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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

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## CONFERENCE CALL PARTICIPANTS

**Raj Denhoy** *Jefferies & Company - Analyst*

## PRESENTATION

**Raj Denhoy** - *Jefferies & Company - Analyst*

Thanks, everyone, for joining us. We will get started with the next presentation.

Again I am Raj Denhoy with the medical device team in the United States research team. Up next we have Wright Medical and from the Company we have Julie Tracy who does investor relations for them. So Julie, I'll turn over to you.

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

Thanks, Raj. It is a pleasure to be here this morning. Thank you for taking some time to learn a little bit more about Wright Medical.

We think we have a pretty exciting story. We have been going through a transformation over the last several years and most recently completed a merger with Tornier and are on the path now to be a leader in extremities and biologics in the medical devices area. And we will talk more about that as we go through the presentation.

So before we begin a few cautionary notes in our forward-looking statements which you can find posted on our website. If we make any forward-looking statements today these are covered and we are not under any obligation to update any of these statements that we had made previously.

Non-GAAP financial measures, all of our reconciliations are posted on our website. So I would encourage you to go visit those there. We are not going to go through all of them nor are they in the presentation that have been included there. You can get them on the website.

So Wright Medical, we talk about the new Wright Medical and what we mean by that is over the last several years we have really transformed the Company. For those of you that may have known Wright Medical three to five years ago it was a completely different Company. We were primarily focused in the hip and knee business which we are no longer focused in.

We are now in the two highest growth areas of orthopedics: extremities and biologics. Excluding some of our merger-related dis-synergies the Company had been growing about twice the market rate. We are roughly in an \$8 billion global extremities biologics market and we hold the number one position in both upper and lower extremities.

The new Wright Medical. We completed a merger with a company called Tornier actually about a year ago. We are a year into the integration.

We merged with Tornier last October, that merger closed. And we did the merger to combine two leaders. Tornier was a leader in the upper extremities business, shoulder, elbow, wrist and hand, and Wright Medical was a leader in the lower extremities foot and ankle business.

So bringing to together our two businesses doubled our size, gave us a comprehensive upper and lower product portfolio but, more importantly, it gave us significant scale and scope which we could further accelerate our pathway to profitability and a pathway that neither company, had they stayed independent, would have been able to do. So some pretty compelling reasons for combining.



Recently updates, we are as I mentioned earlier we are about a year into our merger integration and we have really made some great continued strong progress throughout the year since we have closed the merger. We have now completed the global integration of all of our sales teams. Wright Medical we have separate sales teams in the United States that cover our upper extremity business and a separate salesforce that covers the lower.

We both completed both of those. The upper extremity business integration was completed about a quarter ahead of schedule. So well on track there.

Cost synergies which we will talk about later in the presentation have materialized earlier than we have anticipated. Revenue dis-synergies have actually played out exactly as we expected. And, again, we will talk more about that in detail in the next few slides here.

We have materially improved our balance sheet. We completed the sale of a legacy hip and knee business that Tornier brought to the table in the merger. We completed that in the third quarter as well and we have continued to grow our core businesses at well above market rates of growth.

We also reached a settlement agreement in our metal-on-metal hip litigation we announced on our last quarter call. That settlement addresses about 85% of the known US revision claims that do not have potential statute of limitations issues. And it really removed a great deal of the uncertainty that has been overhanging the stock for the last several years, so we were happy to get that behind us.

Finally, our AUGMENT Bone Graft which is our biologic area. That is a breakthrough product. The US launch has been driving great growth in our US biologics business.

So as I mentioned we have global leadership positions, unique positioning in the extremities markets in upper and lower extremities and in biologics with multiple growth opportunities in each one of those. We are a technology leader. In addition to that our global footprint in the US we have separate salesforces for our upper and lower.

Internationally we have direct markets as well as distributor markets. Those salesforces are specialized. So in our US business in our lower extremity business we are primarily a direct employee-based sales organization.

In upper we are roughly half and half: half distributor which are completely focused on our products and the other half employee-based. That makes us unique among many orthopedic companies in that we are very focused in the markets with sales teams that we can incentivize appropriately and concentrate on our products.

As I mentioned earlier we are a leader in the fastest-growing segments of the orthopedic markets. And if you look here, the upper and lower markets, lower is growing at roughly 8% to 10% from a market perspective, upper extremities is growing 8% to 9% and in biologics roughly in that 5% to 6% area. So we are in the fastest-growing segments of the orthopedic market and completely focused there.

