- d) $\text{Quick Ratio} = \frac{\text{Cash} + \text{Cash Equivalents} + \text{Marketable Securities} + \text{Accounts Receivable}}{\text{Current Liabilities}}$
- e) $\text{Cash Flow Coverage} = \frac{\text{Operating Cash Flow}}{\text{Total Debt}}$
- f) $\text{Equity Financing Dependence} = \frac{\text{Financing Cash Flow}}{\text{Operating Cash Flow}}$

3 Operating Efficiency

- a) $\text{Asset Turnover} = \frac{\text{Revenues}}{\text{Avg. Total Assets}}$
- b) $\text{Inventory Turnover} = \frac{\text{COGS}}{\text{Avg. Inventory}}$
- c) $\text{Days Sales Outstanding} = \frac{\text{Avg. Inventory}}{\text{COGS}} \times 365$
- d) $\text{R\&D Intensity} = \frac{\text{R\&D Expenses}}{\text{Revenues}}$
- e) $\text{R\&D Efficiency} = \frac{\text{Revenue Growth}}{\text{R\&D Intensity}}$
- f) $\text{CapEx Productivity} = \frac{\text{Revenues}}{\text{CapEx}}$

Appendix 4 – Results for Key Financial Metrics

Appendix 4A – Profitability

	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY
DexCom, Inc.					
Gross Margin	66.4%	68.6%	64.7%	63.2%	60.5%
Operating Margin	15.5%	10.9%	13.4%	16.5%	14.9%
Net Profit Margin	28.5%	8.9%	11.7%	14.9%	14.3%
Earnings Quality Ratio	0.9×	2.0×	2.0×	1.4×	1.7×
Diabetes Care Devices Industry					
Gross Margin					56.0%
Operating Margin					17.0%
Net Profit Margin					8.7%
DuPont Analysis					
Return on Sales	28.5%	8.9%	11.7%	14.9%	14.3%
Asset Turnover	0.45×	0.50×	0.54×	0.58×	0.62×
Return on Assets	12.8%	4.7%	6.6%	9.3%	9.0%
Financial Leverage	2.35×	2.38×	2.47×	2.78×	3.06×
Return on Equity	30.1%	11.2%	16.3%	25.8%	27.6%

Appendix 4B – Solvency and Liquidity

	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY
Debt to Equity Ratio	1.01×	1.06×	1.01×	1.25×	1.23×
Interest Coverage Ratio	16.9×	14.1×	21.0×	29.4×	31.6×
Current Ratio	5.58×	5.11×	1.99×	2.84×	1.47×
Quick Ratio	5.11×	4.51×	1.74×	2.39×	1.23×
Cash Flow Coverage	0.26×	0.21×	0.31×	0.29×	0.38×
Equity Financing Dependence	1.92×	0.02×	-0.83×	-0.43×	-0.74×

Appendix 4C – Operating Efficiency

	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY
Asset Turnover	0.45×	0.50×	0.54×	0.58×	0.62×
Inventory Turnover	2.76×	2.08×	2.74×	2.26×	2.88×
Days Sales Outstanding	132	144	132	132	131
R&D Intensity	18.7%	24.7%	16.6%	14.0%	13.7%
R&D Efficiency	NA	1.10×	1.13×	1.75×	0.83×
CapEx Productivity	9.68×	6.29×	7.98×	15.31×	11.24×

Appendix 5 – Standardised Financial Statements (in thousands of US\$)

Appendix 5A – Standardised Income Statement

	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY
Revenues	1 926 700	2 448 500	2 909 800	3 622 300	4 033 000
COGS	646 600	768 000	1 026 700	1 333 400	1 594 800
Gross Profit	1 280 100	1 680 500	1 883 100	2 288 900	2 438 200
SG&A	618 200	810 500	1 007 700	1 185 400	1 285 800
R&D	359 900	604 200	484 200	505 800	552 400
Other OpEx	2 500	NA	NA	NA	NA
Operating Income (EBIT)	299 500	265 800	391 200	597 700	600 000
Interest Expense	-17 700	-18 800	-18 600	-20 300	-19 000
Net Interest Expense	-1 600	-9 000	-400	112 700	109 000
Pre-Tax Income	297 900	256 800	390 800	710 400	709 000
Taxes	-251 800	39 900	49 600	168 900	132 800
Post-Tax Income	549 700	216 900	341 200	541 500	576 200
Minority Interests	0	0	0	0	0
Net Income	549 700	216 900	341 200	541 500	576 200

