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GMED - Globus Medical Inc at Piper Jaffray Healthcare Conference

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CORPORATE PARTICIPANTS

Andrew Iott

Daniel T. Scavilla *Globus Medical, Inc. - CFO & Senior VP*

CONFERENCE CALL PARTICIPANTS

Matthew Oliver O'Brien *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

PRESENTATION

Matthew Oliver O'Brien - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Good morning. Thanks so much for joining us. My name is Matt O'Brien. I cover med tech here at Piper Jaffray.

Next up on the list and certainly a very exciting company at this point is -- and I was going to -- I was going to do it, I don't know if I should do it or not, but Globus Medical, not Globus Robotics, but maybe if you changed your name to that, your stock would probably triple or quadruple.

But from the management team, there's Dan Scavilla, CFO; Andy, who's the Senior VP of Global Product Development; as well as Brian down at the end, who's doing IR and corporate development.

So guys, thanks so much for coming. Really do appreciate all the time.

QUESTIONS AND ANSWERS

Matthew Oliver O'Brien - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Would love to start off just on the spine market side of things. And it's obviously been a weak market in the U.S. And so I'd love to hear a little bit about some of the positives and how you're feeling about the market in Q4, and then as we enter into 2018.

Daniel T. Scavilla - *Globus Medical, Inc. - CFO & Senior VP*

Okay. Thanks, Matt. And good morning, everybody. I would tell you that we agree with what most of the market has been saying about the spine growth about 0% to 2%. You know as I look at that, look at the data, I think we can correlate that pretty well. What's causing it, hard to say. I think there's probably pricing pressure from some of the bigger guys changing the [turf] that might have some impact on that. Who knows? There could be more activity in the private sector that's not being reported, so you see the migration out from the public companies into private. I think there's probably some combination of that, that may be driving it. I doubt it's a change in demographics or the delay of surgery -- have any impact that way. That's really [part of the] primary thing for us. I would tell you we're looking at that same dynamic going forward into 2018. I don't know if we would see or be aware of any seismic shift.

Matthew Oliver O'Brien - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Yes, so more steady kind of market as we look into 2018?

Daniel T. Scavilla - *Globus Medical, Inc. - CFO & Senior VP*

Yes. Fair enough.



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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Okay. And then, as we think about the domestic business, it's been weak, I guess, over the last several quarters but it's been getting better. Certainly did in Q3. Drivers of the improvement there, are there things you can just point to specifically on the product side, on the new reps side that are really starting to get some traction and where we're at with some of that traction you're seeing?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Yes. So it's sort of like threefold, right. It is about sequential improvement. It's what we call [our long], and it will continue as we get through to Q4 into Q1 to have -- a need to have sequential improvement each quarter. Certainly, the competitive rep recruiting has been strong this year. We called that out in Q2 in particular. It continues to be a main source. Those things that we had done last year and into this year will continue that way. Certainly, along with that is surgeon conversion. So remember, we're more of a share taker and those 2 are the main factors. The retention of key reps has significantly improved this year, returned to a normalized level. And to date, has remained at that. So again, that combination is beneficial. Yes, as far as products go, we don't really call them out in particular, but we continue to have great growth in our expandable technologies. We're certainly having growth in our biologics. That is really strong. And just all, in general, even in the pedicle screws, we're seeing a lift that appears to be above market.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Can we talk about the surgeon conversions? Are you seeing an acceleration there as far as the number of surgeons you're converting versus maybe the last couple of years, or how or are things going there?

Andrew Iott

I mean, I think it's a combination. Again, as we introduce new products, bring salespeople on board with existing relationships and being able to foster that from a corporate level. That's -- it's all mixed in there, as far as conversions.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

And Andy, I'd love to stick with you. Having access to you, I think, is fantastic. I guess a couple of questions that come to mind, from your perspective, is historically, Globus has been known or thought of as a fast follower. I'm not sure I fully agree with that. But certainly on the robotics side, coming after Mazor, et cetera. But from a new product development perspective, how differentiated are you guys as far as implants go and what's left? And then, I'll follow up in a second with the next question.

Andrew Iott

Sure, great question. I think for us, the biggest differentiator where we have been a leader, honestly, is in expandables. We have over 20 different product lines in expandables, where other companies have maybe one. Multiple areas of the spine, not just in one area. So for us, that's been a key differentiator, being able to offer surgeons the benefits of the expandables, not just in one area, not even in just one product, but across a portfolio.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Sure. So sticking on that, that was the second question that I had, was on the expandable side. Everybody and their brother is introducing one right now.

