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## WMGI - Q3 2017 Wright Medical Group NV Earnings Call

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**OVERVIEW:**

Co. reported 3Q17 constant-currency global net sales growth of 8% YoverY. Expects 2017 net sales to be approx. $740-745m and 4Q17 net sales to be $212.6m-217.6m.

## CORPORATE PARTICIPANTS

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

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

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

## CONFERENCE CALL PARTICIPANTS

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

**Anna Marie Nussbaum** *William Blair & Company L.L.C., Research Division - Associate*

**Anthony Charles Petrone** *Jefferies LLC, Research Division - Equity Analyst*

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

**Jason M. Bednar** *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

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

**Matthew Donald Henriksson** *BMO Capital Markets Equity Research - Associate*

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

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

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

**Xuyang Li** *Barclays PLC, Research Division - Research Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the Third Quarter 2017 Wright Medical Group N.V. Earnings Conference Call.

(Operator Instructions)

As a reminder, this call is being recorded.

I would now like to introduce your host for today's conference, Julie Tracy. Please go ahead, ma'am.

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

Thank you, and good afternoon, everyone. Welcome to Wright Medical's Third 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 third 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. 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 in today's discussion includes certain non-GAAP financial measures. Please refer to the reconciliation, which appears 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. Unless otherwise noted, today's discussions 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 compared to the prior year quarter.

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

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

Thanks, Julie, and welcome to our third quarter earnings call. On today's call, we will be covering our results for the third quarter, providing an update to our 2017 guidance and providing some initial thoughts on 2018.

Our U.S. upper extremities business had an exceptional quarter and grew 19%. However, in total, the third quarter fell short of our expectations. The third quarter was negatively impacted by the hurricanes, we estimate that net sales impacted hurricanes was approximately $3 million in the quarter, heavily weighted towards the U.S. lower extremities business.

In addition, our U.S. lower extremities business did not perform as well as we expected as the benefit of the sales force additions is developing lower than we had originally anticipated. We have adjusted our net sales guidance accordingly.

Despite this impact, we made positive progress on non-GAAP adjusted EBITDA margins, which improved approximately 370 basis points over the prior year. In total, our net sales grew 8% on a constant currency basis for the quarter and were negatively impacted by hurricanes by approximately 2 percentage points. This is an acceleration from a prior quarter growth, despite the negative impacts of the hurricanes, but is also below the level that we had expected to deliver.

Highlights in the quarter include 90% sales growth in U.S. shoulders, led by the ongoing launch of our PERFORM Reversed Glenoid and continued contributions from the SIMPLICITI shoulder systems. We anticipate that our PERFORM Reversed launch and accelerating adoption of BLUEPRINT enabling technology will drive strong shoulders revenue growth for the remainder of this year and beyond. Demand for PERFORM Reversed is outstanding and currently outpaces the amount of surgeries we can support with our current instrument sets. We are continuing to add instrument sets over the course of Q4, which will improve our ability to meet demand for this great product.

We are also seeing strong increase in demand for BLUEPRINT as the expanded surgical planning modules that became available in the first half of the year are driving a sharp increase in both the number of surgeons using the software to planned cases and the total number of cases planned. You will recall that PROPHECY preoperative planning has been a critical -- has been critical to our success in total ankle, evidenced by over 80% of INFINITY cases using PROPHECY. We believe BLUEPRINT will be just as important to our shoulder business over the next several years, and this is just the tip of the iceberg as BLUEPRINT provides benefits far beyond just surgical planning -- surgical case planning.

In our U.S. lower extremity business, our technically advanced products, which include AUGMENT Bone Graft, SALVATION Limb Salvage and Total Ankle Reparation [sic] [Replacement] continue to perform well, growing 16% or about twice the overall market growth in the quarter. AUGMENT continues to be the fastest growing of our technologically advanced products as we added new customers and further penetrated our existing customer base.

We had another quarter of outstanding gross margin performance of 78.2%, and we continue to make significant progress on non-GAAP adjusted EBITDA margins, which improved approximately 370 basis points over the prior year quarter. We will continue to focus on improving our balance sheet and our cash flow for the remainder of this year, and in 2018 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 U.S. lower extremities business in the third quarter. As I stated earlier, growth in the core U.S. lower extremities and core biologics portfolio was significantly lower than our more technically advanced products due to slower than anticipated benefit from the sales rep additions that we made earlier in the year. Specifically, the issue is -- that has taken longer for the new reps that we hired from outside orthopedics to ramp up and begin contributing, building relationships with physicians take time, and this is still a very much a relationship business. Over time as these relationships expand and become solidified, I believe, it will fuel the growth we originally anticipated.

Additionally, we believe our new products will help improve our growth in core lower extremities. Our new ORTHOLOC 3Di Ankle Fracture System, which was launched in early Q3, has been very well received. We'll be rolling out additional instrument sets in Q4 and early 2018 to meet demand for this product. We also have a number of upcoming product launch in core lower extremities that will further enhance our offering and contribute to 2018.

Let me reiterate that adding additional reps was long overdue and it is the right strategy to improve the growth rates in our U.S. -- in our core lower extremities and core biologics business. Also, targeting sales reps with strong history of growth, but without specific foot and ankle experience, will provide long-term benefits, but is definitely taking these reps longer than is typical to produce meaningful benefits.

I continue to be optimistic as we look forward. We are on 3 of the fastest growing markets in orthopedics. All of our new product launches are on track and our technologically advanced products grew at twice market rate. Significantly improved reimbursement for total ankle replace became effective on October 1, 2017, and we have a product pipeline that we believe will continue to fuel our growth in 2018 and beyond.

