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WMGI - Q1 2017 Wright Medical Group NV Earnings Call

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OVERVIEW:

Co. reported 1Q17 results. Expects 2017 adjusted net sales from continuing operations to be approx. $755-765m.

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Wright Medical Group N.V. First Quarter 2017 Earnings Conference Call. (Operator Instructions) As a reminder, today's conference is being recorded.

I'd now like to introduce your host for today's conference, Julie Tracy. Ma'am, please go ahead.

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

Thank you, and good afternoon, everyone. Welcome to Wright Medical's First Quarter 2017 Conference Call. We appreciate you joining us. I'm Julie Tracy, Wright's Chief Communications Officer. With me on the call today are Bob Palmisano, Wright's President and Chief Executive Officer; and Lance Berry, Wright's Chief Financial Officer.

We issued a press release this afternoon regarding our first quarter results, and a copy of that press release is available on our website at wright.com. The agenda for this call will include a business update from Bob, a review of our financial results from Lance, a question-and-answer session and then conclude with closing comments from Bob.

Before we begin, I'd like to remind you that this call includes forward-looking statements, including statements about our outlook for 2017; our beliefs and expectations regarding the outcome of pending litigation; 2017 cash flow; and new products, including AUGMENT. Each forward-looking statement contained in this call is subject to risks and uncertainties that could cause actual results to differ materially from those projected in such statements. Additional information regarding these factors appears in the section entitled Cautionary Note Regarding Forward-looking Statements in the press release we issued today. More information about risks can be found under the heading Risk Factors in Wright's Annual Report on Form 10-K for the fiscal year ended December 25, 2016, filed by Wright with the SEC on February 23, 2017, as supplemented by our other SEC filings. Our SEC filings are available at www.sec.gov and on our website at wright.com. The forward-looking statements in this call speak only as of today, and we undertake no obligation to update or revise any of these statements.

Our earnings release and today's discussion include certain non-GAAP financial measures. Please refer to the reconciliations, which appear in the tables of today's press release and are otherwise available on our website. Note further that our Form 8-K filed today provides a detailed narrative that describes our use of such measures.

In addition, as a result of the sale of our large joints business to Corin, all current and historical operating results for the large joints business are reflected in discontinued operations. Unless otherwise noted, today's discussion refer to results from continuing operations. Also note that unless otherwise noted, all growth rates discussed today are on a non-GAAP constant currency basis.

With that introduction, it's now my pleasure to turn the call over to Bob Palmisano. Bob?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Thanks, Julie, and welcome to our first quarter earnings call. We continue to make significant progress this quarter on the initiatives that will enable us to achieve our longer-term goals, and I will provide you an update on those initiatives and our Q1 financial results.

Our upper extremities business continue to have strong growth as SIMPLICITI drove 13% growth in the U.S. shoulder business. Additionally, we launched our PERFORM reversed glenoid in March and anticipate that this will drive accelerating revenue in the second half of the year as we deliver additional instrument sets to the U.S. field.

In our U.S. lower extremities and biologics business, we saw outstanding growth of 28% in the most technologically advanced portions of our portfolio, which include AUGMENT, SALVATION and Total Ankle Replacement. Growth in the core lower extremities and biologics portfolio was significantly lower, primarily due to the revenue dissynergies in the quarter, which we anticipated. The key to improving our growth rates in this core lower extremities and biologics portfolio is our sales force expansion, which we have completed ahead of schedule. This accelerated implementation of our sales force expansion plan resulted in some short-term distraction in the first quarter that we expect to be offset in the second half of the year.

We had outstanding gross margin performance of 79% as reported and 79.4% on a non-GAAP adjusted basis in the first quarter and adjusted EBITDA margin expansion of 260 basis points, right on track with our plans for the year. We will continue to focus on improving our balance sheet and our cash flow throughout 2017 and expect to make significant progress on our specific Vital Few initiatives in this area.

Let me now provide some additional color on our business results for the first quarter. First, let's discuss our sales force expansion. We have added 115 U.S. sales reps, which is 30 more than we had originally planned. Throughout the process of implementing this expansion, we identified additional opportunities for rep adds. Approximately 100 of the adds are in the U.S. lower extremities business, half of which are conversion of associate reps to quota-carrying reps and half are new hires. As of today, all of the conversions to quota-carrying reps and the new hires are complete, and we are aggressively executing our training programs for these new reps. Today, we have approximately 300 direct quota-carrying lower extremity reps in the U.S. versus approximately 200 at the beginning of the year. The accelerated pace of rep adds created some friction in Q1 in our lower extremities business, and we do not expect to see any meaningful benefit from those -- these rep adds until Q3 as they will be focused on completing their training and building relationships in their new territories. We do, however, expect to see the benefit of these repetitions in the second half of the year as the expanded footprint -- expanded footprint greater focus on our core portfolio and greater incentives to drive growth begin to take effect.

Next, I want to discuss some continued favorable trends in our total ankle replacement market. On April 14, Medicare issued its fiscal year 2018 inpatient Prospective Payment System Proposed Rule for implanted -- for inpatient hospitals. As a result of sustained advocacy and leadership by Wright Medical over the past 5-plus years and similar advocacy engagement by the American Orthopaedic Foot and Ankle Society and Centers for Medicare & Medicaid Services proposed a major shift in reimbursement policy and payment rates for primary total ankle replacement procedures. If enacted as proposed, the impact of this change would be an estimated $7,000 increase in Medicare's payment to hospitals for all primary total ankle replacement procedures, increasing the current unadjusted average hospital payment for about $12,000 to about $19,000 for 2018. It is unknown how a change in Medicare may affect private payers' reimbursement rates for primary total ankle replacement. But if Medicare payment rules are followed by private payers, private pay reimbursement could similarly increase for primary total ankle replacement. If enacted as proposed, the reimbursement policy and payment rate changes would be effective for dates of service beginning on October 1, 2017. We believe this significantly improved reimbursement, once finalized, combined with the anticipated launch of our INVISION Revision Ankle System in the third quarter of this year, will help support the continued conversion from fusion to total ankle replacement.

Total ankle replacements represent one of the fastest growing segments in med tech. We continue to believe that the total ankle market is significantly underpenetrated and could ultimately grow to 4x, 5x its current size or roughly $400 million to $500 million market. We believe the combination of our technology-advanced products, significantly improved reimbursement and the upcoming launch of INVISION, the first true revision ankle, could create a tipping point in the adoption of total ankle replacement.

