

# Dexcom

## Equity Research Report



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## **Introduction**

Dexcom Inc. (DXCM), operates within the medical technology sector, specializing in continuous glucose monitoring (CGM) systems. The company generates revenue primarily through the sale of CGM devices, sensors, and related accessories, targeting individuals with diabetes and, more recently, those with prediabetes or general health-conscious consumers. Dexcom employs a razor-and-blade model, wherein the initial hardware (transmitters and readers) serves as an entry point, while the recurring revenue stems from disposable sensor replacements. CGM systems offer a real-time, continuous glucose level tracking, reducing the need for traditional blood glucose testing and providing individuals with invaluable data to make informed health decisions. As of fiscal year 2024, Dexcom has seen remarkable financial performance, with reported revenue approaching \$4.60 billion, marking a robust year-over-year growth rate of 14%. This consistent growth has been driven by increasing adoption of its CGM systems, which remain central to the company's strategy of providing solutions that allow individuals with diabetes to live healthier lives.

Dexcom's flagship products, such as the G7 CGM system, represent the cutting-edge of glucose monitoring technology. The G7 has set a new benchmark for accuracy, size, and connectivity, positioning Dexcom as a leader in the rapidly expanding CGM market. Dexcom's G7 system is known for its compact form factor, superior sensor accuracy, and seamless integration with wearable devices, offering individuals the ability to monitor their glucose levels around the clock. The company has also made strategic efforts to address a wider audience through its foray into the non-prescription market, targeting health-conscious consumers who may not necessarily be insulin-dependent but still want to monitor

their metabolic health. The launch of the Stelo glucose biosensor in 2024 marked a pivotal expansion in this direction, catering to the growing market of individuals with Type 2 diabetes not using insulin as well as those interested in preventive health management.

With a strong foundation in the diabetes management space, Dexcom is now diversifying its product line and broadening its customer base, positioning itself to capture a substantial share of the global health monitoring and wellness industry. In addition to its focus on growth within established markets like North America and Europe, the company is also strategically expanding into emerging markets, where the prevalence of diabetes is rising at an alarming rate. With this multifaceted approach, Dexcom is preparing for continued leadership in the health technology sector.

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## **Business Model**

Dexcom's business model is based on the classic "razor-and-blade" strategy, whereby the company sells its initial CGM hardware, such as transmitters and readers, at relatively low margins to ensure widespread adoption. However, the key to its ongoing revenue lies in the recurring sales of the disposable glucose sensors that users must replace regularly. This model allows the company to generate a steady stream of revenue while ensuring customer retention, as individuals with diabetes are dependent on the continuous replacement of these sensors for ongoing glucose monitoring.

The G7 CGM system is one of Dexcom's core products, and its success has been driven by its high accuracy, small size, and the ease of use it offers. This product, in particular, targets individuals with Type 1 diabetes and insulin-dependent Type 2 diabetes, offering them a



cutting-edge solution for managing their blood sugar levels and enhancing their overall quality of life. This market is critical for Dexcom, as the demand for advanced, reliable CGM systems remains high.

However, Dexcom has also strategically diversified its business model to target a larger, broader market with its non-prescription Stelo glucose biosensor. The introduction of Stelo represents a significant departure from Dexcom's historically prescription-based business model. By positioning Stelo as an over-the-counter (OTC) product, Dexcom aims to cater to individuals who are not insulin-dependent but still wish to track their glucose levels for better health management. This market includes individuals with Type 2 diabetes who do not use insulin, as well as health-conscious consumers who are keen on preventive monitoring.

In this regard, Dexcom's product offerings are expanding from a purely medical focus to encompass a more wellness-oriented approach. This strategic pivot not only enables Dexcom to tap into a much larger potential customer base but also reduces its reliance on the often volatile coverage landscape for prescription-based devices. Additionally, Dexcom is expanding internationally, targeting regions with increasing diabetes prevalence, including markets in Asia-Pacific and Latin America, where diabetes rates are climbing rapidly. These international markets represent a growth avenue, as Dexcom seeks to further penetrate regions with emerging healthcare infrastructure and rising middle-class populations.

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## **SWOT Analysis**

### **Strengths:**

Dexcom's competitive advantage in the CGM market is driven by its superior technology and ongoing innovation. The G7 system, for example, provides users with a higher level of accuracy than many of its competitors. The compact design and integration with mobile apps and wearable devices provide a user-friendly experience that positions Dexcom as a market leader in terms of both product performance and customer satisfaction. Moreover, Dexcom's long-standing reputation as a pioneer in the CGM industry fosters strong brand loyalty, making it a trusted name among healthcare professionals and patients alike.

The company's recurring revenue model, based on the sale of disposable sensors, is another significant strength. It provides Dexcom with a steady cash flow and stability, which is crucial for investing in R&D and expanding its product offerings. This financial stability allows Dexcom to stay ahead in an industry where technological advancements are critical to maintaining leadership.

### **Weaknesses:**

Despite its leadership in the CGM space, Dexcom remains highly dependent on the diabetes market, particularly Type 1 diabetes patients who rely on its CGM devices. While the company's expansion into the non-insulin user market with products like Stelo provides a new growth opportunity, the core business is still tied to the diabetes market. Any significant changes in the demand for diabetes management solutions, whether due to regulatory changes or shifts in healthcare policy, could affect Dexcom's overall performance.

Additionally, Dexcom's commitment to innovation and product development requires



substantial ongoing investment in R&D. These expenditures, while necessary for the company's long-term success, place pressure on operating margins. Furthermore, the scale of competition within the CGM market means that Dexcom must constantly innovate, increasing its R&D costs, which could impact profitability in the short term.