We have got strong new products and I would mention we are at the front end of a new product cycle in all three of our growth platforms: in upper, in lower and in biologics. If we start at the bottom of the slide, our INFINITY total ankle system we continue the rollout for that device, that is a third-generation design. And it is combined with our PROPHECY system and our INBONE total ankle system. We are a clear market leader in the total ankle replacement market.

The next one up is the SIMPLICITI shoulder system that is an rollout. That is about a year into launch now and it continues to drive great growth in our shoulder business. It is a canal sparing design which has an ultra-short stem. We are the only Company in the United States market for shoulders that has this device. We think we probably still have about a year lead on any of the competitive products that might come to market.

AUGMENT Bone Graft, as I mentioned that is an FDA PMA cleared approved product that got approved about a year ago. We are the only Company that has this. It is a platelet-derived growth factor product with a specific label for hindfoot and ankle fusion. And so that gives us a biologic product in that hindfoot and ankle fusion market that nobody else has and we are very excited about that product, as well.



Also in our lower extremities portfolio we have our SALVATION limb salvage system. And this is a product that treats a condition called Charcot Foot, usually is an end stage diabetic condition where that patient is in danger of losing their foot. So we can go in and do a reconstructive procedure using our products. We have an indication specifically for Charcot Foot and that has been a market that we have been concentrating on.

Finally, in the third quarter of 2017 we are looking to launch a true revision ankle system and called INVISION. So we will look to that in the third quarter.

We have some other products that we haven't started to talk about that as we get into 2017 in both upper, lower we will be spending a little bit more time on.

The SIMPLICITI shoulder, as I said it is really a highlight of our upper extremities pipeline. The US launch is in progress. It is an ultra-short stem design and it opens up a new market category in shoulders.

Particularly for younger patients with good quality bone that might have deferred that shoulder replacement procedure this gives the physician now an option to potentially replace that shoulder in a new, younger group of patients. I would also mention that this shoulder is a product that we are able to sell at roughly a 50% to 60% price premium to a traditional anatomic shoulder. So it offers us both the opportunity to get into some new market segments with a product nobody else has in the US market at a premium price.

INBONE and INFINITY I mentioned are our flagship products in our total ankle replacement continuum of care options. They treat the entire continuum of care. Everything from a straightforward primary ankle all of the way up to a more complex total ankle replacement that you may need to do on a patient that has significant deformity.

What sets us apart in the total ankle replacement market is an enabling, a really important enabling technology called PROPHECY. And that is our pre-operative navigation guides. And what those do is provide the physician ahead of the procedure using a CT scan with a surgical treatment plan along with custom patient cutting guides, so when they are in the operating room they are able to use those guides to reduce the actual procedure time and fit that implant more precisely for that patient.

What we have seen with the advent of our INFINITY ankle plus PROPHECY is a total ankle procedure that might have taken two to 2.5 hours can be substantially less time, maybe 1.5 hours or so depending on the complexity of the procedure. It has really made a difference in the adoption of total ankle replacement.

This is an early market. Only roughly about 15% of the patients who could be eligible who have end stage ankle arthritis that might be eligible for a total ankle replacement are getting them today. So we have got a whole market ahead of us, fusion, to go after with total ankle replacement that we are still developing.

SALVATION is our limb salvage portfolio that I mentioned earlier. It is a combination of one, two or three products. A physician does not have to use them all.

They can use them depending on the complexity of the treatment plan for the patient. It is the first comprehensive solution to treat Charcot arthropathy and advanced midfoot reconstruction, particularly in these diabetic patients who are in danger of losing their foot.

We sell this at a very nice average selling price. And it is a product that is really resistant to price pressure because, as I mentioned, these patients really have no other option. The next option for them would be losing their foot, and so this is an option for them that physicians in that situation tend to go after very aggressively.

Finally AUGMENT, it accelerates our growth opportunities. We had a biologics business before AUGMENT was approved that was, in general, not growing as robustly as we would like with the advent of getting the AUGMENT product approved for use in the United States. It is a product that is approved for hindfoot fusions and ankle fusions.

What it does is eliminate, it is a first off-the-shelf option that eliminates that second surgery to harvest autograft. And so the physician can now use the AUGMENT bone graft and avoid that second surgery along with all of the costs and complication that that second surgery might entail.

Combining with Tornier in the merger gave us complementary businesses. And one of the things as we have gone through and we have shifted into the merger integration mode is to minimize any revenue disruptions as a bring the two companies together. And so far this year we have been able to do that.