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Andrew Iott

Yes.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Not surprisingly, given the market's doing well. You have a broad portfolio of products. How important is that? And then, as far as the actual implant itself goes, what differentiates Globus? There's some new ones coming out, post packing, some articulation benefits that you'd get from it, how do you defend yourself now? And then I'm pretty sure you're not standing still, so how do we think about the evolution of those products as you look forward with whatever you can share competitively?

Andrew Iott

Sure, sure. Yes, definitely not standing still. We -- again, we feel that we have a market-leading portfolio in expandables. I think that is a great feature for our sales force, is that they can offer a surgeon, depending on his technique, depending on his preferred method for treating his patients, we can offer them an expandable in that area. So for instance, if it's in the lateral, we now have introduced new products in that area where we can -- we have a product called ELSA, which has an adjustable lordosis. We can actually increase lordosis as the implant expands. That comes with integrated fixation. That's something no one else has. We have ALTERA, which is an articulating TLIF device. Again that -- we feel that's a technology no one else has access to. So while other players are starting to come into the market, we feel like they're coming in with need-to technology, not that we ever thought we'd say that in expandables since it's exciting. But we think they're the followers rather than -- we're the leaders in that area.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

And what about on the pricing side? I mean, your price sure is at a premium. There's a lot of new ones coming in. Is that something we should think about as a potential headwind in '18?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

I don't know about '18, Matt. What I would tell you is, these are very expensive things to make, and I think competition's finding that out. They tend to have like 100 finely manufactured parts that need to be hand-assembled. So you're not going to go out and price it like a static spacer. I think wise competition is understanding that they can take their static spacers in upsell at a premium into the expandable technologies, have more profit, have a rise in sales. So I don't know if they're aggressively looking to cut price. I think any type of price equalization will be inevitable over time, like in any market. But whether that's starting now or that will increase in 2018, it's hard to predict.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Okay. And then Andy, how do we think about innovation in the spine space going forward? I mean, what are some of the newer things that you're thinking about, again just generally speaking?

Andrew Iott

Sure. Well, we continue to be excited about biologics. We think there's some areas there for growth and development in the deformity market. Again, I think there's some new innovations that need to come to market, need to get studied, need to be offered. And again, with expandables, we continue to feel there's innovation there. One of the biggest ones though is how do we combine a robotic procedure with current existing technologies? We think the robot actually is an enabler of continued innovation, much the same way an iPhone enabled innovation of apps. We think there's going to be continued build-on with robotics, kind of allowing us to think about things differently.

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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Okay, that's really helpful. As far as the sales force goes, where are they coming from? Is it the big guys are still -- you're kind of picking off one of their reps, or maybe some smaller organizations, where you get some reps? I mean, where are you getting those folks from? And then competitively speaking, is it getting a lot more difficult to keep [being] up on J&J and some of these other large companies? Or are the small ones ceding a lot of share? I guess just the dynamics there would be helpful.

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Yes, we think that the recruitment tends to be market appropriate, so you've got [Medtronic] as the leader, J&J as second. Stryker [another] as third and maybe NuVasive. And I think that your ratio follows pretty closely for that. There's sometimes where that's not true, but in the most part, we -- you got to keep in mind that the great thing about J&J (inaudible) of J&J is the (inaudible) reps. It's something that we realize we also have to do. When we talk about our developmental program, that's something we've embarked on Q3 of last year. We started testing that and seeing it in the market this year, and we're testing those results. But we think that any large sustainable spine company has to have the ability to not only recruit but (inaudible) rep, and that's really a key for us.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Got it, makes sense. Okay, heading over to the international market. The Alphatec deal has gone better than you've guided to, which I think most would've thought was conservative and it turned out to be that way. But you're lapping that acquisition now, so why wouldn't that be somewhat of a headwind as we head into 2018?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Yes, no, I think it's a fair question. Certainly, you had the luxury in 2017 of having no comp up through September. And as we kind of exited Q3 we began that model full comp in Q4. Certainly, that will affect overall growth rate but that's to be expected. The good news is again, all of those markets include our own [RA3] share internationally. And so the ability to penetrate is just really an amazing potential for us. Japan, in particular, was cash-constrained under Alphatec. And as we unconstrain them, the rate of recruitment that's occurring and the rate of growth there is quickly raising us from the third position in that market with our eye to overtake the second over the next couple of years.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Interesting, okay. So that was another part of my question, is that you're at, I think, what, around 15% share in Japan at this point, roughly?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Probably, roughly, yes.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

So you're thinking that can go into the 20s?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

That's a goal is to hold enough acquisitions, we think [we could be] one of the main players in that market.



