

Medical Technology

Medtech starting off on the right foot

Price Objective Change

Solid start for medtech in 2024; relative val up 2% YTD

Last week the majority of the Q4 pre-releases were ahead, most guides were in-line to better, and companies that didn't preannounce still gave bullish commentary. Procedure trends are normalizing at a healthy level, capital equipment remains strong, and we even got some M&A. Medtech valuations remain depressed but are starting to tick higher (relative valuation up 2% YTD). It's also notable GLP-1s are becoming a smaller part of the medtech convo/debate. Exhibits 1, 2 and 3 inside go over all the incremental things we learned from each medtech company last week.

More constructive on SWAV after last week

SWAV commentary sounded much more constructive than it did back in November. There's still no evidence that other payers are following Aetna 4-5 months later, Aetna is stable/maybe a little bit better (more upside than downside). This suggests to us that there's higher probability that SWAV can achieve Street 2024 estimates.

INSP incrementally more bullish

INSP's Q4 basically puts the prior auth issue to rest – INSP said it's a non-factor now. The 2024 guide is out of the way and it looks very achievable with 2024 business as usual. We see more profits coming in 2024 and have Inspire V full launch in 2025. We do not see the SURMOUNT GLP-1 trial being a big concern and see INSP working despite this 2024 data readout. More below on SURMOUNT.

SURMOUNT is really “off PAP” despite having PAP arm

It's important to note SURMOUNT removes the benefit of PAP devices. Participants in the on-PAP arm stop PAP for 7-9 days before each sleep study. Lilly's decision to stop PAP for 7-9 days was done to ensure both AHI and patient reported outcomes reflect the “off PAP” situation. AHI usually rises relatively quickly after PAP withdrawal and both PAP and non-PAP arms likely show a stat sig reduction in AHI vs placebo.

SURMOUNT-OSA baseline data important considerations

SURMOUNT is powered for assuming a 50% improvement vs placebo; 17.5% enrolled are Asian (Asian OSA is less correlated to weight) and 70% are male (females saw higher weight loss in SURPASS 1-4). SURMOUNT enrolled average BMI of 38.8 and AHI of 50.3 with 66% patients severe (AHI>30) and 32.7% moderate (AHI 15-30). INSP's average BMI in the real world is about 32 and INSP's average AHI is around 30.

Sher criteria a high bar to establish clinical success in OSA

The OSA industry uses Sher criteria to establish clinical success which for some could create a higher bar for SURMOUNT. Sher criteria is a minimum of 50% reduction with a final AHI less than 20. INSP has some data showing 67% meeting this criteria.

Given higher peer multiples we adjust our POs higher for BSX, EW, ABT, BAX, ZBH, SYK. We also update models for ISRG, DXCM, BAX, ZBH, NARI, INSP, NVRO, CNMD, and OM.

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Tickers

ABT = Abbott Laboratories
AXNX = Axonics
BAX = Baxter
BSX = Boston Scientific
CNMD = CONMED
DXCM = Dexcom
EW = Edwards Lifesciences
INSP = Inspire Medical
ISRG = Intuitive Surgical
NARI = Inari Medical
NVRO = Nevro
OM = Outset Medical
SWAV = Shockwave Medical
SYK = Stryker
ZBH = Zimmer Biomet

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Medtech learnings from last week ...

Exhibit 1: Medtech companies that preannounced Q4'23 results

Last week, 13 medtech companies under our coverage preannounced Q4'23 results; the avg top-line beat was 4%. Of those names, 7 also provided initial 2024 guidance.

Ticker	Prelim Q4'23	Street Q4'23E	Beat / (Miss)	Prelim 2024	Street 2024E	Variance	Incremental color on Q4'23 / 2024
AXNX	\$109.3m - \$109.7m	\$105.7m	4%	--	--	--	-- To be acquired by BSX for \$71/share or 7.7x sales based on enterprise value of \$3.4bn and Street 2024 revenue estimate of \$442m -- BSX expects to complete transaction in 1H24
DXCM	\$1.03bn	\$1.005bn	2%	\$4.15bn - \$4.35bn	\$4.325bn	(1%) - 4%	-- 2024 total revenue of ~\$4.15bn-\$4.35bn, organic growth of ~16% to 21% (including 1pt contribution from T2 non-insulin product) -- GM ~63% to 64% and OM ~20%.
FNA	\$60.3m - \$60.6m	\$60.2m	0%	--	--	--	--
GMED	\$616m	\$601m	2.5%	\$2.45bn - \$2.475bn	\$2.47bn	(1%) - 0%	-- 2024 total revenue of \$2.450bn-\$2.475bn -- 2004 EPS \$2.68-\$2.70
INSP	\$192.3m - \$192.5m	\$177.9m	8%	\$775m - \$785m	\$773m	0% - 2%	-- Q4'23 GM 83-85% -- Expect a profitable Q4 -- Q4 utilization about 2 -- 2024 total revenue of \$775m-\$785m, growth of 24-26% -- Little bit more seasonality Q4'23 to Q1'24 (Vs typical HSDs to almost DDs q/q decline in Q1) due to 400bps benefit from silicone leads in Q1'23
ISRG**	21%	19%	2%	13 - 16%	15%	(2%) - 1%	-- Low end of guide assumes bariatrics sees a modest decline, the anti-corruption campaign in China continues to impact tender process, and no backlog in 2024 -- High end of guide assumes bariatrics continues at current MSD growth rates, activities in China around anti-corruption do not have a significant impact on procedures or on business broadly, and some level of patient backlog still helps in early 2024 but less than 2023
ITGR	\$411m - \$413m	\$405.2m	1% - 2%	--	--	--	-- On track to deliver \$80-100m of revenue from emerging customers in '24 -- Acquired Pulse Technologies on 1/5 (\$42m of rev in 2023; \$11m EBITDA)
MASI	\$541m - \$551m	\$539.5m	0.3% - 2%	\$2,045m - \$2,165m	\$2,086m	(4%) - 2%	Healthcare revenue of \$1,345m-\$1,385m; Non-healthcare revenue of \$700m-\$780m; Non-GAAP EPS of \$3.44-\$3.60
NARI	\$132m	\$131m	1%	\$580m - \$595m	\$586m	(2%) - 1%	-- 2024 total revenue of \$580m-\$595m, growth of ~17.5% to 20.5% -- Reach sustained operating profitability in the first half of 2025.
NVRO	\$116.0	\$109.4m	6%	--	--	--	-- Q4'23 PDN revenue ~\$22.4m -- Q4'23 US trial procedures down -1% y/y; Q4'23 US PDN trial procedures represented ~24% of total US trial volume -- Vysa immaterial to Q4'23 but slightly positive -- Restructuring will have \$14m-\$15m positive impact on 2024 adj EBITDA, largely offset by normal opex increases -- Ex-acquisition-related opex, 2024 opex to be ~flat Vs 2023 -- GAAP opex in Q1'24 will include \$5m-\$6m restructuring charge
OM	\$30.5m	\$30.1m	1%	\$145m - \$153m	\$149m	(3%) - 3%	-- 2024 total revenue \$145m-\$153m, growth of 12% to 18% -- GM to expand to the low-30% range for the full year 2024 and exit the year in the mid-30% range for 4Q'24
PRCT	\$43.3m - \$43.6m	\$40.9m	6%	--	--	--	-- Q4'23 Utilization 7.3 handpieces sold per system per month -- 2024 seasonality similar to 2023 - lower system sales in Q; system sales 45/55% split between 1H/2H'24 -- Seems comfortable with the Street's 184 system sales in 2024
RXST	\$28.6m	\$25.8m	11%	\$128m - \$135m	\$122m	5 - 11%	-- 2024 total revenue \$128m-\$135m, growth of 44% to 52% -- GM 65% to 67% -- Opex \$125m to \$128m -- Non-cash expenses \$22m to \$25m
SIBN	\$38.5m - \$38.7m	\$36.5m	6%	--	--	--	No 2024 guidance, but seems ok with consensus at midpoint of 2023 initial guide