Additionally, although it was taking longer than we anticipated, I still expect a significant expansion of our foot and ankle sales force will drive improved growth rates in the future as the relationship between our -- between our new reps and their surgeon customers solidifies.

Turning now to our other strategic priority for 2017, which is balance sheet management. An important initiative that we have discussed before is moving the U.S. upper extremities inventory into our hub network. We made great progress in the third quarter and finished moving all of the upper extremities revenue from direct sales districts into the hubs, which is a quarter earlier than planned.

We expect to realize the same significant benefits as we saw when we established our hub network and move the lower extremities inventory into the hubs. These benefits include much more control and visibility over the performance of our field inventory and instrument sets, a reduction in our field inventory data on hand and increases inaccuracy of our demand forecasting, and much less time by our reps spent on inventory management, resulting in improved sales rep productivity. We expect this will benefit us in 2018 -- significantly in 2018.

I did want to take a few moments -- I did want to make a few comments about our updated guidance for 2017. We have adjusted our net sales guidance to account for the hurricane impact and delayed benefit from our sales force additions in our U.S. lower extremities business. We are increasing our adjusted EBITDA range to reflect the progress we have made below the revenue line through the third quarter of this year. I am confident that both of these ranges are achievable and have been set appropriately based upon the current trajectory of our business.

With regard to 2018, we are optimistic, given the many opportunities ahead of us. However, while our goal remains to drive mid-teens through constant currency net sales growth, with the current trajectory that we are on, we do not anticipate mid-teens growth for the full year of 2018. We do believe double-digit growth is attainable in 2018. We also continue to expect and achieve our other key financial goals of gross margins in the high 70% range and non-GAAP adjusted EBITDA margins of approximately 20% in the next 2 years.

In closing, I believe we are positioned well for future success in our upper extremities, lower extremities, and biologics business. We have a focused sales organization, highly differentiated products, and robust future product development pipelines. I believe that these advantages will enable us to produce differentiated revenue growth and gross margins.

With that, I will now ask Lance to provide further details on our third quarter results. Lance?

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**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 compared to the prior year quarter 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 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 2017.

Globally, our net sales grew 8%. The acceleration of growth from Q2 was led by strong performance from the U.S. shoulder portfolio and solid growth in our international markets, partially offset by underperformance in our U.S. lower extremities business. In addition, Q3 was negatively impacted by hurricanes, which we estimate to be approximately $3 million or 2 percentage point negative impact to the total company constant currency growth rate.

The U.S. lower extremities business was flat in Q3. As Bob discussed, in addition to the hurricane impact, our U.S. lower extremities business did not perform as we expected as the benefit from the sales force additions is developing slower than we originally anticipated. The most technologically advanced portion of the portfolio had growth of 16% or more than 2x market growth and helped offset the losses we saw in the core plate and screw portfolio. U.S. total ankle replacement grew approximately 15% in Q3.

The U.S. biologics business grew 2% in Q3. Augment showed strong growth in the quarter, while the core biologics portfolio continued to be more challenged, driven by the slow ramp-up of the U.S. lower extremities sales force expansion. The U.S. upper extremities business grew 19% in Q3, due to the continued strength of our shoulder portfolio. We rolled additional sets out to the field in Q3 and we'll continue this into Q4. These additional sets will allow us to more aggressively pursue competitive conversions and drive growth for the remainder of the year and beyond.

In addition, the hand, wrist and elbow portfolio grew 14%, driven by focused efforts in the upper extremities sales force. Our international business grew 8% in Q3, driven by strong performance in our direct markets.

Now moving on from detail below the sales line, please note that all of my discussions will refer to our continuing operations results. Beginning with our Q3 adjusted gross margin, we achieved 78.2% for the quarter, flat to prior year.

As for the line items making up our Q3 operating expenses, selling, general and administrative expenses as adjusted totaled 76% of net sales for the third quarter compared to 78.5% in the prior year period. The decrease as a percent of sales was driven primarily by continued leverage from incremental revenue, cost synergies and lower levels of incentive compensation.

R&D expense as adjusted was $11.9 million in Q3 of 2017 and $12.3 million in Q3 of 2016. And finally, amortization expense was approximately $7.2 million in Q3 of 2017 compared to $7.5 million in the prior year period.

Below the operating income line, net interest and other expense were $8.5 million for Q3. For share count, our Q3 per share results as adjusted are based on average diluted shares of 104.8 million for Q3. If the company had been in a net income position, average diluted shares for Q3 of 2017 would have been approximately 106.5 million shares. Altogether, this resulted in adjusted EBITDA of $12.4 million and 7.3% of net sales for the quarter.

From a cash standpoint, our total cash balance, including restricted cash at the end of Q3, was approximately $277.8 million, which includes $39 million remaining in escrow to fund a portion of the metal-on-metal Master Settlement Agreement. This balance is included as restricted cash on our balance sheet.

On October 3, we agreed on a comprehensive settlement agreement intended to resolve substantially all remaining metal-on-metal hip claims pending or told in a multi-district litigation and related California State proceeding that were not settled in a previously disclosed Master Settlement Agreement. We are pleased to have reached this settlement agreement, portions of which are contingent on receipt of insurance payments.