Appendix 5B – Standardised Balance Sheet

	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY
Cash and Equivalents	817 600	1 052 600	642 300	566 300	606 100
Short-term Investments	1 890 100	1 678 600	1 813 900	2 157 800	1 973 300
Accounts Receivable	428 500	514 300	713 300	973 900	1 005 700
Other Receivables	NA	2 300	38 900	13 600	27 900
Inventory	234 700	369 400	374 500	591 100	553 800
Prepaid Expenses	53 900	39 800	48 900	58 700	76 300
Other Current Assets	NA	27 400	37 000	64 500	58 300
Total Current Assets	3 424 800	3 684 400	3 668 800	4 425 900	4 301 400
Gross PPE	762 800	1 121 400	1 498 800	1 693 900	2 081 000
Accumulated Depreciation	-154 200	-231 500	-363 200	-509 400	-678 300
Net PPE	608 600	889 900	1 135 600	1 184 500	1 402 700
Long-term Investments	NA	4 500	19 000	38 500	119 300
Goodwill	19 300	26 500	25 700	25 200	22 800
Other Intangibles	21 400	31 500	173 300	134 500	103 400
Deferred Tax Assets, LT	216 400	290 500	341 200	419 400	481 200
Other Long-term Assets	NA	6 000	28 100	36 500	53 700
Total Non-current Assets	865 700	1 248 900	1 722 900	1 838 600	2 183 100
Total Assets	4 290 500	4 933 300	5 391 700	6 264 500	6 484 500
Accounts Payable	163 300	189 400	237 900	276 400	345 300
Accrued Expenses	405 100	440 300	772 500	1 220 000	1 335 600
Current Portion of Long-term Debt	NA	NA	772 600	NA	1 204 400
Current Portion of Leases	16 500	20 500	20 500	21 100	28 900
Current Income Taxes Payable	15 300	40 600	12 900	7 500	3 900
Current Unearned Revenue	2 200	2 100	10 100	18 400	8 000
Other Current Liabilities	11 700	27 900	12 800	12 600	5 900
Total Current Liabilities	614 100	720 800	1 839 300	1 556 000	2 932 000
Long-term Debt	1 667 200	1 981 800	1 197 700	2 434 200	1 237 000
Long-term Leases	155 800	155 600	154 200	138 700	123 500
Non-current Unearned Revenue	NA	16 100	19 000	7 400	9 500

Non-current Deferred Tax Liability	NA	5 900	NA	NA	NA
Other Non-current Liabilities	26 900	11 000	49 700	59 600	79 900
Total Non-current Liabilities	1 849 900	2 170 400	1 420 600	2 639 900	1 449 900
Total Liabilities	2 464 000	2 891 200	3 259 900	4 195 900	4 381 900
Common Stock	100	400	400	400	400
Additional Paid In Capital	2 125 300	2 108 700	2 258 100	3 514 600	2 093 800
Retained Earnings	-202 100	138 700	479 900	1 021 400	1 597 600
Treasury Stock	-100 000	-206 200	-595 000	-2 451 100	-1 581 200
Comprehensive Income and Other	3 200	500	-11 600	-16 700	-8 000
Total Equity	1 826 500	2 042 100	2 131 800	2 068 600	2 102 600
Total Liabilities and Equity	4 290 500	4 933 300	5 391 700	6 264 500	6 484 500