#### Opportunities:

The launch of the Stelo glucose biosensor has opened up a wealth of opportunities for Dexcom. By entering the OTC market, the company can significantly expand its customer base beyond individuals with diabetes, tapping into the rapidly growing health-conscious consumer market. This expansion into the broader wellness sector is especially timely given the rising demand for personalized healthcare and proactive health management tools.

Moreover, Dexcom's expansion into international markets presents significant growth prospects. As emerging economies, particularly in Asia-Pacific and Latin America, experience rising diabetes rates, the demand for CGM systems is expected to surge. Dexcom's expertise and ability to establish early market leadership could position the company as a dominant player in these regions.

#### Threats:

Dexcom faces significant competition from other major players in the CGM market, including Abbott, Medtronic, and Senseonics. Abbott's FreeStyle Libre, for instance, is priced aggressively and enjoys strong insurance coverage, making it a formidable competitor. Medtronic's Guardian CGM system also presents a challenge, particularly among insulin-dependent patients who are using insulin pumps. While Dexcom maintains a technological edge, its competitors are

continuously improving their offerings, posing a risk to market share.

Another threat lies in pricing pressure. With a growing number of CGM options available, including low-cost alternatives, the company may face pressure to reduce prices, potentially harming its profit margins.

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### **Porter's 5 Forces Analysis**

#### Threat of New Entrants:

Although the CGM market presents high barriers to entry due to complex regulatory requirements, technological sophistication, and significant R&D investment, the rapid growth and high demand for glucose monitoring solutions create an attractive market for new entrants. The increasing involvement of technology companies in healthcare, combined with the rise of wearable health devices, suggests that new players may look to capture market share in the future. However, the strong brand recognition and customer loyalty established by companies like Dexcom and Abbott reduce the impact of new entrants, making it difficult for them to compete on equal footing in the short term.

#### Bargaining Power of Suppliers:

The bargaining power of suppliers in the CGM space is moderate. Dexcom relies on a limited number of specialized suppliers for key components, such as sensors and transceivers. While the company's scale and extensive supply chain operations help mitigate supplier power to some extent, the uniqueness and high precision required for these components mean that supplier relationships are crucial. As such, Dexcom must maintain good supplier relationships while ensuring it can access the best quality materials at competitive prices.



### Bargaining Power of Buyers:

The bargaining power of buyers is steadily increasing as the market for CGM devices becomes more competitive. With the proliferation of alternative products and OTC devices like Stelo, buyers have more choices, and this increased choice gives them greater bargaining power. Furthermore, as healthcare policies and insurance coverage play a significant role in the affordability of CGM systems, changes in these areas could influence consumer purchasing behavior. Buyers, particularly in the Type 2 diabetes and wellness market, are also becoming more price-sensitive, further amplifying this power.

### Threat of Substitute Products:

While there are no direct substitutes for continuous glucose monitoring systems, the rise of health tracking devices, such as fitness trackers, wearables, and smartphone apps, can serve as indirect substitutes. These alternatives provide consumers with general health data, such as activity levels, heart rate, and sleep patterns, although they do not offer the same level of glucose monitoring accuracy or real-time data that CGM systems do. As technology continues to evolve, it remains possible that new entrants will develop innovative alternatives that could compete with Dexcom's offerings, although significant challenges remain in replicating the accuracy and reliability of CGMs.

### Industry Rivalry:

The CGM market is highly competitive, with several established players actively seeking to expand their market share. Abbott's FreeStyle Libre offers strong competition, particularly in terms of pricing and insurance coverage. Medtronic's Guardian CGM system is another powerful competitor, especially among patients using insulin pumps. Senseonics, with

its Eversense implantable CGM, represents a unique offering, differentiating itself with long-duration sensors that appeal to a niche market. As the industry continues to grow, rivalry will only intensify, making innovation and customer loyalty crucial to maintaining a competitive edge.

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### Competitive Analysis

Dexcom operates in a dynamic and fiercely competitive market, where innovation and technological advancements are essential to sustaining its leadership position. The continuous evolution of CGM systems has transformed the landscape of diabetes management, with several prominent companies competing for dominance in this space. Dexcom operates in a dynamic and competitive market, where innovation and technology are crucial to maintaining its leadership. The evolution of CGM systems has reshaped diabetes management, with several major players competing for dominance. Abbott, Medtronic, Senseonics, Eli Lilly, and Novo Nordisk are key competitors, each with unique strengths.

Abbott, with its FreeStyle Libre, provides a cost-effective alternative to Dexcom's products, offering widespread adoption due to strong insurance coverage. Abbott focuses on affordability, while Dexcom differentiates itself by prioritizing accuracy, ease of use, and seamless connectivity with mobile devices. This allows Dexcom to serve patients who need reliable, real-time data for optimal diabetes management.

Medtronic's Guardian CGM is well-integrated with insulin pumps, making it ideal for insulin-dependent patients. However, this integration may limit its appeal to non-insulin users, making it less versatile compared to Dexcom.



Despite this, Medtronic's strength in insulin pump technology makes it a formidable competitor, particularly for those with Type 1 diabetes.

Senseonics offers the implantable Eversense CGM, featuring a sensor lifespan of up to six months, appealing to patients who prefer longer-lasting sensors. However, its adoption is limited due to the requirement for a minor surgical procedure for insertion and removal, making it less accessible than non-implantable systems.

Dexcom also faces competition in the over-the-counter (OTC) and wellness markets with its Stelo product. As consumers increasingly embrace health monitoring, Dexcom's ability to differentiate Stelo through accuracy, ease of use, and effective marketing will be essential in capturing this growing market.

Eli Lilly and Novo Nordisk, both leaders in insulin production, are emerging as significant competitors in the CGM space. While they primarily focus on insulin therapy, their increasing involvement in CGM development could pose a direct challenge to Dexcom's market share. Eli Lilly has already partnered with Dexcom to integrate CGM with insulin therapy, and Novo Nordisk is exploring digital health and diabetes monitoring.

