



November 30, 2016

Key Metrics

NUVA - NASDAQ	\$65.43
Pricing Date	Nov 29 2016
Price Target	\$72.00
52-Week Range	\$69.50 - \$36.81
Shares Outstanding (mm)	50.3
Market Capitalization (mm)	\$3,291.1
3-Mo Average Daily Volume	813,620
Book Value/Share	14.24
Price/Book	4.6x

EPS FY: December

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	0.30	--	0.30A	--	0.49E
2Q-Jun	0.31	--	0.40A	--	0.53E
3Q-Sep	0.35	--	0.40A	--	0.50E
4Q-Dec	0.34	--	0.50E	--	0.59E
FY	1.30	--	1.62E	--	2.11E
P/E	50.33x		40.39x		31.01x

REVENUE

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	192.4	--	215.1A	--	255.3E
2Q-Jun	202.9	--	236.2A	--	268.1E
3Q-Sep	200.5	--	239.6A	--	259.0E
4Q-Dec	215.3	--	261.7E	--	283.1E
FY	811.1	--	952.7E	--	1,065.4E

Company Description:

NuVasive, Inc., a medical device company, engages in the design, development, and marketing of products for the surgical treatment of spine disorders.

NuVasive

Rating: Buy

Continued Share Gains Amplified By Continued Operating Leverage; Initiating with a Buy and \$72 PT

Investment Highlights:

We are initiating on NUVA with a Buy rating and \$72 price target. We see two major drivers over the next few years: continued share gains translating into high single-digit growth and continued margin expansion to the tune of at least 100bp per year — we believe the company still has at least 900bp of margin improvements to catch up to its closest peers.

Operating Leverage: We still see 900bp of operating improvements to come, which will continue to drive value. NUVA anticipates 100bp per year of operating margin improvements to 25%, and 20% CAGR in adjusted EBITDA improvements to 32% margins, and we believe they are on track to deliver. Q3 reported non-GAAP operating margins of 16.1%, 60bp higher than their July guidance of 15.5%. Operating margin improvements stem from sales force efficiencies with their differentiated offering, increased international scalability from a larger international mix, manufacturing efficiencies stemming from 100% in-house manufacturing, and asset efficiencies from operational improvements. NUVA also expects non-GAAP tax rate improvements to roughly 28% by 2020 as international sales mix increases.

Still Growing at 2-3x the market: The company has consistently been able to gain share and grow 2-3x faster than the overall market, which we see as growing at 2-3%. Drivers of growth include expanding its platform of offerings, adapting a holistic approach with regards to its sales effort, and increased iGA integration which allows better planning for deformity and saves cost.

Valuation: Our \$72 target price is derived by applying a 13-14x EV/EBITDA multiple to our FY18 estimates, assuming a 26.5% EBITDA margin. We see the 12-13x range appropriate for small-cap med-tech companies, but we believe our 13-14x premium is justified given the potential sales growth and margin expansion.

Exhibit 1: Peer Group Valuation Metrics

Company	Ticker	Market Cap	EV (MM)	EV/SALES			EV/EBITDA		
				TTM	2016	2017	TTM	2016	2017
NuVasive	NUVA	\$3,226	\$3,709	4.1x	3.9x	3.5x	19.6x	15.4x	13.1x
Integra LifeSciences	IART	\$3,095	\$3,674	3.8x	3.7x	3.4x	21.9x	15.8x	14.1x
Globus Medical	GMED	\$2,071	\$1,813	3.3x	3.2x	2.9x	8.8x	8.8x	8.5x
Wright Medical Group	WMGI	\$2,411	\$2,868	4.2x	4.2x	3.8x	-	62.2x	36.9x
K2M Group	KTWO	\$807	\$834	3.6x	3.6x	3.1x	-	695.0x	54.9x
Average		\$2,322	\$2,580	3.8x	3.7x	3.3x	16.8x	159.4x	25.5x

Source: Aegis Capital Corp estimates and FactSet

*Priced as of 11/29/2016

Risks: Risks to the achievement of our target price include (1) increased competition from larger players with more resources or smaller players with more focused portfolios, (2) slower than expected market uptake on key products, (3) sales force hiring and training slower than expected, (4) inability to improve on margins, and (5) regulatory approval of products domestically and abroad.