In the U.S. upper extremity business, we continue to improve our market-leading shoulder portfolio with the launch of PERFORM reversed glenoid in March. This is an important addition to our PERFORM platform as it is an implant with porous metal fixation that is specifically shaped for treating patients with challenging glenoid anatomy. This introduction completes the PERFORM family of bone-preserving glenoid solutions and further demonstrates our commitment to delivering a differentiated product portfolio with the ability to address a broad spectrum of clinical needs in the largest segment within shoulder replacement. Early clinical feedback on PERFORM reversed is excellent, and we continue to be excited about the prospects for this product. Most of the product availability in the first half of the year will be focused on existing business. As we roll out additional sets in the field in late Q2 and Q3, we will then be able to more aggressively pursue competitive conversions and drive accelerating growth rates in the second half of the year.

Turning now to our other strategic priority in 2017, which is cash. In addition to completing our merger integration and realizing the remainder of our cost synergies over the next 2 years, we have had a big focus on improving our balance sheet and our cash flow. The benefits that we are anticipating in 2017 are largely due to initiatives that we have been driving for the last couple of years, including improving inventory and instrument utilization and increasing DSO efficiency.

The first initiative is one that I have discussed before, and that is moving the upper extremities inventory into our hub network. During the first quarter, we've made good progress. And as of today, we have moved approximately half of the upper extremities revenue from direct sales districts into the hubs, which is about double where we were at the beginning of the year and right on track with our plan. We believe the hub system is a competitive advantage as it brings us closer to our customers. We also expect to realize the same significant benefits as we saw when we established our hub network and moved the lower extremities inventory into hubs. These benefits includes much more control of visibility over the performance of our field inventory and instrument sets, a reduction in our field inventory days on hand, an increase in the accuracy of our demand forecasting and much less time spent by our sales reps on inventory management, resulting in improved sales rep productivity. As we said before, this is a significant project that will take most of 2017 to complete, but we expect this will benefit us significantly in 2018.

In closing, we are building a company with sustainable mid-teens constant currency net sales growth, gross margins in the high 70% range and non-GAAP adjusted EBITDA margin of approximately 20% 3 to 4 years post close of our merger. We feel very confident about our ability to achieve these objectives and believe we are positioned to perform and positioned to accelerate. The sales reps physicians, new product launches and ongoing rollout of AUGMENT and SIMPLICITI are all on track.

We continue to make significant progress on profitability and cash. The company is well positioned strategically. And today, we are the leading extremities-biologics company in the world, both in terms of leading-edge products and size. Through the remainder of this year, we intend to build on our lead. We are right on track with our key revenue drivers for 2017 and remain confident in our full year guidance, which calls for annual constant currency growth of 12% to 14%, excluding impacts of revenue dissynergies, the Salto divestiture and the impact of extra selling days. We continue to expect there will be strong acceleration in the second half of the year as we annualize the impact of the merger revenue dissynergies and begin to realize the benefits from the expanded U.S. sales force and new product launches.

With that, I'll now ask Lance to provide further details on our first quarter results. Lance?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Thanks, Bob. As we get started, please note that unless otherwise stated, all of today's discussions regarding our sales growth rates refer to our constant currency growth rates, and our results of operations refer to our as adjusted results, which are non-GAAP financial measures as described by Julie during the introduction of our call. Unless otherwise noted, today's discussions refer to our results from continuing operations. Please refer to the non-GAAP reconciliations in our press release.

Bob covered the highlights of our underlying sales growth in his earlier comments. I will provide some additional color on the P&L and then focus my comments on the outlook for the remainder of 2017.

Globally, our net sales grew 6%. As anticipated, Q1 growth rates were most impacted by the revenue dissynergies, which we estimate were in the range of 3% this quarter. The U.S. lower extremity business was flat in Q1. As Bob discussed, this is the portion of the business that is most impacted by revenue dissynergies, which we estimate were in the range of 5%. We start to annualize the dissynergies in Q2, have most of them annualized in Q3 and then have minimal year-over-year impact in Q4. Our U.S. total ankle business had continued strong growth of 18%. The U.S. biologics business grew 9% in Q1. Some deceleration from the prior quarter was anticipated as we have increasingly tougher comps for AUGMENT. However, as Bob discussed, we also had lower growth in the biologics products other than AUGMENT.

Overall, we continue to see strong growth in the most technologically advanced portions of our lower extremities and biologics portfolio, specifically Total Ankle, AUGMENT and SALVATION. The rest of the portfolio was more challenged. However, we already have plans in place to accelerate their growth back to the levels that we expect. Specifically, as Bob discussed earlier, the majority of our repetitions are targeted at improving growth in this part of the business while maintaining the great focus we have on more technologically advanced products.

Due to the normal cadence of training and relationship building, we do not expect any meaningful contribution from the rep adds until Q3. The products that are lagging are some of our shortest sales cycle products, and we are confident that the increased size and focus of the sales force will drive additional sales.

The U.S. upper extremity business grew 12% in Q1 due to the continued strength of our shoulder portfolio. With the addition of PERFORM reversed, we believe we have the leading shoulder portfolio, and we look forward to accelerating growth in the back half of the year as we roll additional PERFORM reversed sets into the field and can focus more aggressively on taking share.

Our international business grew 4% in Q1, in line with our expectations. As we have discussed in the past, you should expect to see variability in our international growth rates from quarter to quarter. You should expect a growth rate in Q2 similar to the first quarter as this is one of the toughest comps of the year for international.

Now moving on to some detail below the sales line. Please note that all of my discussions will refer to our continuing operations results.

Beginning with our Q1 adjusted gross margin. We achieved 79.4% for the quarter, an increase of approximately 90 basis points over the same prior year period driven primarily by manufacturing efficiencies.

As to the line items making up our Q1 operating expenses, selling, general and administrative expenses totaled 72% of net sales for the first quarter compared to 73.4% in the prior year period. The decrease as a percent of sales were driven primarily by the capture of cost synergies and leverage from incremental revenue.

R&D expense was $12.4 million in Q1 of 2017 and $12 million in Q1 of 2016.

And finally, amortization expense was approximately $7.4 million in Q1 of 2017 compared to $6.5 million in the prior year period.

Below the operating income line, net interest and other expense was $8.6 million for Q1. For share count, our Q1 per share result as adjusted are based on average diluted shares of 103.7 million for Q1. If the company had been in a net income position, average diluted shares for Q1 of 2017 would have been approximately 105.5 million shares. Altogether, this resulted in adjusted EBITDA of $18.2 million and 10.3% of net sales for the quarter.

From a cash standpoint, our total cash balance, including restricted cash, at the end of Q1 was approximately $386 million, which includes $150 million in escrowed to fund a portion of the metal-on-metal Master Settlement Agreement. This balance is included as restricted cash on our balance sheet.

