THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

WMGI - Q2 2018 Wright Medical Group NV Earnings Call

EVENT DATE/TIME: AUGUST 08, 2018 / 8:30PM GMT

OVERVIEW:

Co. reported 2Q18 results. Expects 2018 net sales to be approx. $808-820m.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Julie D. Dewey *Wright Medical Group N.V. - Senior VP & Chief Communications Officer*

Lance A. Berry *Wright Medical Group N.V. - Senior VP & CFO*

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

CONFERENCE CALL PARTICIPANTS

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

Craig William Bijou *Cantor Fitzgerald & Co., Research Division - Research Analyst*

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

Jaime Lynn Morgan *Leerink Partners LLC, Research Division - Associate*

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

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

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

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

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

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

Robert Justin Marcus *JP Morgan Chase & Co, Research Division - Analyst*

Travis Lee Steed *BofA Merrill Lynch, Research Division - VP*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q2 2018 Wright Medical Group N.V. Earnings Conference Call. (Operator Instructions)

I would now like to introduce your host for this conference call, Ms. Julie Dewey. You may begin, ma'am.

Julie D. Dewey - *Wright Medical Group N.V. - Senior VP & Chief Communications Officer*

Thank you, and good afternoon, everyone. Welcome to Wright Medical's Second Quarter 2018 Conference Call. We appreciate you joining us. I'm Julie Dewey, 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 second 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 would like to remind you that this call includes forward-looking statements, including statements about our outlook for 2018. 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 most recently filed annual report on Form 10-K and subsequent quarterly reports on Form 10-Q 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. 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?

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

Thanks, Julie, and welcome to our second quarter earnings call. We produced outstanding results across the board in the second quarter, including 13% constant currency net sales growth, an estimated 370 basis point increase versus the first quarter of 2018. And we exited the quarter in a strong positive trajectory, which we expect to continue throughout the remainder of 2018.

These results represent another strong performance in our U.S. upper extremities business, which grew 22% in the second quarter, driven by a 24% growth in our U.S. shoulder business. We had excellent growth from our SIMPLICITI shoulder and our PERFORM Reversed Glenoid this quarter, which both grew faster than our overall shoulder growth.

Also, we set new records for Q2 in the number of surgeons planning and stating cases in BLUEPRINT, and registration of new BLUEPRINT users was strong and continues to grow. As of Q2, over 20% of our shoulder customers and shoulder cases are using BLUEPRINT, and this has been on a constant upward trend quarter-to-quarter.

Overall, the combined strength of our full shoulder portfolio has allowed us to gain new customers and drive penetration. We anticipate that continued penetration of our SIMPLICITI shoulder system and PERFORM Reversed Glenoid and accelerating adoption of our BLUEPRINT enabling technology will continue to drive market-leading shoulder sales growth throughout 2018.

In our U.S. lower extremities business, we had a very strong quarter. The growth rate accelerated to 9%, driven by approximately 15% growth in total ankle and improved growth in our core lower extremities business. The overall lower extremities business returned to market rates of growth well ahead of schedule, primarily driven by increased contributions from our expanded sales organization.

We are on a good trajectory heading into the second half of the year. And in addition, we are launching some significant new products. These include the third quarter launch of the PROstep Minimally Invasive Surgery System and AUGMENT Injectable, which we expect will provide further momentum for this business.

The momentum we saw in our core lower extremities business exiting Q1 continued during the second quarter and resulted in core growing at market rates of growth for the full second quarter and for the first time since the first quarter of 2016. Importantly, we believe we are now in good shape with regard to our sales force expansion. We have seen accelerated growth in all 3 parts of our sales force that includes our existing reps, reps that we promoted and new reps that we hired, which is evidence that we are getting what we expected when we initiated the sales force expansion roughly a year ago.

At the end of June, we received PMA approval for AUGMENT Injectable. We are very pleased with this approval and are now fully launched. We believe the superior handling characteristics and ease of use of AUGMENT Injectable, combined with the proven clinical benefits of AUGMENT, will accelerate the growth in our biologics business in the back half of this year. We do expect a large amount of cannibalization in our classic AUGMENT product. However, we expect AUGMENT Injectable to still drive incremental growth as well. As a reminder, when AUGMENT Injectable was launched in Australia and Canada, we saw roughly a 30% uptick over time.

In addition to AUGMENT Injectable, we launched our PROstep Minimally Invasive Surgery System at the American Orthopaedic Foot and Ankle Society Meeting last month. With the PROstep approach to bunion and other foot and ankle deformities, patients can experience far less postoperative pain, significantly improved cosmetic result and a return to full function in approximately half the time of traditional open surgery. The launch of our PROstep surgery system is an important new product launch for our core foot and ankle business, and along with the ongoing rollout of our ankle and small bone fracture systems and our new SALVATION 2 limb reconstruction system for Charcot foot, should help drive sales rates for our U.S. lower extremities business, in line with market rates for the remainder of the year.