The company was a pioneer in the XLIF approach to lumbar fusion, but has diversified into a full service player. The company still enjoys a dominant position with XLIF, which remains a popular and growing MIS approach to spinal fusion (versus more invasive ALIF and PLIFs), but has diversified to cover the remainder of the spine market, including biologics (with OsteoCel), neuromonitoring services (required to do an XLIF procedure), its international footprint, and most recently the deformity market with the acquisition of Ellipse (for juvenile deformity cases) and the iGA platform (discussed below). As far as where deficits lie, the company does not have a competitive motion preservation/disc replacement option for the cervical market (only approved for single-level discectomy, while ZBH and MDT have two-level discs approved), and has yet to make an investment in robotics. While we think the cervical business will continue to suffer in 2017 without a competitive cervical disc, we are probably still a few years off before robots have an appreciable impact.

iGA (Integrated Global Alignment) Platform: The company is making a major push into the deformity market with its iGA platform. iGA is a multifaceted program, whose central piece thus far is treatment planning software that helps surgeons better plan out procedures and, perhaps even more importantly, reduce the number of tool sets required (from 10 to 2/3) thus reducing the overall procedure cost, logistics and capital expenditures (NUVA loans out the instrument trays, and capitalizes it in SG&A). Though touted as a deformity system, from what we have seen thus far, this is less about addressing the lucrative, but entrenched, deformity market dominated by MDT, JNJ and KTWO, and more about bringing deformity concepts to fusion procedures. None-the-less, results over the past year have shown real traction with iGA, and users we have spoken to admit that the software has gotten them to use more NUVA hardware and in more procedures than in the past. At NASS, NUVA announced its expanded iGA platform into cervical, allowing iGA to offer treatment planning to all spine procedures, and Bendini, NUVA's proprietary rod-bending solution. NUVA also announced LessRay at NASS, software technology (acquired from SafeRay Spine) designed to reduce radiation exposure of staff in the OR by up to 90% by improving low radiation images.

Ellipse Technologies (closed Feb 2016) was acquired for \$380 million plus \$30 million in potential 2017 milestone payments, and is expected to contribute \$60 million in revenue for 2016, implying a multiple paid of just over 6x forward year revenue and 9-10x based on approximately \$40 million in TTM revenue. The deal is slightly accretive to non-GAAP EPS in the first year, with significant accretion after. The Ellipse MAGnetic External Control (MAGEC) technology platform allows for magnetic adjustment of bracing and distraction systems for early onset scoliosis (patients under 10), leading to a less invasive surgery and avoids the need for multiple procedures – changing the number of surgeries from as much as 15 to a single surgery. The technology is also used for limb lengthening (PRECICE), which represents about 40% of Ellipse business though growing at a slower rate, and is used primarily for cosmetic applications. Ellipse gives NUVA true differentiation for early onset scoliosis and limb lengthening in the deformity space (\$570 million and \$700 million markets, respectively), and provides an entryway into the remaining 2/3 of the deformity market — something its iGA platform for all its merits does not. Recently, NUVA obtained CMS approval for an add-on payment for magnetically controlled growth rods and FDA clearance for MAGEC with Reline system.

Biologics/Neuro services: NUVA biologics OsteoCel and AttraX appear to be hitting a wall, with OsteoCel, a stem cell formulation used to induce bone growth/fusion, seeing increased competition from smaller players entering the market. In addition, although many surgeons like it, limited data and increased usage over time have caused resistance at the CFO level. Earlier this year, following long delays from the FDA, the company was able to launch AttraX for users who prefer synthetics, but from what we can tell uptake has been slow.