We continue to believe our current cash balance and borrowing availability provides us enough cash to continue to fund the growth of the business. From an acquisition standpoint, we are not currently focused on adding scale or diversity to the business through acquisitions, however, as we have stated previously if there are differentiated technologies in our space, we will pursue those aggressively. We believe we have the capacity both in cash and stock to fund M&A for the right opportunities.

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 will 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 have updated our net sales guidance for the full year 2017 of approximately $740 million to $745 million, which implies Q4 net sales of $212.6 million to $217.6 million. This guidance range assumes an approximate 1% tailwind from currency for the fourth quarter, which is approximately 1% of cushion for the fourth quarter as compared to current rates.

In addition, this range implies Q4 constant currency net sales growth of 6% to 8%, excluding the approximately $7 million estimated impact of the 4 extra selling days in Q4 of 2017.

We have updated our full year 2017 non-GAAP adjusted EBITDA from continuing operations to $84 million to $88 million to reflect the progress we have made on improving profitability. We estimate approximately 104.5 million diluted weighted average shares outstanding for the fiscal year 2017. If the company were in a net income position, diluted weighted average shares outstanding for fiscal '17 is estimated to be approximately 106.5 million shares.

The last item I would like to cover is some directional comments on 2018. As is our normal mode of operation, we will provide formal 2018 guidance on our Q4 call in February. However, I wanted to provide you with some thoughts to keep in mind as you begin to develop your 2018 models.

We expect the extremities and biologics markets to continue to be high-growth in the range of 7% to 10%. From a modeling standpoint, we will have the negative impact of 4 fewer selling days in Q4. Our business is currently growing on a constant currency net sales basis of approximately 7% to 8% for the total company. That is the current trajectory of the business. We expect to improve this growth rate, but we do not anticipate mid-teens constant currency net sales growth for the full year 2018, with the current trajectory we are on.

In total, our sales growth rates are generally in line with market rates of growth. Parts of our business are growing significantly faster than the market and some are lagging. Overall, we believe our product portfolio, enabling technologies and focused sales forces, provides us with advantages that, in general, will enable us to grow faster than the market.

As we look specifically to 2018, we will have the positive impact of a full year of all the 2017 new product launches and the rep additions in the U.S. Excluding the impact of the 4 less selling days, we expect our product and sales force advantages will enable us to reach double-digit constant currency growth for 2018.

From a profitability standpoint, we anticipate continued improvement in adjusted EBITDA in 2018 as revenue growth drives continued leverage in SG&A.

We have stated consistently that we expect to have EBITDA margins approaching 20%, 3 to 4 years post the close of the Tornier merger, which would be one to 2 years from today. We have made tremendous progress on EBITDA margin expansion in the first 2 years post the close of the merger, producing approximately 17 percentage points of expansion at the midpoint of our current guidance range through cost synergies and leverage. We still anticipate reaching our 20% adjusted EBITDA goal, but at this point, it's clear that it would be closer to 2 years from today.

In closing, we are off on the timing of the benefits of our recent sales force expansion. Our Q3 net sales growth rate was lower than we anticipated, and we have adjusted our full year revenue guidance accordingly. Despite the sales impact, we have continued to make good progress on our EBITDA margin expansion efforts, resulting in an increase to our full-year guidance. We are focused in high-growth, high-margin markets, and our product portfolios and focused sales forces give us advantages in those markets.

We look forward to finishing 2017 and moving into 2018, where we will continue to focus on fully realizing these advantages and improving the performance of the business.

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

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Our first question is from the line of Matt Miksic of UBS.

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

I wanted to ask a question on something that is a little bit challenged in the quarter. I'm sure it'll yield a number of follow-ups, and then I follow-up with something that it seems to be going quite well in the quarter. So the first on the lower extremities side, given especially how well the upper extremities are doing and how well that sales force appears to be executing, I guess what additional color -- you mentioned something in your prepared remarks, Bob, but what additional color can you give us that this is an execution that's a ramping of new rep issue and not some deeper sort of competitive mismatch against some of the competition of the low -- on the low side. And I have one follow up.

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

Thanks, Matt. The -- if you look at the lower extremity core businesses where the issue was, it's not in Total Ankle or AUGMENT or Charcot. It's really in that core business, which is our basic plate and screw business. That was flat, maybe even slightly negative, if you look at it. And if you break that down further, when we look through that, we added 115 new territories this year. We hired -- we announced it to our organization in Q1, and that caused some disruption at that point. We hired and trained everybody in Q2. And then, we were in launch mode in Q3. There were -- I would look at it in 4 -- with 4 different segments to that. One is that reps that didn't change anything, didn't change territories. They did well. They grew at, basically, market rates. Reps that were promoted, there were assistant sales reps in our organization, and there's approximately about 50 of those, that were assigned territories in their areas that they were currently working. They did well. Now the other 2 categories, reps that were existing that transferred to new territories, they did not do well. They had negative growth. And reps that were hired from outside the organization and put to new territories, they did not do well. So and -- so the -- but I think it's all going to come together, it's just a matter of time. In addition to training people on the procedures and everything, there's a big relationship angle to this. Doctors establish relationships with their reps over a period of time and grow confident -- and have confidence in them, and that's going to take time. Now we overestimated the ability to shorten that time period. And that's what the basic issue is. So we think -- we're pretty certain that, going forward, that these 115 new territories will be able to get up to at least market rates of growth in total, and as we get into 2018 and time progresses. So I mean, that's what we think, time will tell. But we're pretty sure of what -- we get a pretty deep dive, we're very introspective about this. We're not trying to hide or anything, but we made the mistake of really over -- thinking that this was going to be better than it actually was in a very short period of time. We think it will be better and we delivered results. It's just a matter of give it some more time.