Dis-synergies in 2016 we talked about. We anticipate roughly \$15 million of revenue dis-synergies. As a result of bringing our two companies together in 2016 there will be another incremental \$10 million in the first half of 2017 that we will see.

Getting to that path to profitability, as I mentioned earlier in the presentation now that we are a Company of size, basically we doubled the size when the merged with Tornier, we now have an accelerated pathway to profitability. And we have more levers coming into play with leverage and cost synergy buckets that we can go after.

So what we intend to do as a Company is to sustain our revenue growth and minimize the disruption. We are looking to leverage existing resources and over a three-year period deliver cost synergies as a result of the merger of \$40 million to \$45 million.

If we do that and we continue to grow, our target is to be a midteens grower with high gross margins in the high 70% range. And if we are able to do that then the target we would get to about a 20% adjusted EBITDA margin in three to four years post the close of the merger. So that would put that in the 2018, 2019 time frame.

We have meaningful leverage opportunities. Some of them have been completed already. Those are the ones here are on the top of the slide.

AUGMENT infrastructure, we didn't need to build out anymore infrastructure when we launched our AUGMENT Bone Graft. When that got approved that was already there and now we are able to leverage that. The cost that we had we now can put some revenue that we are selling AUGMENT in the United States for.

Tornier brought with them a very well-developed international and back-office infrastructure that now for us as a combined Company we don't have to build any new international offices or infrastructure. We can take advantage of what Tornier had already brought to the table. So that has been another nice source of leverage for us.

Sales organizations, each company had already before the merger built out and made investments in their salesforces. Now what we are planning to do is leverage that as we go forward.

We did talk about on our last earnings call in the United States in our lower extremity business we have a salesforce that is already performing at very high productivity rates. So you may see us add a few more salespeople in our US lower extremity business as we move forward. In the upper extremity business in the United States it is going to be all about increasing the productivity of the existing salesforce that we have there.

The other opportunities that we have that are ongoing to get to that \$40 million to \$45 million cost synergy run rate are looking at manufacturing capacity. We have three plants: one in France, one in Ireland and one in tendency. Those plants have capacity that we are bringing in products that we have outsourced in order to improve the efficiency and overhead absorption at all of those plants. So we are not going to be building any new plants or anything, we're going to be leveraging the ones that we have already.

Finally, inventory and instruments is a big area of focus for the Company in terms of reducing inventory and getting better turns on our instrument kits to avoid having to invest and tie up cash in some of those things, but yet still supporting the business at an appropriate level at the levels of the midteens growth that we are targeting.

We have a clear line of sight on our merger cost synergies. As I said by year three we anticipate \$40 million to \$45 million. This year in 2016 we anticipate getting \$25 million of \$40 million to \$45 million. So we will have some work still to do next year and then on into the third year.



We had roughly 300 integration projects when we combined the Company and we are about 80% through of those 300 projects. So we have made some really great strides one year out with the integration. But we still have some additional room to go, but we have done well in terms of the first year at getting into some of these buckets of cost synergies.

And we are advancing towards our goals. Longer term as I mentioned before we would like to be a midteens grower, gross revenues in the high 70% range with EBITDA margins approximately 20% in three, four years. And you can see our third-quarter results where we are tracking.

We had sales growth in the third quarter of about 9%. If you add back some of the dis-synergy effects we were closer to roughly a 12% grower.

You would argue that our 78.2% adjusted gross margins are probably already there in the high 70% range. If our CEO were here at think he would tell you, well, we think we could probably do better. But we have very nice gross margins and we have had some great improvement there.

And then on the adjusted EBITDA side we had adjusted EBITDA of about 4% in the quarter. Comparatively in the third quarter of last year we were at a pretty large loss. And so we've made a lot of good strides throughout this year and we are tracking to that 20% target, longer-term target over time.

So we are positioned in great markets, specialized salesforces, comprehensive product portfolios. We have got a Company of size now that we can accelerate our pathway to get to our profitability goals and longer-term EBITDA targets. And we are in a great spot to continue to execute.

Thank you very much. And I think we have got some time for questions.

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## QUESTIONS AND ANSWERS

**Raj Denhoy** - *Jefferies & Company - Analyst*

We do. So if anybody has any please feel free to ask. We will keep this interactive.

But so, Julie, maybe we could start with the products, the markets maybe, more so the lower extremity and upper extremity markets. You put up these market growth rates, lower extremities 8% to 10%, upper extremities 8% to 9%. You are growing faster than the market in upper extremities but lower than the market in lower extremities, and so I am curious why that is right now?