Overall, second quarter net sales growth improved significantly, with upper extremities, lower extremities, biologics and international all accelerating their constant currency growth rates. Based on the strength of the underlying business and improvement (inaudible) injectable, we are increasing our sales guidance by $8 million to $808 million to $820 million, which now calls for annual constant currency net sales growth of 10% to 12%, excluding the impact of 4 fewer selling days in the fourth quarter of 2018.

We are also rising our annual adjusted EBITDA guidance to a range of $106 million to $113 million. I believe that we are set up well for the remainder of 2018. Our end markets remain healthy and fast-growing. Our gross margins are outstanding, and our new product pipeline is full of innovative and commercially impactful products and surgical solutions across all parts of our business.

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

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

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.

Globally, our net sales grew 13%. We saw sales growth accelerate in all segments of the business, with the exceptional growth in U.S. upper extremities and a return to market growth in our U.S. lower extremities business. We also saw improved performance in our U.S. biologics business in Q2 and in international sales, which grew approximately 10%. Overall, Q2 net sales came in better than we anticipated.

Now moving on to some detail below the sales line. Beginning with our Q2 adjusted gross margin, we achieved gross margins of 78.5% for the quarter. As we have discussed previously, our gross margins fluctuate somewhat from quarter-to-quarter. Halfway through the year, we are right on track with our full year guidance for gross margins in line with prior year and approaching 79%.

As to the line items making up our Q2 operating expenses. Selling, general and administrative expenses as adjusted totaled 68.6% of net sales for the second quarter compared to 71.1% in the prior year period, a 250 basis point improvement.

R&D expense as adjusted was $14.7 million in Q2 of 2018 and $12.4 million in Q2 of 2017.

And finally, amortization expense was approximately $6 million in Q2 2018 compared to $7 million in the prior year period.

Below the operating income line, net interest and other expense was $8.6 million for Q2 of 2018 compared to $8.6 million in the prior year period.

For share count, our Q2 per share results as adjusted are based on average diluted shares of 106.1 million for Q2. All together, this resulted in adjusted EBITDA of $25.6 million and 12.5% of net sales for the quarter, a 153 basis point improvement over the prior year period.

Overall for the first half of 2018, we have seen EBITDA margin expansion of approximately 230 basis points, slightly ahead of our expectations, driven by sales overperformance.

From a cash standpoint, our total cash balance at the end of Q2 was approximately $313 million.

I will now discuss our 2018 full year guidance. Consistent with Wright's past practice, please note that our guidance ranges and assumptions for 2018 exclude any consideration for the effect of potential future acquisitions or any other possible material business development. 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 lists those items that are excluded from our as adjusted results.

As a result of the approval of AUGMENT Injectable and the performance of the business, we are increasing our net sales guidance for full year 2018 to approximately $808 million to $820 million from our previous guidance of approximately $800 million to $812 million. In addition, this range implies full year 2018 constant currency net sales growth of 10% to 12%, excluding the estimated $9 million impact of the 4 fewer selling days in fourth quarter of 2018. This guidance range has approximately 0.5 percentage point of cushion from foreign currency exchange rates as compared to current rates.

In short, we raised our guidance for full year constant currency growth by 1 percentage point or $8 million based on the strength of the business year-to-date and an expected benefit from AUGMENT Injectable of roughly $3 million in the back half of the year.

We have kept our underlying foreign currency assumptions the same. Rates have deteriorated significantly since our Q1 call, and we now have only 0.5 point of cushion for the full year at current rates.

We are also raising our full year 2018 non-GAAP adjusted EBITDA from continuing operations to a range of $106 million to $113 million. As you may recall, we have a headwind on EBITDA margin expansion this year from the lower levels of incentive compensation in prior year, all of which were in the second half of the year. We estimate this was a headwind of a little over 1 percentage point impact for the full year of 2018 or approximately 260 basis point impact in the back half of 2018. At the midpoint, our guidance implies EBITDA margin expansion in the second half of the year of slightly less than 100 basis points despite this 260 basis point headwind.

The company estimates approximately 106.4 million diluted weighted average shares outstanding for fiscal year 2018. If the company were in a net income position, diluted weighted average ordinary shares outstanding for 2018 is estimated to be approximately 108.3 million shares.

In closing, we made strong progress in the first half of 2018 and are ahead of schedule with our plans for the year and have raised our guidance accordingly. In Q2, our top line growth rate improved significantly, and we delivered solid EBITDA -- adjusted EBITDA margin expansion. The upper extremities business continued to gain market share and deliver outstanding results. We continue to see improvements in the U.S. lower extremities business. And with that business back to market rates or growth well ahead of schedule, a slate of product launches in the coming months and a positive trajectory of sales force execution, we are confident in our ability to deliver strong revenue growth in the back half of 2018.

We've continued to deliver best-in-class gross margins and to drive EBITDA margin expansion, and we have ongoing opportunities for more improvement in this area. Overall, we are pleased with our performance to date and look forward to aggressively attacking the significant opportunities to propel the performance of the business for the rest of the year.

