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GMED - Q1 2018 Globus Medical Inc Earnings Call

EVENT DATE/TIME: MAY 02, 2018 / 8:30PM GMT



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PRESENTATION

Operator

Hello, and welcome to the Globus Medical's First Quarter 2018 Earnings Call. My name is Monique, and I'll be your event specialist today. (Operator Instructions) And please note that today's earnings call is being recorded. This earnings call may also be accessed by going to Globus Medical's Investor Relations website, under the Events section and clicking on the live webcast button.

It is now my pleasure to turn today's program over to Brian Kearns, Vice President for Business Development and Investor Relations. Mr. Kearns, you may begin.

Brian Kearns

Thank you, Monique, and thank you, everyone, for being with us today. Joining today's call from Globus Medical will be Dave Demski, CEO; Dan Scavilla, Senior Vice President and CFO; Anthony Williams, President; and David Paul, Executive Chairman.

This review is being made available via webcast accessible through the Investor Relations section of the Globus Medical website at www.globusmedical.com.

Before we begin, let me remind you that some of the statements made during this review are or may be considered forward-looking statements. Our Form 10-Q for the 2018 first quarter and our subsequent filings with the Securities and Exchange Commission identify certain factors that could cause our actual results to differ materially from those projected in any forward-looking statements made today. Our SEC filings, including the 10-Q, are available on our website. We do not undertake to update any forward-looking statements as a result of new information or future events or developments. Our discussion today will also include certain financial measures that are not calculated in accordance with generally accepted accounting principles, or GAAP. We believe these non-GAAP financial measures provide additional information pertinent to our business performance. These non-GAAP financial measures should not be considered replacements for and should be read together with the most directly



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comparable GAAP financial measures. Reconciliations to the most directly comparable GAAP measures are available in the schedules accompanying the press release and on the Investor Relations section of the Globus Medical website.

With that, I'll now turn the call over to Dave Demski, our CEO.

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Thank you, Brian, and good afternoon, everyone. The Globus team delivered another exceptional performance in the first quarter of 2018. Worldwide revenue for the quarter was \$174 million, an increase of 11.9% over Q1 '17. Non-GAAP EPS for the first quarter was \$0.41 per share, an increase of 31% over last year.

We achieved above-market growth rates in all parts of our business. Adjusting for the one fewer selling day in Q1 '18, U.S. Spine revenues were up 4%, International revenues were up 12.6% and Emerging Technologies contributed \$12.8 million in the quarter.

We continue to build momentum in our U.S. business, led by growth in CREO, CREO MIS, Biologics and expandable technology. We have a strong lineup of systems we expect to launch in the back half of 2018, including several enhancements to our CREO platform, 3D-printed antibody devices and our next generation expandable TLIF spacer.

We hired several high-quality competitive reps in Q1 and exited the quarter with a large pipeline of prospects. You will recall that the first half of 2017 was an extremely strong hiring period for Globus. Many of those reps will be rolling off their non-competes by mid-year. We typically see an increase in revenue from reps as they redeploy into their old territories, which bodes well for the second half of this year.

We're also starting to see implant pull through from surgeons who have converted to Globus implants after incorporating the ExcelsiusGPS system into their practices. As the installed base of ExcelsiusGPS grows, the impact from these conversions should accelerate.

We are also beginning to assign territories to reps who have completed training as part of the development program we initiated 2 years ago. We are cautiously optimistic that these folks will become productive straight commission reps over the next 1 to 2 years.

For the second consecutive quarter, our international spinal implant business achieved double digit organic growth. The Japan business continues to lead as the increased investments in sets and manpower begin to pay off. We also saw a significant improvement in several other key markets such as Australia, Germany, Italy and Spain.

We exceeded our internal expectations for Emerging Technology revenue as interest in our ExcelsiusGPS system remains robust. The execution by our capital sales team, our clinical support personnel and our implant sales team has been outstanding.

While the earliest assessment we have had in robotics is exciting, don't want to lose sight of the true long-term potential of this technology. Computer-assisted surgery, robotics navigation, augmented reality, artificial intelligence will transform the way spine surgery is done. In order to accelerate this transformation, we are investing heavily in 2 areas: First, we are relentlessly focused on driving utilization of the systems we have installed. Simply selling a lot of robots is not our goal. To add value and the patient care continuum, ExcelsiusGPS must be used regularly and in order for that to happen, surgeons must feel comfortable with the system.