I will now discuss our 2017 full year guidance. Consistent with Wright's past practice, please note that our guidance ranges and assumptions for 2017 exclude any consideration for the effect of potential future acquisitions or any other possible material business developments. Additionally, it is important to note that we'll be using a number of non-GAAP financial measures to describe our outlook for the business. In particular, unless stated otherwise, all of today's discussions regarding our financial guidance refer to our as adjusted results of continuing operations. Our press release issued today notes those items that are excluded from our as adjusted results.

As stated in today's press release, we continue to anticipate net sales for full year 2017 of approximately $755 million to $765 million. This range assumes a negative impact from foreign currency exchange rates as compared to 2016 of approximately 2%. This assumes about a 1 percentage point cushion as compared to current currency rates. $10 million of net sales dissynergies resulting customers lost over the course of '16 due to the sales force integration, approximately $3 million of dissynergies from the anticipated divestiture of the international Salto ankle business and a positive impact of approximately 1% due to 4 extra selling days in the fourth quarter of 2017. This net sales guidance range implies constant currency net sales growth of 11% to 13% and approximately 12% to 14%, excluding the negative impacts of revenue dissynergies and Salto divestiture of approximately 2% and approximately 1% positive impact of the extra selling days.

We continue to anticipate full year 2017 non-GAAP adjusted EBITDA from continuing operations of $78.5 million to $85.5 million.

We estimate approximately 105.1 million diluted weighted average ordinary shares outstanding for fiscal year 2017. If the company were in a net income position, diluted weighted average ordinary shares outstanding for 2017 is estimated to be approximately 107.5 million shares.

As we stated on our last call, overall, we expect constant currency sales growth rates to be lower in the first half of the year and then accelerate to the mid-teens in the back half of 2017 as we annualize dissynergies and benefit from our new product launches and sales force expansion. Q2 growth rates are expected to be generally in line with the first quarter with a slight benefit to the U.S. growth rate from beginning to annualize dissynergies. We expect to then see a strong growth rate acceleration in Q3 as we more fully annualize dissynergies, begin to see benefits from the rep adds, the ongoing PERFORM reversed launch and the launch of INVISION.

Looking at revenue quarterly cadence from an absolute dollar standpoint, Q2 is typically seasonally softer than Q1 and with a growing business results in a Q2 that is typically very similar in absolute dollars to Q1. Q3 is typically the lowest quarter of the year. The sequential decline in dollars from Q2 to Q3 is expected to be less than normal this year as the new product launches and rep adds partially offset seasonality. Q4 is always, by far, the largest quarter of the year due to seasonality, and the uptick this year from Q3 to Q4 is expected to be even larger than normal as we have 4 extra selling days in Q4.

We expect our adjusted EBITDA margin improvement of 300 basis points for the full year to be fairly consistent over the course of the year with the second half margin expansion slightly larger than the first half due to higher revenue growth.

In closing, as anticipated, our Q1 growth rate was significantly lower than our longer-term goals as we face the maximum year-over-year headwind from dis-synergies, and we are not yet reaping the benefits of our new product launches and sales force expansion. The product launches and rep adds are on or ahead of schedule, and we are confident that they will drive significant contributions in the second half of the year.

We are looking forward to strong execution for the rest of 2017, where we'll be able to devote our efforts completely to driving our new products, expanding our direct sales forces and improving our business processes.

With that, we would now like to open up the call to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Joanne Wuensch with BMO Capital Markets.

Joanne Karen Wuensch - *BMO Capital Markets Equity Research - MD and Research Analyst*

I want to spend just a little bit of time on the sales force hires. It sounds actually encouraging that you are hiring more than you thought that you were or expected and that you're well into the training and process of it. But can you expand a little bit on the word friction? And how long does it really take for that to be resolved?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes. Joanne, I'll take that. We announced the new territory alignments and new comp plan that went along with that in mid-February at the -- at our national sales meeting. So what occurred then, which we anticipated, was reps that were changing parts of their territory, in other words, changing accounts around because another rep, a new hire was going to be taking over portions of that began to kind of focus on their new territories opposed to their existing one. And the new rep that we hired is not operational yet. So in this interim period is that we -- our business suffered a little bit as a result. But I think that longer term or certainly as we get into Q3, all that will be behind us. I think that it's -- the whole system is going much smoother now than when originally announced. I think we took great care in communicating and explaining everything. But still, it was a pretty big change for everybody. And as territories and customers and accounts moved around some is that that's what we call friction.

Joanne Karen Wuensch - *BMO Capital Markets Equity Research - MD and Research Analyst*

Okay. And as a follow-up question, to get to your mid-teens growth target, you had 6% constant currency this quarter plus 3% dissynergies. Can you bridge this from how do we get from sort of 9% to mid-teens?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes. Joanne, the -- really, as you get to the back half of the year, you're pretty clean from dis-synergies. But if you take out 9% to 10% first half of the year, excluding dissynergies, and then you get to the back half of the year and you really have significant contributions from PERFORM reversely and from all these rep adds, that's what's going to see us to accelerate into that mid-teens level. That's really more of what we're trying try to drive the company to. And then we also have the 4 extra selling days in Q4 that you don't have in the first half. And that's really the things that are going get us from where we are right now to that point where we're trying to drive the company.

Operator

Our next question comes from Matt Taylor with Barclays.

Matthew Charles Taylor - *Barclays PLC, Research Division - Director*

I guess, first, I want to start on the guidance. So I guess just taking your comments, Lance, on the cadence, it seems like there are some additional kind of back-end loading here. Is that really a function of the friction that you're talking about with The Street with modeling the cadence? And can you just help us understand what's changed because you really need a big fourth quarter to get up into the range now?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes, Matt. If you look at the growth rates, it is a pretty significant increase in the second half versus the first half. But if you were to look just more in absolute dollars, trends throughout the year, it's pretty logical. And in particular, I would point to the impact of the -- as we talked about previously with Joanne, a 100 rep adds in the lower business is a significant increase in the sales force and the PERFORM reversed is really a significant launch on the upper. Additionally, you really -- you don't have any impact much at all on a growth rate standpoint on -- from dissynergies in the second half of the year, and you have a very substantial impact in the first half of the year. And then the 4 days is a significant impact in the fourth quarter. So if you just think about those things that are going to drive the revenue moving throughout the year, it's a fairly logical movement throughout the year in absolute dollars. But some of the things is related to comps and things like that do make their growth rate look pretty significantly increasing from first half to second.