Appendix 5C – Standardised Cash Flow

	<i>2020 FY</i>	<i>2021 FY</i>	<i>2022 FY</i>	<i>2023 FY</i>	<i>2024 FY</i>
Cash Flow from Operations (Indirect)					
Net Income	549 700	216 900	341 200	541 500	576 200
Depreciation & Amortization	67 100	120 000	172 300	202 500	234 400
Loss on Sale of Investment	NA	-11 600	NA	NA	NA
Asset Write-down & Restructuring Costs	NA	87 100	NA	NA	NA
Stock-based Compensation	119 400	113 400	126 500	150 800	170 400
Other Operating Activities	-239 800	48 700	2 800	-149 500	-100 300
Change in Accounts Receivable	-142 300	-75 500	-199 900	-260 100	-35 000
Change in Inventories	-114 500	-112 200	49 300	-252 600	12 400
Change in Accounts Payable	194 500	58 000	295 100	466 500	211 700
Change in Unearned Revenue	18 600	8 700	11 100	-2 600	-8 000
Change in Other Net Operating Assets	22 900	-11 000	-128 900	52 000	-72 300
Cash from Operations	475 600	442 500	669 500	748 500	989 500
Cash Flow from Investing					
Capital Expenditure	-199 000	-389 200	-364 800	-236 600	-358 800
Cash Acquisitions	NA	-30 200	-3 900	NA	NA
Investments in Marketable Securities	-807 700	193 200	-153 000	-272 500	166 800
Other Investing Activities	-11 300	10 100	200	1 900	-15 500
Cash from Investing	-1 018 000	-216 100	-521 500	-507 200	-207 500
Cash Flow from Financing					
Total Debt Issued	1 188 800	NA	NA	1 230 600	NA
Total Debt Repaid	-282 600	NA	NA	-787 300	NA
Issuance of Common Stock	15 300	20 300	22 500	26 600	28 200
Repurchase of Common Stock	NA	NA	-557 700	-688 700	-750 000
Other Financing Activities	-9 400	-9 900	-17 300	-99 800	-13 000
Cash from Financing	912 100	10 400	-552 500	-318 600	-734 800

Appendix 6 – Results for Historical Financial Performance (in thousands of US\$)

	2020 FY	2021 FY	2022 FY	2023 FY	2024 FY
Revenues	1 926 700	2 448 500	2 909 800	3 622 300	4 033 000
YoY Growth	NA	27.1%	18.8%	24.5%	11.3%
Average			20.4%		
CAGR			20.3%		
Gross Profit Margin	66.4%	68.6%	64.7%	63.2%	60.5%
Average			64.7%		
COGS	646 600	768 000	1 026 700	1 333 400	1 594 800
As a % of Revenues	33.6%	31.4%	35.3%	36.8%	39.5%
EBITDA Margin	19.0%	15.8%	19.4%	22.1%	20.7%
Average			19.4%		
SG&A Expenses	618 200	810 500	1 007 700	1 185 400	1 285 800
As a % of Revenues	32.1%	33.1%	34.6%	32.7%	31.9%
Acquisition/Divestiture	NA	-30 200	-3 900	NA	NA
R&D Expenses	359 900	604 200	484 200	505 800	552 400
As a % of Revenues	18.7%	24.7%	16.6%	14.0%	13.7%
EBIT Margin	15.5%	10.9%	13.4%	16.5%	14.9%
Average			14.2%		
D&A	67 100	120 000	172 300	202 500	234 400
As a % of Revenues	3.5%	4.9%	5.9%	5.6%	5.8%
Net Income Margin	28.5%	8.9%	11.7%	14.9%	14.3%
Average			15.7%		
Effective Tax Rate	-84.1%	15.0%	12.7%	28.3%	22.1%
Average Tax Rate	NA		19.5%		
Interest Expenses	-17 700	-18 800	-18 600	-20 300	-19 000
Total Debt	1 839 500	2 157 900	2 145 000	2 594 000	2 593 800
Operating Cash	96 335	122 425	145 490	181 115	201 650
Accounts Receivable	428 500	514 300	713 300	973 900	1 005 700
Inventory	234 700	369 400	374 500	591 100	553 800
Accounts Payable	163 300	189 400	237 900	276 400	345 300
OWC	596 235	816 725	995 390	1 469 715	1 415 850
CapEx	199 000	389 200	364 800	236 600	358 800
As a % of Revenues	10.3%	15.9%	12.5%	6.5%	8.9%

Notes:

- 1 The effective tax rate in FY2020 is negative, which means that the company recorded a tax benefit (e.g., from losses, credits, or deferred tax adjustments), receiving rather than paying taxes. Excluded from the average computation for being an outlier.*
- 2 Operating Cash was assumed to be 5% of revenues for each year, reflecting the growth profile of Dexcom.*

Appendix 7 – Assumptions for Base Case DCF (in thousands of US\$)