Source: Bloomberg, Company filings, BofA Global Research. **ISRG numbers are procedure growth. *Note: GM = gross margin. OM = operating margin. HSDs = high-single-digits. DDs = double digits. MSD = mid-single-digit. PDN = Painful diabetic neuropathy.

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Exhibit 2: Medtech companies that presented at JPM and did not preannounce Q4'23 results

Below we provide incremental color / commentary on Q4'23 or 2024 that we learned last week, from our Medtech companies that did NOT preannounce Q4'23 results.

Ticker	Street Q4'23E	Organic y/y	Street 2024E	Organic y/y	Incremental color on Q4'23 / 2024
ABT	\$10,197m	10.9%	\$41,676m	7.0%	--
BAX	\$3,803m	1.1%	\$15,153m	2.5%	-- Progressing toward the spin of Kidney Care at the end of July 2024 -- 1H'24 lower interest expense, 2H'24 higher interest expense -- Feel good about BAX /Remain Co's ability to reach or get close to prior targets of 4-5% CC rev growth, 350-400bps OM expansion through 2025, and >80% FCF conversion by 2025
BDX	\$4,732m	5.3%	\$20,206m	5.5%	-- For full year, continue to expect a normal sized flu season however see a timing shift relative to original expectations, which translates to movement of ~\$30m of flu testing revenue from fiscal Q1 to the remainder of the year -- Now expect a modest favorable shift in tax phasing due to accelerated timing of a discrete item that was planned for this year and does not change BDX full year anticipated ETR -- \$200m floor on FY24 for Alaris
BLCO	\$1,101m	5%	\$4,515m	7%	-- Margin expansion going to be less than Street - expect closer to 60-70bps of expansion vs 120bps for Street -- Fx revenue headwind now expected to be less than \$100m (\$100m before)
BSX	\$3,593m	9.6%	\$15,315m	8.5%	AXNX acquisition impact to adj EPS to be immaterial in 2024 and accretive thereafter; to GAAP EPS is expected to be less accretive, or more dilutive
CNMD	\$331m	33%	\$1,345m	9%	-- If markets grow 5-7%, then HSD to close to 10% growth for CNMD is a reasonable expectation for 2024; if markets are a little soft in a quarter and CNMD growth ends up in the 9's, then "[CNMD] is still winning" -- 2024 R&D 4-5% and leverage on SG&A; so improvement in OM little bit better than improvement in GM
COO	\$917m	6.1%	\$3,858m	6.9%	-- Fx better than when gave guidance in Dec -- Cook Medical assets acquisition going better than expected (update on Q1 call)
EMBC	\$265m	-3%	\$1,096m	-1%	--
EW	\$1,493m	11.4%	\$6,491m	9.1%	On track to achieve latest guidance, top line and eps, confident ended the year strong
GEHC	\$5,082m	2%	\$20,290m	5%	Improving hospital capital equipment environment in 2024
IART	\$399m	0%	\$1,630m	5%	Boston facility still on track to open in mid to late Q2 2024; Cerelink FDA re-clearance in Q1 2024
MDT	\$8,250m	4.4%	\$32,086m	4.6%	4 soon to be 5 straight quarters of mid-single digit growth
PODD	\$461m	24%	\$1,979m	19%	--
SILK	\$42m	5%	\$192m	12%	Reiterated 2023 guide for \$170m-\$174m in revenue
SWAV	\$199m	38%	\$919m	26%	Aetna seems like it's kind of stable to maybe a little bit better, but certainly not getting worse. Hasn't seen contagion of prior authorization to others like Cigna and United.
TFX	\$769m	2%	\$3,100m	5%	-- Confident with 2023 guidance -- 2024 EPS headwinds - Palette (\$0.35), MSA roll off (\$0.25), higher tax rate around 12% (\$0.25-0.30)
TNDM	\$203m	-9%	\$842m	10%	--
ZBH	\$1,927m	4.6%	\$7,691m	4.6%	-- Volumes were healthy in Q4'23 -- Committed to 5%+ growth for 2024, MSD growth; backlog not a meaningful contributor to the 5%+ -- Q1'23 was high growth on Omicron in Q1'22, so Q1'24 to be wonky, not going to be same growth profile; q/q will be similar to other normal years but y/y going to be tougher; back to normal seasonality -- Based on current rates, do not see FX as material h/w or t/w going into next year; supply continues to improve, inflation starting to normalize /come down

Source: Bloomberg, Visible Alpha, Company filings, BofA Global Research. *Note: BDX, COO, EMBC, and MDT on fiscal year basis. *Note: CC = constant currency. OM = operating margin. FCF = free cash flow. FDA = Food & Drug Administration. MSA = Master Service Agreement. FX = foreign currency. MSD = mid-single-digit.