NUVA appears to be doubling down on its neuromonitoring services with acquiring privately held Biotronic Neuronetwork, a neuromonitoring service business for \$98 million or roughly 2x 2015 sales of \$50 million. This

doubled the size of NUVA's current neuromonitoring service business (NuVasive acquired Impulse Monitoring, another regional player, in 2011 for \$80 million representing roughly 2-3x sales TTM and 2x its \$40 million run rate at the time of acquisition). This fits with NUVA's goals of expanding to a full line offering – more than 50% of spinal procedures, especially lateral fusions, employ neuromonitoring service for oversight and in the OR. While reimbursement changes in 2013 created headwinds for this business, much of this has stabilized and growth has resumed to roughly 7-8%, with related disposables growing 25% last quarter. Nonetheless, collections are still an issue, but NUVA is seeing above-industry-average rates of collection, which should help accelerate Biotronic's growth rate. There should also be some pull through of hardware as well. The deal was immediately accretive both in terms of EPS and EBITDA--adding about a nickel to EPS in 2016.

International: NUVA has refocused its international business to focus on its primary differential, MIS procedural solutions (iGA and XLIF), and has focused on targeting KOLs abroad, which has paid dividends in the OUS markets, particularly Europe and Australia. They currently have about 4% international market share and are aiming for 7% market share at \$1 billion in revenue. The company experienced a headwind in Japan as an industry-wide request by the Japanese Ministry of Health resulted in the reclassification of certain lateral surgical accessories. This cost NuVasive XLIF and XLIF-related tools revenues of \$4.5 million, though management expects re-approval of products in late Q4. So far international has looked good, but OUS can prove a risky bet.

NuVasive Inc. Revenues													
Revenues (\$ MM)	2014A	2015A	2016E				2016E	2017E				2017E	2018E
	Year	Year	1QA	2QA	3QA	4QE	Year	1QE	2QE	3QE	4QE	Year	Year
Product Line													
US Spinal Hardware & Other	436	469	127	138	133	147	544	142	149	144	158	593	640
%		8%	15%	18%	15%	16%	16%	12%	8%	8%	8%	9%	8%
US Surgical Support & Other	224	237	60	61	73	76	269	75	76	77	80	307	319
%		6%	4%	3%	26%	22%	14%	25%	25%	5%	5%	14%	4%
International (inc Puerto Rico)	103	105	29	38	34	39	139	39	43	39	45	166	197
%	42%	2%	17%	36%	28%	47%	32%	35%	15%	15%	15%	19%	19%
Total	762	811	215	236	240	262	953	255	268	259	283	1065	1157
%	11%	6%	12%	16%	20%	22%	17%	19%	13%	8%	8%	12%	9%
Source: Company reports and Aegis Capital Corp. estimates													

Source: Company reports and Aegis Capital Corp. estimates

NuVasive Inc. Consolidated Income Statement

(Fiscal Years Ending December 31; \$ millions)