Appendix 7A – Revenues

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Total Diabetes Population	503 900 000	516 800 000	528 700 000	540 000 000	550 900 000	561 400 000	572 743 664
Growth Rate	2.77%	2.56%	2.30%	2.14%	2.02%	1.91%	2.02%
CGM Penetration	2.00%	2.00%	2.30%	2.60%	2.90%	3.20%	3.50%
Extra Penetration	0.00%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Final Penetration	2.00%	2.30%	2.60%	2.90%	3.20%	3.50%	3.80%
Market Share	35.00%	35.00%	35.25%	35.50%	35.70%	35.90%	36.00%
Extra Share from International Expansion	0.00%	0.25%	0.25%	0.20%	0.20%	0.10%	0.00%
Final Market Share	35.00%	35.25%	35.50%	35.70%	35.90%	36.00%	36.00%
Estimated # Clients	3 527 300	4 189 956	4 879 901	5 590 620	6 328 739	7 073 640	7 835 133
ASP	1 143	1 132	1 121	1 109	1 098	1 087	1 076
Change in ASP	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%	0.00%
Estimated Revenues	4 033 000	4 742 753	5 468 488	6 202 280	6 950 944	7 691 389	8 434 190
Growth Rate	11.34%	17.60%	15.30%	13.42%	12.07%	10.65%	9.66%

Appendix 7B – Gross Profit Margin and COGS

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Revenues	4 033 000	4 742 753	5 468 488	6 202 280	6 950 944	7 691 389	8 434 190
COGS	1 594 800	1 831 642	2 061 392	2 280 695	2 491 769	2 686 138	2 867 625
COGS as a % of Revenues	40%	39%	38%	37%	36%	35%	34%
Gross Profit Margin	60%	61%	62%	63%	64%	65%	66%

Appendix 7C – Operating Expenses

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Revenues	4 033 000	4 742 753	5 468 488	6 202 280	6 950 944	7 691 389	8 434 190
SG&A	1 285 800	1 497 207	1 709 157	1 919 047	2 128 888	2 331 542	2 530 257
SG&A as a % of Revenues	32%	32%	31%	31%	31%	30%	30%
R&D	552 400	711 413	820 273	868 319	973 132	999 881	1 096 445
R&D as a % of Revenues	14%	15%	15%	14%	14%	13%	13%

Appendix 7D – D&A

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Revenues	4 033 000	4 742 753	5 468 488	6 202 280	6 950 944	7 691 389	8 434 190
D&A	234 400	273 875	315 783	358 157	401 389	444 147	487 040
D&A as a % of Revenues	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%

Appendix 7E – EBITDA and EBIT Margins

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
EBITDA	834 400	976 366	1 193 448	1 492 376	1 758 544	2 117 976	2 426 904
EBITDA Margin	20.7%	20.6%	21.8%	24.1%	25.3%	27.5%	28.8%
EBIT	600 000	702 491	877 665	1 134 219	1 357 155	1 673 829	1 939 864
EBIT Margin	14.9%	14.8%	16.0%	18.3%	19.5%	21.8%	23.0%

Appendix 7F – Net Income Margin, Tax and Interest

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Interest Expenses	-19 000	-18 880	-18 880	-18 880	-18 880	-18 880	-18 880
Other Interest	128 000	0	0	0	0	0	0
EBT	709 000	683 611	858 785	1 115 339	1 338 275	1 654 949	1 920 984
Tax	132 800	172 327	216 485	281 158	337 356	417 184	484 247
Net Income	576 200	511 284	642 300	834 181	1 000 918	1 237 765	1 436 736
Growth Rate	6.4%	-11.3%	25.6%	29.9%	20.0%	23.7%	16.1%
Net Income Margin	14.3%	10.8%	11.7%	13.4%	14.4%	16.1%	17.0%

Appendix 7G – OWC

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Revenues	4 033 000	4 742 753	5 468 488	6 202 280	6 950 944	7 691 389	8 434 190
OC	201 650	237 138	273 424	310 114	347 547	384 569	421 710
OC as a % of Revenues	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
AR	1 005 700	1 134 291	1 307 860	1 483 356	1 662 409	1 839 496	2 017 146
AR as a % of Revenues	24.9%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%
Inventory	553 800	665 774	767 651	870 659	975 754	1 079 696	1 183 968
Inventory as a % of Revenues	13.7%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
AP	345 300	384 914	443 813	503 367	564 127	624 220	684 505
AP as a % of Revenues	8.6%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
OWC	1 415 850	1 652 289	1 905 122	2 160 762	2 421 583	2 679 541	2 938 319

Appendix 7H – CapEx

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Revenues	4 033 000	4 742 753	5 468 488	6 202 280	6 950 944	7 691 389	8 434 190
CapEx	358 800	365 865	410 912	453 646	494 503	531 797	566 287
CapEx as a % of Revenues	8.9%	7.7%	7.5%	7.3%	7.1%	6.9%	6.7%