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

QUESTIONS AND ANSWERS

Operator

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

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

A very nice quarter. Can we spend a little bit of time on the AUGMENT Injectable launch? If I heard you correctly, you're expecting $3 million in 2018. And I'm curious how you thought about coming to that number if that's what I heard correctly and how you think about the rollout over the second half of the year.

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

Yes. The product is just -- it's completely rolled out now. We -- it took us about 6 weeks to get it rolled out from the approval, and we anticipate an additional $3 million of revenue in the second half of the year from that launch. A lot of it is cannibalization. A lot of our -- initially will be cannibalizing the classic AUGMENT, but we will be able to drive deeper into some of our existing accounts because of the improved handling characteristics of the injectable and being able to use in more surgeries. The -- and also, I think it enables us to go after accounts that may have tried it a year or so ago and again, because the handling characteristics dropped out. So it's out there. It's launched. We -- most -- in the vast majority of cases, we won't need an additional VAC approval given that it's priced in a similar way as the classic. And the reason -- the way we came up with the $3 million was, the way we normally do things, is their sales organization, built their launch plan and where we were going to get additional volume, which doctors they had on the line that were just waiting for the approval and the normal kinds of business. So we were very comfortable with the additional $3 million. We're very excited to have the product out there and launched and think that, over time, it'll have a pretty big effect, as I mentioned in my opening remarks is that when we launched AUGMENt Injectable in some international markets a while ago, is that we got it -- not immediately but, over time, got about a 30% increase in usage -- in volume.

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

As my follow-up question, on lower extremities, (inaudible) faster than we would have thought, up 9% in the quarter. How do you think about that for the back half of the year? And part of that question is how do you think about AUGMENT Inject driving those sales?

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

Well, I think that we got to what we consider market rates of growth much earlier than we had thought. So if you were surprised, so were we, to some extent. But what happened was really the culmination of all the hard work that our lower extremity group put in last year in building up -- building out and training and everything they needed to do to get the expanded sales force productive. And in all areas of that sales force, whether they were existing rep, a promoter rep or new rep, is they all show great products -- great progress and productivity in Q2. So we see that continuing. AUGMENT has always been able to drive some business outside of just the biologics business as we get into different accounts, but I don't think we have built in a significant amount of that in Q -- in the remainder of the year. The -- we -- I think we said on our first quarter call is that we expected our lower extremity business to accelerate throughout the year and as -- particularly as we launch some new products. We have some meaningful new products in the second half of the year. And we also said that we expect our upper extremity business to somewhat slow down a little bit because we're anniversarying some big product -- new products that we launched last year in the third and fourth quarter.

Operator

Our next question comes from Chris Pasquale with Guggenheim.

Our next question comes from Richard Newitter with Leerink Partners.

Jaime Lynn Morgan - *Leerink Partners LLC, Research Division - Associate*

This is Jaime on for Rich. A quick question that I have around the international business. So growing 10% on a constant currency basis this quarter. In prior quarterly calls, you've kind of mentioned that an 8% growth rate is reasonable to think about for the year. So I guess, given the result in 2Q, is this still a fair expectation for 2018 for the international business? How are you thinking about that?

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

Yes, the international business is chunky quarter-to-quarter because it's driven, to an extent, by sales to stocking distributors. So one quarter you're going to be over, and the next quarter you may be under. But I still think that an 8% growth in that area is probably the appropriate look for the year.

Jaime Lynn Morgan - *Leerink Partners LLC, Research Division - Associate*

Okay. And then a quick follow-up on kind of the progress you guys are making in the ASC setting. I know you guys recently launched a new procedural pricing model for the ASC, so I was just looking to get some of your feedback on how the reception has been with the launch of that new program. And any early feedback that you guys could potentially share on whether it's helping you guys win surgeries over some of the smaller players that have been leading in the space?

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

Yes. The ASC setting is an area that we have a lot of focus on. We have not traditionally done exceedingly well in the past in that setting. We are much more hospital-based than -- and so with the expansion of our sales force, we were able to get people focused on that setting. So the expansion of the sales force is a piece of the puzzle. Procedural pricing is another part of the puzzle, where we -- they'll charge for every little (inaudible), but we have a price for a procedure -- a pigtail fusion or something like that. We have a set price for that, so the institution then knows what their profitability is going to be on that. And thirdly is that we think in the second half of the year, new -- the new products that we have, particularly the PROstep Minimally Invasive Surgery product, is going to be pretty big in the ASC setting. So we're going from a position of -- I don't think we've said -- I said I've been very blunt about this in the past, is that a setting that we haven't done extremely well on -- to one that I think is going to be a strength of ours, and we're in that transition period right now. And I think are all signs are positive, and that's another reason I think that we had such a good Q2.

Jaime Lynn Morgan - *Leerink Partners LLC, Research Division - Associate*

Okay, great. And then just one quick follow-up. You mentioned PROstep being a large contributor, hopefully, for the ASC setting. So I was just wondering, given that you launched that at the recent foot and ankle conference, any initial feedback that you guys can kind of share with us on doc perception of the product?