To that end, we are providing world-class clinical support. We are moving surgeons through a training curriculum to enable them to perform more technically demanding and complex procedures, and we are continuously (inaudible).

Second, we are working on several development initiatives to improve other aspects of the procedure beyond the placement of pedicle screws. If we deliver on these 2 areas, the runway for our robotics business is enormous, particularly when one considers the synergistic impact of our implant technology in innovation.



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Our trauma business also continues to progress, though at an earlier stage. We are currently in the process of building out sets and hiring salespeople and expect to be launching systems later this summer.

In spite of the heavy investments we are making in our Emerging Technologies, we have maintained industry-leading EBITDA and EPS. Our profitability is a testament to our lean and efficient organizational structure worldwide.

In sum, we're very happy with our start in 2018 and look forward to an exciting and productive rest of the year.

I will now turn the call over to Dan.

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

Thanks, Dave, and good afternoon, everyone. We are pleased with the strong financials in Q1 resulting from above-market gains in the U.S. business, continued growth in Japan and strong uptake of the ExcelsiusGPS robot by hospitals throughout the country.

Q1 sales were \$174.4 million, growing 11.9% as reported or 10.8% in constant currency with one less selling day in the quarter versus prior year.

GAAP net income was \$39.5 million and non-GAAP net income was \$41.7 million, delivering \$0.41 fully diluted non-GAAP earnings per share and adjusted EBITDA of 35.4% and \$39.9 million of free cash flow.

Focusing on sales, U.S. sales for the quarter were \$145.6 million (inaudible) Q1 '17 and 13.9% on a day-adjusted basis. Our sales growth resulted from strong ExcelsiusGPS performance, coupled with competitive rep recruiting in U.S. Spine and other structural improvements we have made to the business to drive continued momentum in 2018.

International sales for the quarter were \$28.8 million, growing 10.1% as reported or 3.5% in constant currency. Gains were achieved through continued market penetration in Japan, increases in key distributor markets and improve momentum in our core international business. International sales also had a headwind in Q1 due to a higher prior year comp.

As mentioned in the last earnings call, Q4 '16 was the first full quarter of the Alphatec acquisition. And during that time, we worked through inventory supply and transition activities that limited sales in some markets. As a result, some distributor orders were shifted into Q1 '17 once enough inventory was received from Alphatec.

Turning to the rest of the P&L. Q1 gross profit was 78.2% compared to 77.2% in Q1 '17. The gain is primarily due to the change in depreciable lives for cases and instruments implemented in Q4 '17, coupled with increased cost savings related to in-house manufacturing. Full year gross profit is projected to be approximately 76%, reflecting the full year effect of pricing pressure, biologic mix and increased investments in cases and instruments.

Research and development expenses for the first quarter were \$12.7 million or 7.3% of sales compared to \$10.7 million or 6.8% in Q1 '17, resulting from increased investments in robotics and trauma. SG&A expenses for the first quarter were \$75.7 million or 43.4% compared to \$67.1 million or 43% in Q1 '17. Expanding the U.S. Spine sales force, building out the robotic and trauma commercial teams and growing the Japanese sales force are the primary drivers for increased investment.

The GAAP income tax rate for Q1 was 17.8% compared to 32.3% in Q1 '17, driven by the U.S. tax reform and higher deductions for stock compensation due to increased option exercises in the quarter. We're projecting effective full year tax rate for 2018 of approximately 23%.

GAAP first quarter net income was \$39.5 million and GAAP diluted earnings per share were \$0.39. Non-GAAP net income was \$41.7 million and non-GAAP diluted earnings per share were \$0.41. Emerging Technologies negatively impacted Q1 '18 EPS by approximately \$0.01 compared to approximately negative \$0.04 in Q1 '17.



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Adjusted EBITDA for Q1 '18 was 35.4%, reflecting gains from the strong robotics sales, partially offset by increased investments in Emerging Technologies and Spine. Our full year 2018 EBITDA margin is projected to be in the mid-30s.