Matthew Charles Taylor - *Barclays PLC, Research Division - Director*

Okay. And then maybe just to follow up on the rep changes. I would assume that it's a challenge to kind of pull off that big of an addition, all these people in the new territories. What do you see in terms of turnover? I guess, can you speak to how the reps are kind of adjusting to the new territories and how you're keeping them engaged and incented to like, I guess, the situation?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes. Matt, you're correct. This is challenging because this is a big change to the organization. However, I think that we've developed a pretty robust communications plan, not perfect, but very robust. And as it shakes out for 2017 is that the comp is probably going to be at least similar to what they would have expected under the old plan. We have mechanism in place to make sure that, that happens. And I think those are kind of the big things. Where people are moving between one district manager, another district manager, those add some level of risk. But generally speaking, I think that things have really calm down nicely versus when we first launched this, as I said, in mid-February at the national sales meeting. This is -- still, if you're an orthopedic rep and particularly if you're a foot and ankle rep, this is the place you want to be in terms of opportunity, in terms of products, product portfolio and all the support that we give to -- in a very focused way to these products. The whole comp thing is always big with reps. And we certainly did not, in any way, look at this as an opportunity to save money, just the opposite, is that we have said philosophically is that we want to be the highest paying, most demanding company there is. And I think that the programs that we have in place, particularly as people get used to them, will bear that out. So I think that it was expected that when we first let people know what their new territories are going to be and how they're going to be affected and da, da, da is that -- there was what I call a distraction, and it was because people were a little bit concerned and kind of said, "Well, let me focus on my territory, not my existing one," and that did occur somewhat in Q1, and they'll be -- through Q2, that will still -- those things will still happen because we're not going to be fully up to speed with all these new hires to get them well trained and operational in that short period of time. But by the time we're in Q3 and Q4, I think this thing will be humming along, and all those benefits that we foresee will come to fruition.

Operator

Our next question comes from Steven Lichtman with Oppenheimer.

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

First, I wanted to just clarify on the non-AUGMENT biologics. I think you mentioned there was a little bit of pressure there. What was that from?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Well, the -- basically is that the non-AUGMENT biologics are directly related to the core foot and ankle procedures. And as they were slower in Q1, the associated biologics went along with that.

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

And then just secondly, internationally, you mentioned before, expect that variability quarter-to-quarter. But what do you see as more of the sustainable growth of that business over a period of time? And maybe you can walk us through some of the focuses for you guys there.

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

I think that we should be in high single digits in that business over time. It is lumpy because of significant amount of our international business is in distributor markets, and those orders -- don't follow kind of a normal trend and quarters mean nothing when you're in that business. Our direct markets are a little bit more predictable, and we're going to have -- we're seeing some high growth in some particular markets in the U.K., Australia, Canada and some not so high-growth areas like in France and Germany where reimbursement is an issue.

Operator

Our next question comes from Glenn Novarro with RBC Capital Markets.

Glenn J. Novarro - *RBC Capital Markets, LLC, Research Division - Analyst*

Can you guys hear me okay?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes.

Glenn J. Novarro - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. Two questions. First, AUGMENT. We all track AUGMENT off of your website. You put out the sales. And it just seems by what we're tracking, AUGMENT is starting to slow, starting to plateau. So I'm wondering if you could give us a little bit more color behind AUGMENT. How are things going in terms of the VAC Committees? And is AUGMENT doing better than what we're seeing on the website?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes. I don't think the website is a good proxy for how AUGMENT is going. I mentioned in my prepared remarks that our most technologically advanced products, being Total Ankle and SALVATION and AUGMENT, and I'm talking lower extremity, not upper, grew about 28% in Q1. AUGMENT was significantly higher than that. That's about all I'm going to give you, so...

Glenn J. Novarro - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. No, that's good color. And then just as my follow-up, you've added more reps, but you're maintaining your EBITDA guidance. Reps come with more expenses. So maybe can you quantify what the new reps are contributing in terms of expenses? And then how should we think about EBITDA with the added reps? Should we be thinking about EBITDA coming more in the center of guidance to the lower end of guidance? Any color would be helpful.

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes, Glenn. So we are adding about 30 more reps than we had originally planned, and there is some incremental cost to that. But if you just kind of think about what a new rep, so this is not going to be a really high-volume senior-type rep, it's going to be a newer rep and kind of their annual cost and 30 of those, it's not a huge number. And it's just the type of number that within every year, you're making allocation decisions and prioritization throughout the year on what's going to have the biggest impact. And the cost of the incremental rep adds was just at a level that we're able to handle just through some re-prioritization of planned spending, and therefore, no change to our EBITDA guidance. On our range, we give a range. We try and put a range, really, that we think is realistic. We're only 1 quarter into the year, and we're maintaining our range. And no comment other than we expect to deliver in the range.

Operator

Our next question comes from Matt Miksic with UBS.

Matthew Stephan Miksic - *UBS Investment Bank, Research Division - Executive Director and Senior Research Analyst*

So I know you give your synergy numbers and guidance when you -- and you give it in dollars. It's $10 million and $13 million for the full year. And then in the quarter, you give it per -- in percentages. But I just wanted to kind of make sure we're looking at this the right way, Lance, based on your comments. It sounds like the impact in the quarter globally was about $5 million and maybe U.S. lower was about $3 million. Is that round numbers approximately correct?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Well, I've done the exact math on absolute dollars. We said it had about a 3% negative impact on the total business. And of that, it's mainly weighted to the lower extremity business, which had about 5% impact there. That does leave some impact in the other areas of the business, probably more on international than anything else. But those were the numbers we gave, 3% in total headwind and 5% headwind for the U.S. lower extremity business.

Matthew Stephan Miksic - *UBS Investment Bank, Research Division - Executive Director and Senior Research Analyst*

Got it. Yes. And that translate into, at least, the numbers that I -- that's what I get. But -- and when you say international, is it predominantly international lower?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

No. Actually, it was spread in international. It was more -- little more complex than that internationally.

Matthew Stephan Miksic - *UBS Investment Bank, Research Division - Executive Director and Senior Research Analyst*

Okay. Got you. All right. And so I guess what I'm trying to figure out is if it is, let's say -- I guess if you were look at it proportionately, how much of that -- how far into this, if you want to talk about it in percentage, is this little less than half the way through of your total expectations for the year in terms of impact? Is that a fair way to look at it or something like that?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes. I think if you think about growth rates, we think definitely it's -- the dissynergies will have a year-over-year impact on growth rates, the impact to be the largest in Q1. And it will diminish from there. It will have a slightly less headwind on growth rates in Q2 and then have a pretty small impact on growth rates in Q3 and in Q4 is pretty clean.

Matthew Stephan Miksic - *UBS Investment Bank, Research Division - Executive Director and Senior Research Analyst*

Okay. Plus we have the pluses in Q4. And just began to make sure, I know you've given this 1% impact in your comments and appreciate you tuning those out, Julie. But the 1% for the 4 selling days, can you walk us through the math on that?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

The 4 extra days are going to add an amount of revenue that equates to roughly 1 extra percent.