Finally, the rise of digital health startups focused on wellness monitoring adds another layer of competition. These new entrants may offer innovative, lower-cost alternatives that could disrupt the market.

In conclusion, Dexcom faces competition from both established companies and emerging players in the CGM and diabetes management markets. To maintain its leadership position, Dexcom must continue to innovate, differentiate its products, and develop strategic partnerships.

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## **Industry Outlook**

The global CGM market is experiencing significant growth, driven by the rising rate of diabetes, technological advancements, and a shift towards personalized and preventive health management. This expansion presents substantial opportunities for companies like Dexcom to innovate and capture a larger market share. The digital diabetes management market was valued at approximately \$13.4 billion in 2024 and is projected to grow at a compound annual growth rate (CAGR) of 8.7% from 2025 to 2030. This growth is primarily attributed to the rising global incidence of diabetes and continuous technological innovations in diabetes care devices. For instance, the integration of artificial intelligence in glucose monitoring systems is enhancing predictive capabilities and personalizing treatment plans. Additionally, the increasing adoption of connected devices and mobile applications for diabetes management is contributing to market expansion.

The CGM market is highly competitive, with key players such as Dexcom, Abbott Laboratories, and Medtronic leading the sector. Dexcom, in particular, has demonstrated significant market leadership with its flagship products, including the Dexcom G7 CGM system. The company has also expanded its global presence by establishing new offices in regions like Scotland and Canada, aiming to enhance customer service and production capabilities. Strategic partnerships and acquisitions are central to Dexcom's growth strategy, enabling the integration of its CGM systems with various insulin pumps and broadening its market reach.

Regulatory bodies worldwide are adapting to the evolving landscape of CGMs. The approval of over-the-counter CGMs, such as Dexcom's



Stelo, reflects a shift towards greater accessibility and consumer autonomy in health management. This trend aligns with the broader movement towards personalized healthcare solutions, allowing individuals to monitor their glucose levels without a prescription.

Emerging markets, particularly in Asia-Pacific and Latin America, present lucrative opportunities for CGM adoption. The expanding middle class and increasing diabetes rates in these regions create a fertile ground for market penetration. Tailoring products to meet regional needs and navigating local regulatory landscapes will be crucial for success.

The convergence of CGMs with digital health platforms enhances data analytics capabilities, offering users personalized insights and fostering engagement. This integration supports the shift towards value-based care models, where patient outcomes are prioritized, and continuous monitoring is integral. Moreover, the rise of telemedicine platforms plays a critical role, allowing for remote monitoring and real-time adjustments to treatment plans by healthcare professionals, thereby increasing the convenience and efficiency of diabetes management.

Despite growth prospects, challenges such as data privacy concerns, reimbursement complexities, and market competition persist. Companies must address these issues through robust policies, strategic partnerships, and continuous dialogue with stakeholders to maintain consumer trust and market leadership. Additionally, while advancements in CGM technology offer numerous benefits, considerations regarding device costs and the potential for side effects, such as skin

irritability, are important for both manufacturers and users.

Dexcom is strategically positioned to leverage the expanding CGM market by embracing technological innovations, exploring new market segments, and addressing the evolving needs of health-conscious consumers. Navigating the competitive and regulatory landscapes with agility will be essential for sustaining growth and achieving long-term success in the dynamic healthcare environment. By focusing on expanding its product offerings, entering new markets, and staying ahead of competitors, Dexcom can continue to lead in the rapidly evolving digital diabetes management sector.

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## **VALUATION**

### **Discounted Cash Flow (DCF) Analysis (WACC Assumptions)**

We derive Dexcom's cost of capital using a weighted average cost of capital (WACC) framework. Using a 10-year U.S. Treasury yield of ~4.3% as the risk-free rate and an equity risk premium around 4.1%<sup>1</sup>, along with Dexcom's 5-year beta of ~1.29<sup>2</sup> we estimate a cost of equity of ~9.9%. This is higher than some services (Alpha Spread reports 7.96% with a lower beta but reflects Dexcom's historical volatility). Dexcom carries very little debt (debt ~\$2.59B vs market cap ~\$26.4B), so equity comprises ~91% of its capital structure. We assume a pre-tax cost of debt ~4.3%, roughly reflecting Dexcom's borrowing rate in the current interest rate environment. Given an effective tax rate of ~22%, the after-tax debt cost is ~3.3%. WACC therefore comes out to

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<sup>1</sup> Dexcom Inc (DXCM) discount Rate - WACC & Cost of Equity. (n.d.). <https://www.alphaspread.com/security/nasdaq/dxcm/discount-rate>

<sup>2</sup> Dexcom Max Drawdown (5Y) Analysis | YCharts. (n.d.). YCharts. [https://ycharts.com/companies/DXCM/max\\_drawdown\\_5y](https://ycharts.com/companies/DXCM/max_drawdown_5y)



~9.1% (approximately 9%–9.3%, essentially driven by the cost of equity given Dexcom’s minimal leverage). This WACC will serve as the discount rate for the DCF of unlevered free cash flows.