We ended the quarter with \$473.6 million of cash, cash equivalents and marketable securities. Net cash provided by operating activities in Q1 was \$52.3 million and free cash flow was \$39.9 million. The company remains debt-free. The company is increasing guidance for full year 2018 sales by \$5 million to approximately \$695 million and increasing non-GAAP diluted earnings per share by \$0.02 to \$1.52.

We will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Kaila Krum with William Blair.

Kaila Paige Krum - *William Blair & Company L.L.C., Research Division - Research Analyst*

So I mean, first, can you just talk through the training efforts you, guys, are putting into place? How many surgeons specifically have trained on the robotic system thus far? And then any anecdotal commentary around the stickiness of the implant revenue once the surgeon has converted to Globus implant?

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Hey, thanks, Kaila. We don't really share the number of surgeons we've trained. We have trained multiple surgeons at each location, I can share that with you. And then in terms of stickiness, I'm not aware of anybody utilizing the technology regularly that doesn't utilize Globus' screws on it. It works with other systems if you use k-wires, but the workflow is much better with the Globus screws, so that's what we're seeing in every situation.

Kaila Paige Krum - *William Blair & Company L.L.C., Research Division - Research Analyst*

Okay, that's helpful. Great. And then on trauma, I mean, clearly, robotics is driving the Emerging Tech contribution at least at this point. But trauma will be an increasingly important part of the story, I think, particularly as you launch the robotic application in that area. So can you talk us through sort of how you're thinking about timing of that launch? And perhaps just compare, contrast the potential opportunity with Robotics in Trauma versus spine.

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Sure. We really don't have a great idea of the impact of Robotics in Trauma because it's really on unproven ground. So our opportunity in trauma is really on the implant side, and that's where we are focusing our efforts in terms of hiring salespeople and building out the trauma portfolio. We think robotics or potentially navigation of some other types of technology could enhance that procedure or those procedures, but that's not a key part of our strategy. It's really focused on making better implants and providing better service. And in terms of the impact, it's likely to have some impact the last half of this year, but it's really 2019 story from our perspective.

Operator

And your next question comes from Jonathan Demchick with Morgan Stanley.



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Jonathan Lee Demchick - *Morgan Stanley, Research Division - Equity Analyst*

Just wanted to start off on the guidance raise on the top line. I mean, I guess, it's really on both. I mean, the top and bottom line. You view the top line at least kind of what consensus was expecting and the bottom by really, I guess, more than what the EV raises were. So I mean as we kind of look forward over the next couple of quarters, is there anything that you thought happened, I guess, in this quarter that might not happen in the future? Are you investing more, which is driving away some of the upside than you would have planned going in initially? I mean, obviously, on the top line, it seems like there could be some lumpiness in robotic placements that's driving that delta. But any details there would be helpful.

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

Hey, Jon. Thanks for asking. So I think you pretty much answered it with your question. So really, when you look at the bottom line, it's a great deal. We're happy with it. But it is really predicated on the investments we have talked about with the tax reform and saying we're going to actually enhance that and go heavier with the investments in Emerging Tech. And that is something that would ramp up sequentially throughout the upcoming quarters. We're pleased with recruiting. We're doing record recruiting in all areas. But again, it's just the start of the first quarter. And so I would want and expect to see that increase continue. And that's why we're not dropping that full amount right down to the bottom line. I consider it more of a timing event right now.

Jonathan Lee Demchick - *Morgan Stanley, Research Division - Equity Analyst*

Understood. And I just wanted to follow up a bit on the robotics placements. I know you don't really disclose the total numbers, but looking into, I guess, your disclosures around the Emerging Tech revenues, it's pretty easy to back into a number that's 20, 25 systems-ish that was placed over the first 2 quarters, probably relatively evenly through the two. I mean, any commentary on how you think this could be trending moving forward? And then also any commentary on the type of accounts that these are going into, whether it's competitive accounts, whether these are hospitals that you already had pretty good share. Those would be really helpful.