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Exhibit 3: Additional color from Medtech companies last week

Below we provide incremental non-modeling color / commentary that we learned from our Medtech companies last week

Ticker	Additional color / commentary
BAX	-- Cautiously optimistic that Novum will be approved and launched in 2024 -- Described US healthcare environment as stable to slight positive -- Will host investor day later this year, 1 for Kidney Care and 1 for BAX /Remain Co (date not provided)
BLCO	CEO optimistic spin could happen in 2024
CNMD	CNMD booth at AAOS will have some new sports med technologies
COO	Ahead of plan to add manufacturing capacity to address contact lens supply constraints - "de-risks" rest of year and 2025 revenue
EMBC	-- Submitted 510(k) for open-loop insulin patch pump -- "we had also pointed out that not to expect any revenue from a patch pump in fiscal 2024 ... the guidance we gave most recently for 2024, just was very

Exhibit 3: Additional color from Medtech companies last week

Below we provide incremental non-modeling color / commentary that we learned from our Medtech companies last week

Ticker	Additional color / commentary
	aligned with what we had said"
	-- Patch pumps will be fully disposable
FNA	Launching first Smart 28 module in 2024
GEHC	Acquired MIM Software, financial details not disclosed
IART	-- Taking more comprehensive view of how will report earnings starting with Q4 2023
	-- Will provide virtual update to LRP later in 2024
	-- Bringing in consultant to improve operational efficiency
INSP	-- Q4 is "business as usual"; prior auth process is working
	-- Inspire V limited launch in 2024 and full launch in early 2025, with package to FDA in early 2024
	-- Derogation now approved in Germany (as of mid-December), Netherlands, and Belgium
	-- Reiterated UNH policy is not going to have "any kind of significant impact"
	-- Inspire V ramp will be "pretty quick", similar to "the transition from 3 incision to 2 incision"
MDT	CE Mark approval for 780G + Simpler next gen CGM. FDA submission expected in 1H CY'24.
NVRO	-- Laying off 5% of workforce (vast majority not customer-facing in the field), to be substantially complete by end of Q1'24
	-- In Q4'23, legacy product continued to be >50% of implants
	-- Estimates US Vyrta (SI Joint) annual market opportunity at \$2bn, including 205k patients that have an SI joint diagnosis and advance to surgery
	-- PDN Sensory study has 40-50 patients enrolled of target N = 200
PODD	Will submit data from Omnipod 5 Type 2 pivotal trial to FDA for indication expansion
RXST	Newer practices seeing faster adoption/utilization compared to older ones
SWAV	Aetna seems like it's kind of stable to maybe a little bit better, but certainly not getting worse. Hasn't seen contagion of prior authorization to others like Cigna and United.
SYK	2023 sales surpassed \$20b (Vs Street at \$20.3bn for total revenue in 2023)
TFX	Expect tax rate to settle around 12% even with Pillar 2; confident can hit LRP - 6% cc growth, 250bps GM expansion, 200bps OM expansion
TNDM	Launched Libre 2 integration
ZBH	-- Seeing sustainable price improvement; "we've seen +100-150bps [and] we're not going back"
	-- Don't think backlog is as meaningful as others expect because there's a capacity element; backlog will resolve by end of 2024
	-- Factually disagree that ZBH is losing market share in the ASC environment
	-- Analyst day May 29, 2024 including full workshop on ASC

Source: Company filings, BofA Global Research. *Note: CEO = Chief Executive Officer. LRP = long-range plan. AAOS = American Academy of Orthopedic Surgeons. CGM = continuous glucose monitor. FDA = Food & Drug Administration. SI = Sacroiliac. UNH = UnitedHealth. PDN = Painful diabetic neuropathy. GM = gross margin. OM = operating margin. ASC = Ambulatory Surgical Center.

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Exhibit 4: Summary of model changes

Below we summarize our old and new 2024 and 2025 revenue, EBITDA, and EPS estimates for each company for which we are updating models.

Ticker	2024 Revenue		2025 Revenue		2024 EBITDA		2025 EBITDA		2024 EPS		2025 EPS	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
DXCM	\$4,264	\$4,352	\$5,017	\$5,051	\$1,210	\$1,231	\$1,539	\$1,550	\$1.84	\$1.88	\$2.22	\$2.24
ISRG	\$7,913	\$7,935	\$9,096	\$9,068	\$3,158	\$3,142	\$3,653	\$3,609	\$6.15	\$6.01	\$7.25	\$7.05
NARI	\$581	\$584	\$676	\$684	-\$12	-\$15	\$10	\$32	-\$0.01	-\$0.07	\$0.34	\$0.67
OM	\$149	\$148	\$176	\$177	-\$91	-\$90	-\$75	-\$76	-\$2.00	-\$1.98	-\$1.68	-\$1.70
BAX	\$15,116	\$15,116	\$15,616	\$15,616	\$2,909	\$2,909	\$3,145	\$3,145	\$2.86	\$2.86	\$3.17	\$3.17
INSP	\$764	\$781	\$904	\$923	\$53	\$50	\$66	\$70	-\$0.81	-\$0.86	-\$0.27	-\$0.16
NVRO	\$434	\$444	\$463	\$473	-\$6	-\$26	\$23	-\$12	-\$1.71	-\$2.36	-\$0.90	-\$1.98
CNMD	\$1,340	\$1,351	\$1,444	\$1,464	\$277	\$277	\$333	\$336	\$4.32	\$4.33	\$5.63	\$5.71
ZBH	\$7,634	\$7,742	\$7,948	\$8,097	\$2,604	\$2,636	\$2,743	\$2,787	\$7.94	\$8.07	\$8.47	\$8.65

Source: BofA Global Research

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2024 Street estimates

Exhibit 5: SMID cap revenue (\$m) and % growth

On average, the Street is modeling 18% revenue growth for SMID caps in 2024, versus 26% revenue growth in 2023.

Company	Ticker	Sales					Sales \$ Y/Y Growth					Sales % Y/Y Growth				
		CY21	CY22	CY23E	CY24E	CY25E	CY21	CY22	CY23E	CY24E	CY25E	CY21	CY22	CY23E	CY24E	CY25E
Diabetes																
Dexcom Inc	DXCM	\$2,449	\$2,910	\$3,597	\$4,332	\$5,150	\$522	\$461	\$687	\$735	\$819	27%	19%	24%	20%	19%
Insulet Corp	PODD	\$1,099	\$1,305	\$1,648	\$1,979	\$2,348	\$194	\$207	\$343	\$331	\$368	21%	19%	26%	20%	19%
Tandem Diabetes Care Inc	TNDM	\$703	\$805	\$764	\$842	\$940	\$204	\$102	-\$40	\$78	\$98	41%	15%	-5%	10%	12%
Average		\$1,417	\$1,673	\$2,003	\$2,384	\$2,813	\$307	\$257	\$330	\$381	\$428	30%	17%	15%	17%	16%



Exhibit 5: SMID cap revenue (\$m) and % growth

On average, the Street is modeling 18% revenue growth for SMID caps in 2024, versus 26% revenue growth in 2023.