	2014A Year	2015A				2015A Year	2016E				2016E Year	2017E				2017E Year	2018E Year
		Q1A	Q2A	Q3A	Q4A		Q1A	Q2A	Q3A	Q4E		Q1E	Q2E	Q3E	Q4E		
Net sales	\$762.4	\$192.4	\$202.9	\$200.5	\$215.3	\$811.1	\$215.1	\$236.2	\$239.6	\$261.7	\$952.7	\$255.3	\$268.1	\$259.0	\$283.1	\$1,065.4	\$1,156.6
Cost of goods sold	\$182.4	\$45.7	\$48.4	\$49.2	\$51.2	\$194.5	\$54.2	\$59.7	\$59.2	\$59.1	\$232.3	\$60.0	\$61.7	\$59.6	\$63.7	\$244.9	\$254.5
Gross profit	\$580.1	\$146.7	\$154.5	\$151.4	\$164.0	\$616.6	\$160.9	\$176.5	\$180.5	\$202.6	\$720.4	\$195.3	\$206.4	\$199.4	\$219.4	\$820.5	\$902.2
Operating expenses:																	
SG&A	\$469.6	\$116.1	\$115.3	\$111.4	\$121.7	\$464.5	\$130.2	\$134.5	\$131.9	\$143.4	\$540.0	\$139.1	\$144.8	\$139.8	\$151.5	\$575.2	\$607.2
R&D	\$38.0	\$9.3	\$8.8	\$9.2	\$8.6	\$35.9	\$10.6	\$11.9	\$12.5	\$14.4	\$49.4	\$13.5	\$14.7	\$14.2	\$15.3	\$57.8	\$65.9
IPR&D and One Time Charges	\$40.7	(\$37.2)	\$1.6	(\$0.4)	0.7	(\$35.3)	(\$0.1)	(\$40.6)	3.5	-	(\$37.2)	-	-	-	-	-	-
Amortization	\$13.6	\$3.00	\$2.97	\$3.07	\$3.48	\$12.5	\$7.9	\$10.6	\$11.4	\$12.0	41.9	\$10.5	\$10.5	\$10.5	\$10.5	\$41.9	\$17.0
Total operating costs	\$561.9	\$91.2	\$128.6	\$123.3	\$134.5	\$477.6	\$148.6	\$116.4	\$159.3	\$169.8	\$594.2	\$163.1	\$170.0	\$164.6	\$177.2	\$674.9	\$690.2
Operating income (loss)	\$18.1	\$55.6	\$25.9	\$28.1	\$29.5	\$139.1	\$12.2	\$60.1	\$21.2	\$32.8	\$126.2	\$32.2	\$36.4	\$34.8	\$42.2	\$145.6	\$212.0
Operating income (pro forma)	\$75.6	\$24.2	\$27.9	\$29.6	\$32.6	\$108.4	\$22.4	\$26.9	\$27.1	\$35.8	\$112.1	\$34.2	\$38.4	\$36.8	\$44.2	\$153.6	\$220.0
Interest income/(expense)	(\$26.7)	(\$6.3)	(\$6.9)	(\$6.9)	(\$7.0)	(\$27.2)	(\$25.5)	(\$10.4)	(\$10.7)	(\$10.8)	(\$7.4)	(\$6.3)	(\$6.3)	(\$6.3)	(\$6.3)	(\$25.0)	(\$25.0)
Other, net	(\$2.7)	\$0.0	(\$0.3)	0.387	-	0.1	-	-	-	-	-	-	-	-	-	-	-
Total other	(\$29.4)	(\$6.3)	(\$7.2)	(\$6.6)	(\$7.0)	(\$27.1)	(\$25.5)	(\$10.4)	(\$10.7)	(\$10.8)	(\$7.4)	(\$6.3)	(\$6.3)	(\$6.3)	(\$6.3)	(\$25.0)	(\$25.0)
Pretax income	(\$11.2)	\$49.3	\$18.7	\$21.6	\$22.5	\$112.0	(\$13.3)	\$49.7	\$10.5	\$22.0	\$68.8	\$25.9	\$30.2	\$28.6	\$35.9	\$120.6	\$187.0
Pretax income (proforma)/Cash/Non-GAAP	\$46.3	\$12.1	\$20.7	\$23.0	\$25.5	\$81.3	(\$3.1)	\$16.5	\$16.4	\$25.0	\$54.7	\$27.9	\$32.2	\$30.6	\$37.9	\$128.6	\$195.0
Income tax provision GAAP	\$6.3	\$17.9	\$8.6	\$8.8	\$11.4	\$46.7	(\$4.0)	\$19.9	\$7.0	\$7.0	\$29.9	\$10.4	\$12.4	\$12.0	\$14.7	\$49.5	\$59.8
Net income	(\$17.5)	\$31.4	\$10.0	\$12.8	\$11.1	\$65.3	(\$9.3)	\$29.8	\$3.5	\$14.9	\$38.9	\$15.5	\$17.8	\$16.6	\$21.2	\$71.1	\$127.2