David M. Demski - *Globus Medical, Inc. - CEO & Director*

So Jonathan, we're not going to really comment on the cadence through the year. I will tell you, the demand and the interest level of surgeons remain very strong. If nothing else, it's increasing. So that's a very good sign for the future. We still have to get out there and close the deals. That's the challenging part when you're talking about capital. And then to the second part of your question, the mix, we're seeing a -- roughly half and half mix in terms of surgeons who have utilized Globus implants from the past versus those who haven't. And that's been in interest level as well as in the placements. We're seeing both.

Operator

And your next question comes from Mike Matson with Needham & Company.

Michael Stephen Matson - *Needham & Company, LLC, Research Division - Senior Analyst*

I guess, I'm just curious in the cases where you have sold the Excelsius robots, how many of those do the hospital kind of cross shop and compare, you do comparison against the Mazor robot. And then how many of those are going into surgeons that were not Globus customers or at least not big Globus customers previously?



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David M. Demski - *Globus Medical, Inc. - CEO & Director*

Hey, sure, Mike. I couldn't tell you at the hospital level in each case where we sold one if they actually compared it to Mazor. I know several of the surgeons that we're in talks with have seen both systems, and we've come out favorably in those comparisons from my understanding. And then I think your second question was related to what Jonathan had just asked. We're seeing a mix of both customers who had utilized Globus implants in the past as well as those who haven't in the past. It's been a real door opener from a -- in terms of interest. And it's also being not an inhibitor in terms of closing deals. We've been able to sell several to accounts who have not utilized Globus extensively in the past.

Michael Stephen Matson - *Needham & Company, LLC, Research Division - Senior Analyst*

Okay. And then just how do we think about the Emerging Technologies investment going forward? I think you said it cost about \$0.01 of the EPS. Is that kind of the run rate you should expect for the rest of this year?

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

I think that's a good model to start with. Again, we had talked about early on this year, increasing the investments of around \$14 million when we went out and did our early release. I would model that through the year. We started in Q1. But again, I would expect, as we hire and go through programs, to see that ramp up sequentially throughout the year.

Michael Stephen Matson - *Needham & Company, LLC, Research Division - Senior Analyst*

Okay. And then just Excelsius outside the U.S. I mean, are you selling it outside the U.S.? What are the plans for launching it there?

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Yes, we're marketing it outside of the U.S. We have interest, but we have not yet placed a system.

Operator

And your next question comes from Richard Newitter with Leerink Partners.

Richard S. Newitter - *Leerink Partners LLC, Research Division - MD, Medical Supplies & Devices and Senior Analyst*

I just wanted to touch on your comments around new indications on the robot. I think you had mentioned that some are anticipated. Can you give us a sense as to timing? And what areas we can expect beyond pedicle screws?

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Sure, Rich. We're looking at all aspects of the procedure. So you think about fusion procedures, discectomy decompression, putting the rod in, all of those aspects of the case. New indications and FDA approval is going to come in the second half of this year and then into next year. It's -- there's a lot of work to be done, so there's several stages of that evolution, if you will.

Richard S. Newitter - *Leerink Partners LLC, Research Division - MD, Medical Supplies & Devices and Senior Analyst*

Okay. But it's possible we might have at least one new indication by NAS. Is that -- in the fall, is that fair?



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David M. Demski - *Globus Medical, Inc. - CEO & Director*

That's possible. Yes, sir.

Richard S. Newitter - *Leerink Partners LLC, Research Division - MD, Medical Supplies & Devices and Senior Analyst*

Okay. And then -- sorry, I was jumping between calls, I think someone might have alluded to this earlier. When you're kind of going into an account for the robot and going to the sales process, are you going head-to-head with a competitive robotic system? And what percentage of the time, if you are, are you kind of -- what's your win rate?

David M. Demski - *Globus Medical, Inc. - CEO & Director*

I'm not in the details of every deal. We are -- the prudent buyers are always looking at all their options. And yes, I think we have a high win rate at this point. We don't really have a scorecard here though. Sorry.

Richard S. Newitter - *Leerink Partners LLC, Research Division - MD, Medical Supplies & Devices and Senior Analyst*

Okay. And maybe just one more. Can you just talk through some of the trends that you feel like you're seeing in the underlying kind of U.S. spine market, just maybe go by kind of volumes, price and mix and how that has or has not deviated from kind of the trend in the back half of last year, in fourth quarter of last year?