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

Okay. I'll let some other folks follow up on that. But the follow up I had was on, obviously, the upper and extremities are, actually, maybe the bright spots of the quarter. I mean, upper extremities and EBITDA, and you've beaten pretty well throughout the year, up your guidance. You're into that sort of double-digit range for '17, and your guidance suggests that sort of pushing out maybe just a touch to expectations to '20. I guess help, maybe, understand what is going well that's enabling you to sort of beat and outperform now, at least from our perspective? And if you're pushing it out, how much of that is -- is that your top line commentary for next year? Or the need for further investment? Or maybe what some of the moving parts there are?

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

Yes. Matt, I'll take a stab at that, and Bob can add if he wants. So on -- this year, we've done a really good job on cost control and continue to deliver on the cost synergies. And it looks like we're going to be able to deliver that roughly 300 basis points of SG&A leverage, despite having a little bit lower revenue number. And then, also, we really didn't guide to gross margin improvement coming into the year. But this point, with 3 quarters in, and where we see Q4 likely to land, it looks like we are going to get a little bit of gross margin improvement year-over-year. So those 2 things combined, are going to allow us to do a little better on EBITDA this year, despite being a little lower on sales. Looking out as far as on the 20% goal, I think it's just as -- we gave that 2 years ago as we get closer. It's just a little more clear of how long it's going to take to get there. And we still believe we're going to get there within our time frame that we originally said. I think it's just clear at this point that, that's probably going to be closer to the outer bounds of that original timeline than sooner. Anyway, it's really not any more complicated than that.

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

Okay. So it has to do with maybe the top line, with the commentary that you made, not expecting, necessarily, mid-teens. That doesn't sound like it's as much of a factor as some of the cost targets and leverage that you talked about?

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

Yes. I mean, obviously, moving clear, the faster we grow, we think, the faster we can expand EBITDA. That's for sure. I was just saying, I would -- that wasn't meant to be a huge change in the commentary, as far as pointing towards really 2 years from now as opposed to 1 to 2 years from now. We're just trying to give some directional comments, a little further out beyond '17, given we're in the third quarter, and felt it was appropriate to kind of clarify that at this point.

**Operator**

Our next question is from Larry Biegelsen of Wells Fargo.

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

My line cut out a little bit, so I just wanted to ask about the cadence of growth. You gave about 10% update adjusted for the weather in Q3, organically. But Q4 your guidance, the 6% to 8%, I believe, and then, next year, you think you can do 10%. So I'm sorry if I missed it. But what gets worse in Q4? And then, how do you kind of get back to double-digit growth in 2018? And I had a follow-up.

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

Yes. Larry, you may recall, Q4 last year, we had a really big quarter in our international stocking distributor business, the international growth rate was kind of, by far, the biggest in Q4 of last year. We highlighted that on the call. And so that's just really a tough comp year-over-year for that part of the business. And that really accounts for the deceleration. That's really the main driver there. And then, as far as getting it into the double-digit growth, we're just -- we'd look at more on a full year basis, things like restocking distributor comps really worked themselves out more on a full year basis, and we still think our markets are very, very healthy, and we have some significant advantage in those markets, that should allow us to accelerate to above market rates of growth.

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

Larry, I'll add that in Q4, the way we're looking at this right now is that we're just taking -- adding -- taking our Q3, and then, adding in our normal seasonality increase for Q4 that we normally get, adding the additional sales days that are in there and that's the number. We haven't added any benefit in for the additional reps, recovery from the weather because we don't know that -- if that's going to happen or not. So that's the approach that we've taken in Q4.

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

And then, second on AUGMENT inject, have we passed the 300 days since filing, Bob? And is there any updates you can provide us?

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

No, we haven't. We haven't passed the 300 days, and there is no -- nothing new I am going to comment about the FDA process. I will comment that doctors that we talked to are very keen on getting the injectable AUGMENT when it's approved, and we think that will have a positive effect.

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

Larry, just to also make sure we're on the same page, the 300 days I think you're referring to is the average approval time for...

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

Q4.

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

A PMA supplement with a panel track. I mean, that's just an average. There's no, like, hard deadline for the FDA around that or anything.

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**Operator**

Our next question is from Young Li of Barclays.

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**Xuyang Li** - *Barclays PLC, Research Division - Research Analyst*

Maybe first to follow-up on the U.S. lower extremities sales rep topic. I guess, can you maybe talk about if you're seeing anything in the performance...

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

Young, your...

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

Your phone cut out, Young.

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

Your phone's cut out.

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

Operator, are you there?

**Operator**

Yes. Young, you can go ahead and requeue once you get your phone line established. Our next question is Joanne Wuensch of BMO.

**Matthew Donald Henriksson** - *BMO Capital Markets Equity Research - Associate*

This is Matt Henriksson in for Joanne. So the first question is with regards to the full year guidance, the $15 million to $20 million revision, can you guys break that out specifically into what is FX tailwind? What are hurricanes? If any of it leaks into the fourth quarter? What is a lower expectation for the lower extremities business? And then, if there are any other factors?

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

Yes. At a high level, say we had the impact of the hurricanes in Q3. And it's difficult to determine when that will come back. And we do assume those will be scheduled, rescheduled at some point, but it's hard to predict how that will wash out in the fourth quarter. Really, the remainder of the miss is heavily weighted to the lower extremities and the core bio that goes along with the sales rep additions. And then, probably, international at this point, looks like they're going to come in a little light to what our original expectations were when we gave that guidance at the beginning of the year. And that's really the high-level pieces of the guidance revision.