		Sales					Sales \$ Y/Y Growth					Sales % Y/Y Growth				
Stimulation																
Axonics Inc	AXNX	\$180	\$274	\$363	\$444	\$533	\$69	\$93	\$90	\$80	\$89	62%	52%	33%	22%	20%
Inspire Medical Systems Inc	INSP	\$233	\$408	\$612	\$774	\$952	\$118	\$174	\$204	\$162	\$178	102%	75%	50%	26%	23%
Nevro Corp	NVRO	\$387	\$406	\$420	\$444	\$478	\$25	\$19	\$14	\$24	\$34	7%	5%	3%	6%	8%
Average		\$267	\$363	\$465	\$554	\$654	\$71	\$96	\$103	\$89	\$100	57%	44%	29%	18%	17%
Stroke/ Clot Mgt/ Peripheral/ Cardio																
Inari Medical Inc	NARI	\$277	\$383	\$493	\$586	\$688	\$137	\$106	\$110	\$92	\$103	98%	38%	29%	19%	18%
Silk Road Medical Inc	SILK	\$101	\$139	\$172	\$192	\$216	\$26	\$37	\$33	\$20	\$24	35%	37%	24%	12%	12%
Shockwave Medical Inc	SWAV	\$237	\$490	\$727	\$919	\$1,123	\$169	\$253	\$237	\$191	\$204	250%	107%	48%	26%	22%
Average		\$205	\$337	\$464	\$565	\$676	\$111	\$132	\$127	\$101	\$110	128%	61%	34%	19%	17%
Spine / Ortho																
CONMED Corp	CNMD	\$1,011	\$1,045	\$1,250	\$1,345	\$1,458	\$148	\$35	\$205	\$94	\$114	17%	3%	20%	8%	8%
Globus Medical (including NuVasive)	GMED	\$2,097	\$2,225	\$2,384	\$2,469	\$2,652	\$257	\$128	\$159	\$85	\$183	14%	6%	7%	4%	7%
SI-BONE Inc	SIBN	\$90	\$106	\$137	\$161	\$189	\$17	\$16	\$30	\$24	\$28	23%	18%	29%	18%	18%
Paragon 28 Inc	FNA	\$147	\$181	\$216	\$256	\$304	\$36	\$34	\$35	\$40	\$48	33%	23%	19%	19%	19%
Average		\$836	\$890	\$997	\$1,058	\$1,151	\$115	\$53	\$107	\$61	\$93	22%	13%	19%	12%	13%
Ophtho																
Bausch Health Cos Inc	BLCO	\$3,765	\$3,768	\$4,072	\$4,515	\$4,771	\$350	\$3	\$304	\$443	\$256	10%	0%	8%	11%	6%
RxSight Inc	RXST	\$23	\$49	\$88	\$127	\$165	\$8	\$26	\$39	\$39	\$38	54%	117%	79%	45%	30%
Average		\$1,894	\$1,909	\$2,080	\$2,321	\$2,468	\$179	\$15	\$171	\$241	\$147	32%	58%	44%	28%	18%
Other																
Embeca Corp	EMBC	\$1,169	\$1,116	\$1,110	\$1,097	NA	NA	-\$53	-\$6	-\$13	NA	NA	-5%	-1%	-1%	NA
Integra LifeSciences Holdings	IART	\$1,542	\$1,558	\$1,544	\$1,630	\$1,730	\$171	\$15	-\$14	\$85	\$100	12%	1%	-1%	6%	6%
Integer Holdings Corp	ITGR	\$1,221	\$1,376	\$1,589	\$1,730	\$1,873	\$148	\$155	\$213	\$141	\$144	14%	13%	15%	9%	8%
Outset Medical Inc	OM	\$103	\$115	\$130	\$149	\$174	\$53	\$13	\$15	\$19	\$25	105%	12%	13%	15%	17%
PROCEPT BioRobotics Corp	PRCT	\$35	\$75	\$134	\$205	\$294	\$27	\$40	\$59	\$71	\$89	347%	117%	79%	53%	44%
Average (excluding EMBC)		\$725	\$781	\$849	\$928	\$1,018	\$99	\$56	\$68	\$79	\$89	120%	36%	27%	20%	19%
Small Cap Average (excluding EMBC)		\$826	\$927	\$1,071	\$1,216	\$1,370	\$141	\$101	\$143	\$145	\$155	67%	36%	26%	18%	17%

Source: Bloomberg, Visible Alpha, Company filings, BofA Global Research. *Note: GMED actuals and estimates include NUVA. For 2023 GMED Street estimate, we include 8 months or \$827m of NUVA sales for Jan to Aug 2023 (NUVA merger completed 9/1/23). CNMD's 2022 and 2023 revenues were impacted by warehouse issues which make historical trends harder to compare. The meaningful step up in IART's Street revenue numbers in 2024 likely assumes that the company's shut down Boston facility starts shipping product again in Q2 2024 (products manufactured in the Boston facility represent ~5% of total revenue or \$80m in annual sales) and the recalled product, Cerelink, is fully back on the market globally. BLCO's Street revenue estimates are significantly higher in 2024 due to its acquisition of Xiidra which closed Sep 29 this year. We estimate that Xiidra adds approximately \$270m of incremental revenue in 2024 compared to 2023 (our estimate of \$355m of Xiidra sales in 2024 less \$85m in Q4 2023).

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Exhibit 6: Large cap Medtech organic growth (green is consensus)

For large cap medtech, the Street on average is modeling 120bps acceleration in 2023 and 10bps acceleration in 2024 on a 2-year stacked basis. When we look at Q124 specifically, there's some acceleration modeled but it's not outsized.