Net Loss Attributable to non-controlling interest	(\$0.8)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.4)	(\$1.0)	(\$0.5)	(\$0.4)	(\$0.4)	(\$0.4)	(\$1.7)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)	(\$1.6)	(\$1.3)
Net Income to NuVasive	(\$16.7)	\$31.6	\$10.3	\$13.0	\$11.5	\$66.3	(\$8.9)	\$30.2	\$3.9	\$15.3	\$40.6	\$15.9	\$18.2	\$17.0	\$21.6	\$72.7	\$128.5
Net Income (Proforma)	\$26.6	\$15.1	\$13.8	\$16.2	\$15.7	\$57.4	\$11.5	\$12.4	\$10.9	\$19.9	\$54.6	\$20.1	\$22.3	\$21.1	\$25.7	\$89.3	\$143.9
Convert Interest add back	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.3	\$1.3	\$1.3	\$1.3	\$5.0	\$1.3	\$1.3	\$1.3	\$1.3	\$5.0	\$5.00
Net Income post convert	(\$16.7)	\$31.6	\$10.3	\$13.0	\$11.5	\$66.3	(\$7.6)	\$31.5	\$5.2	\$16.6	\$45.6	\$17.2	\$19.5	\$18.2	\$22.8	\$77.7	\$133.5
EPS - Adjusted (ProForma/cash)/Non GAAP	\$1.01	\$0.30	\$0.31	\$0.35	\$0.34	\$1.30	\$0.32	\$0.40	\$0.40	\$0.50	\$1.62	\$0.49	\$0.53	\$0.50	\$0.59	\$2.11	\$2.47
EPS-GAAP	(\$0.37)	\$0.61	\$0.20	\$0.24	\$0.22	\$1.26	(\$0.18)	\$0.57	\$0.07	\$0.27	\$0.73	\$0.28	\$0.31	\$0.29	\$0.37	\$1.23	\$2.15
Average FD shares outstanding	47.6	51.7	51.7	53.2	53.1	52.4	49.6	53.2	55.8	57.3	54.0	57.6	57.9	58.2	58.5	58.0	59.0
Average FD shares outstanding (non-GAAP)		50.8	50.7	51.4	51.4	51.1	51.0	51.9	52.6	53.0	52.1	53.2	53.4	53.6	53.8	53.5	54.5
Shares Outstanding w/conversion	49.4																
Reconciliation																	
SG&A-Stock Comp	23.3																
R&D-Stock Comp	1.5																
Total Stock Comp	24.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangible Amort	13.6	\$3.0	\$3.0	\$3.1	\$3.2	\$12.2	\$7.5	\$10.3	\$11.1	\$10.5	\$39.4	\$10.0	\$10.0	\$10.0	\$10.0	\$40.0	\$6.0
IPR&D + One Time	57.5	(\$37.2)	\$2.0	\$1.5	\$3.0	(\$30.7)	\$10.2	(\$33.2)	\$5.9	\$3.0	(\$14.1)	\$2.0	\$2.0	\$2.0	\$2.0	\$8.0	\$8.0
Leasehold		\$2.9	\$0.2	(\$0.0)	\$0.7	\$3.7	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other (convert charges/non-cash)	14.7	\$3.8	\$3.9	\$4.0	\$4.1	\$15.8	\$21.8	\$5.1	\$5.2	\$4.3	\$36.2	\$5.0	\$5.0	\$5.0	\$5.0	\$20.0	\$20.0
Total non Cash Charges	112.0	(27.5)	9.1	8.5	10.9	1.0	39.5	(17.8)	22.2	17.8	61.6	17.0	17.0	17.0	17.0	68.0	34.0
Total Cash Operating Income/NonGAAP	115.5	24.2	31.0	32.6	36.4	124.3	30.0	37.2	38.2	46.3	151.6	44.2	48.4	46.8	54.2	193.6	226.0
Total Cash Net Income/Non GAAP	50.5	15.1	15.7	18.1	18.0	66.9	16.0	20.6	21.1	26.6	84.4	26.0	28.2	27.0	31.6	112.9	147.2
Tax on Non Cash	(44.8)	\$11.0	(\$3.6)	(\$3.4)	(\$4.4)	(\$0.4)	(\$14.6)	\$8.3	(\$5.0)	(\$6.5)	(\$17.8)	(\$7.0)	(\$7.0)	(\$7.0)	(\$7.0)	(\$27.9)	(\$15.3)