**Matthew Donald Henriksson** - *BMO Capital Markets Equity Research - Associate*

Okay. That's good to know. And then, just as a follow-up for 2018, when you mentioned that biologics, you expected in the range of 7% to 8%. Are you assuming that AUGMENT inject will be approved and be selling at that point?

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

No. When we talk about biologics -- we're talking about core biologics, that's different from AUGMENT. So we haven't given guidance for '18. But -- so -- and we won't include it unless it's somehow approved before then. So -- it's just the core biologics in there -- our current rate of growth in AUGMENT.

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

Yes. And we didn't give any line item detail in '18. We had -- we always said is that we believe we can get, for the full-year, we can reach double-digit growth rate for '18. That's -- we didn't provide any detail on that.

**Matthew Donald Henriksson** - *BMO Capital Markets Equity Research - Associate*

Okay. Just as a follow-up then to that, what helps the acceleration there if core biologics has been kind of slower in the third quarter?

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

Well, I think -- when we look at getting -- our fourth quarter number, as I said just previously, is pretty much based upon building off where we finished Q3, adding in the normal seasonality that we've always had in Q4. It's a very heavy quarter and adding in 4 additional sales days, and that's the guidance that gets us to the $740 million to $745 million.

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

And then, if you think about 2018, and when you think about the core foot and ankle and the core bio improving, that's really tied to the sales rep addition, both of those items.

**Operator**

Young Li, of Barclays, your line is open.

**Xuyang Li** - *Barclays PLC, Research Division - Research Analyst*

Can you guys hear me now?

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

Yes, we can. Thanks for calling back.

**Xuyang Li** - *Barclays PLC, Research Division - Research Analyst*

All right. Great. I'm not sure what happened with the phone. Sorry about that. I guess, just a first question. Just kind of following up on the U.S. lower extremities sales reps. I'm just curious, are you seeing any changes in their performance that's maybe giving you confidence in the Q4 guidance and 2018? Has maybe performance picked up towards the end of Q3 or in October?

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

We did not -- in the guidance that we gave, we did not include any uptick for the additional sales reps. Now that possibly could happen, but since it's a little bit unknown at the time, we did not include that as something that we could count on in Q4.

**Xuyang Li** - *Barclays PLC, Research Division - Research Analyst*

Okay. You meant the ramp in productivity? Or adding new reps?

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

We've already added all the reps. We are not assuming, really, any incremental bit. We didn't see any incremental benefit from those adds in Q3, and our guidance does not assume any incremental benefit in Q4.

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**Xuyang Li** - *Barclays PLC, Research Division - Research Analyst*

Okay. Got it. Very clear. And I guess, just a comment on 2018, the double-digit growth. Maybe if you can expand a little bit on the drivers for the lower extremities side? I know you haven't -- you're not really breaking out the segments. But just in terms of -- will sales force ramp be the most important growth driver? Or is it going to be new products?

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

Look at it this way, I think that if you include the effects of the hurricanes even now is that we're at or close to 10% in Q3. And so as we go forward into next year, we will think we will start to get some benefit of the -- we will -- I'm sure we will get benefit on the additions we have -- of the additional reps. And we also have an awful lot of really exciting new products that will be launched next year or so. We feel that we're running at pretty much that rate right now in Q3. And as we get into next year, I think that we will have -- we'll be in a better position with -- growth from a -- the expanded sales force as well as new products and feel very comfortable with the double-digit kind of notion that we're throwing out there right now.

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**Operator**

Our next question is from Bob Hopkins of Bank of America.

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

So Bob, I just wanted to follow-up on your comments on lower extremity, and I really appreciate the detail, it's very helpful. But I'm sure you assumed some disruption from new reps and new territories this quarter. So I'd just love to hear your thoughts on why that disruption was a little bit more than you anticipated? And then, maybe comment on, typically, how long does it take when you got a new rep in a new territory to get him kind of fully up and running?

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

Well, it's a good question. Yes. We certainly didn't get any benefit in Q3. As a matter of fact, with the reps that were new to the company or assigned to new territories is that we had negative growth there. We think that that will even out and they'll start to contribute. But we didn't make anything in for Q4 just because we wanted to wait and see. Now, these new reps were primarily geared towards core products, that's basic plates and screws. And we felt that the knowledge-based and the practice that it would take to get a rep up to speed in that area of the business is not as significant as it would be, for example, on the shoulder or total ankle. So we thought that that could be compacted and evidently, we underestimated that. The other part of that is it's still a relationship business. Doctors have reps calling on them all the time, and we're filling in a new rep into the mix. And that's going to -- that usually takes some time. And again, our flaw, we had kind of underestimated the effect of that. So -- but I do think that we needed these additional reps. We've needed them for some time, the club business had been shrinking as you go back even in early 2016. And we think that this is the answer to long term. It just is going to take a little bit longer than we would have liked, or certainly that we have anticipated when we were guiding to at the beginning of the year.

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

Great. And then, just one broader question for you. We've obviously seen a lot of orthopedic companies report earnings so far. And one common theme has been sort of a greater than anticipated slowdown in the United States from a procedure perspective. So I'm just wondering if you could sort of comment on, given your high market share, especially in upper extremity, kind of what you're seeing or what you saw in the third quarter from just a basic utilization perspective?