WW Device Businesses	Organic Growth vs 2019				Organic Growth				2022 A	Consensus Organic Growth				2023 E	Consensus Organic Growth				2024 E
	1Q21 A	2Q21 A	3Q21 A	4Q21 A	1Q22 A	2Q22 A	3Q22 A	4Q22 A		1Q23A	2Q23A	3Q23A	4Q23E		1Q24E	2Q24E	3Q24E	4Q24E	
	A	A	A	A	A	A	A	A		A	A	A	A		A	A	A	A	
ABT devices (ex-Diabetes)	-1.6%	2.9%	2.9%	1.8%	7.8%	2.7%	3.5%	2.9%	4.2%	8.5%	10.9%	10.1%	10.9%	10.1%	7.9%	6.9%	6.6%	6.3%	7.0%
2 yr avg	1.0%	4.3%	4.2%	4.1%	3.1%	2.8%	3.2%	2.4%	2.9%	8.2%	6.8%	6.8%	6.9%	7.2%	8.2%	8.9%	8.3%	8.6%	8.5%
3 yr avg					3.3%	3.8%	4.0%	3.7%	3.7%	4.9%	5.5%	5.5%	5.2%	5.3%	8.1%	6.8%	6.7%	6.7%	7.1%
MDT (adj for calendar basis)	-1.1%	4.5%	0.7%	0.6%	1.4%	-3.6%	2.2%	4.1%	1.0%	5.6%	6.0%	5.0%	4.4%	5.2%	4.2%	4.9%	4.7%	4.6%	4.6%
2 yr avg	1.3%	4.0%	2.4%	1.6%	0.2%	0.4%	1.4%	2.4%	1.1%	3.5%	1.2%	3.6%	4.2%	3.1%	4.9%	5.5%	4.8%	4.5%	4.9%
3 yr avg					1.3%	1.5%	2.3%	2.4%	1.9%	2.0%	2.3%	2.6%	3.0%	2.5%	3.7%	2.4%	4.0%	4.3%	3.6%
BSX	3.0%	8.9%	4.1%	6.7%	9.7%	6.6%	11.5%	7.1%	8.7%	14.0%	11.6%	10.2%	9.6%	11.3%	7.9%	8.3%	8.8%	9.1%	8.5%
2 yr avg	4.7%	7.6%	6.7%	7.0%	6.4%	7.8%	7.8%	6.9%	7.2%	11.9%	9.1%	10.9%	8.3%	10.0%	10.9%	9.9%	9.5%	9.3%	9.9%
3 yr avg					6.3%	7.3%	8.3%	7.0%	7.2%	8.9%	9.0%	8.6%	7.8%	8.6%	10.5%	8.8%	10.2%	8.6%	9.5%
EW	19.2%	24.5%	18.1%	12.4%	12.7%	4.5%	6.7%	7.3%	7.8%	12.6%	12.1%	10.9%	11.4%	11.7%	6.7%	8.3%	9.2%	12.2%	9.1%
2 yr avg	14.1%	19.1%	18.5%	15.9%	15.9%	14.5%	12.4%	9.9%	13.2%	12.7%	8.3%	8.8%	9.3%	9.8%	9.7%	10.2%	10.1%	11.8%	10.4%
3 yr avg					13.6%	14.2%	14.6%	13.0%	13.9%	14.8%	13.7%	11.9%	10.4%	12.7%	10.7%	8.3%	8.9%	10.3%	9.6%
EW WW TAVR	30.4%	30.7%	20.9%	13.4%	13.7%	4.9%	6.1%	4.8%	7.2%	10.8%	9.8%	9.9%	11.0%	10.4%	7.1%	8.0%	8.4%	10.7%	8.6%
2 yr avg	20.1%	24.4%	23.8%	21.5%	22.0%	17.8%	13.5%	9.1%	15.3%	12.3%	7.4%	8.0%	7.9%	8.8%	9.0%	8.9%	9.2%	10.9%	9.5%
3 yr avg					18.0%	17.9%	17.9%	15.9%	17.2%	18.3%	15.1%	12.3%	9.7%	13.6%	10.5%	7.6%	8.1%	8.9%	8.7%
ISRG Procedures	27.5%	35.7%	28.8%	27.7%	19.0%	14.0%	20.0%	18.0%	17.8%	26.0%	22.0%	19.0%	18.8%	21.5%	14.4%	14.9%	15.9%	15.9%	15.3%
2 yr avg	22.8%	26.4%	24.2%	23.4%	23.3%	24.9%	24.4%	22.8%	23.8%	22.5%	18.0%	19.5%	18.4%	19.6%	20.2%	18.5%	17.5%	17.4%	18.4%
3 yr avg					21.6%	22.3%	22.8%	21.6%	22.1%	24.2%	23.9%	22.6%	21.5%	23.0%	19.8%	17.0%	18.3%	17.6%	18.2%
JNJ Devices	3.0%	7.0%	4.0%	4.5%	8.6%	3.4%	8.1%	3.8%	6.0%	6.6%	10.0%	6.0%	6.7%	7.3%	5.7%	5.0%	6.5%	5.7%	5.7%
2 yr avg	3.7%	5.2%	4.6%	3.6%	5.8%	5.2%	6.1%	4.2%	5.3%	7.6%	6.7%	7.1%	5.3%	6.7%	6.1%	7.5%	6.2%	6.2%	6.5%
3 yr avg					5.3%	4.6%	5.7%	3.7%	4.8%	6.1%	6.8%	6.0%	5.0%	6.0%	7.0%	6.1%	6.9%	5.4%	6.3%



Exhibit 6: Large cap Medtech organic growth (green is consensus)

For large cap medtech, the Street on average is modeling 120bps acceleration in 2023 and 10bps acceleration in 2024 on a 2-year stacked basis. When we look at Q124 specifically, there's some acceleration modeled but it's not outsized.