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

This year it has been impacted by bringing together our sales teams. And that is where we actually had most of the revenue dis-synergies come from was bringing together primarily in our lower extremity, US lower extremity business.

So X that, X all those revenue dis-synergies we were more back on track. But we anticipated those as we went into the merger and where you see revenue dis-synergies is when you are bringing sales teams together when there is the most overlap. And that is the area of our business where we had the most overlap.

We completed that integration of our lower extremities salesforce at the end of the second quarter. We anticipated after you complete that you start to see the dis-synergies show up which is exactly what we saw in second and third quarter and then what we anticipate in the fourth quarter.

So with that behind us now and as we work through that I think those growth rates will do that but the markets are healthy. We are doing well, our new product launches continue to do well in lower extremities with more to come. So really all of that has been a result primarily because of the anticipated merger just synergy.



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**Unidentified Audience Member**

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

Yes. We do.

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**Unidentified Audience Member**

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

There is. Roughly today our revenue at Wright Medical is about 70% US, 30% O-US. And you are right, the markets in extremities are very good markets outside the United States, as well.

We focus in certain countries. So we are direct in countries like the UK and France and Germany where you have markets of decent size that are growing that you have an opportunity to go after so we are direct in those markets. Other markets like China, Brazil, etc., where we have concentrated outside Europe, if you will, Canada, Australia, all of those are very strong markets for us as well.

So we are leveraging our product portfolio. What I would say, the international markets is a little earlier than what it is in the United States. So the US market is developed a little more in terms of the upper and lower.

But the international opportunity is every bit as compelling there. So yes, we have a whole separate international sales group run by a president of international as well to capture that opportunity.

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**Raj Denhoy** - *Jefferies & Company - Analyst*

So getting back to the dis-synergies, so on the lower extremity I think you said now that you think you are at the trough in a sense, that you have seen the worst of the dis-synergies in the lower part and we should start to see better growth now or at least a visibly better growth. Upper extremities, though, you haven't really seen, the synergies haven't really materialized in the upper side and it sounds like you don't expect them to at this point.

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

I would say remember completing an integration of a salesforce, which we did in our upper, US upper extremity business. You complete the integration but you don't complete the disruption in the dis-synergies. That always happens after.

And they reason that is let's say you have your territory and our friend down here has another one, we are going to keep him and you are going and you can go to a competitor. The dis-synergies might, let's assume you are not as successful as you would like to be in keeping the business.

Raj may take some of that business with him but that business doesn't go the day that the territories get split. That business takes a while to leave, and that is generally how these things work.



So when we say we have completed the integration the dis-synergies will begin to show up to the extent that they do after. And it has played out like that exactly this year as we have gone through.

We focused on integrating our US sales, our lower extremity business first, we had that completed at the beginning of June, so by the end of the second quarter. And then, again, we started to see dis-synergies show up in second quarter but really show up in the third quarter. And you can see in our US lower extremity growth rates going forward.

So that is how those things work. So the fact that you didn't see them in the third quarter doesn't mean they aren't there.

What we said is a dis-synergy in total of roughly \$25 million we intend to see \$15 million or expect to see \$15 million this year and \$10 million in 2017. And that is a combination of our entire global business, but primarily in the US lower because that is where most of the overlap was.

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**Raj Denhoy** - *Jefferies & Company - Analyst*

Just to put a finer point on it, it sounds like again the upper -- I should say the lower is largely done and we've seen the worst of it and it should start to improve. The upper, we probably haven't seen it yet. That is fair to say? The upper probably the growth probably decelerates is what you're telling us for a period of time.

I guess conversely on the upper you had some very interesting products there. You highlighted SIMPLICITI which the work we continue to do on that suggests that is a very intriguing product, that the growth of that, maybe you could just explain about that product and the growth prospects for that product.

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

As I said in the presentation the SIMPLICITI shoulder is the only shoulder in the United States that is available that is this bone sparing ultra-short stem design. We are the only ones, we still think we might have maybe another year before some other competitors bring a similar designed product to the market.

But we have other things in back of that that we didn't talk about here by design. We are not ready to talk about some of those things yet for competitive reasons. But I think as we move into 2017 you are going to hear us talk about some additional things.

We don't intend to only stop with SIMPLICITI in our shoulder business. So it has been a very well received product. You hear us talk about it.

It has been a reason why our US shoulder business has done so well quarter after quarter. And it has been very well accepted.