### **DCF Forecasts**

We model a two-stage DCF with a 5-year explicit forecast followed by a terminal value from a Gordon Growth perpetuity. The projections are informed by Dexcom’s recent performance and product outlook. Management’s 2025 guidance calls for \$4.60B revenue (14% YoY growth) with ~64–65% gross margins and ~21% operating margin<sup>3</sup>. Our base-case forecast reflects this trajectory: we start with FY2024 revenue of \$4.033B and project ~13–14% annual revenue growth in the near term, moderating to ~12.5% by 2026–2029. This growth is underpinned by Dexcom’s core segments – the G7 continuous glucose monitor (driving continued expansion in Type 1 and insulin-dependent Type 2 diabetics) and the new Stelo biosensor targeting non-insulin Type 2 and health-conscious users. The broader Type 2/pre-diabetic market and international expansion provide a sizable runway, as outlined in Dexcom’s outlook. We assume Dexcom’s aggressive push into these markets (including direct-to-consumer marketing and partnerships) sustains double-digit revenue growth over the next 5 years. Meanwhile, we model gradual margin expansion: gross margins remain in the mid-60% range (consistent with guidance), and operating expenses grow more slowly than revenue (e.g. R&D and SG&A growing ~8–9% annually vs. 12%+ revenue growth). This drives operating leverage – operating margins rise from ~15% in 2024 (GAAP) to roughly mid-20s by 2029 in our

model. The resulting unlevered free cash flow (UFCF) grows from about \$0.38B in 2024 to \$1.51B by 2029 (as Dexcom’s earnings power increases with scale). We then apply a terminal growth rate of 2.0% in perpetuity, in line with long-run inflation and GDP growth expectations, to capture growth beyond the forecast horizon.

### **Intrinsic Value Results**

Discounting the projected UFCFs and terminal value at the 9.1% WACC gives an enterprise value approximately in the high-\$20 billions. We cross-checked the terminal value via two methods: a Gordon Growth perpetuity and an exit multiple. The perpetuity method yields a terminal value of ~\$20.9B (based on 2029 FCF of ~\$1.51B growing at 2%). For the exit multiple approach, we apply an EV/EBITDA multiple of 22x to Dexcom’s 2029 EBITDA. This 22x is in line with high-growth medtech valuations and industry norms for diabetes tech; it is slightly above the current peer average (more on peer multiples below) to reflect Dexcom’s growth prospects. Using 2029 EBITDA, the exit multiple method gives a terminal value of ~\$58B. To mitigate reliance on any single method, we take an average of the two (an approach similar to some industry models) for our final terminal value. This averaging yields an implied terminal value of ~\$39.5B, which is more balanced (it incorporates a conservative growth-based value and a market-multiple-based value).

Summing the present value of 2025–2029 cash flows and the present value of the averaged terminal value produces an enterprise value of about \$28.6 billion. After adjusting for Dexcom’s minor net debt (debt ~\$2.587B vs cash ~\$2.579B, so net debt is practically nil), the equity value is roughly \$28.6B. Dividing by

<sup>3</sup> Dexcom reports fourth quarter and fiscal year 2024 financial results. (n.d.). <https://investors.Dexcom.com/news/news-details/2025/Dexcom-Reports-Fourth-Quarter-and-Fiscal-Year-2024-Financial-Results/>



~392.1 million shares outstanding gives an intrinsic value per share of approximately \$73.

Table 1 summarizes the DCF valuation:

DCF Valuation Summary	\$ Millions (except per-share)
PV of 5yr Forecast FCF (2025–2029)	~3,355
PV of Terminal Value (avg. methods)	~25,267
<b>Enterprise Value (EV)</b>	<b>~28,622</b>
Less: Debt	(2,587)
Add: Cash	2,579
<b>Equity Value</b>	<b>~28,614</b>
Shares Outstanding (millions)	392.1
<b>Intrinsic Value per Share</b>	<b>\$73.0</b>
Current Share Price (Apr 2025)	\$67.3
Implied Upside vs. Market	~+8%

Table N°1, Dexcom DCF Valuation Summary

### Interpretation

Our DCF-based target price is roughly \$73, which is slightly above the current trading level (~\$67–\$68) for a modest +8–10% implied upside. This suggests that, on an intrinsic cash flow basis, Dexcom is close to fairly valued to slightly undervalued. Notably, if we had relied solely on the Gordon Growth model (and not averaged in the 22× exit multiple), the DCF would have produced a materially lower equity value (around mid-\$40s per share). The

inclusion of the exit multiple methodology, which captures the market’s expectation of continued strong growth beyond our 5-year horizon, boosts our valuation into line with the prevailing market price. This blended approach recognizes that Dexcom’s long-term potential may not be fully captured by a 2% terminal growth assumption. (For context, Alpha Spread’s purely model-driven DCF valuation for Dexcom is about \$50/share, underscoring how sensitive the valuation is to terminal assumptions and growth outlook.) In our view, the blended \$73 target reasonably balances fundamental caution with industry growth optimism.

### Relative Valuation (Comparables)

As a sense-check, we examined market multiples for Dexcom and its peers. Dexcom’s stock commands premium valuation ratios relative to larger diversified peers, reflecting its higher growth and pure-play focus on continuous glucose monitoring. Table 2 below compares Dexcom to key competitors – Abbott Laboratories (Abbott’s Diabetes Care division produces the FreeStyle Libre CGM), Medtronic (which offers the Guardian CGM as part of its diabetes device portfolio), and Senseonics (maker of the implantable Eversense CGM):



Company	Enterprise Value	EV/Sales (TTM)	EV/EBITDA (TTM)	Notes
Dexcom (DXCM) <sup>4</sup>	\$26.4B (approx.)	6.5x	~28x	~\$4.0B sales, ~14% growth, pure CGM focus
Abbott (ABT) <sup>5</sup>	\$220+B	5.6x	~22x	Diversified medtech; Libre drives ~20% CGM growth
Medtronic (MDT) <sup>6</sup>	\$136	3.8x	~13x	Diversified medtech; slower growth in diabetes segment
Senseonics (SENS) <sup>7</sup>	\$0.38B	16.9x	n.m. (negative EBITDA)	Early-stage, minimal revenue, high growth potential