	Organic Growth vs 2019				Organic Growth				Consensus Organic Growth					Consensus Organic Growth					
SYK	4.7%	9.3%	8.4%	6.2%	9.2%	6.1%	9.9%	13.2%	9.6%	12.6%	11.9%	10.2%	7.5%	10.5%	7.5%	7.8%	7.8%	8.1%	7.8%
2 yr avg	6.0%	8.9%	8.0%	7.1%	7.0%	7.7%	9.2%	9.7%	8.4%	10.9%	9.0%	10.1%	10.3%	10.1%	10.0%	9.9%	9.0%	7.8%	9.2%
3 yr avg					7.1%	8.0%	8.6%	9.1%	8.2%	8.8%	9.1%	9.5%	9.0%	9.1%	9.8%	8.6%	9.3%	9.6%	9.3%
ZBH adj for spin	-8.7%	-0.7%	0.6%	-4.6%	5.5%	6.0%	5.0%	10.1%	6.6%	12.2%	6.4%	6.2%	4.6%	7.4%	4.0%	4.9%	4.8%	4.9%	4.6%
2 yr avg	-3.6%	0.6%	1.4%	-0.6%	-1.6%	2.7%	2.8%	2.7%	1.6%	8.9%	6.2%	5.6%	7.3%	7.0%	8.1%	5.6%	5.5%	4.7%	6.0%
3 yr avg					-0.6%	2.4%	2.6%	3.0%	1.9%	3.0%	3.9%	3.9%	3.4%	3.5%	7.2%	5.8%	5.3%	6.5%	6.2%
2 Yr Stacked Sequential Accel/ Decel		2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	2022					2023					2024
		A	A	A	A	A	A	A	A	1Q23A	2Q23A	3Q23A	4Q23E	E	1Q24E	2Q24E	3Q24E	4Q24E	E
ABT devices (ex-Diabetes)		3.3%	0.0%	-0.2%	-1.0%	-0.3%	0.4%	-0.9%	-0.5%	5.8%	-1.4%	0.0%	0.1%	4.3%	1.3%	0.7%	-0.6%	0.3%	1.4%
MDT (adj for calendar basis)		2.7%	-1.6%	-0.8%	-1.4%	0.3%	1.0%	0.9%	-1.2%	1.1%	-2.3%	2.4%	0.6%	2.0%	0.6%	0.6%	-0.6%	-0.4%	1.8%
BSX		3.0%	-0.9%	0.3%	-0.7%	1.4%	0.1%	-0.9%	0.7%	5.0%	-2.8%	1.8%	-2.5%	2.8%	2.6%	-1.0%	-0.5%	-0.1%	-0.1%
EW		5.0%	-0.5%	-2.6%	0.1%	-1.4%	-2.1%	-2.5%	-3.7%	2.8%	-4.4%	0.5%	0.5%	-3.4%	0.3%	0.5%	-0.1%	1.7%	0.7%
EW WW TAVR		4.3%	-0.7%	-2.3%	0.5%	-4.3%	-4.3%	-4.4%	-6.9%	3.2%	-4.9%	0.6%	-0.1%	-6.5%	1.1%	-0.1%	0.3%	1.7%	0.7%
ISRG Procedures		3.6%	-2.2%	-0.8%	-0.1%	1.6%	-0.5%	-1.6%	-0.4%	-0.3%	-4.5%	1.5%	-1.1%	-4.2%	1.8%	-1.8%	-1.0%	-0.1%	-1.2%
JNJ Devices		1.6%	-0.7%	-1.0%	2.2%	-0.6%	0.8%	-1.9%	1.1%	3.5%	-0.9%	0.4%	-1.8%	1.4%	0.9%	1.4%	-1.3%	0.0%	-0.1%
SYK		2.9%	-0.9%	-0.9%	-0.2%	0.7%	1.5%	0.6%	0.9%	1.2%	-1.9%	1.1%	0.3%	1.7%	-0.3%	-0.2%	-0.9%	-1.2%	-0.9%
ZBH adj for spin		4.2%	0.8%	-2.0%	-1.1%	4.3%	0.2%	-0.1%	2.2%	6.1%	-2.7%	-0.6%	1.7%	5.4%	0.8%	-2.5%	-0.1%	-0.8%	-1.0%
Average (excl EW WW TAVR)		3.3%	-0.8%	-1.0%	-0.3%	0.7%	0.2%	-0.8%	-0.1%	3.1%	-2.6%	0.9%	-0.3%	1.2%	1.0%	-0.3%	-0.6%	-0.1%	0.1%
3 Yr Stacked Sequential Accel/ Decel														2023					2024
										1Q23A	2Q23A	3Q23A	4Q23E	E	1Q24E	2Q24E	3Q24E	4Q24E	E
ABT devices (ex-Diabetes)										1.2%	0.6%	0.0%	-0.3%	1.6%	2.9%	-1.2%	-0.1%	0.0%	1.8%
MDT (adj for calendar basis)										-0.5%	0.3%	0.3%	0.4%	0.6%	0.7%	-1.3%	1.5%	0.4%	1.1%
BSX										1.9%	0.1%	-0.4%	-0.8%	1.3%	2.7%	-1.7%	1.3%	-1.6%	0.9%
EW										1.8%	-1.1%	-1.8%	-1.5%	-1.2%	0.3%	-2.4%	0.6%	1.4%	-3.1%
EW WW TAVR										2.4%	-3.2%	-2.8%	-2.6%	-3.6%	0.8%	-3.0%	0.6%	0.7%	-4.9%
ISRG Procedures										2.6%	-0.3%	-1.3%	-1.1%	1.0%	-1.7%	-2.8%	1.3%	-0.7%	-4.9%
JNJ Devices										2.4%	0.7%	-0.8%	-1.0%	1.2%	2.0%	-0.8%	0.7%	-1.4%	0.4%
SYK										-0.3%	0.3%	0.4%	-0.5%	0.9%	0.8%	-1.2%	0.7%	0.3%	0.2%
ZBH adj for spin										0.0%	0.9%	0.0%	-0.6%	1.7%	3.9%	-1.5%	-0.4%	1.2%	2.7%
Average (excl EW WW TAVR)										1.1%	0.2%	-0.4%	-0.7%	0.9%	1.4%	-1.6%	0.7%	-0.1%	-0.1%

Source: Company filings, BofA Global Research, Visible Alpha. *MDT on CY basis. Adjusted for selling days.

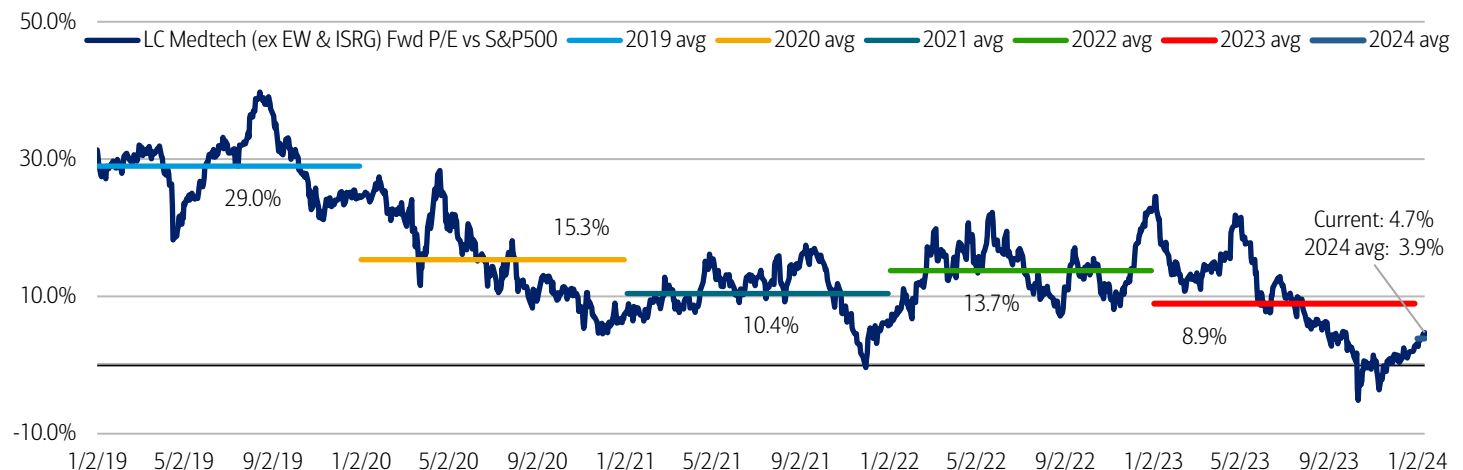
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Medtech relative valuation

Medtech relative valuation: Forward P/E Vs S&P 500 (SPX Index)

Exhibit 7: Large cap medtech (excluding EW & ISRG) forward P/E relative to S&P 500 since 2019

Medtech kicked off 2024 at one of the lowest relative valuations in a decade (2.8%). Large cap medtech (ex EW & ISRG) currently trading at 4.7% vs S&P.