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

Yes, the -- this is something that everybody is excited about. As I mentioned in my prepared remarks is that cosmetically, it's better. You have a little punch incision rather than a big incision. You have less pain. The doctors report a lot less use of opioids when patients have the PROstep procedure as opposed to an open procedure. People can get back in shoes in days rather than weeks and back to full function in about half the time. So it's all positive. The one thing to keep in mind is that it's not a particularly easy procedure for doctors to master. It takes a lot of practice. And that we have built in extra training to get doctors more comfortable with doing this procedure. But once they get it, they get it. But we want to make sure that somebody is ready to do the procedure before they do it. So this will be, I think, a significant product. It really is going to do well in ASCs, but we're going to be careful about making sure that all the education and training that needs to be done gets done so that we have good results that -- for the -- that will last into the future. So it's all good. There is some learning, such as I said, a lot of time to get people up to speed. But we're very excited about it, and the surgeon community is very excited about it. And I think patients are very excited about it so...

Operator

Our next question comes from Chris Pasquale with Guggenheim.

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

Sorry about that. Juggling a couple calls here. Bob, to start with, can you talk about maybe some early indicators on PROstep? You mentioned the enthusiasm there. Can you give us any numbers in terms of physicians you're hoping to train here in the back half of the year or how that's looking?

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

I don't have that, Chris. We have done a lot of training. But as I said, this is not a one-shot training kind of a product. It's that there are multiple trainings that we like to put doctors through, and we have facilities to do that. We have a fleet of RVs that we go around and train people on, so we're getting to that. But it's a very exciting thing when you think that you can do these procedures in a minimally invasive way, without a big scar, without the use of opioids and things like that and having people back on their feet quickly and at the full function in a very significant way, quicker than the old open procedure -- the current open procedures. So this is a -- we're at the beginning of this. I will say is that we did have -- we do have minimally invasive surgery. We have had minimally invasive surgery in the Europe and particularly in the U.K. for a couple years now. And it really has taken over the -- our business there and -- for these kinds of procedures. So I think that is going to be that way here over time. And then I think that we have a real advantage over anything else that's out there. So it's a good -- it's just a terrific thing for everybody, for institutions, for doctors, for patients and for us.

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

I think there was a question earlier about the potential halo effect from AUGMENT Injectable. I would think that a product like PROstep could also have a bit of a halo around it, where you're getting into some cases maybe you didn't have in the past or gaining share in categories you were in and pulling through some hardware as a result. Is that a fair way to think about it?

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

Yes, it is. And that certainly has been our thinking, and that has been our experience initially and with our experience in the U.K. over the last couple years.

Operator

Our next question comes from Robbie Marcus with JPMorgan.

Robert Justin Marcus - *JP Morgan Chase & Co, Research Division - Analyst*

Lance, after the really strong second quarter, you raised guidance by about the same as the beat in the second quarter. But now with lower extremities at market growth for the balance of the year, it implies somewhere else in the model that there could be trends that are below what we're seeing currently. Maybe you could just help us walk through some of the puts and takes in guidance, what's assumed? And was it just conservatism in the back part of the year before you get your -- more certainty on these trends? Or is there something else at play?

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

Yes. So if you look -- it does a little -- it sounds like you're trying to reconcile it to a Street number, but we were about $8 million over Street consensus. And it's hard to understand how much of that might have been currency. As it relates to our internal model, is we did see better-than-expected underlying performance in the business, and we did get injectable approved. We laid out those 2 things together, we see it adding about $8 million or about a percentage point of growth. Currency has gotten considerably worse today than where it was when we did our Q1 call. We left our currency assumption the same. It just kind of reduced the amount of cushion we had to current rates. So again, if you're talking about versus Street models, that's a hard thing to try and for me to try to reconcile. But if you step back at a higher level, the first half of the year, we grew right around 11%. And our guidance at constant currency implies 11% to 12% growth in the second half of the year. Obviously, it's going to help, and we do expect some slight acceleration in the lower extremities business. But we have some very tough comps in the upper extremities business in the second half of the year. That business was growing 20-plus percent in the second half of the year last year. So we've said all along we expect the growth rates to come down in upper. So I would say first half versus second half, it's in line or slightly better our guidance is. And it's great that the foot and ankle business improved sooner. We do expect a little bit improvement from here, and then we expect upper to -- with the tough comps to come down from where the Q3 growth rates were.

Robert Justin Marcus - *JP Morgan Chase & Co, Research Division - Analyst*

Okay, that's helpful. And then maybe for you, Lance, or for Bob, can you help us understand a little bit -- following up on Joanne's question in lower extremities. What exactly was the growth rate maybe for the base business versus the more technologically advanced part of the business? And what exactly was it that drove the significant outperformance that you saw? And how sustainable should we be thinking about that in third and fourth quarter?