Table N°2, Dexcom relative valuation

### Peer comparison

Dexcom currently trades around 6.5x trailing 12-month revenue and ~28x EBITDA. This is a significant premium to the large-cap medtech names – for instance, Abbott trades ~5.6x sales and ~21.7x EBITDA, and Medtronic about 3.8x sales and 12.9x EBITDA. Even accounting for Abbott’s broader business mix, the diabetes technology segment of Abbott is one of its fastest-growing divisions (FreeStyle Libre sales grew ~25% YoY and reached \$1.4B in Q4 2023 alone). Medtronic’s diabetes segment is smaller and its overall multiples are lower, reflecting slower growth and diversified operations. On the other end, Senseonics’ valuation is extreme on an EV/Sales basis (~17x) because its revenue base is very small – investors value it largely on future potential (its EBITDA is negative, making EV/EBITDA not meaningful). In summary,

industry averages for established players cluster roughly in the ~4–6x sales and ~15–20x EBITDA range, whereas Dexcom sits above these averages.

This premium is justified by Dexcom’s superior growth profile and focused business model. Dexcom’s revenue growth (expected ~14% in 2025<sup>8</sup> and double-digits beyond) is higher than Abbott’s total company (~8–10%) and Medtronic’s. Additionally, Dexcom is a pure-play in a high-growth niche, whereas Abbott and Medtronic have other slower segments diluting their overall growth. Investors have historically been willing to pay a higher multiple for Dexcom’s pure exposure to the CGM market’s expansion.

### Relative valuation exercise

Using peer multiples as a gauge, Dexcom’s current share price does appear rich, but when adjusted for growth, the gap narrows. If we were to value Dexcom at the unadjusted peer average (say ~5x sales or ~18x EBITDA), we’d get an enterprise value far below Dexcom’s current ~\$26B EV. For example, at 5x TTM sales, Dexcom’s EV would be only ~\$20B, implying an equity value around \$51 per share (well below the market price). Similarly, using 18x EBITDA on Dexcom’s 2024 EBITDA (\$0.84B) gives an EV of ~\$15B and an implied stock price in the \$35–\$40 range. These simplistic comparisons suggest that Dexcom’s stock would look overvalued if one applies average multiples of much larger medtech firms. However, such a direct comparison fails to account for growth differences. A more

<sup>4</sup> Dexcom, Inc. (DXCM) stock price, news, quote & history - Yahoo Finance. (n.d.). Yahoo Finance. <https://finance.yahoo.com/quote/DXCM/?s=panabee>

<sup>5</sup> Abbott Laboratories (ABT) stock price, news, quote & History - Yahoo Finance. (n.d.). Yahoo Finance. <https://finance.yahoo.com/quote/ABT/>

<sup>6</sup> Medtronic (ETR:2M6) Statistics & Valuation Metrics. (n.d.). StockAnalysis. <https://stockanalysis.com/quote/etr/2M6/statistics/>

<sup>7</sup> Senseonics Holdings, Inc. (SENS) stock price, news, quote & History - Yahoo Finance. (n.d.). Yahoo Finance. <https://finance.yahoo.com/quote/SENS/>

<sup>8</sup> Dexcom reports fourth quarter and fiscal year 2024 financial results. (n.d.). <https://investors.Dexcom.com/news/news-details/2025/Dexcom-Reports-Fourth-Quarter-and-Fiscal-Year-2024-Financial-Results/>



nuanced approach is to apply a “justified” multiple that reflects Dexcom’s higher growth and margins trajectory. For instance, if we add a growth premium and use ~7× sales (roughly a 25% premium to Abbott’s multiple, in line with Dexcom’s higher revenue CAGR) or ~25× EBITDA, we derive an enterprise value on the order of \$28–\$30B – very close to our DCF result. In practice, many analysts place greater weight on EV/Sales for fast-growing medtech companies (since earnings are depressed by growth investments). On that metric, Dexcom’s ~6.5× is not unreasonable given its market leadership in CGM and the expanding addressable market. Bottom line: relative valuation indicates that Dexcom trades at a premium to incumbents, but that premium is warranted by fundamentals. At the same time, the comps analysis highlights that *if* Dexcom’s growth were to falter, its multiples (and stock price) could compress toward peer norms – a key risk for investors to monitor.

### **Sensitivity Analysis**

Valuation outcomes are sensitive to key assumptions such as the discount rate and terminal growth. We tested a range of scenarios for WACC and terminal growth to understand their impact on the DCF valuation. Holding our base cash flow forecast constant, a 1 percentage-point change in WACC alters the intrinsic value by roughly 20–25%. For example, using an 8% WACC (instead of ~9%) boosts the DCF-based share value into the low \$60s, whereas a 10% WACC reduces it to the high \$30s. In terms of terminal growth, assuming a perpetuity growth of 3% (vs. our 2% base) would raise the DCF value to around \$48/share, while a more conservative 1% terminal growth yields roughly \$38/share, all else equal. Table 3 illustrates the sensitivity of Dexcom’s intrinsic value per share to variations in WACC and terminal g:

Terminal Growth (g) ↓ / WACC →	8.0%	9.1% (Base)	10.0%
1.0%	\$46– 47	\$38–39	\$31– 32
2.0%	\$53– 54	\$42–43	\$34– 35
3.0%	\$62– 63	\$48–49	\$37– 38

*Table N°3, Dexcom DCF Valuation Summary Sensitivity of DCF-implied share price to discount rate and terminal growth assumptions.*

*(The base case of ~\$42–43 in this table reflects the Gordon Growth model alone. Our blended approach with the exit multiple effectively increased the base-case target to ~\$73 as discussed above.)*

The sensitivity analysis indicates that our blended valuation is somewhat more robust than a pure DCF to modest assumption changes, because the use of an exit multiple (22× EBITDA) inherently anticipates a healthy growth profile at exit. If we had not included the exit multiple, the model’s value would lie near the middle of the sensitivity table (~\$42 at 9% WACC, 2% g). By incorporating industry multiples, we in effect assumed Dexcom will still merit a growth-multiple in year 5, which elevates the valuation. Nonetheless, it’s important to recognize that if the cost of capital rises or long-term growth prospects weaken, Dexcom’s valuation could be materially lower than our base estimate. The margin of safety is not large in our base case (single-digit upside), underscoring the need for execution on growth plans to justify the premium valuation.