Matthew Stephan Miksic - *UBS Investment Bank, Research Division - Executive Director and Senior Research Analyst*

Okay. In total?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Correct.

Matthew Stephan Miksic - *UBS Investment Bank, Research Division - Executive Director and Senior Research Analyst*

Okay. All right. And then if I could, just one on the reps as well and just following up on Glenn's question. Love to understand what the dynamic in the extremities market is like for reps in terms of either bringing new folks on board or more to your luck with younger folks in the hopes of training them up to be better reps because that kind of color would be helpful.

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes. I'll take that. About half of the 100 new quota-carrying reps are internal promotions, associated reps moving on up. So they are very familiar, obviously, with our products and have been in cases and don't need a lot of education on that. What they do need education on is customer relationships, competitive -- how to deal with competitive situations and a lot of selling kinds of features. And -- so we have developed a pretty robust curriculum to bring these people up to speed as quickly as they can, and their education will continue for -- not only this quarter, but in the next couple of quarters before they are fully proficient. Now the reps that we are hiring, the other 50 reps that are new hires, there's a much more product-orientated training that is taking place. We just had a big group into our facility in Memphis 2 weeks ago. And I spoke to them at some length, they all were revved up and ready to go. But they have -- generally come with sales acumen working for other companies, even some orthopedic companies, but not necessarily so, but are spending most of their training times learning our products and learning -- getting -- so that when they're in cases with physicians, they're proficient. So there -- it's about 50-50, and we're developing -- and our training is geared towards getting them proficient in what they need and proficient as fast as we can get them proficient. So that's what it is. We have -- everybody is -- when

-- at this stage knows where they're going to be, what their territories are going to be, what their -- who their accounts are going to be. And with that, there are some modifications that will always happen near the end. But -- so it's pretty well all laid out, and we are very heavily into the execution phase of this right now.

Operator

Our next question from the line of Bob Hopkins with Bank of America.

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

Can you hear me okay?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes.

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

I just have sort of a simple question. I just wanted to make sure I had a good understanding of the guidance that you guys are providing on the revenue growth side. So I apologize, I've got a couple of calls going on. But Q1 seemed very straightforward. Obviously, you reported the 6% but called out the 3 points of growth being limited by the disruptions that you talked about previously. Q2, it sounds like the guidance is for flat in terms -- sequentially in terms of absolute revenue dollars. And so that's obviously also a depressed year-over-year growth rate because of tough comp and lingering the same issues. So do I have it right so far, Lance?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes.

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

Okay. So I guess one thing I'm curious with the guidance that's implicit about the back half is when you think about organic trends, so obviously you've got some weird things going on with selling days in the fourth quarter. But kind of organically, in the fourth quarter, like how do you expect to be finishing the year from an organic growth perspective? Kind of -- again, putting aside the extra selling days, what's the underlying growth that you expect to be finishing up in the fourth quarter based on the guidance you provided?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes. So on a same selling day basis, we're expecting the growth to accelerate into the kind of mid-teens range in the second half and to that be the trajectory that rolls on into '18.

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

So that's on a same-day selling basis?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

That's correct. And that's really what the comments would, if you do the math, our comments would imply from our guidance.

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

Okay, Okay. And then the second question. I was just wondering, coming off the orthopedic meeting, we heard something from a bunch of the competitors out there. Bob, in your perspective, from a competitive perspective, are you seeing anything different out there that's worth calling out, either on the lower extremity side, on the shoulder side? Or is your view that competitively, heading into the early part of 2017, you haven't seen any difference?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Regarding the upper side of the business, we certainly -- I think if you would ask me a year ago, I would have said that some competitor probably -- some competitor would have been out with a short stem stemless design by now, and that has not happened. So I don't know -- although people talk about it a lot, for one reason or another, that has not happened. And so our SIMPLICITI product has -- is going extremely well. And then when we have the PERFORM reversed glenoid, again as a kind of unique product, I don't think we're going to be significantly ahead of competition for a strong period of time. On the lower side, I tend to think of lower, and it's not purely this way, but directionally it is. It's almost like 2 different businesses is that you have the technologically advanced products. You have SALVATION. You have Total Ankle. You have AUGMENT. And these products are high ASP products that are sold based upon technology, being advanced technology. The other part of the business, the -- what we call core, which is more than half the business, is basically screws and plates. And there is a lot of small competitors, regional players in this market, people that you wouldn't even recognize the name of that are very active in the core foot and plate business because there's not a lot of differentiation between most of the players. So -- and that core business tends to be very heavily what I call them activity-based business. In other words, you have to hustle for that business. You have to be there. You have to be willing to drive to get a hammertoe procedure, and you have to -- you're -- whereas the technologically advanced products are not like that. And that's why when we're -- as we go forward and we add these reps, we are focusing a portion of our sales force really on getting this core business back to the growth rates because I think that has more potential than we're seeing right now. The advanced technology products, that's a whole different sell. That involves a lot of training, involves technology with doctors, and those are high ASP products that reps tend to like to sell because of -- they make more money selling those. So the reorganization in our sales force, which includes 100 additional reps, is geared towards dealing with both ends of the business that we can get our core business up to significantly higher growth rates, but the same time of people focusing on this technology-advanced products so that we don't open the door for a competitor.

Operator

Our next question comes from Raj Denhoy with Jefferies.

Rajbir Singh Denhoy - *Jefferies LLC, Research Division - MD, Equity Research and Senior Equity Research Analyst*

I wonder if I could maybe just a follow a bit on the -- your comments around the shoulder market. If I'm parsing out what you're sort of having us focus on, it sounds like shoulder is going to be a pretty significant part of the growth acceleration in the back half of the year. And I guess a lot of that is driven by the launch of the PERFORM glenoid product. But is there anything you can give us in terms of what gives you confidence in that? Are you seeing any early adoption of that? Or how do we again would get us this comfortable again in that acceleration you are expecting back half?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

We launched the product in March, and our launch went well. We are trying to keep up with the demand for sets that -- so we're limited a little bit right now. And I've limited our rollout of this product to our existing customers. As we get more sets in the field, which will be in the second half, and so I think we can make some competitive inroads in that. That's the plan. I think it's such a unique product. I think that our sales force is telling me that they have a significant waiting list, and they're waiting us to get more sets to them, so that they can maximize that.