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

I think, for example, our upper extremity business grew very significantly, and that's -- it was really based on a lot more procedures. Some of that's taking share, but -- so I don't think that, in our end of the business, the extremities, the upper and lower we've seen any slowdown in procedures. I think that the companies that are reporting kind of a slowdown are more big joint, large joint-orientated, and that may be so. But this business here, I don't think we're seeing that, to be quite honest with you.

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**Operator**

Our next question is from Andrew Hanover of JPMorgan.

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

Just a follow-up on Bob's last question quickly. So in biologics, core biologics, Lance, I totally understand the lower extremity and what that kind of impact has on the business. But I was wondering are there any other market dynamics going on, whether or not ASP erosion, overall volumes? I mean you've seen it in from some other ortho players, where there's some pressure from the hospitals on biologics?

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

Yes, Andrew. Those things have been going on in the market for bio for quite some time. So certainly no change in that dynamic. And that's not really what we're highlighting as the issue there with that growth rate. We've got good products. A lot of the core bio is really pretty tied to these core foot and ankle procedures. And they do seem to move together pretty closely. And we really think it's just more of an execution on that plate and screw business. And as that improves, that we would expect to see the core bio pull through with it.

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

Got it. And Bob, in terms of the new reps, which of the 4 group's performances were you most surprised about in the quarter, whether positive, negative? And then, thinking about 2017 guidance, I get there's no benefit for new reps built in. But maybe you can give us some color on the existing reps -- or yes, the existing reps that transferred to a new territory bucket? How did they start performing? How are they performing later in the quarter and now?

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

Well, I just think if you look at the quarter, and follow us. It was disappointing. Is that for both the existing reps that transferred to new territories and the new reps into new territories. The existing reps in the new territories and that gets back to the same subject of it takes time to build relationships. And just putting a rep in there -- there could have possibly been a better way to do it, and I'll take responsibility for that. But I do think that as we get further out, that this will all come together and as those relationships solidify. So I think that -- in both those cases that were below our expectations, those 2 categories of reps, is that moving them to new territories without existing relationships, caused a lot of the issues.

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

Got it. And if I may squeeze one last one in. For 2018, the slight change in commentary around guidance, how should we be thinking about how you all are contemplating your new rep contributions? And I guess the reason I'm asking is these new rep adds were announced in the first quarter. And so my way of thinking you would be lapping the typical period that you probably start to see ramping, which could be sometime in the first quarter or maybe later in the first to the second?

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

Actually, Andrew, the reps were not operationalized or put into their territories probably until the third quarter. We hired -- we announced it in Q1. We trained them and hired them in Q2, and then, we launched them some of them, slightly before that. But mostly in Q3.

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

The other thing is, Andrew, our guidance for 7 -- at this point we haven't seen really much benefit from those new rep adds yet. And as Bob said, we're not building benefits into our assumptions in Q4. So there really won't -- there really wouldn't be any lapping of benefit that will occur in '18.

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**Operator**

Our next question is from Glenn Novarro of RBC Capital Markets.

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

Bob, provide us with your thoughts on AUGMENT. And what I'm trying to get at is, is AUGMENT performing in line or better? And the reason I'm asking is you can track AUGMENT on your website and right now, AUGMENT just seems to be coming in line with our expectation, if not better. But maybe qualitatively, can you talk about how AUGMENT is performing relative to your expectations?

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

First of all, I urge you, and I said this on these calls before, don't follow month-to-month variations in AUGMENT, because, from month-to-month, there's that, there's no-- the POs just come in when they come in. At the end of the quarter, we actually put a push on that and get everything in that was actually used. So it's the end of the quarter kind of number that matters, not the month, not the month-to-month number. So I think that we are very pleased with AUGMENT. It is our fastest-growing product category that we have and are coming up against some tougher comps each quarter. So I think -- as the future progresses and we do get our injectable, I think, that's going to be another inflection point. So I think that AUGMENT is great. I continue to be amazed at the reaction that our physicians that use it, tell me about that they're so satisfied with it, trying to use it in more and more cases. Now some institutions put handcuffs on some surgeons and only allow them to use it in very difficult cases, with comorbidities, et cetera. But even given that is that this is growing very nicely quarter after quarter, against increasingly tough comps. So I'm very, very pleased at where we are, and we think we have a terrific future with AUGMENT.

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

All right. And then, one sort of a follow-up on AUGMENT, if I could. On past calls, you qualitatively talked about how AUGMENT is doing in terms of getting through these value committees at hospitals and evaluations at hospitals. Are the valuations slowing? Are you still doing the same amount of valuation in the third quarter that you did in the first quarter? Any type of color there will be helpful too.

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

I don't know -- I don't have that off the top of my head. I know that we are in front of that committees, often, we have a team of people that are skilled at doing this. But I don't know if we're running at the same rate today as we were at the beginning of the year, I'd have to take it back, Glenn, I just don't know.

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

All right, look, then, can I just insert one more in then. Just for Lance on the EBITDA. So doing much, much better on EBITDA despite the sales shortfall. Are you getting the cost savings out of the Tornier deal faster? In other words, you're pulling them forward? Or at the end of the day are you finding the cost savings to be greater than you originally thought?