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

Hey, Rich. Thanks. It's Dan. I would tell you that we still use most of your data from the guys on the phones here. And so I think that we would believe that the overall U.S. Spine market is growing between 0% and 2%. I don't know if that's noticeably different in Q1 for us. But as I would tell you and I always remind everybody, at a 7 share, we're share takers. And so regardless of what the market's stealing, we look to go to capture more, and we feel like we've got a lot of runway to do that and drive forward.

Richard S. Newitter - *Leerink Partners LLC, Research Division - MD, Medical Supplies & Devices and Senior Analyst*

Okay. But pricing, no different than in the past?

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

No, not for us. Actually, I would tell you it's still mid-single digits for us as we exit Q1.

Richard S. Newitter - *Leerink Partners LLC, Research Division - MD, Medical Supplies & Devices and Senior Analyst*

Okay. And what are the selling days we should be contemplating differences for the rest of the years by quarter?

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

For the rest of the quarter, is that what you're asking for, Rich?



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Richard S. Newitter - *Leerink Partners LLC, Research Division - MD, Medical Supplies & Devices and Senior Analyst*

Yes. Just the selling days. You had one fewer this quarter, just what's 2Q, 3Q and 4Q?

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

You'll be plus 1 in Q2, you'll be equal in Q3, and you will be plus 1 in Q4. You have one extra selling day this year.

Operator

And your next question comes from Larry Biegelsen with Wells Fargo.

Lawrence H. Biegelsen - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

So you guys ended the quarter with a significant amount of cash. Can you remind us of what's your business development priorities are? Any metrics around deal size? And I did have a follow-up.

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

Okay. So Larry, first thing I would tell you is just kind of the order priority of cash is to feed the acquisitions we already have. So continuing to flush out Excelsius to convert Alphatec over, primarily in Japan, but also the rest of Europe and get them into the G Med products, continue to fill out a branch and expand, so we have capabilities of doing that as well as grow our biologic business through the bone bank acquisitions. So all of those have and will continue to burn cash and are primary ones to go at. We mentioned our intent to accelerate our investments in Emerging Technology and take advantage of U.S. tax reform that way. And then while we won't disclose deal sizes that we are looking at, we're certainly always active at both tuck-in acquisitions that can give us some IP or some revenues. And then we're always considering, at the right time, something of size. But as Dave had mentioned, as we kind of exited 2017, this year's about execution. We have our robotic business to get at and make sure we penetrate. We have Japan to convert, we have trauma to get at. That's going to be the primary focus for us this year.

Lawrence H. Biegelsen - *Wells Fargo Securities, LLC, Research Division - Senior Analyst*

That's helpful. And then on my -- for my follow-up, let me ask the spinal cord stimulation question now. You guys have filed patents on that. You have highlighted it on physician education meetings. What's your thinking around that? Is that the really in an area you guys hope to be in at some point? Anything you could share than on that would be helpful.

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Yes, thanks, Larry. That's an area we have had some interest in, but we haven't really disclosed what we're doing at this point and are not in a position to do so today.

Operator

And your next question comes from Matthew O'Brien with Piper Jaffray.



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William George Inglis - Piper Jaffray Companies, Research Division - Research Analyst

This is Will on for Matt. I guess, first off, can you just talk about the gross margin leverage the you experienced in the quarter and what was driving that? And how should we think about that going forward?

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

Sure. It's really predicated around 2 things. We do have the change in our depreciable lives that we've put into effect in Q4 '17. That's for cases in instruments, and that has a slight lift. We continue, as we've always said, to gain and have stronger benefits from in-house manufacturing from the branch acquisition. And so those 2 things are some of the drivers that are there. Just going forward, and I think what you mean is by quarter, Q1 has historically been the highest GP per quarter if you check over the last 5 year's trends for us. I think we would see a normal trend like we've experienced in the past several years. And I think just net, we should exit the year roughly around 76% GP with the right mix, the right pricing pressure and again, building up cases in instrumentation for the Spine business, the Japan conversion and Trauma.

William George Inglis - Piper Jaffray Companies, Research Division - Research Analyst

Great. And then as far as the ELSA-ATP, the anterior, [this OS] approach interbody that you launched in April, is that going to be a single, double, triple? Where do you see that sitting in the competitive landscape?