Rajbir Singh Denhoy - *Jefferies LLC, Research Division - MD, Equity Research and Senior Equity Research Analyst*

And then I imagine it isn't really all that important given that you've got 2 really interesting products. But between SIMPLICITI and the glenoid product, PERFORM, do you have -- is one of those perhaps carrying more weight as you move into the back half of the year in terms of growth?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Well, since -- the glenoid product is new, so that's all growth. But to be honest, I'm sure that -- there is some kind of cannibalization there, I can't -- I don't know exactly how much. But the SIMPLICITI product is now been launched for over a year, and we're seeing steady growth in that business. Now we have more difficult comps than we've had, but the -- we're moving ahead. It's -- there's no slowdown at all. And so we talked about the growth we had in Q1, and upper was primarily driven by SIMPLICITI. And we see that as a major product with -- as I mentioned to an earlier call -- with that as a mentioned to an earlier caller, without any competition presently. Although, we expect that, that will change sometime but I hope -- but sometime. I can't say when, but it will change.

Rajbir Singh Denhoy - *Jefferies LLC, Research Division - MD, Equity Research and Senior Equity Research Analyst*

Okay. Fair enough. Then just one last one, a clarification on AUGMENT. I think you had made some comments around looking for some product extensions with the FDA as the year went on. Is there any update in terms of what time line looks like in terms of -- I think it was an injectable version of AUGMENT.

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes. That's the -- the injectable is the next product that we will have on the market. We think that will be a significant boost to AUGMENT. I don't have any additional time lines for you. As we've discussed in the past, it's very difficult to predict these things. We'll let you know, either when we hear something good or bad, but nothing new to report.

Rajbir Singh Denhoy - *Jefferies LLC, Research Division - MD, Equity Research and Senior Equity Research Analyst*

Is that part of the acceleration you're expecting? Or is that all upside, should it come in?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

No. I think that's -- we would consider that upside. What we saw when we launched injectable in some of our international markets, and everything is not the same, but we saw a significant increase in AUGMENT injectable versus the other -- the way we currently do with components. And so it can be used really in more procedures because of -- you can get into different areas that the current system is difficult to get into, and the handling characteristics are so much superior that physicians really like to use it.

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Just to be clear, our guidance does not include any -- our '17 guidance does not include any potential benefit that would come from an injectable approval if it were to occur in 2017.

Operator

Our next question comes from Jeff Johnson with Robert W. Baird.

Jeffrey D. Johnson - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

So most of my questions were answered. I guess just a couple of clarifying ones. So Bob, just on that injectable AUGMENT. I guess my question would be you said good or bad updates from the FDA. Have you had any conversations with them over the last couple of months since we last talked that would push you one direction or the other and how you're feeling?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

No. Nothing -- I'm sure that there's been conversation, but there's nothing plus or minus to report.

Jeffrey D. Johnson - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes. Fair enough. And then -- sorry, Lance, were you going to say something?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

I would say, Jeff, for context, good would be it's approved. Bad would be we're on a different regulatory path. That would be kind of context for good and bad.

Jeffrey D. Johnson - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes. That you think you can't get the supplement -- that you can't go down the supplement pathway. Is that what you mean, Lance?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

That's a for example. I'm just saying like color in between that, we're unlikely to give.

Jeffrey D. Johnson - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes, yes, yes. No, I understand that. Okay. And then just on the sales reps. I do want to understand one other point or try to tie together a couple of things you've said, Bob. So when you're converting those associate reps to quota-carrying reps, it sounds like you're taking them out of maybe territory A, where they were a supporting rep and move them in into and giving them a new territory, where they're now a quota-carrying rep. So is some of the disruption you're seeing just as in territory A, where they're being removed, there's just not as much support function there for that quota-carrying rep that's remaining? And you just got to get somebody to kind of easier to backfill into that supporting role and that's where we get the pickup in the back half of the year? Just any color there would be helpful.

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

That is part of it. And in some cases, the other part of it is that in a territory that is large enough, where there is currently a quota-carrying rep and associate rep, is they may be splitting that territory which would enable both reps. One would be more focused on Total Ankle Replacement and SALVATION, and then the other would might be more focused on core products and then will have time to grow the business as opposed to be tied up in one large territory. And that is intrinsically evolved, by the way, to the more technically advanced products.

Jeffrey D. Johnson - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Yes. And I'm sure you don't want to get too granular. But if the quota-carrying rep has to feed some core business to what used to be the associate rep, is that where some of the frictions lie as you were referencing? Or again, just help us understand that.

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

I mean, that could happen. Although I think from a comp perspective, there's no downside in the way that the comp program is rolled out for that rep at least in the -- at least for this year. But it's more or less -- more of the friction comes from reps that had customer A, customer B, customer C, customer D is no longer going to have customer C. That's going to go to the new rep. But the new rep is not totally up to speed yet, and the existing rep is focused on his new territory. That's where most of the friction is coming from.

Operator

Our next question comes from Larry Biegelsen with Wells Fargo.

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

Bob, it looks like about $2 million out of the $4 million in the [myth] versus The Street came from the lower extremities outside the U.S. And I would imagine that wasn't impacted by the sales force hires that you've been talking about on this call. So could you help us understand what happened in lower extremities outside the U.S., which was down 8% year-over-year?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes. I guess -- so Larry, this is Lance. I mean, that's a hard -- you're talking about versus a consensus line item modeling. That's challenging for us to try and reconcile for you. I would tell you international in total was kind of in that mid-single digit range that we had signaled to people you should expect, and we're really thinking about that international more in total, so -- as opposed to individual line items. But with that, Bob, I don't know if you want to add...

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

No. I'll just add we don't do consensus. We look at how we can, over a period of time, grow our business effectively and to its maximum potential. And so in -- we -- what we did in terms of -- in Q1 of adding all these reps, that was -- that -- we did it faster than we had expected. There were some pain to go along with that. But the long-term reward, and it's not that long term because for the year, we certainly do anticipate being in our guidance, it was worth it. And that's the way -- and if we had to do it over again, we would do it again. So we're not too focused -- if you -- and I don't mean any disrespect, but we're not too focused on consensus. We're really focused on how we can maximize this business, not just in a quarter, but over a longer period of time. And I think that what we did in this year strategically is very beneficial to the company, very beneficial for value creation. And although Q1 might have been slightly short of consensus, we think that we're really on the right track strategically and executing against that and think that we're going to have an outstanding year.

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

I probably didn't ask my question right. The lower extremities outside the U.S. grew about 9% in 2016, 5% in Q4, but it was negative 8% in Q1. And I was just wondering if there was something unique in Q1 2017 that depressed the lower extremities growth outside the U.S. And just lastly for me -- so that was my question. It really wasn't so much versus consensus. But -- and then just lastly, Bob, any color on the end markets in the U.S. upper/lower extremities that you would call out?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

I'll ask Lance to take the question about the OUS business, and I'll take the end market question.

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes. So the growth rate was lower, Larry, as you point out. There's nothing specifically to highlight as we've talked about. The international business can bounce around from a growth rate standpoint due to the stocking distributor business, and certainly line items within international are even more susceptible to variability than the total. So nothing specifically to highlight. And international in total was in line, really, with our commentary of what we were expecting.