## Scenario Analysis

To further bracket the valuation, we examine bull and bear scenarios for Dexcom's business, flexing key operating assumptions:

### Bull Case

Dexcom exceeds expectations in device adoption – perhaps Stelo (the OTC sensor) gains traction faster among non-insulin diabetics, and G7 continues to expand share globally. In this scenario, we model revenue growth accelerating to the mid-to-high teens (15%+ CAGR) over the next 5 years (tapping into the millions of potential new users) and assume operating margin expansion toward the mid-20s or higher by 2025 (aided by scale and controlled expenses). We also assume a slightly lower WACC (~8%, reflecting reduced risk as Dexcom matures) and a slightly higher terminal growth of 2.5–3%. Under these bullish assumptions, our DCF yields a share price on the order of \$90–\$100. For instance, a scenario with ~15% annual revenue growth and ~3% terminal  $g$  pushes the intrinsic value to around \$95/share, roughly +40% above the current price. This upside scenario illustrates the potential reward if Dexcom's new markets and innovations translate into faster growth and profitability than the base case. Notably, in such a case Dexcom's valuation multiples might remain elevated (or even expand) as investors price in a larger future market; a 2028 EV/Sales of ~7× or EV/EBITDA of 25× would be justified by the strong growth trajectory.

### Bear Case

In a downside scenario, Dexcom's growth could disappoint due to intensifying competition or market constraints. For example, Abbott's Libre (including its newer Libre 3) and other entrants might erode Dexcom's market share or force pricing concessions, and the expansion into the non-

insulin diabetic segment might progress slower than hoped. In this scenario, we model revenue growth slowing to ~8–10% annually (assuming Dexcom captures a smaller portion of new users) and more limited improvement in operating margins (e.g. staying around ~15–18% range, as higher marketing spend and R&D continue to weigh). We also consider a higher WACC (~10% or more) reflecting greater risk. Under these bearish assumptions, our DCF suggests an intrinsic value in the high \$40s to low \$50s per share. For instance, a case of ~10% growth and 1% terminal  $g$  (with 10% WACC) yields roughly \$50/share. This is ~25% below the current price – a notable downside, though *not* catastrophic given Dexcom's baseline of recurring sensor revenue. It's worth noting that in a more severe scenario (e.g., growth dropping to mid-single digits or a major technology disruption), the valuation could compress much further (a truly pessimistic case yielded values in the \$30s or even lower). However, barring an unexpected development, the high switching costs and expanding use-cases for CGM should support at least moderate growth for Dexcom. In summary, the bear case highlights that Dexcom's stock carries downside risk if growth underperforms, as the market would likely rerate it closer to legacy medtech multiples.

Anchoring these scenarios, our base case remains the \$73/share intrinsic value (~+8% upside) discussed earlier. This assumes Dexcom executes on its expansion into new customer segments and improves profitability steadily (in line with current guidance and trends). The scenario analysis overall indicates a fairly wide valuation range – from roughly \$50 in a bearish case to \$95 in a bullish case – reflecting the leverage Dexcom's valuation has to growth outcomes. Investors should therefore monitor key drivers (new user adoption, competitive dynamics, and margin trajectory) closely, as



they will tip the scales toward one of these scenarios.

### **Competitor Benchmarking and Market Context**

It is helpful to put Dexcom's valuation into context of the broader diabetes care market and competitor benchmarks. Dexcom and Abbott together dominate the CGM space and are engaged in an intense battle for market share<sup>9</sup>. Abbott's strategy with its FreeStyle Libre has been to drive volumes with a lower-cost, pharmacy-distributed model, expanding access especially among Type 2 diabetics. Abbott's diabetes care segment achieved approx \$6.3B in revenue in 2024 (Libre franchise, globally), outpacing Dexcom's \$4.0B. Abbott has publicly stated a goal of reaching \$10B in Libre sales by 2028, which implies continued strong double-digit growth in the CGM market. This target also signals the total addressable market's expansion – including uptake by non-insulin users and possibly even health & wellness consumers in the future. If Abbott achieves \$10B in CGM sales, it would mean a huge increase in CGM penetration; Dexcom as the primary competitor would likely also see a significant rise in sales (even if its market share shifts). Our model's long-term revenue growth for Dexcom (low-teens CAGR) is supported by these industry projections – the CGM market is expected to more than double in coming years with millions of new patients adopting the technology.

From a valuation standpoint, one way to benchmark Dexcom is to consider Abbott's CGM business in a sum-of-parts context. Abbott's entire enterprise trades at ~5.5x sales; given Libre is growing ~20%+ and is a pure-

device play, it likely warrants a higher multiple than Abbott's corporate average. If we impute, say, a 6–7x sales multiple to Abbott's Libre segment (similar to Dexcom's range), that segment alone could be “worth” on the order of \$35–\$40B today (and more if it hits \$10B sales by 2028). In comparison, Dexcom's EV is about \$26B for its \$4B sales – in other words, Dexcom's valuation is roughly in line with the scale of Abbott's CGM franchise (half the sales for roughly half the implied value). This suggests that the market is pricing the two leaders somewhat proportionally to their revenue, after adjusting for growth. It also highlights that Dexcom's current valuation *assumes* it will retain a strong position and continue growing alongside Abbott. Should Abbott decisively outperform and capture most of the new Type 2 adoption, Dexcom might fall short of our forecast – but so far, both companies are growing as the pie expands, rather than zero-sum.