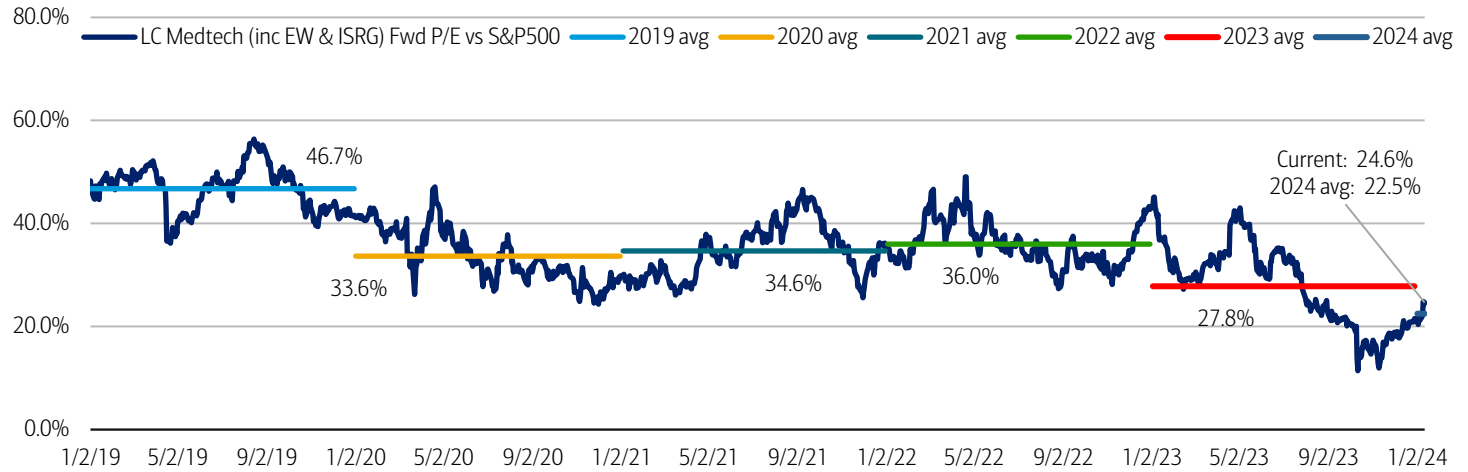


Source: Bloomberg ; Medtech names: ABT, BAX, BDx, BSX, COO, MDT, SYK, TFX, and ZBH.

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Exhibit 8: Large cap medtech (including EW & ISRG) forward P/E relative to S&P 500 since 2019

Large cap medtech (including EW & ISRG) currently trading at 24.6% vs S&P.

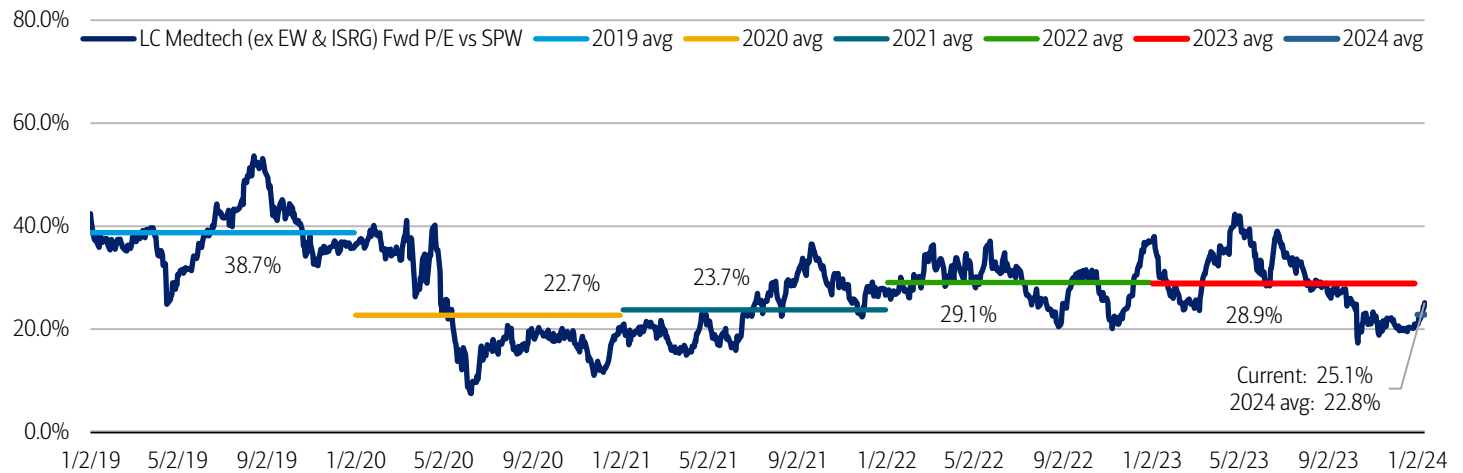


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Medtech relative valuation: Forward P/E Vs equal-weight S&P 500 (SPW Index)

Exhibit 9: Large cap Medtech (excluding EW & ISRG) forward P/E vs S&P equal-weighted (SPW) Index since 2019

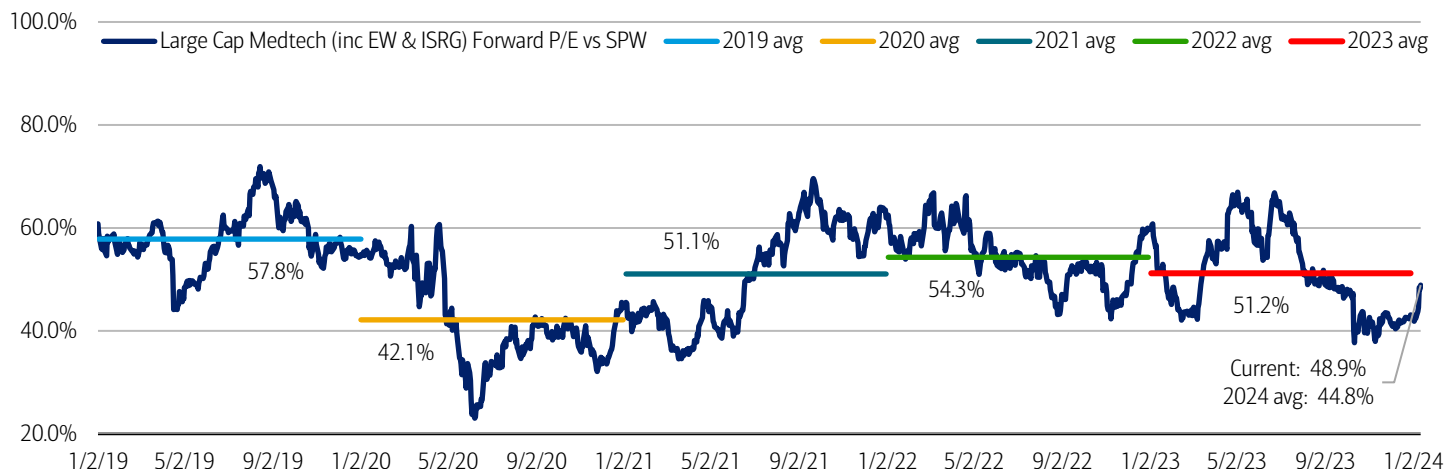
Large cap medtech (excluding EW & ISRG) currently trading at 25.1% vs SPW Index.



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Exhibit 10: Large cap Medtech (including EW & ISRG) forward P/E vs S&P equal-weighted (SPW) Index since 2019

Large cap medtech (including EW & ISRG) currently trading at 48.9% vs SPW Index.