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

So regarding the end markets, in the upper extremity business, the shoulder business is really -- has a terrific growth profile to it. I think our -- we expect to be mid-teens in that, and I think everybody is seeing growth in upper extremity shoulder replacement. So that's a very healthy business for us and I'm sure for other folks. Lower extremity business is that -- I think that the core products, there are more -- our -- what happened -- where we are is that our organization got -- we're a victim of our own success to some extent. Our organization really got focused on selling these higher-end, technology-advanced sexy products. And we're not so focused on the core -- plate and screw products, which, as I said before, make up over half our business. And so in that extent, it is a lot of these competitors, and I think that they're not major competitors. A lot of these are small regional players actually gained some market share over us in Q1, but that's why we did what we did. That's why we developed a plan. We recognized this last year. We announced it to everyone at the beginning of this year is that we need more feet on the street to reach the potential of our total business, both ends of that lower business. So we're excited about that. We think that, that plan was a -- strategically is a great plan. It took some guts to say we're going to add 100 reps, but I think that it will play out because we see these markets, both the basic core market, as a very healthy growth market, and we see the more exotic products as really a significant growth market. But they are a little bit different in their dynamics.

Operator

Our next question comes from Kaila Krum with William Blair.

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

So despite the sales force friction, you did comment that several of the key -- more differentiated products are still performing really well there. So I guess can you talk a little bit more about what specifically is shielding those products from impact? And what gives you confidence that we won't see the friction issues taper into those segments if the focus does shift back to the core segment?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

The core -- the more differentiated products, Kaila, are the ones that are more -- it's more of a technology sell and an education -- medical education sell with the physicians. And our organization is very adept at doing that and have gravitated towards that. Most of the new hires that we are talking about are going to be more geared towards getting the core business back up to its potential. So I think that the friction that we talked about was in the core end of the business, not in the differentiated end of the business, if you want to describe it that way. And as we get these -- all these adds up and running and trained and productive is that the -- both sides will be able to grow without any friction.

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

Okay. That makes sense. And then second, just on the total ankle market. I mean, it feels like all of the pieces are sort of falling into place for growth to really accelerate in Q4 and then into next year, just with INVISION and then the potential payment rate increase. So I guess to what extent do you think that the market can accelerate perhaps in 2018? And do you think that, that payment rate increase might be able to actually drive the overall market size even above that prior $500 million long-term target?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Well, I think that -- I'm not going to forecast growth rates in 2018, other than I think that they should be really healthy. When we got -- when you look at our $400 million or $500 million market, we're saying that you get to there by thinking -- and we have some third-party research that leads us to believe is about somewhere about 80% of the fusions that are done are appropriate cases for total ankle if the physician wants to do them. And the things that stand in the way of the physician doing them is part of its psychographics is they're late adopters. They need -- they don't get into things easily and quickly. It takes them more time. But more than that, it is the time that it takes versus the reward that they get. You speak to physicians all the time about how the surgery time and then they were -- they didn't feel being compensated well. And then the third aspect to that is what if something goes wrong? What if I do a patient, something goes wrong, or I did it when they were younger, and now I have to -- they're having a problem. What do I have? Up until now, they haven't had that true revision product. And starting in Q3, that will be part of it. And the other part of that is our -- we -- our generally technology-advanced products. PROPHECY is such a big deal. I think when our competitors think about total ankle, they think about an implant. We look at this as a whole system of things, INBONE, PROPHECY, INVISION, INFINITY, that -- so that we can cover everything that may happen in that. And the other part as I said the time that it takes versus the reward. It's documented, and there's papers been written that when INVISION -- or excuse me, an INFINITY case with PROPHECY is about 45 minutes less time on average than a normal total ankle replacement. So all those pieces add up. And as I said in my prepared remarks is I think the total ankle market is terrific. I thought it was terrific 3 years ago. Whatever we decided to just focus on extremities, and that it's going to reach a tipping point. And I think these things, this added reimbursement; INVISION having the bailout in case something goes wrong; the PROPHECY, to make it easier and less timely all are going to lead to that. And the psychographic nature of physicians that are late adopters, I think the pressure will be on them, I think, to start doing them, to be up to speed and to practice medicine. So I think all those things lead me to believe that this business is going to accelerate. I'm just not prepared to say at what rate in 2018 and 2019. But we had -- most people look at this about $100 million business, and that's why how we get to $400 million to $500 million is really -- is all getting the vast majority, if not all of the appropriate cases given the technology that we have.

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

Okay, great. And just one last question on just AUGMENT as it relates to kind of the course of this year. How should we think about potential clinical catalysts regarding AUGMENT and just more long-term clinical work you guys are doing there?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

We -- the major clinical work we're doing is what we talked about is the injectable form of AUGMENT. We think that has the most gain in the shortest period of time. We do think that AUGMENT is potentially a platform technology that could be used in other areas. We had some initial exploratory work done in those areas, but we have not launched anything, and I don't think we will be in the near-term future, anything outside the foot and ankle end of the market.

Operator

Our next question comes from Andrew Hanover with from JPMorgan.

Andrew Ronald Hanover - *JP Morgan Chase & Co, Research Division - Analyst*

I wanted to start on just trying to quantify what the impact is on the friction word. Is it somewhere between 200 to 300 bps on a quarter on top of about 3% for dis-synergies? And how do we think about friction in the second quarter? Yes, and then when we -- when you're discussing friction, I just want to be clear, is this more of a company-specific, sales-rep-specific logistics? Or was there opportunity for some of these small ankle-biter-type companies to come in and get -- have a door opening for them to -- for them?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

So Andrew, I'll take the part on the impact to Q2. And so we're not going to specifically quantify the friction. We're just noting that, that was some headwind in the quarter that once you get to the second half of the year, that will turn into a tailwind from the rep adds. As far as Q2, we're trying to be pretty clear that in absolute dollars, we expect a Q2 that's pretty similar to Q1. And that's in total the comments, not specific to any line, but that's really what you should expect. As far as the friction and competitors, the cases occurred and if we didn't get them, somebody else got them. But mainly, we're viewing this, as Bob talked about, this core foot and ankle is very activity driven, and we had areas where we didn't have people driving the activities in the first quarter because they're focused on their new territory or driving these more technologically advanced products. As we move into the second half of the year, we're going to have a significantly larger number of people focused on driving these activities in that part of the business, and we think there will be a significant impact from that.

Andrew Ronald Hanover - *JP Morgan Chase & Co, Research Division - Analyst*

All right. And then one more thing about these sales rep adds, whether it be an associate or a new hire, do the reps have to get pulled out of their territory in order to get trained? And then how do we think about sort of the mix between competitive reps versus reps that might have come from other higher-growth markets?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

The associate reps that were promoted to quota-carrying reps had both had field training and headquarters training. The new hire reps had a significantly more centralized training because they aren't familiar with the products and a longer training cycle than the associate reps that are being promoted.