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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

And how many products do you have in Japan that are GMED products at this point, and how many should you have there by the end of the year?

Andrew Iott

We have a steady flow of submissions that we're trying to get through -- get regulatory approval there. We have a couple of products there available now, and we think that cadence is going to continue through 2018, into 2019.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

And so those new products that you're bringing to the market, that will help you get you up to that goal level basically? I'm just trying to understand what the real benefit is of bringing in your own products if Alphatec has got good products there.

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Well, so a couple of things with that, right? So certainly, rep recruiting and penetration in the market is going to be the main driver. The benefit of us going into the Globus products is twofold. We're not dependent upon Alphatec to be our supplier because we supply ourselves. And by being our own supplier you would actually have a better [margin] which you can turn back [to invest] .

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Got it, okay, it makes sense. So let's, I guess, pivot here onto the robotics side of things. I've been hearing a little bit about capital committees at hospitals. They'd only meet a couple of times a year. And so if you're only able to meet with these folks a couple of times a year, it's a long sales cycle. What makes you so confident in the ability to sell these million dollar robots into all of these facilities at a fairly rapid pace?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Well, A couple of things. I think right now, we have best-in-class technologies. And as the surgeons, even as the hospital administrators come visit us, they come out with that same conclusion. And I think that in itself is one of the main facilitators. We've always signaled that a capital cycle, on average, is 9 months. We don't think that would be any different for us and we build that in. We think possibly Q4 we should see some pent-up demand, and as we said, see some activity this way. But I think, going in and building that portfolio of potential candidates and kind of smoothing that out through 9 months and going is what we would anticipate. Don't know about the meeting periodically. We've not had any roadblocks yet in trying to place capital because of that.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Yes. You're still kind of committed to that \$5 million in revenue in Q4 though. That's what you said.

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

I think that's a reasonable placeholder right now. Most of the capital tends to have a flurry of activity at the end of December when folks have a budget and they want to spend it and off you go. I would think that's probably something I'm anticipating for us. But I think getting into that range of \$5 million at least for the first quarter is the right number.

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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Sorry, just to be clear, \$5 million through the first quarter?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

No, no. For this first quarter as part of the (inaudible) third quarter of this year.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Okay. That's helpful. And then -- and we talked a little bit about it, Dan, just as far as how we think about that going into next year and annualizing that, that \$5 million for next year. Is that reasonable, again given what you've learned kind of early days here, to kind of still think about that level of contribution next year?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

I think it's a reasonable model assumption. We're all guessing at what next year will be. But I think using that math is at least how I'm approaching it currently. I would not recommend going above that right now. Again, we have to get through our Q4, understand where we are for that. So I think if you're modeling it out, that's about the same place where I end in my models.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Okay, fair enough. And then again, thinking longer term here as far as, I guess, 2 questions go. And Andy, I don't know if you participated in the development of that product, I'm sure you did. But when you say best-in-class technology, there's another competitor that's been out there for a long time. They would say they've got a great technology, and look, Medtronic said so. When you say best-in-class technology, what is it that you're pointing to that you think is superior to those guys? And then, where can you take this? Just because, from my perspective, it is still very early, I think, as far as what these technologies will be able to do in the future? So I'd love to hear about that.

Andrew Iott

Sure. Yes, when I say that, I'm referring to a couple of different things. One major is that we're the first to combine navigation and robotics. So that's all in one system there. We're multimodality. So the imaging we can deal with a number of different ways, either a pre-op CT or intra-op CT or even fluoroscopy. So we can use those as part of our workflow instead of being constrained to one imaging modality. Our base system, and we design this from the ground up, no pun intended, but we utilize a strong base that gives our arm extreme rigidity when you compare it to others in the market. That allows us to actually place implants with the robot rather than a K-wire type technique, which I think is kind of working backwards.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Yes, okay. Fair enough. When the other company gets that K-wire ability off the table, does that dramatically change their competitive position or are these preoperative planning and intraoperative planning capabilities still going to be differentiated for you in the marketplace?