David M. Demski - Globus Medical, Inc. - CEO & Director

Yes. At this point, Will, I would probably put that in the single to potentially double category. It's -- it brings a lot of innovation to the procedure. It enables it to be accomplished, we think, much safer without a lot of ancillary technology. So excited about that, but it's always difficult to change people's behavior. And that does take a while, even if you do have a better technology.

William George Inglis - Piper Jaffray Companies, Research Division - Research Analyst

Great. And then as a quick follow-up, I don't know if you'd be willing to share this with us or not. But the case volumes with Excelsius, I'm just trying to get at a ballpark of the incremental product pull through that would be potential with competitive accounts. Is that a number that you've been tracking like kind of weekly or monthly basis with the systems that have been installed?

David M. Demski - Globus Medical, Inc. - CEO & Director

Yes, we do track them weekly, but it's not something that we're prepared to share.

Operator

And your next question comes from Steven Lichtman from Oppenheimer & Co.

Steven M. Lichtman - Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst

Dave, how far along are you in building out your initial Trauma sales force? Just sort of what inning are you in relative to that? And when do you expect that initial tranche of reps to be fully onboard?



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David M. Demski - *Globus Medical, Inc. - CEO & Director*

Yes. I would say we're about halfway through the build and expect to be completed in the fourth quarter this year.

Steven M. Lichtman - *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Okay, great. And then just as a follow-up, relative to the investment build throughout the year, just, I guess, qualitatively, should we be thinking of it incrementally much more on the SG&A side relative to additional sales force on trauma and also still on robotics? Or pretty equally also with R&D relative to some of the additional indications that you mentioned earlier?

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

Yes, great question, Steve. Right now, it is really both. I think as you get into the next couple of quarters, I would expect to see SG&A go as we continue to expand robotics, Commercial as well as Trauma but I would say it's not evenly split, but I would go heavier in the SG&A line. But I would reflect some increased spend as you continue through R&D as well.

Operator

And your next question comes from Ryan Zimmerman with BTIG.

Ryan Benjamin Zimmerman - *BTIG, LLC, Research Division - Research Analyst*

Great. Just another robotics question for you, and sorry to focus on this, but you did talk about increasing utilization, driving utilization on the robot in itself. And so if you could just maybe characterize kind of what that means in terms of what a surgeon should be doing on that robot. Do you foresee them -- some of your surgeons being exclusively dedicated in what I call robotic surgeons in spine? Or is there a right mix amongst the case volumes, and is it the right utilization level for an Excelsius system?

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Thanks, Ryan. I think the main opportunity is to enable all surgeons or average surgeons, if you will, to accomplish MIS procedures in a very efficient manner so that they're able to do them in the amount of time that they need to, but safely and accuracy and reduce their exposure. So given that, I think that's the real big upside. And I think that it's possible that they would perform a majority of their cases utilizing robotic technology.

Ryan Benjamin Zimmerman - *BTIG, LLC, Research Division - Research Analyst*

Okay, great. That's very helpful. And then just on the OUS side, it sounds like you're getting that traction in Japan, you have distribution in some other countries that are doing well. Remind us how we should be thinking about your OUS strategy. And is it a question of going deeper into specific market? Is it more distributors and some other new markets to the year? Just may be help us understand that.

David M. Demski - *Globus Medical, Inc. - CEO & Director*

Sure, Ryan. It's about going deeper in the markets that we're in, primarily. We have exposure in all the major markets, but for China, I think, at this point. So it's a matter of getting the most out of those markets and really, following the same pattern that has allowed us to be successful in the U.S., which is leading with innovative technology and then providing a full gamut of service to those customers.



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Operator

And your next question comes from Bob Hopkins with BofA.

Robert Adam Hopkins - BofA Merrill Lynch, Research Division - MD of Equity Research

So I have a couple quick robotic follow-ups. But before that, I just wanted to ask a little bit of an off topic question. I was curious in the first quarter, did you guys see any impact from flu relative to your procedure growth? I mean, obviously, you had a really good quarter, but I've heard up from some other companies and just wanted to get a sense. Did you see any impact in your business from flu that you could discern this quarter, or no?