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

Yes. So Robbie, just -- we did give a little bit of color on that in the prepared comments. The total ankle business grew 15%. And the rest of the business, we said the core business grew at market. So that's -- and that really -- that's the first time that, that part of the business has grown at market really going back over 2 years, back to the first quarter of '16. So really made some nice progress there. So that -- we did give a little bit of color on that. Looking forward, we think the sales force has really made a lot of progress and is in good shape heading into the back part of the year. And then also, we have some important new products like PROstep that are going to help as well. So we think that that's certainly sustainable and maybe can accelerate a little bit in the back half of the year.

Robert Justin Marcus - *JP Morgan Chase & Co, Research Division - Analyst*

Any incremental color from that you can add into which products drove the growth in the quarter beyond what you were hoping for?

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

No. The -- it was really more -- it wasn't much product related, Robbie, as I would say sales force execution related is that we -- the total ankle business again grew 15%. But it has been growing in that range for a long period of time. The improvement really came from the core products, which we have lots of them. I can't name them, but I think that's where -- just the core business with better execution by our enhanced sales force as well as making some improvement in the ASC and the ASCs that I mentioned before. So I think it's been more of that. We also had a few new products that were launched second half of last year that helped some. But it was really -- I would say it was more sales force executing at a much higher level that drove the growth than product related in the first half of the year.

Operator

Our next question comes from Raj Denhoy with Jefferies.

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

I wonder if I can maybe ask you guys about the upper extremities. Essentially, the lower extremities improved, but the upper has been good for several quarters now. I think there has been some concern that competition would maybe erode some of your performance, but that just simply hasn't happened. And so maybe if you could offer some thoughts as to the dynamics in the marketplace and why you guys are still putting up such strong growth.

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

Yes. Well, we launched the Reversed Glenoid -- glenoid reversed product third quarter last year, so that's why -- so we've had that now for a year. And in Q2, it was -- we didn't have that last year, so we had some really good growth with that then. That continues to be spectacular. I would say is that regarding competition, I know that a lot of people ask me about stemless or short-stem shoulder systems that have been launched by some of our competitors. Quite frankly, we don't see much of them yet. We don't usually give a kind of breakdown products, but I will with this one because I think it's important to know, is that our SIMPLICITI product -- our SIMPLICITI shoulder system in Q2 grew 31% versus last year. So that we have not seen any deterioration from new entries into the market. Now there may be some market expansion, which we do expect is going on, but -- so that -- so I think that, that system, that short-stem system is still solid. It still has extremely high rates of growth, has higher ASPs and is really a good thing for us. We do expect as we do anniversary the reversed glenoid product that we launched last year, is to have some slowdown in Q3 and Q4. And we're anticipating that. But it's not -- we're not going to -- it's not going to go too low, but it's going to be less than the 20%, 22% that we've seen in the first half of the year I'm thinking right now.

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

That's helpful. Maybe just 2 follow-ups to that. You did note that you are getting some mix, some price benefit as some of these newer technologies are getting adopted. Anything you can break out in terms of the 22% you posted in the U.S. this quarter? How much was mix versus volume for you?

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

Yes. So Raj, we are getting some mix benefit. But really, mix and price together are a small benefit, and it's really largely volume growth that is driving that growth.

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

Okay, that's helpful. And then just lastly, as you think -- you've noted that the comps are getting a bit tougher for you in the back half. But when you think about the cadence of new product launches, are there things that we can look to over the next coming quarters on the upper extremities side that could keep this growth rate elevated?

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

Not in upper. I think we have some new product launches that will be in probably late Q4 that won't have much of an effect on the year. The most significant one is a -- the...

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

The revision.

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

Yes. The -- we have a revision product for upper which we haven't had before. So I think that's going to be important long term, as is our revision system in our ankle. But that's about -- that's the biggest product that I think we have, and that launches in Q4.

Operator

Our next question comes from Larry Biegelsen with Wells Fargo.

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

A couple question for me. So Lance, on that 11%, 12% implied second half growth in the guidance, any color on the cadence between Q3 and Q4? Is any -- excluding, of course, the impact of selling days, any reason why one quarter might be a little stronger or weaker than the other?

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

No. Nothing in particular to highlight other than, as you mentioned, the 4 days in Q4.

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

Okay. And Bob, I guess, this is a good problem to have given the 13% growth this quarter. So I'll ask the question on your -- the aspirational goal for mid-teens revenue growth. Obviously, this, I would imagine, makes you more confident you could achieve it. I'm wondering if you think that you could achieve it as early as 2019.

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

Yes. Thanks, Larry, but I don't really have a vision into 2019 yet. But we'll give you that probably in January or so when we do our (inaudible). I mean, I still think that's an aspirational goal. We're a solid double digits, and our growth rates are pretty good. And we always want to improve them and we will strive to do that. And -- but I'm not going to give a 2019 guidance today.

Operator

Our next question comes from Mike Matson with Needham & Company.

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

Just a couple on PROstep, I guess. So given the learning curve there and the need for training, to what degree are we going to see a benefit in the second half of this year? And can you comment on how much training you've already done maybe at AAOS?