Andrew Iott

I would still say that going back to having a base system that's not constrained to a table, is a better way to go. It gives us the ability to treat potentially, other areas of the anatomy, of the human body, rather than just spine.



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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Got it. Okay. And Dan, I think you talked a little bit about this historically, it's just difficult to get our minds around, but the pull-through opportunity that you're thinking, I know you're excited about, as you place the robots and then trying to get some pull-through revenue there. I guess, I'm just a little bit curious about, if you're placing it with existing docs that you're already working with, which sounds like a lot of the folks that are interested are guys you're already working with. So what's the big benefit that you would get from a pull-through opportunity if you're just an existing account? And again, longer term, I'm sure you'll get some new ones. But just more in kind of the short term, what benefit do you see there?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

So, now I'll answer it in a couple of ways. We are having interest in both Globus and non-Globus probably on an equal basis. We're not targeting one versus the other. We're kind of going after everything that way to understand where best to place these. That said, the way that I look at the robot is you have approximately the \$1 million capital sale which occurs right away. Then you start looking for streams, so starting year 2, you wind up having some level of service revenues that, if they elect, would occur and become more of that annuity-type approach. In addition to that, what we're saying is, whether it's through the efficiency of the surgeon and he's capable of doing one extra procedure a week, or if he has a partner or someone who wants to try it, we're saying if you simply get one more procedure a week, and you would over a 3-year period in totality have about an extra \$1 million of revenue. So you sell a robot for \$1 million, and then those next 3 years with service and one extra procedure would also equal \$1 million, which is the pull-through to have those activities.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Yes, that's helpful. Okay. I have been monopolizing the conversation up here. Any questions from the audience? Okay. So let's just keep moving forward here. Before we get into trauma just real quickly -- are we [on hard time] here?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

(inaudible) That was on purpose.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

As far as the international business goes, I know you're very much under-indexed there. But what kind of investment opportunities are you seeing as far as growth out of that category over the next couple of years?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

So there's a couple of things with us. We need to put a stronger infrastructure in place internationally with the management teams and with the distribution systems that we've begun investing in this year, we'll continue into next year. There's a rep expansion program, which again will allow us that better penetration. And we're going at a purposeful approach of which markets to be in, which ones to focus in for the longer term. That includes product registrations, strategic pricing, all things that should allow us to continue to penetrate. We think [at a 3 share] internationally, having high double-digit growth is required. We're not there. We're not happy with where we are. We think these programs will have incremental improvements as we exit 2017 through 2018. But we're looking to ramp up to that level. We just think that again, this is about a longer-term investment of getting us through 2018 and into a stronger cadence with using those levers to do it.



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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Sure. Okay, it makes sense. What about on the trauma side? Let's take it over to that component. How many families do you have in the U.S. at this point, of products?

Andrew Iott

So families is broad. So we have a couple that we've worked through regulatory approval. And that cadence is going to continue into the early part of 2018. But our goal is to build up that basic portfolio that allows a rep to really compete in the market. And so we hope to have that here near term and so we'll have the basics that you need. And then we'll continue to add into those gaps as we need.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Okay, so how many more products do you need before that rep is competitive?

Andrew Iott

Well, we think we're going to be able to handle about 80% of procedures with our first wave of products. So we feel that, that's a significant amount to allow a rep to go into a surgeon's office and offer him a portfolio that he could use.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Okay. And I'm assuming that would be more legs and hands and wrists versus maybe any kind of a hip trauma product. Is that the right way of thinking about it?

Andrew Iott

Well, we're going to have a nail product, we'll also have the long bone plating products as well. So it's more of the niche products that are going to follow on later.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

So let's think a little bit about that, Andy. This is an area where it's been devoid of innovation for a while. First of all, what opportunities do you see? And is it important to have real innovation here? I mean, what can you bring to the table from a technology perspective in a pretty sleepy market?

Andrew Iott

Sure. As we've moved in -- made the decision to move into trauma, we thought it was a great opportunity to leverage our core competency, great engineering, great model makers and manufacturing and key opinion leaders to help design great products. That was something we saw that was absent or not as prevalent in the trauma market. So right there, we feel like we have a great synergy moving into trauma. Many of the surgeons that we're starting to work with are saying, "Hey, no one's been listening to me. It's great to have someone actually listen to my ideas." While we're not out to change the paradigm of how trauma's treated, there's a number of new things that should be added to products that surgeons are really excited about.