We also look at Medtronic: while Medtronic is a major player in insulin pumps, its CGM (Guardian) has a smaller user base. Medtronic's diabetes division revenues are on the order of \$2–3B, and its growth has lagged (due in part to product delays). Medtronic's overall valuation (~4x sales) suggests the market does not assign a large premium to its diabetes segment specifically. If anything, this underlines that pure-play CGM companies like Dexcom are valued far more richly, likely because Medtronic's diabetes business is a smaller contributor and not viewed as a growth driver for the company as a whole. Senseonics, despite being the smallest player, provides a glimpse of speculative upside: with an

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<sup>9</sup> *Dexcom, Abbott ramp up DTC marketing amid fight for share of growing diabetes market.* (2023, August 17). MedTech Dive. <https://www.medtechdive.com/news/Dexcom-abbott-dtc-marketing-consumers-cgm-coverage/691147/>



enterprise value around \$380M and annual revenue only \$22M

<sup>10</sup>, investors are valuing its technology pipeline (Eversense 180-day and 365-day implants) and the possibility of future adoption. Senseonics trades at an EV/Sales near 17×, which underscores the excitement around new CGM innovations – but it also underscores risk (if the product fails to scale, that valuation will collapse).

### **Key takeaways**

Dexcom's valuation is best understood in the context of its quasi-duopoly with Abbott in a rapidly growing market. Both companies are investing heavily (e.g. direct-to-consumer advertising) to capture the “millions more” potential customers <sup>11</sup> as coverage expands for Type 2 and pre-diabetic use. The market is effectively pricing Dexcom on the assumption that it will continue to be one of two major winners in this growth story. Our valuation analysis – using DCF and supported by relative comparisons – yields a target price in the low \$70s, which is in line with this narrative. It represents a slight upside to the current price, indicating the stock is near fair value assuming successful execution. To outperform significantly, Dexcom will need to penetrate new markets faster and/or maintain technological edge over Abbott (and any new entrants) to justify even higher earnings growth or a sustained premium multiple. Conversely, investors should be mindful that any signs of market saturation or competitive erosion could compress Dexcom's valuation multiple toward peers, creating downside.

In conclusion, we value Dexcom at \$73 per share based on our blended DCF approach, reflecting a balanced view of its strong growth prospects and the competitive, evolving landscape of diabetes care. This valuation equates to roughly 7× 2025E sales or 30× 2025E EBITDA, which we view as reasonable given Dexcom's growth rate and improving margins. We supplement this with scenario and sensitivity analyses to understand the range of outcomes. With a current market price around \$67, Dexcom offers modest upside in our base case, and we would characterize the stock as fairly valued relative to its intrinsic worth. Investors are paying for growth – and our analysis suggests that growth is likely to materialize, but is largely already “priced in.” Future revisions to our valuation will depend on how the core drivers (G7 & Stelo adoption, competitive dynamics, and margin expansion) actually play out in the coming quarters. For now, our valuation stance is that Dexcom's stock price appropriately reflects its leadership in a growing market, with the DCF and comparables both supporting a ~\$70–\$75 fair value, bracketed by upside and downside scenarios as detailed above.

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<sup>10</sup> Senseonics Holdings, Inc. reports fourth quarter and full year 2024 financial results. (n.d.). <https://www.senseonics.com/investor-relations/news-releases/2025/03-03-2025-210657100>

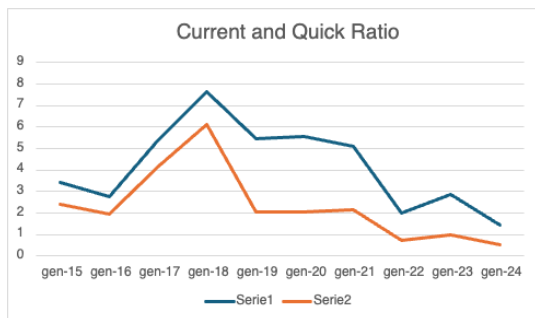
<sup>11</sup> Dexcom, Abbott ramp up DTC marketing amid fight for share of growing diabetes market. (2023, August 17). MedTech Dive. <https://www.medtechdive.com/news/Dexcom-abbott-dtc-marketing-consumers-cgm-coverage/691147/>



## **FINANCIAL ANALYSIS**

### **Liquidity**

Here we will assess Dexcom's ability to meet short-term obligations by analysing key liquidity ratios over a five year period. Dexcom's liquidity ratios have shown a consistent downward trend over the past five years. The current ratio significantly declined



from 5.58 in 2020 to 1.47 in 2024, indicating that the company's current assets are decreasing relative to its current liabilities, which could be due to increased short-term obligations or a reduction in liquid assets. The quick and cash ratios corroborate this, highlighting a potential over-reliance on less liquid assets or inventory to meet short-term debts. The quick ratio decreased from 5.19 in 2020 to 1.28 in 2024 and the cash ratio decreased from 1.33 in 2020 to 0.21 in 2024.

*Graph N°1, current and quick ratio (2015 – 2024)*

This trend can be largely attributed to Dexcom's capital-intensive investments, including the development and commercial rollout of the Stelo device and broader international expansion. These initiatives, while positioning the company for future revenue growth, have resulted in higher short-term obligations and reduced liquidity. When compared with industry peers like Abbott and Medtronic, whose liquidity ratios have remained more stable, Dexcom's downward trajectory highlights its more aggressive growth strategy.