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

Well, the second part of it is we've done a lot of training. There's still a lot of training to take place, and it will be a continuing thing. In our guidance for lower -- which, as Lance said, that we will improve incrementally slightly probably for the second half of the year over the current Q2 results is built in that product launch. Again, given the learning curve on it, I don't think that we're going to see a dramatic effect in the remainder of '18. We'll have some. It's just not -- just that the learning curve is going to take a period of time.

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

Okay. And then can you just remind us with PROstep, I guess, the business model, so to speak? Is there any price or mix benefit? Is it using different types of implants? Or is this simply just a share/volume driver?

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

Well, it's a technique, but there are products involved that are specifically designed. There's a burn and implants that -- and a power source that are all geared to disrupting as little soft tissue as imaginable as can be done. And then -- so the -- it's more of a poke incision rather than a slit -- than a normal incision. And so -- and then the equipment and the implants work very well, designed into that. So that would -- that is what causes the ability to have less scarring, less pain, quicker return to function. And that is -- we've been having this product in the U.K. market for several years, very familiar with it. We've made it better for the launch in the U.S. We've added things to it, and we refined our process a lot. But it's still a -- I keep on reiterating is that it's a great product. It's going to be very useful for everybody. It's going to help us in ASCs, and it's going to help patients and doctors. But there is a learning curve to it. It's not as simple as doing a normal kind of a fusion or a bunion -- or the normal bunionectomy that they do.

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

Okay. And then just one quick housekeeping question for Lance. Can you just tell us what the cash and debt positions are post the convertible debt offering?

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

Sure. At the end of the quarter, we had $313 million of cash. And basically, the debt is roughly $1.1 billion.

Operator

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

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

Bob, the foot and ankle growth of 15%, that's been a steady number now for the last couple of quarters. You got a favorable reimbursement decision late last year. This is in hospital surgery. It seems like you haven't seen a pick-up from that favorable reimbursement decision. So what are you hearing from the field? And is there a possibility that we can get a pick-up in foot and ankle in the back end of the year from reimbursement? That's my first question.

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

Yes, Glenn. I think you meant 15% total ankle growth.

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

Yes. Okay, yes.

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

Yes, yes. I think it was maybe 2 quarters ago, maybe 3 quarters ago.

Julie D. Dewey - *Wright Medical Group N.V. - Senior VP & Chief Communications Officer*

October of '17.

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

October '17 that we were able to get the additional reimbursement. I think -- I would have thought that there -- that would have a bigger effect on -- that reimbursement would have a bigger effect. I think it still can, and I think it can drive more -- the total ankles from fusions. But I guess, that's our job to get doctors more comfortable with doing them. And so the fact of the matter is there's a lot of doctors that are still in the sidelines when it comes to doing total ankles and prefer doing fusions because they haven't been trained or they haven't had the desire to do them. That's our job to get them to do it. And the ability of the institution to make it profitable is another one. But in a lot of cases, that additional reimbursement does not flow back to the physicians. So the case being is still the physician to get them to do them, and they will not get resistance, I think at this reimbursement rate, from the institution like they used to get. But it's still our job to make sure that we train and convert doctors to do total ankles where appropriate.

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

And just as a follow-up, I also thought we, at some point, would see a pick-up in total ankle from the INVISION Revision system. And so maybe talk about -- has that had any impact? Because it seems from the numbers, it has. And then also in the past, you've talked about SALVATION. Can you give us an update on SALVATION? Is that still growing? Or has that kind of leveled off?

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

Yes, the -- I think, first of all, 15% growth is pretty good growth. I'm not ashamed of that. And I think that we're getting 15% growth off of a much larger number. So we're doing a lot more cases than we ever had. And I do think that the revision product is an important product in that it generates revenue. But also, I think the important thing is it gives doctors confidence that there's help if a patient has a problem. So I still think that 15% is pretty good. We're -- it's a very good business. Hopefully, it'll get even better. But it's our job is really, and I think we've been pretty successful on it, is getting doctors more comfortable in doing that procedure as opposed to a fusion. We've made a lot of progress. We're growing 15%. We've done it for years at that rate. And I think it will continue. Regarding SALVATION, it's going to -- we've launched SALVATION 2 this year. I guess it was last year. And I'm not exactly sure what the growth rate of that is. Maybe Lance...

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

I can't give the exact growth rate, but it's in technologically advanced products. And it is a high-growth product.

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

So high growth. It's very high ASP product, too. So it's $5,000, $8,000, $10,000 for a procedure. So we continue to develop new products for that. And I think that we're the only company that's really focused on this. And we're -- we have a group of people that train doctors just on this procedure and attend all cases along with the local rep to make sure that they go well because these cases are complicated.

Operator

Our next question comes from Craig Bijou with Cantor Fitzgerald.

Craig William Bijou - *Cantor Fitzgerald & Co., Research Division - Research Analyst*

Bob, I wanted to start with a couple on BLUEPRINT. So you mentioned that you're seeing BLUEPRINT used in 20% of your cases and it was trending upwards quarter-after-quarter. So just wanted to get a sense for where you think that can go for the rest of the year and then maybe into 2019. And then I also wanted to see what kind of surgeon or competitive surgeon conversion that you're seeing from BLUEPRINT.