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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

And can you do the same Globus-type of a turnaround with that and talk to a doc and he scribbles down on a napkin, and all of a sudden you've got it out in the market in 9 to 12 months, is it that same type of a process?

Andrew Iott

That's our goal, is again to incorporate -- or integrate the surgeon's ideas into our development process. So again, there seems to be a pent-up demand for someone to listen and to come out with products that are new and have new features and benefits to them.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Got it, okay. What should we think about as far as revenue contribution there? That's a humongous market and I know it's expensive to get into rep-wise and instrument set-wise, so how do we think about the evolution of that business?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Yes, the way that we're looking at it now is for us in Globus, we're not going out with hundreds of reps out the gate and let's see what we can do, right? We're going to go concentric circles. We'll hire a group of people. We'll get the [sets] out and we'll go and make penetration in a set of hospitals or a region, and then we'll continue to expand, very similar to what we did with spine. And that will be through recruiting, as Andy said, through adding new products, through getting more trials and going. I think trauma is a long-term play. Robotics is an explosion out of gate, and off you go, given the \$1 million price tag, where trauma is going to be that steady pressure with, let's call it, modest revenues next year then really increasing. And I consider it to be more sizable towards 2020.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Got it, more sizable source. When you say more sizable, is that a couple percent market share? Is it a [10%] market share?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Yes, tough to say, right? We've got to get out of the gate first. But my thought is a couple of percent market share by the time we get there, so something lower than 5 certainly is where I'm thinking right now, but it's a guess.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Fair enough. What about, as far as '18 sales go, I think you've made some comments at other conferences as far as what people should expect on the top line next year. Is [680] that's what The Street's modeling, is that about the right number?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Yes. So we're in the process of doing the plan right now. I don't really have anything to release with that. Folks had asked the question about [680] guidance. And what I had said earlier on is, that should be in the ballpark of what I anticipate where we still have many other people to weigh in on that. But that's just kind of where we're going as consensus feels about right for right now as we enter into 2018.



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Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

And can you get back to -- well, let me start here with the margin side of things. I mean, Dan, you've been pretty clear like, "Hey, look, 33% to 37% is what we should expect for EBITDA margins going forward." But next year, you've got a lot of international investments, trauma, robotics, et cetera, why wouldn't you be at the low end of that range?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Great question, Matt. I would tell you that we've gone through a heavy investment with robotics this year. We've carried them, as you know, both with the engineering team and commercial team, and now they're coming into revenue, which will be a natural lift. We're going to use that to our benefit as we start recruiting the trauma reps and we'll carry them. That will be the burden. But that should kind of neutralize the way I'm looking at it now. So again, model-wise, I'm always thinking that mid-70s GP, that mid-30s EBITDA. I can't really tell you if it's 34, 35, don't know yet. But in that range feels about right to me with what I've seen so far.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Got it. So with the [680] number on the top line roughly and that's my number. With a little bit of contraction in gross margins -- sorry, the operating or EBITDA margins next year, is it possible to do double-digit EPS growth next year, because I know you're not buying back stock?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

I would say possible, not necessarily likely. We are going to use that money to go get the trauma reps up like we've stated. So I think we're looking to have a bottom line growth somewhere in the line of sales, maybe slightly under. But I don't look to exceed it right now in the 2018 period. I think we've always signaled that too, is really once you get to be full commercial, above trauma and robotics and all that, that's the time to do it. You're really coming into 2018 as the tail end of the investments of robotic in trauma. But I still want to temper that down to the bottom line.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

But there still seems to be a lot of investment for robotics trauma even into '19 and international et cetera. I mean, can we see it bounce back in the EPS growth?

Daniel T. Scavilla - Globus Medical, Inc. - CFO & Senior VP

Yes, I think looking at EPS growth to be equivalent to or slightly above sales over the longer term is our model, what we want to do. I think again, '17, '18 is not the time for that, post that should be.

Matthew Oliver O'Brien - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

Got it, okay. I think we're all out of time, so we'll go ahead and end it there. Thanks so much guys for coming out. I really appreciate it.

Andrew Iott

Thank you.



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