Dexcom's financial distress score remains moderate, not indicative of immediate bankruptcy risk but clearly weaker than industry averages. While the company is not yet in liquidity distress, the trend suggests rising working capital strain and potential risk if new products underperform or cash flows weaken. Improved receivables collection and tighter cost control could help stabilize liquidity moving forward.

### **Profitability**

Dexcom's profitability has seen strong improvement since 2020. The company's operating profit margin turned positive in 2019 and rose steadily to 17% by 2024, reflecting enhanced operating efficiency and margin expansion. This margin improvement aligns with successful scaling of its G7 sensor technology and increasing consumer adoption.

ROE also saw a significant turnaround, increasing from -0.29 in 2015 to over 0.30 by 2024. This indicates that Dexcom is increasingly effective at converting shareholder capital into net income. This trend reinforces investor confidence in the company's strategic direction and operational performance.

Return on Assets has also followed a positive trend in recent years, reflecting improved asset efficiency. ROA increased from 6.9% in 2023 to 10.5% in 2024, indicating that Dexcom is generating more net income from its total asset base. The forecast further supports this momentum, with ROA expected to reach 11.2% by 2027, according to consensus estimates. This trend aligns with enhanced profitability from the G7 rollout and the scaling of Stelo, which are beginning to leverage prior capital investments. Rising ROA highlights stronger operational efficiency and underscores the firm's ability to convert investments into profitable returns.



Gross margin remained consistently strong at over 60%, supported by Dexcom's high-value recurring revenue from sensor sales. Furthermore, Dexcom's profitability score is above the healthcare industry average, reflecting operational strength despite cost headwinds.

Compared to peers, Dexcom's profitability metrics are now at the upper end of the industry, driven by strong top-line growth and expanding scale economies. Risks remain around pricing pressure and R&D costs, but overall profitability trends are robust.

### **Capital structure**

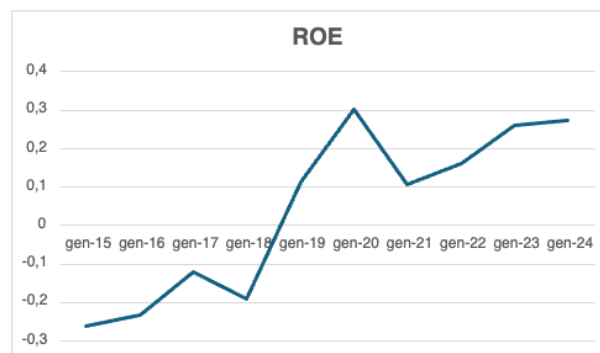
Dexcom's debt-to-equity ratio rose significantly between 2015 and 2024, peaking above 2.0 in the final two years of the period. This suggests an increased reliance on debt financing to fund expansion. While the rise in leverage indicates greater financial risk, it is partially offset by improving profitability and returns.

The growing leverage reflects the capital intensity of scaling manufacturing and launching consumer products like Stelo, which require significant up-front spending. However, this may not be the right strategy in current high interest rate environments, therefore the company must manage this debt prudently, especially if margin pressure or sales volatility increase. The company could look at derivative solutions to reduce the cost of funding.

The data on their valuation highlights that while Dexcom trades at a premium to intrinsic value (about 38% overvalued by their DCF model), its balance sheet quality and capital structure are considered manageable given projected earnings growth.

### **Operational efficiency and risk indicators**

The decline in liquidity ratios combined with rising leverage indicates tightening short-term financial flexibility. However, these risks are partially mitigated by strong operating margins and high ROE.



Graph N°2, Return on equity (2015-2024)

Dexcom's operating strategy has clearly shifted toward growth and market capture. As such, liquidity and solvency metrics should be closely monitored, especially in light of product life cycle shifts, reimbursement changes, and competitive pricing dynamics.

Recent risk assessments highlight rising valuation risk and execution risk related to new market penetration (such as with Stelo). However, fundamental risk remains relatively low due to recurring revenue and tech leadership.

### **Multiples**

Recent historical and projected Price-to-Earnings (P/E) ratios reinforce this valuation narrative. Dexcom's P/E ratio spiked to 265.4 in 2022, contracted to 141.9 in 2023, and is expected to normalize at 55.8 in 2024. Forecasts suggest a gradual decline to 47.4 in 2025 and 32.8 by 2027. This expected multiple compression suggests that the market anticipates strong earnings growth but is also adjusting to more mature growth rates over time. While these multiples remain elevated, they are more defensible if Dexcom meets or



exceeds its ambitious earnings trajectory, particularly with the ramp-up of OTC Stelo and increased global CGM adoption.

Compared to industry peers, Dexcom trades at the high end of the valuation spectrum, especially given its focus on innovation and consumer market expansion. The sustainability of these multiples depends on ongoing product adoption, geographic expansion, and margin protection in the face of rising R&D and competition.

### **Summary**

Dexcom presents a classic profile of a high-growth med-tech company: improving profitability and return metrics, but at the cost of short-term liquidity and higher leverage. The company's financial health rests heavily on the continued success of its flagship G7 CGM system and the new Stelo OTC product.

Dexcom's fair value is estimated at ~\$93/share compared to a market price of ~\$129, suggesting the stock may be overvalued by more than 35%. However, investor optimism likely prices in strong future adoption of Stelo and global CGM expansion.

To maintain financial flexibility, Dexcom should focus on enhancing cash conversion through better working capital management, controlling SG&A and R&D costs without compromising innovation and managing debt levels prudently as product lines scale. If successful, Dexcom is positioned to sustain strong long-term returns. However, its current financial structure reflects the inherent tension between growth investment and liquidity discipline. Valuation multiples remain high, and disciplined execution will be key to justifying them.

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