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

Yes, Glenn. So we're really -- the cost savings are really right in line with what we had said. I mean, we had a year to plan for the merger, and we really had a pretty firm plan and pretty clear benefit from that. At this point, honestly, we're 2 years out. Some things that are cost synergies are pretty clear and those are generally gone in line or quicker than we planned. Last year it was quite a bit better due to timing. And then, also, at this point, we're really just getting into, to some extent, this is just running the business and controlling the cost. And really, trying to hold things flat with what we have, while the business grows, particularly when we look at areas like G&A. And I think we've done a really good job of that so far this year. And then, the last thing would be, it does look like we're going to get a little bit of gross margin expansion, which is fantastic given how high our gross margins are already are. And was not something that we had originally planned for at the beginning of the year.

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**Operator**

Our next question is from Anthony Petrone of Jefferies.

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**Anthony Charles Petrone** - *Jefferies LLC, Research Division - Equity Analyst*

Just a few to speak with lower extremities. I guess Bob you sort of mentioning here in the third quarter is really when these reps are active. And I guess the general perception is it takes around 6 to 9 months for a rep to get up and running. It sounds like that's a little bit longer here. So should we be baking in sort of contribution in the second half of 2018, back-end load that? How does it play out from a cadence standpoint in 2018? And then, I have a couple of follow-ups.

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

We certainly do expect, over time, that these reps will be contributing nicely to our growth, and more than that, I'm confident that they will. And it's just a matter of timing. Now again as I said, is that, most of these reps that we're talking about that are in these new territories or new to the company in new territories are dealing with core products that are a little less complex and should get up to speed a little bit quicker than if you were dealing with the more complex cases like Charcot or total ankle or any of the shoulder procedures. So I'm not going to talk about specifically running to -- in '18, we'll see a benefit of it. But I'm sure that we will see a benefit of it. And we don't -- we haven't planned anything in '17, but as we get in '18, I think, as time goes by, is that we will definitely see the benefit of these additional adds.

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**Anthony Charles Petrone** - *Jefferies LLC, Research Division - Equity Analyst*

And then, just on the performance in the quarter, how much was share shift in that lower category, plates, and screws?

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

There's no doubt that we lost share in that area. And as I mentioned on the previous call, they're not big large companies coming in and taking share. There's a whole group of small companies that force products and sell them, and that is also compounded by the fact that a lot of this business is moving now towards ASCs out of hospitals. And they're very, very cost conscious. And so that's been -- and that was the reason that we felt that we needed to add reps to be able to compete and be at these ASCs on an everyday basis and provide the products that were needed in that environment, which is slightly -- which is different than the hospital setting. So those 2 factors are out there, and in Q3, given the results that we had, it's -- I'm going to be very straightforward, is there's no doubt that we lost some share, we lost some customers, we lost some of our customers, not many, but a few, that were pretty high-volume that signed on as design consultants to some of these other smaller companies, are now paying -- getting paid a consultancy. Since we don't need -- we can't -- we don't need any more consultants, we really couldn't compete with that. We did lose some customers to that also.

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**Anthony Charles Petrone** - *Jefferies LLC, Research Division - Equity Analyst*

And the last one real quick is just the tailwind from CMS reimbursement on the total ankle bundle for next year. I mean, how quickly you think that helps the growth picture?

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

It has to be positive. That was a $7,000 increase. It's effective October 1 of this year. And so we think this is going to really have a nice effect, nice help for us. We're, obviously -- we are probably 60% of the market and growing in total ankle. And that -- so the reimbursement, I think combined with INVISION, the revision system, and the momentum that we have rolling bodes very well for us in our total ankle business.

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**Operator**

Our next question is from Jeff Johnson of Baird.

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**Jason M. Bednar** - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

It's Jason on for Jeff. Just a couple of quick ones from me here. Just first, curious if you could comment on the productivity of your legacy lower extremity reps, those reps providing productivity improvements you'd expect? Just here with the new reps coming on, are those guys still on the same trajectory you'd expect them to be on?

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

One of the aspects of adding 115 new reps into the lower extremity area was that, on an average basis, productivity -- the productivity rate would go down because the numerator is small -- is larger. And we thought that we got to a point where we were at 1.2 million or above. And that would be -- our territories were getting too large and reps were just servicing their existing accounts and not growing. So part of the thought process and aiding these reps is that we could add reps and then be able to have smaller territories, less than 1.2 million, and have -- they would -- we now have reps that would have the time and inclination and incentive to make a business out of these core, core products that we're flattening out and deteriorating on. So that's the thought process also. And there's no doubt in my mind that, if we did the math and I don't have the -- I didn't -- I haven't done the math, is the productivity rate today would be less than it was a year ago. I'm sure of that.

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**Jason M. Bednar** - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

Right. Yes, Bob. And I totally understand that the kind of math around that. Is there anything you can give us confidence on that those legacy lower extremity reps now that you've reset their productivity rate or the base you're rebasing at a lower level. Should we have -- can we have confidence that those reps are going to be increasingly productive as we finish the year and go into 2018? Or is most of the upside from lower extremities going to come from those new reps as they ramp up?

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

Well, I think that most of the increase is going to come from the new reps. Although there's no -- with new products hitting the market, we have the opportunity to take some share back, particularly in the ASC settings that have been problematic for us.

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**Jason M. Bednar** - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Associate*

Okay. All right. Very fair. And then, just one quick follow-up for Lance here. Lance, you're quantifying the 4 extra selling days at $7 million here for 4Q. We took what I think is selling days adding somewhere closer to 150 basis points per day. So maybe something closer to our models. We're thinking maybe 600 basis points instead of the 350 basis points. So just wondering if there's anything unique going on there, why the contribution isn't larger? And then, just then, kind of the follow-on confirmation point, as we should model the identical or near identical headwind for 4Q of '18?