Appendix 8 – Formulas for Valuation

$$1 \quad FCFF_n = EBIT_n \times (1 - \text{Marginal Tax Rate}) - \text{Net CapEx}_n - \Delta OWC_n$$

Where $\text{Net CapEx}_n = \text{CapEx}_n - D\&A_n$

$$2 \quad DCF = \frac{FCFF_n}{(1+WACC)^n}$$

Where $FCFF_n$ is the free cash flow in year n

$$3 \quad \text{Hamada Formula}$$

$$\beta_L = \beta_U \times \left(1 + \frac{MV_D}{MV_E}\right)$$

Where β_L is the levered beta, β_U is the unlevered beta, and MV is the market value

$$4 \quad \text{Capital Asset Pricing Model}$$

$$K_E = r_f + \beta_L \times (r_M - r_f)$$

Where r_f is the risk-free rate and r_M is the return on the market

$$5 \quad K_D = \text{Spread} + r_f$$

$$6 \quad WACC = \frac{MV_E}{MV_E \times MV_D} \times K_E + \frac{MV_D}{MV_E \times MV_D} \times K_D \times (1 - \text{Marginal Tax Rate})$$

$$7 \quad TV = \frac{FCFF_N \times (1+g)}{WACC-g}$$

Where $FCFF_N$ is the free cash flow in final year N

$$8 \quad EV = \frac{FCFF_n}{(1+WACC)^n} + \frac{FCFF_{n+1}}{(1+WACC)^{n+1}} + \dots + \frac{FCFF_N}{(1+WACC)^N} + \frac{\frac{FCFF_N \times (1+g)}{WACC-g}}{(1+WACC)^N}$$

Where n is the year of estimation and N is the final year

$$9 \quad \text{Equity Value} = EV + \text{Excess Cash} + \text{Unconsolidated Equity Investments} - \text{Debt} - \text{Minority Interests}$$

Appendix 9 – Weighted Average Cost of Capital

Appendix 9A – Unlevered Beta

Approach 1: Industry Peers

Company	β_{Levered}	Debt	Market Cap (Equity)	D/E	$\beta_{\text{Unlevered}}$	Weight
ABT.N	0.718	14 125 000	196 184 200	0.072	0.670	35%
PODD.OQ	1.160	1 392 100	18 312 700	0.076	1.078	35%
MDT.N	0.841	25 024 000	102 428 900	0.244	0.676	20%
YPSN.S	1.080	283 940	5 560 623	0.051	1.028	10%
$\beta_{\text{Unlevered}}$						0.850

Approach 2: Covariance of Dexcom's returns with the market

Covariance of returns	0.002
Variance of market returns	0.002
$\beta_{\text{Unlevered}}$	1.00

Approach 3: Damodaran's website

$\beta_{\text{Unlevered}}$, Healthcare Products	0.92
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Appendix 9B – Levered Beta

Approach 1: As a function of $\beta_{\text{Unlevered}}$ and D/E

Market Cap (Equity)	30 384 739
D/E	0.085
β_{Levered}	1.00

Approach 2: Regression of Dexcom's risk premium on market returns

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,28
R Square	0,08
Adjusted R Square	0,08
Standard Error	0,15
Observations	246

ANOVA						
	df	SS	MS	F	Significance F	
Regression	1	0,49	0,49	21,48	5,81812E-06	
Residual	244	5,61	0,02			
Total	245	6,11				

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95,0%	Upper 95,0%
Intercept	0,02	0,01	1,96	0,05	0,00	0,04	0,00	0,04
X Variable 1	1,01	0,22	4,63	0,00	0,58	1,44	0,58	1,44

Appendix 9C – Cost of Debt

Computation

Company	EBIT	Interest Expense	Interest Coverage Ratio	Spread	Risk-free	Kd
Dexcom	600 000	19 000	31.58	0.45%	4.14%	4.59%

Table of Ratings, Interest Coverage Ratio and Default Spread for Large Non-Financial Service Firms