And as I said, not only is it appealing from replacing existing anatomical shoulder business at about a 50% to 60% price premium, it also opens up a new market opportunity that isn't being addressed today at all. So brand-new shoulder opportunity and opportunities for growth in a potential younger patient population because it doesn't remove as much bone as a traditional shoulder. So if you are preserving more of the bone, the physician can preserve the treatment options for later down the road and might be less willing to defer that surgery in a younger patient and go ahead and replace it now knowing they are going to have enough bone down the road to do another replacement at some point in time.

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

Yes. To give some context, AUGMENT addresses in the United States about a \$300 million opportunity. And that is only for hindfoot fusion and ankle fusion opportunities in the United States, so the labeled indications that the product was approved for.

The study was run as a non-inferiority study versus the gold standard autograft. Which means AUGMENT was shown to have the clinical results non-inferior to Autograft.

What it does, though, with autograft you are harvesting a patient's bone and using that as your grafting material. So you basically have another procedure to harvest that bone.

AUGMENT you're not doing that all. You have off-the-shelf biologic option that you are putting in and you are not harvesting any of that patient's bone. So you are avoiding the cost of the harvest.

And you are also, I think importantly, you are avoiding all of the complications, eliminating them, that can occur. Because complications do occur when you harvest Autograft, whether it be in the harvest procedure itself or down the line a patient may have lingering pain at that harvest site and/or other complications, infection, etc. So AUGMENT completely it avoids all of that.

And those costs can be substantial. If you talk to a physician, in fact I was just in New York this last weekend we had one of our largest US lower extremity physician meetings and one of the physicians commented that all you need is one complication in these autograft procedures and you never want to have one again.

They are expensive, they are tough to get your arms around and so AUGMENT avoids all of that. So it is an off-the-shelf option, again the first biologic approved for use in foot and ankle area with very robust PMA clinical data. So we are in a unique position with that product to compete.

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**Raj Denhoy** - *Jefferies & Company - Analyst*

So just staying on AUGMENT, so I think biologics growth last quarter was something like 45% if I remember correctly. Yet I think you have also described it as you haven't even opened up some of the largest accounts out there, you are still in the process of getting into hospitals and things. Maybe you could speak a little bit about where we are in the adoption of that in the United States?

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

So for AUGMENT I think what we had always anticipated that it is like any new product, particularly in the United States, you have to go through what is called a value analysis committee. Most hospitals have them, and they are there as you are bringing in a new product and you are bringing in your product and convincing them as to why they should be able to have that product on their shelves.

So for us with AUGMENT armed with that robust clinical data and a PMA approval, remember, most devices in the United States are cleared via the 510(k) process with no clinical data at all and they are substantially equivalent to something else that is out there. So you can imagine going in front of these value analysis committees with a PMA clinical study, we have got some pretty compelling data as to why AUGMENT should be in that hospital shelf.

But the meetings take time. They are not regularly scheduled at hospitals, some hospitals have them more or less frequently. So all of the things take time which we had anticipated. So we always figured that this would be a nice, steady build over time and that is what we are seeing.

One of the things that was interesting, though, is when we looked at the accounts that we are targeting, which is the high-volume fusion accounts, and we looked at them the top decile accounts we were surprised, pleasantly, by how many of those top decile fusion accounts were not using other Wright Medical products. So AUGMENT gives us an opportunity to go in and not only talk to them about AUGMENT but also our other products, as well.

So that was I guess it was surprising because we are, we consider ourselves a leader in lower extremity. But I think that is also a nice opportunity for us to be able to have AUGMENT as a lead product in there and that halo effect that it may have across our other products.

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**Raj Denhoy** - *Jefferies & Company - Analyst*

I think you had made comments recently that the pace at which hospitals were now bringing it in or the pace that you are getting to these value add committees is accelerating. Is that fair?

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

Yes, in the summertime we had anticipated because they don't meet just like they go on vacation, too, we had anticipated that there would be an impact there, a slowdown, and we saw that. So, yes, they picked back up in the September time frame and we talked about that on our call.

These meetings are held and you just keep moving forward with that. And so that is what we are focused on.

And so the launch is coming right along. It is the fastest-growing piece of our business. Obviously, we have a lot of opportunity there.

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**Raj Denhoy** - *Jefferies & Company - Analyst*

Question?

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**Unidentified Audience Member**

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

So Wright Medical, specifically us here in the UK we have a very strong leadership business in our extremities. We acquired actually a company a few years back that was UK-based that was an extremity leader. And so they have been part of Wright Medical now for quite a while.