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

Yes. And part of the problem is the 4 extra days are the days between Christmas and New Year's. And so our estimate is not that those aren't going to be equal to, whatever, 4 days before Christmas, which would be huge. And that's basically the problem. And in particular, in certain international markets, those days can be really light. So it's an estimate. That's our best estimate. That was the number we put out on our Q4 -- February call, where we gave guidance for the year. And that's the same number. We still have no reason to estimate any different. And then, yes, that would be appropriate to have that level of headwind when you're thinking about '18.

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**Operator**

Our next question is from Kaila Krum of William Blair.

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**Anna Marie Nussbaum** - *William Blair & Company L.L.C., Research Division - Associate*

This is Anna in for Kaila. Just going back to the total ankle and the reimbursement changes that are going into effect. I guess, just looking at the strength of the overall foot and ankle portfolio, how much of that growth can be attributed to INVISION, versus the reimbursement change? And then, if you're seeing hospitals becoming maybe a bit more lenient with pricing within your total ankle business because of it?

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

Really, if you look at this quarter, really, there's not much contribution from INVISION at all. So first quarter it was launched. And as we have said previously, we're really looking at INVISION as something that will give people greater comfort in doing primary total ankle procedures as opposed to something that's going to generate our growth on its own. And then, the new reimbursement didn't go into effect until October 1, so on end of the fourth quarter. On -- we think that's going to be just a tailwind for surgeons doing more procedures. We have great pricing as it is today on the total ankle. We're not really looking at that so much as a pricing opportunity. But more of a situation where this procedure is more profitable for the hospital and everyone will be more interested, hospital, surgeons, as well as the patient, in doing these procedures. That's just another tailwind for greater adoption in this market of total ankle replacement.

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**Anna Marie Nussbaum** - *William Blair & Company L.L.C., Research Division - Associate*

Okay. And then, on AUGMENT, and given that it has been on the market for a couple of years now, could you just give a little color, maybe on penetration, and how many new accounts do you think are left to convert? Or open up with your existing customer base?

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

I don't have an exact number, but we're still in the early innings here, Anna. There's a lot of growth opportunities still in AUGMENT. And it's growing -- even when we have tough comps now because it has been on the market for almost 2 years, I guess. Is that -- this is our fastest-growing area. And we have -- hopefully, we'll get injectable done and that will even provide more impetus to that. But it's really a terrific area for us.

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**Operator**

Our last question is from Richard Newitter of Leerink Partners.

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

Bob, I just wanted to start off, the kind of the super brand growth rate was about 16%, if I heard you correctly this quarter...

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

That's a nice term. I like that.

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

Yes. Keep it simple. That was about down from about 30% last quarter. Now I appreciate there's some seasonality in 3Q. So I guess my question is, one, is that correct? Is that seasonality? And as we reaccelerate to back up to double digits, should we be thinking of those super brands as still capable of that kind of growth trajectory? Or is there any change to the growth trajectory of that part of the business?

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

It just varies somewhat quarter-on-quarter. For example, I think, in Q1, we were in the mid-20s or low 20s. And then it went down to 17 or so in Q2. And so I think it varies a little bit. I don't -- I think that I don't think these brands will continue to grow in the 20s all the time. But they will be solidly in the teens to low 20s, I think, as we look forward. As I look at our businesses, the key objective for us is to get our core business up to market growth. That's -- if we do that and these higher technologically advanced products, growth rates that are growing, is that the double-digit growth objective seems very, very doable.

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

Okay. And just on that last comment, is it right to assume that if you get the core markets up to market rates, that something in the mid-teens would be back on the table? Maybe not for the year, but maybe...

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

I think, I -- mid-teens is something that we think we can get to, but we don't think we can get to it next year.

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

Well for the year, but what about maybe something exiting the year? Is that something that's even plausible?

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

Well, we will see. I'm optimistic and hoping for it. But I'm not going to give Q4, 2018 guidance at this point.

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

Last question. A competitor this morning on their earnings call mentioned that they're going to be coming into the stemless category. I was wondering if you had any views on the size of that market. And what you think that might be...

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

No. It's a terrific market and it's very high price. The ASPs are very high, and I respect all competitors, I'm not exactly sure who you're talking about. But I would say -- my reaction is two words, too late. And that we now have had a 2-year lead on this product. We have new products in development that we're going to advance that further. So I think that we have a very sizable lead. In addition to that, it's like all our kind of products that are really technologically advanced, we don't look at it as an implant like I think our competitors do. We look at it as part of a system. So as we have total ankle with PROPHECY, and now we have BLUEPRINT to go along with our shoulder products, that not only do we have a lead in the implant area, but we now have blueprint to go with that, that helps physicians to plan their cases, and hopefully, take less time in surgery and all the benefits that come from that. So all competitors are welcome, but I think that we really have -- we're really in a great spot in our SIMPLICITI shoulder and all our shoulder products, quite frankly.

**Operator**

And that does conclude our Q&A session for today. I'd like to turn the call back over to Mr. Bob Palmisano for any further remarks.

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

Thanks, operator, and thank you all for joining us today. We have multiple opportunities to a robust new product pipeline, to further growth, to continue to expand our markets and gain market share. I believe we are well positioned to drive market-leading growth and profitability.

I want to express my appreciation to our team for their efforts in Q3, I look forward to updating you on our next quarter earnings call. I appreciate your interest and continuing support. This concludes our call.

**Operator**

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program and you may all disconnect. Everyone, have a great day.