If interest coverage ratio is		Rating is	Spread is
>	≤ to		
-100000	0.199999	D2/D	19.00%
0.2	0.649999	C2/C	15.50%
0.65	0.799999	Ca2/CC	10.10%
0.8	1.249999	Caa/CCC	7.28%
1.25	1.499999	B3/B-	4.42%
1.5	1.749999	B2/B	3.00%
1.75	1.999999	B1/B+	2.61%
2	2.249999	Ba2/BB	1.83%
2.25	2.49999	Ba1/BB+	1.55%
2.5	2.999999	Baa2/BBB	1.20%
3	4.249999	A3/A-	0.95%
4.25	5.499999	A2/A	0.85%
5.5	6.499999	A1/A+	0.77%
6.5	8.499999	Aa2/AA	0.60%
8.50	100000	Aaa/AAA	0.45%

Appendix 9D – WACC Computation

Equity	30 384 739
Ke	7.79%
Debt	2 593 800
Kd	4.59%
Marginal Tax Rate	25.21%
WACC	7.45%

Appendix 10 – Assumptions for Bull and Bear Case DCFs (in thousands of US\$)

Appendix 10A – Bull Case Revenues

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Total Diabetes Population	503 900 000	516 800 000	528 700 000	540 000 000	550 900 000	561 400 000	572 743 664
Growth Rate	2.77%	2.56%	2.30%	2.14%	2.02%	1.91%	2.02%
CGM Penetration	2.00%	2.00%	2.45%	2.90%	3.35%	3.80%	4.25%
Extra Penetration	0.00%	0.45%	0.45%	0.45%	0.45%	0.45%	0.45%
Final Penetration	2.00%	2.45%	2.90%	3.35%	3.80%	4.25%	4.70%
Market Share	35.00%	35.00%	35.60%	36.15%	36.65%	37.10%	37.50%
Extra Share from International Expansion	0.00%	0.60%	0.55%	0.50%	0.45%	0.40%	0.30%
Final Market Share	35.00%	35.60%	36.15%	36.65%	37.10%	37.50%	37.80%
Estimated # Clients	3 527 300	4 507 530	5 542 626	6 629 985	7 766 588	8 947 313	10 175 364
ASP	1 143	1 138	1 132	1 126	1 121	1 115	1 109
Change in ASP	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	-0.50%	0.00%
Estimated Revenues	4 033 000	5 127 994	6 274 045	7 467 369	8 703 790	9 976 859	11 289 488
Growth Rate	11.34%	27.15%	22.35%	19.02%	16.56%	14.63%	13.16%

Appendix 10B – Bull Case Operating Expenses

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Revenues	4 033 000	5 127 994	6 274 045	7 467 369	8 703 790	9 976 859	11 289 488
SG&A	1 285 800	1 606 856	1 931 652	2 258 206	2 584 503	2 907 955	3 228 794
SG&A as a % of Revenues	32%	31%	31%	30%	30%	29%	29%
R&D	552 400	647 708	725 572	783 962	820 971	834 681	824 133
R&D as a % of Revenues	14%	13%	12%	10%	9%	8%	7%

Appendix 10C – Bear Case Revenues

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Total Diabetes Population	503 900 000	516 800 000	528 700 000	540 000 000	550 900 000	561 400 000	572 743 664
Growth Rate	2.77%	2.56%	2.30%	2.14%	2.02%	1.91%	2.02%
CGM Penetration	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Extra Penetration	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Final Penetration	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Market Share	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Extra Share from International Expansion	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Final Market Share	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Estimated # Clients	3 527 300	3 617 600	3 700 900	3 780 000	3 856 300	3 929 800	4 009 206
ASP	1 143	1 121	1 098	1 076	1 055	1 034	1 013
Change in ASP	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	-2.00%	0.00%
Estimated Revenues	4 033 000	4 053 521	4 063 922	4 067 765	4 066 876	4 061 502	4 060 697
Growth Rate	11.34%	0.51%	0.26%	0.09%	-0.02%	-0.13%	-0.02%

Appendix 10D – Bear Case Operating Expenses

	2024 FY	2025 FY	2026 FY	2027 FY	2028 FY	2029 FY	2030 FY
Revenues	4 033 000	4 053 521	4 063 922	4 067 765	4 066 876	4 061 502	4 060 697
SG&A	1 285 800	1 292 343	1 295 658	1 296 884	1 296 600	1 294 887	1 294 630
SG&A as a % of Revenues	32%	32%	32%	32%	32%	32%	32%
R&D	552 400	555 211	556 635	557 162	557 040	556 304	556 194
R&D as a % of Revenues	14%	14%	14%	14%	14%	14%	14%

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