Andrew Ronald Hanover - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And then one last one, just on Salto, the OUS portion of it. I think April 1 was the day that Integra could come and execute the agreement. Just wondering if you've heard anything on that front? And what are you expecting in terms of when they might execute the agreement?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

So Andrew, technically, as of today, they have not exercised their option, but we expect that to be soon. And I think that's backed up on with some public comments that they've made, and so we anticipate that will be in the near term.

Operator

Our next question comes from Chris Pascuale with Guggenheim.

Christopher Thomas Pasquale - *Guggenheim Securities, LLC, Research Division - Director and Senior Analyst*

I wanted to start with the IPPS change. Bob, what percentage of total ankle -- the total ankle population is covered by Medicare?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

I don't know, Chris. Generally speaking, total ankle replacements are done on older patients where we have -- our plans are to with some of the advancements that will rank us to get it down to lower patients. So I would assume that's a significant portion of the business that is covered by Medicare.

Christopher Thomas Pasquale - *Guggenheim Securities, LLC, Research Division - Director and Senior Analyst*

Okay. And then what do the economics of the procedure look like for a typical hospital at the current payment level? In other words, have they been losing money on these cases in the past?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

No. I don't think that they've been losing money. But this $7,000 increase is going to go a long way, both for the physician and for the hospital, to make them much more excited about doing total ankle. We hear it all the time. [The week for last] I was out in the field with reps for the whole week, for a whole week. And at the time, we didn't have this information that we do now about the change in reimbursement, and there were a lot of docs really complaining about it. So I think this is going to be very, very helpful to accelerate the total ankle replacement business.

Christopher Thomas Pasquale - *Guggenheim Securities, LLC, Research Division - Director and Senior Analyst*

Okay. And then just one last one for me. You talked a lot about the mechanics of the sales force expansion, but you just kind of brushed over the thought process behind what actually drove the expansion to be upsized versus what you were thinking in January? Could you just kind of walk through the thinking there? What was it that you identified that led you to that decision? And why do it all at once here and risk some incremental disruption versus layering it in?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Didn't mean to brush through it, Chris, I promise you. Is that -- when -- as we got into this and we started adding and dividing and we just found more opportunity. It's as simple as that. There were many ways that we could have gone about this, but we wanted to do something -- we wanted to do this in a way that got us through this as quickly as possible so that we could be, in a very short period of time, have this behind us and be on a purely accelerating path as opposed to having this as a overhang for many quarters to go. We could have made a decision. We decided to it the way we did it. And even though it did cause a little bit of friction in Q1 and perhaps in Q2, we think that the -- that friction is worth the benefit that we're going to get as we get into the second half of the year and then into 2018 and beyond.

Operator

Our next question comes from Richard Newitter with Leerink Partners.

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

Just 2 quick ones. Lance, what was the actual pro forma growth rate in the first quarter, excluding the divestiture -- Salto?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

I'm not sure what...

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

Was it 9%? Was the pro forma -- the equivalent to the 12% to 14% for the full year?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

So I don't know about the reference to Salto. But the growth rate, excluding the impact of dissynergies, was roughly 9%, yes.

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

Okay, so 9% is the number. And you said that the first half is 9% to 10%? Is that right?

Lance A. Berry - *Wright Medical Group N.V. - CFO and SVP*

Yes. That's what we talked about. If you have absolute dollar sales that are similar in Q2 versus Q1, you have -- you should have a little bit of acceleration in the U.S. due to annualizing some dis-synergies. But -- so in that range, yes.

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

Okay. And then just as we think of the non-AUGMENT biologics comments, Bob, that you had made, should we just think of those essentially getting pulled -- kind of pulled through? And as the distraction kind of mitigates as we move through the year that non-AUGMENT biologics portion should also kind of begin to rebound in lockstep? Is that the correct way...

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes. That -- the non-AUGMENT biologics business has a direct relationship to the core foot and ankle business, and that's what we're focused on -- the majority of what we're focused on in fixing and accelerating with the additional rep adds. So as we go through the later half of the year and the new rep adds take effect is that, that business will also be affected in a positive light as will be the core business.

Operator

Your next question comes from the line of Mike Matson with Needham & Company.

Michael Matson - *Needham & Company, LLC, Research Division - Senior Analyst of Medical Technologies and Diagnostics*

Just wanted to ask about the decision to add an additional 30 reps above and beyond the initial 85 that you had planned. I think I asked the question on the last call about how you got to the 85 number, and it sounded like you had put kind of some significant thought analysis behind that number. So what led you to add the additional 30?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Well, yes, we did a lot of analysis when we originally said that the number was 30 less. However, we saw additional opportunities that we could drive additional revenue, additional growth and gain more share if we added these additional 30. And it was a decision that we thought about long and hard and decided that the -- over the long term, and I mean, even later this year, is that, that additional 30 is more beneficial having those reps than not to drive the business that we have potential to drive in late 2017 and beyond. So it's as simple as that. We recognize, and it's not a bad thing, I don't think, to recognize that you could -- to reevaluate where you were on getting some additional new information and analyzing it differently and looking at it all different ways, so we decided to go for the bigger number.

Michael Matson - *Needham & Company, LLC, Research Division - Senior Analyst of Medical Technologies and Diagnostics*

Okay. And then as I understand it, the problems that Zimmer-Biomet is having at the Biomet plant, it sounds like it has affected their shoulder availability as well. So I'm just curious if you're seeing any kind of benefit from that with some of the Zimmer-Biomet shoulder customers switching to your products or being more open to it?

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Yes. There is some. I just can't quantify it for you. That's, we think, a ripe opportunity. And certainly, some of our new products are an entry way into those accounts. I don't wish them any bad luck, but I think that we will try to take full advantage of that situation.

Operator

I'm showing no further questions in queue. I'd like to turn the call back to Mr. Palmisano for any closing remarks.

Robert J. Palmisano - *Wright Medical Group N.V. - CEO, President and Executive Director*

Well, thanks, operator, and thank you all for joining us today.

We have multiple opportunities through our robust new product pipeline to further accelerate our growth, continue to expand our markets and gain market share. I believe we are well positioned to continue to accelerate our business momentum and drive market-leading growth and profitability.

I want to express my appreciation to our team for their efforts in Q1. I look forward to updating you on our next quarter earnings call. We appreciate your interest and continued support. This concludes our call.

Operator

Ladies and gentlemen. Thank you for participating in today's conference. This concludes the program and you may now disconnect. Everyone, have a great day.