Tax rate non Cash Charges	40%	40%	40%	40%	40%	40%	36%	37%	37%	37%	37%	41%	41%	41%	41%	41%	45%
EPS Impact																	
Pro Forma Cash EPS/Non GAAP	\$1.01	\$0.30	\$0.31	\$0.35	\$0.34	\$1.30	\$0.32	\$0.40	\$0.40	\$0.50	\$1.62	\$0.49	\$0.53	\$0.50	\$0.59	\$2.11	\$2.47
Margin Analysis																	
Gross Margin	76.1%	76.3%	76.1%	75.5%	76.2%	76.0%	74.8%	74.7%	75.3%	77.4%	75.6%	76.5%	77.0%	77.0%	77.5%	77.0%	78.0%
SG&A	61.6%	60.3%	56.8%	55.5%	56.5%	57.3%	60.5%	56.9%	55.0%	54.8%	56.7%	54.5%	54.0%	54.0%	53.5%	54.0%	52.5%
R&D	5.0%	4.8%	4.3%	4.6%	4.0%	4.4%	4.9%	5.0%	5.2%	5.5%	5.2%	5.3%	5.5%	5.5%	5.4%	5.4%	5.7%
GAAP Operating Margin	2.4%	28.9%	12.7%	14.0%	13.7%	17.1%	5.7%	25.4%	8.8%	12.5%	13.2%	12.6%	13.6%	13.5%	14.9%	13.7%	18.3%
ProForma Operating Margin-excl options	15.1%	12.6%	15.3%	16.3%	16.9%	15.3%	14.1%	14.1%	14.1%	17.7%	15.9%	14.1%	14.1%	14.1%	19.1%	18.2%	19.5%
Pretax margin	-1.5%	25.6%	9.2%	10.7%	10.5%	13.8%	-6.2%	21.0%	4.4%	8.4%	7.2%	10.1%	11.3%	11.0%	12.7%	11.3%	16.2%
Tax Rate	-56.1%	36.3%	46.3%	40.8%	50.7%	41.7%	29.8%	40.0%	66.6%	32.0%	43.5%	40.0%	41.0%	42.0%	41.0%	41.0%	32.0%
Net Margin GAAP	-2.3%	16.3%	4.9%	6.4%	5.2%	8.0%	-4.3%	12.6%	1.5%	5.7%	4.1%	6.1%	6.6%	6.4%	7.5%	6.7%	11.0%
Net Margin ProForma	3.5%	7.8%	6.8%	8.1%	7.3%	7.1%	5.3%	5.2%	4.6%	7.6%	5.7%	7.9%	8.3%	8.2%	9.1%	8.4%	12.4%
Net Margin Cash/Non GAAP	6.6%	7.8%	7.7%	9.0%	8.4%	8.2%	7.5%	8.7%	8.8%	10.2%	8.9%	0.0%	0.0%	0.0%	0.0%	10.6%	12.7%
Year-over-Year Change																	
Product revenue	11.3%	8.4%	6.4%	5.6%	5.4%	6.4%	11.8%	16.4%	19.5%	21.6%	17.5%	18.7%	13.5%	8.1%	8.2%	11.8%	8.6%
Cost of goods sold	1.0%	5.5%	8.0%	3.0%	10.2%	6.6%	18.8%	23.4%	20.4%	15.4%	19.5%	10.6%	3.2%	0.6%	7.7%	5.4%	3.9%
SG&A	11.8%	-1.7%	-1.4%	-2.1%	0.7%	-1.1%	12.1%	16.6%	18.4%	17.8%	16.2%	6.9%	7.6%	6.0%	5.6%	6.5%	5.6%
R&D	17.9%	-2.0%	-12.8%	1.4%	-8.4%	-5.6%	14.7%	35.2%	36.1%	67.3%	37.8%	27.3%	24.2%	13.8%	6.2%	17.0%	14.1%
Operating income	-45.2%	-303.1%	459.4%	72.3%	20.3%	666.6%	-78.0%	132.2%	-24.7%	10.9%	-9.3%	162.8%	-39.3%	64.7%	28.8%	15.4%	45.6%
ProForma Operating Income																	
Pretax income	-214.8%	47%	-902.6%	203.5%	27.5%	-1099%	-73%	165.9%	-51.4%	-2.4%	-39%	95%	-39.2%	173.2%	63.7%	75%	55%
Net income	-350.5%	-269.4%	-335.1%	-741.7%	52.3%	-473%	-129.8%	196.7%	-72.6%	34.5%	-40%	-266.3%	-40.2%	374.5%	42.0%	83%	79%
EPS ProForma	1.2%	84.1%	100.5%	409.8%	46.2%	95.7%	-20.8%	-13.1%	-35.6%	17.4%	-7.5%	-100.0%	-100.0%	-100.0%	-100.0%	51.9%	58.5%
EPS Cash Non-GAAP	-16.7%	1.3%	10.9%	88.6%	34.0%	28.3%	9.8%	29.7%	13.8%	45.9%	25.1%	50.2%	33.1%	25.5%	17.1%	29.7%	17.2%