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

Yes. The -- we have about 20% of our cases currently being done using BLUEPRINT and saved in BLUEPRINT. That will accelerate through the next half of the year. I don't know the exact number in mind. But even in July, we've seen it accelerate significantly. So I think that that's a big deal. And I -- but one of the -- I should have mentioned this earlier talking about SIMPLICITI. I think one of the drivers of SIMPLICITI is BLUEPRINT because it's so much more critical to have every little thing correct. And that's one of the reasons I think that SIMPLICITI is growing so fast, is that, that combination with BLUEPRINT is meaningful. So the -- I would say long term, I'm not going to give you 2019, is that in our lower extremity business, where we have enabling technology, PROPHECY is about 70% of all cases are done using PROPHECY. And I would assume that this will level off about that same point at some point in time, is in that area of 70% or maybe even better of cases using BLUEPRINT. It's -- and we're just rolling out additional modules throughout '18 and beyond. So there's still a lot of stuff to come in BLUEPRINT. It's not done. But what we have so far is really helpful to surgeons. And I think when we look at 20-plus percent growth in our shoulder business, even today, I think BLUEPRINT has a part in that and hopefully, will help us maintain very high levels of growth next year and beyond. We're very excited about BLUEPRINT. I think it's one of the best deals we ever did.

Craig William Bijou - *Cantor Fitzgerald & Co., Research Division - Research Analyst*

Okay. And as a follow-up, maybe I just want to quickly touch on the Sports Med business. I know it's not a significant piece of your business and you've talked about maybe strategic rationalization in the past. But it looks like it cost you maybe a point of growth for the quarter. So I just wanted to get your thoughts on the strategic importance of that business today.

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

It's not strategically important. It's a very small business. We don't invest in it. And I don't know what to say. We're just -- it's just not an important product barrier for us. And so it's -- hopefully, we could stop it from going down anymore. That's the main objective, is that we don't expect to get growth out of it.

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

Craig, also, Sports Med and other, there's some other various things in there. But in general, the Sports Med business, it's pretty small. And so even though it is a drag on growth, it's not a huge drag on growth.

Operator

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

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

Bob, just to follow up a little bit more on the upper extremities business. With SIMPLICITI out there, are you seeing the market accelerate because you're now getting into the younger patient population? Can you talk a little bit more about the new accounts you're able to capture with PERFORM or SIMPLICITI? Or are you just going deeper in existing accounts? And then I know you don't want to get too much into guidance, but the performance this year in that business has been really good. So as we look into '19, can this still be a business that grows above market rates?

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

Yes. We think it can grow above market rates. I do believe that the SIMPLICITI will continue to grow and expand the market. And I think that, I mentioned earlier, is that we had north of 30% growth in SIMPLICITI in Q2. And that -- when we actually have new competitors into the market. And I do think that some of that is coming from expansion into lower patients, which was a premise of launching SIMPLICITI. And also, I do think that the added value of BLUEPRINT helps -- is helping that growth also. So I think that regardless of competitive factors, I still think that we're going to have above-market growth in our total product line. I'm not sure that we're going to have 20% growth all the time or 22% growth all the time. But I think that we will have -- we're growing probably double market -- maybe more than double market. And hopefully, we can continue to have extremely strong growth. There's no reason why not to. I don't see anything out there. We have -- we don't have a lot of new product activity this year. But as we get into '19, we'll have a lot of new project activity, and we'll have the additional modules of BLUEPRINT. So I think that, that business has a tremendous amount of potential in it and has nowhere reached its capacity or its maximum point of -- point.

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

That's very helpful. And then as a follow-up question on the lower extremity side of things, I think you split that -- the sales force kind of more to the technically higher-end products like total ankles and the other half on the core side. Can you talk a little bit about the core reps, the productivity that they're starting to see now, and then where that could go maybe over the next 12 months?

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

Yes. That's really where our improvement came from in Q2. Is that a year ago when we expanded our sales force, we really didn't have people that were specialized in selling core products. We didn't have people that were specialized in ASCs. And the expansion of our sales force gave us the opportunity to do that. I wish we had done it earlier. I'll stick to that. But -- so the effectiveness of that sales force, having a really good ASC plan and strategy and new products give me confidence that our lower extremity business will continue to grow and -- at or above market rates for the foreseeable future so...

Operator

Our next question comes from Travis Steed with Bank of America.

Travis Lee Steed - *BofA Merrill Lynch, Research Division - VP*

So in the lower extremity business, can you talk about what you're assuming in guidance from new products versus contribution from the reps? I think at the beginning of the year, you mentioned new products alone are going to get you there to your full year guidance. But it seems like now with the rep particularly picking up, that there could be a decent amount of upside in that business for the rest of the year.