In relation to let's say our AUGMENT product, AUGMENT is available in Australia, in Canada, Mexico but not generally in the EU. The requirements for getting a biologic kind of product are a little bit more -- they vary from country to country and that hasn't been our focus.

Frankly, our focus has been getting that product through the FDA PMA approval cycles so that we could sell it in the United States and start generating sales and things there. But the product AUGMENT has been available in Australia and Canada for several years now and has done well.

The areas of focus for AUGMENT, one of the things we are focused on now is bringing an injectable version of AUGMENT or a syringed version of it that you can more easily, the physician can apply into the United States. We don't know yet, are in the process of working through what that regulatory pathway would be.

It would be great if we were able to use a PMA supplement versus doing a clinical study in all of that. But the FDA will need to weigh in on that. And so we said we will have more to talk about hopefully on our fourth-quarter call in terms of what that might look like.

But bringing AUGMENT to other European countries, we haven't mentioned any specific plans at this moment to do that at this point in time. So I think outside the United States our focus is going to remain in our extremities, upper and lower, hardware business as well as other biologics.



AUGMENT is not the only biologic we have. And interestingly enough having it approved has helped all of our biologic products. The sales reps get focused on it and amazingly enough your entire product line sees some halo effect, so that is nice.

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**Raj Denhoy** - *Jefferies & Company - Analyst*

Maybe we can transition the last couple of minutes to the margin structure of the Company. Because as you noted there is a lot of opportunity to expand margin, you have given these 20% EBITDA targets for the next three, four years. But expenses are still stubbornly high for you guys, you spend a lot of money --

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

They are less than they were, Raj.

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**Raj Denhoy** - *Jefferies & Company - Analyst*

They were less but I think last quarter was 86% of revenue spent on sales and marketing and R&D. So maybe you could just --

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

G&A and --

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**Raj Denhoy** - *Jefferies & Company - Analyst*

G&A, sure, right. But just in terms of where the big buckets are that are driving that cost to where it is right now I mean.

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**Julie Tracy** - *Wright Medical Group N.V. - SVP & Chief Communications Officer*

So prior for those of you that knew Wright, and I think the opportunities for us, there are opportunities particularly in the G&A area as we go forward. And we have been able to bring that down.

And it is an area of focus for the Company because it is going to be an important area of focus to get to that 20% adjusted EBITDA target over time. So I would say the G&A represents a pretty significant opportunity for us. And those are things like as you can imagine your typical G&A things you don't need to have a double finance organization, a double HR, all of those things as we look forward there.

There is some opportunity I would say in the sales and marketing area, probably more on the marketing side. One of the tenants as we bring our companies together, and for those of you that know our CEO Bob Palmisano and he has integrated and brought many companies together, the first tenant is first, do no harm.

We do not want to cause any unintentional disruption, particularly that could slow our top-line growth rate. And so we have been very deliberate about going after what we need to go after over time in terms of the buckets that we have outlined to get to those, the adjusted EBITDA margin over time.

So I think you will see us over time continue to make the progress but not at the expense of revenue growth. And that is what we've tried to do and I think we have been very successful so far in the integration in doing that. That will continue to remain the focus.

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**Raj Denhoy** - Jefferies & Company - Analyst

Just in the last minute we have here, the big story in 2016 I don't think we would have guessed for you guys was around the litigation, the metal-on-metal hip litigation. It seems like you have gotten that largely behind you.

You have a global settlement or a settlement in place now with the plaintiffs. But the one piece that is still outstanding is you have three insurers who have not yet decided to contribute to any sort of settlement.

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**Julie Tracy** - Wright Medical Group N.V. - SVP & Chief Communications Officer

Come to the party.

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**Raj Denhoy** - Jefferies & Company - Analyst

Yes. Is there any update on that, is there any thoughts around timing?

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**Julie Tracy** - Wright Medical Group N.V. - SVP & Chief Communications Officer

We are not giving any other update on other than what we have talked about on our last call. So there was six product liability insurers. Our settlement agreement that we announced includes three of those six, so we are still litigating and discussing with the other three.

So that represents a potential source of additional cash for us as we go forward. But no, there is no other update that we have on that.

As a matter of just regular policy we don't comment on any kind of timing on when we might -- when we have something to say, Wright I think has been pretty good about letting everybody know at the same time. So no update on that in terms of what the timing or anything might be.

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**Raj Denhoy** - Jefferies & Company - Analyst

Great. We are out of time. So Julie, thank you very much.

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**Julie Tracy** - Wright Medical Group N.V. - SVP & Chief Communications Officer

Thank you.

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