Source: Company Reports & Aegis Capital Corp. estimates

Required Disclosures

Price Target

\$72

Valuation Methodology

Valuation: Our \$72 target price is derived by applying a 13-14x EV/EBITDA multiple to our FY18 estimates, assuming a 26.5% EBITDA margin. We see the 12-13x range appropriate for small-cap med-tech companies, but we believe our 13-14x premium is justified given the potential sales growth and margin expansion.

Risk Factors

Risks: Risks to the achievement of our target price include (1) increased competition from larger players with more resources or smaller players with more focused portfolios, (2) slower than expected market uptake on key products, (3) sales force hiring and training slower than expected, (4) inability to improve on margins, and (5) regulatory approval of products domestically and abroad.

For important disclosures go to www.aegiscap.com.

We, Jason Wittes and Evan Wang, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject companies and their securities. We also certify that We have not been, do not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report.

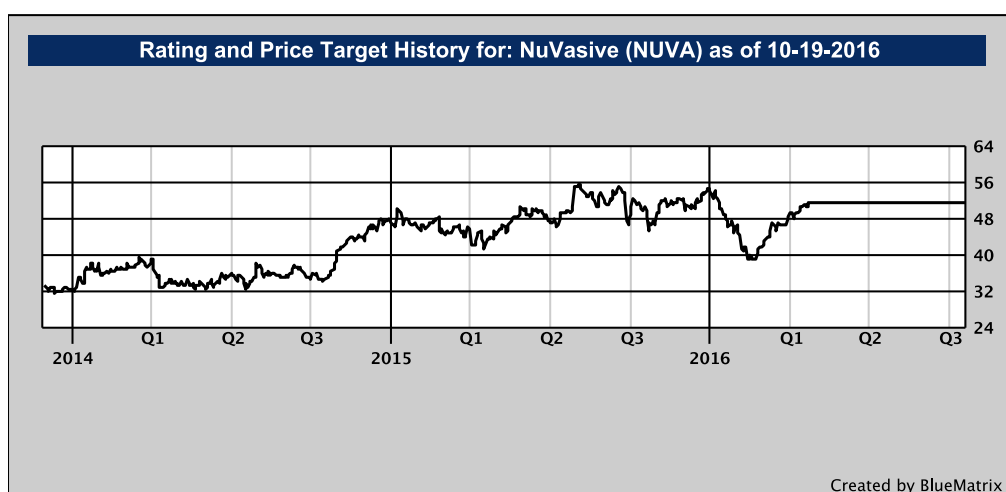
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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	85.85	37.36
HOLD [HOLD]	14.15	20.00
SELL [SELL]	0.00	0.00

Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

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