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

Yes, Travis. So we didn't break out specifically -- when we gave the guidance earlier in the year, we wanted to give some context for -- as compared to the last couple of years, that new products is going to be a much better tailwind from that business than what we've seen in the past. I think the big thing is we got to a growth rate we thought we'd get to sooner. We do think we can accelerate some from here. But these could be modest acceleration for the remainder of the year. Bob talked a little bit about PROstep. And there is a bit of a time of training, time of learning curve with that. And so we do expect the new products to contribute in the second half. And some of the new products we were talking about were ones that were launched in the second half of last year that were already in that number and helping that growth rate this quarter. So it's great the sales force really exceeded our expectations in Q2 and got us back on market quicker than we planned. And we do expect the new products to help. But given that we got to market faster, that the acceleration is going to be a little more incremental, a little more modest than we would have thought at the beginning of the year.

Travis Lee Steed - *BofA Merrill Lynch, Research Division - VP*

Okay. I just want to make sure I heard you correctly on some of the sales force productivity. It sounds like you can say with confidence that you're going to be back to market growth rates in that business and the return of that productivity is not really going to be lumpy. You kind of call it a win at this point.

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

Yes, I will agree with that, Travis. I think that we're there. We think we can do better. We're saying for the end of the year, we'll have some incremental opportunities, we think, but nothing new. But we should be able to maintain this market rate of growth rate and hopefully, even do better as we get into '19.

Travis Lee Steed - *BofA Merrill Lynch, Research Division - VP*

Okay. And then just one quick one, I'll try this. I know you usually don't talk about new products, but for PROstep, is the $10 million in the first year a reasonable assumption? And the reason I ask is I know when you launched AUGMENT, you did give a little bit of guidance for the first year or so. Just curious if you could do the same for PROstep.

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

Yes. So we don't -- AUGMENT is the only individual product that we've ever given any kind of guidance on. And just for some context on that, I mean, there was a massive buildup of expectation to the approval of the product, and we had to be clear that there wasn't anything in the guidance when we gave it originally. So when we got approval midyear, we had to give some context for that. When we gave guidance at the beginning of the year this year, launch of PROstep in the middle of the year was included in that. It's all in our number. And so we don't give individual product guidance. AUGMENT was the exception. We also were required per the acquisition to provide a lot more detail on that anyway. And so really, you should not expect us to be giving product level guidance on anything ever again, I wouldn't think, unless we have something unusual like AUGMENT original approval or AUGMENT Injectable.

Operator

Our next question comes from Jeff Johnson with Baird.

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

This is Jason on for Jeff. I'll come back and ask one other one here on PROstep. And Bob, I fully appreciate your comments on the learning curve and the training for surgeons. But can you help us understand how you're considering the initial uptick with PROstep to play out once that training is complete and those surgeons are brought up the learning curve? Are you expecting the surgeons you've trained on PROstep to shift to majority or all of their cases following training? Or would you expect more of a gradual shift of a doctor's caseload as the year -- as she gets comfortable and sees the results on the initial patients?

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

Well, it could work either way. The experience that we had is the physicians that finished their training and go and do quite a few cases right away almost switch their practice to that. The doctors that do one case a week, they tend to do one case a week for a long period of time. Just for -- everything has to be right. So there's no one right answer for that. I do think that this is going to be a significant product, but it's going to take time to get to a level where most of the bunionectomies are done using this technique in these products. But when you think about it, that's a big market. I think bunionectomy, there's over 1 million done a year, and some of it is done without any implant. They do colectomies that we will not play a part in, that we have never played a part in before because of the products that we have. So let's just be a little patient and see how this goes. The frame of reference I have and -- is in the U.K., where it really did overtake the market in the bunion business market for us as opposed to the products we used to have. We'll see how that goes here. I'm optimistic about it. We have improved the product. We've improved everything about it as we launched it here. But it is still a pretty significant learning curve, and I don't want to get too far out in front of this until I know better.

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

Okay, understood. That's helpful color. And then either way, Lance or Bob, you both alluded to -- and made some slight acceleration in your lower extremities growth here in the second half. Is it fair to assume that we'd see maybe the same (inaudible) dynamics in biologics and making growth there maybe accelerate a little bit off of 2Q levels even adjusting or excluding the $3 million incremental AUGMENT revenue?

Lance A. Berry - *Wright Medical Group N.V. - Senior VP & CFO*

I'd literally look for the acceleration in bio to be driven by injectable. We did see nice improvement. We didn't talk about it much on our call, but it went from a slight decline to, I think, 5% growth in the U.S. in bio, with really out any the contribution from injectable, which I think is great. And I think you can attribute that to sales force as well and another sign that the sales force is doing a lot better and performing like we expected.

Operator

Our next question comes from Steve Lichtman with Oppenheimer. It looks like he left the queue.

I'm not showing any further questions at this time. I'll turn the call back over to Bob Palmisano.

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

Yes. Thank you, operator, and thank all of you for joining us today. I want to express my appreciation to our team for their efforts in Q2. Great job, team.

I look forward to updating you on our next earnings call. We appreciate your interest and continuous support. This concludes our call.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.