David M. Demski - Globus Medical, Inc. - CEO & Director

Hey, Bob, this is Dave. Yes, we did. Actually, we had surgeries canceled because of patients. But the more important impact is we had surgeons that were out for a week or 2 weeks at a time with the flu themselves, and that had a pretty big impact. And clearly, you can measure the loss at the time, but those cases should come back relatively quickly within the next quarter, you would think. And it's difficult to measure that.

Robert Adam Hopkins - BofA Merrill Lynch, Research Division - MD of Equity Research

Yes. I mean, how much comes back? I mean, you had a good quarter regardless. What do you think the impact was this quarter on your kind of your core Spine growth, which I think you called out as 4%? Was it a couple points you think or was it more?

David M. Demski - Globus Medical, Inc. - CEO & Director

I don't think it was that level. Like I said, it was really difficult to measure the impact coming back. But I was remiss in my answer. I was answering for the U.S., but there's a significant impact in the U.K. I don't know if you've heard that on other calls, but the (inaudible) is basically shut down in all elective procedure. So our business in the U.K. was dramatically impacted in the first quarter. And they're still trying to get out of it.

Robert Adam Hopkins - BofA Merrill Lynch, Research Division - MD of Equity Research

Okay. Yes, that's helpful, and we have heard that. And then on the robotic side, again, congrats on the early success here. But David, I was wondering if you could comment on just what are some of the most common themes that you're experiencing here in the early days in terms of demand? Is this more from academic medical centers or other types of hospitals? Is it mostly the neurosurgical spine community that's interested, that's going to -- because those guys are obviously used to navigation? Or is it more the orthopedic guys? Just want to get a sense for -- in terms of hospital type and physician type, where are you seeing demand, if there's any common themes?

David M. Demski - Globus Medical, Inc. - CEO & Director

It's across the board. It's both the community hospital surgeons as well as the academic centers. We're seeing ortho, neuro demand. I would say there's probably a heightened level of interest among the people who navigate today. They're more -- they have seen the benefits of computer-assisted technology and are more excited about where this is going. But the response has really been across the board. Younger surgeons, new in their practice, guys who have been around a long time. It's really pretty incredible, the interest level that we're seeing.

Robert Adam Hopkins - BofA Merrill Lynch, Research Division - MD of Equity Research

Great. And then lastly, one of your competitors is talking about launching a system at NAS this year that kind of tries to do what robotics is doing, but at a much lower price point? We've heard this in other robotic areas in general surgery. I just wanted to get your view on what do you think the capability that sort of a full robotic system bring that really can't be duplicated with more of a lighter touch, if you will?



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David M. Demski - *Globus Medical, Inc. - CEO & Director*

That's a good question. I'm not sure that until I saw what they were actually proposing that I could give you that answer. In some respects, you could argue that navigation is lighter because you are using the computer to help get where you want to be. But robotics had another level of precision and repeatability to the equation, and we're just scratching the surface in what the robot can do. Today, it's help them place pedicle screws. But as what we alluded to earlier, the entire procedure involves a lot of things, I think, the computer can do better just in terms of -- discectomy is one of the most challenging aspects in the case, decompression, getting the rods in. So I don't know what other folks are looking at. I know that we are looking at how we can make this platform drive even more value to the customers.

David C. Paul - *Globus Medical, Inc. - Co-Founder & Executive Chairman*

One thing I'd add to that, Bob, to Dave's comment is at least in hips and knees, you see where the lighter systems, the more inexpensive systems. The biggest problem has been stability and having a stable platform in which to deliver the implants, to deliver the cutting guides and to deliver the instrumentation. And I think that'll be a challenge when you use some of the lighter systems. It's tough to comment when you haven't seen what these other systems are, but that would be our initial take is about stability. And it's -- we've found that it's extremely important in the spine to have robot stability. And so our robot, I feel, is at a level above what you can achieve without having that kind of mass behind the robot.

Operator

And there are no further questions at this time, and thanks to all participants for joining. We hope you found this call informative and helpful. This concludes our Globus Medical First Quarter Earnings Call. You may now disconnect. Have a wonderful day.

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