Source: Bloomberg; Medtech names: ABT, BAX, BDx, BSX, COO, EW, ISRG, MDT, SYK, TFX, ZBH.

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Summary of PO changes

Given higher peer multiples, we adjust our POs higher for BSX, EW, ABT, BAX, ZBH, SYK.

Exhibit 11: Summary of price objective (PO) changes in this report

Summary of price objective (PO) changes in this report

Company	BofA Ticker	Last Price	Old multiple	New multiple	Old PO	New PO
Abbott Laboratories	ABT	\$113.92	25x 24E EPS	26x 24E EPS	\$115	\$120
Baxter	BAX	\$40.00	14x 24E EPS	15x 24E EPS	\$40	\$42
Boston Scientific	BSX	\$59.94	28x 24E EPS	29x 24E EPS	\$60	\$65
Edwards Lifesciences	EW	\$74.03	25x 25E EPS	26x 25E EPS	\$76	\$78
Stryker	SYK	\$312.90	27x 24E EPS	28x 24E EPS	\$315	\$325
Zimmer Biomet	ZBH	\$123.07	16x 24E EPS	17x 24E EPS	\$130	\$135

Source: BofA Global Research

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Ratings and views

ABT: We reiterate our Buy rating as estimates for 2024 seem de-risked and ABT's gross margin expansion gives room for upside along with its balance sheet.

AXNX: We maintain our Buy rating as AXNX's valuation does not reflect solid double digit profitable revenue growth and we see room for both estimates to move higher and the multiple to expand.

BAX: We reiterate our Neutral rating given we see multiple expansion being difficult pre renal spin.

BSX: We reiterate our Buy rating as it has one of the best pipelines in medtech and can drive strong double digit plus EPS growth for several years.

CNMD: We reiterate our Neutral rating as we wait to see the sustainably of CNMD's double-digit revenue growth.

DXCM: We reiterate our Buy rating as we see multi-year, increasingly profitable, revenue growth coming from basal with some potential new insights into TAM expansion over the next 1-2 year with the non-insulin product coming to market.

EW: We reiterate our Neutral rating as we continue to see risk to EW's 2025 revenue growth acceleration at a time when competition is increasing.

INSP: We reiterate our Buy rating as nothing we've learned changes our view on INSP's large growth opportunity, and there are reasons to believe that INSP can eventually achieve profitability.

ISRG: We reiterate our Buy rating as we see more pipeline visibility coming which could expand the multiple especially if it expands the TAM.

NARI: We reiterate our Buy rating as NARI continues to beat and raise and at this stage looks like it has upside risk to 2024 estimates.

NVRO: We reiterate our Underperform rating as we think the SCS market will remain pressured and while the company is trying to diversify, we think 2024 focus will remain on the core business.

OM: We reiterate our Underperform rating as profitability remains multiple years away and execution has been inconsistent.

SWAV: We maintain our Buy rating as SWAV remains at an attractive valuation for its earnings growth.

SYK: We reiterate our Buy rating as we see both revenue and margin upside as new products come to the market and SYK sprints back to 2019 margins.

ZBH: We reiterate our Neutral rating as it will take time for ZBH to prove out a higher WAMGR.

Exhibit 12: Stocks mentioned in this report

Stocks mentioned in this report

Company	BofA Ticker	QRQ	Last Price
Abbott Laboratories	ABT	B-1-7	\$113.92
Axonics	AXNX	C-1-9	\$68.72
Baxter	BAX	B-2-7	\$40.00
Boston Scientific	BSX	B-1-9	\$59.94
Conmed	CNMD	B-2-7	\$111.54
Dexcom	DXCM	C-1-9	\$125.00
Edwards Lifesciences	EW	B-2-9	\$74.03
Inspire Medical	INSP	C-1-9	\$185.86
Intuitive Surgical	ISRG	B-1-9	\$363.71
Inari Medical	NARI	C-1-9	\$57.85
Nevro	NVRO	C-1-9	\$18.40
Outset Medical	OM	C-3-9	\$4.48
Shockwave Medical	SWAV	C-1-9	\$216.16
Stryker	SYK	B-1-7	\$312.90
Zimmer Biomet	ZBH	B-2-7	\$123.07

Source: BofA Global Research

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Acronym glossary

val = valuation

YTD = year-to-date

M&A = mergers and acquisitions

GLP-1 = Glucagon-like peptide-1

PAP = Positive Airway Pressure

AHI = apnea-hypopnea index

OSA = obstructive sleep apnea

BMI = body mass index

Price objective basis & risk

Abbott Laboratories (ABT)

Our \$120 PO is based on 26x our 2024E EPS. This multiple is a premium for a high single digit organic grower but ABT's forward multiple has averaged 27x over the last three years. ABT likely deserves a premium for its balance sheet, above average durability in recession, and upside optionality with COVID testing.

Downside risks to our PO are: 1) durability of COVID testing revenue, 2) product or pipeline setbacks, 3) lower-than-expected growth in emerging markets, 4) unfavorable FX moves.

Axonics (AXNX)

Our \$75 PO is based on 8x EV/2024E sales. This multiple is relatively in line with other high growth medtech peers which is justified, in our view, given we expect roughly 30% /20% growth for AXNX in 2023 /2024 with an in-line margin profile relative to the group (mid-70s).

Downside risks to our PO are: SNM market slowing if potential patients are unwilling to undergo surgery, increased competitive pressure, or AXNX hitting an unforeseen roadblock with payers. COVID related headwinds also pose a risk as SNM has proven to be elective..

Baxter International Inc (BAX)

Our price objective of \$42 is based on an earnings multiple of approximately 15x our 2024E EPS estimate. This multiple represents a several turn discount to the large cap medtech comp group as we see BAX revenues growing below the medtech average particularly with hospitals likely to pull back on replacement capital spending. We do not see any major upside revenue growth catalysts for BAX.

Upside/Downside risks to our PO are: 1) whether BAX can create value with its portfolio repositioning (business exits/spins) and 2) deflation/inflation given BAX has outsized exposure to inflationary pressures.

Boston Scientific (BSX)

Our PO of \$65 is derived from 29x our 2024E EPS estimate, which is a premium to the large cap medtech comp group. We believe this multiple is justified given our view of BSX's accelerating earnings growth outlook based on opportunities to drive above average top line growth.

Downside risks to our PO are: 1) Watchman slowdown if ABT becomes more competitive than expected, 2) supply chain/inflationary pressures impact margins more than expected, 3) BSX sees a major setback in a clinical trial or product pipeline failure, 4) unexpected COVID related headwinds.

Conmed (CNMD)

Our \$125 PO is based on 3.5x EV/Sales multiple on our 2024 sales estimate. This is relatively in line with the SMID-cap comp group average for CNMD which we view as appropriate given CNMD's overall expected revenue growth is similar to the group average in the HSD.

Risks to our PO are: surprises either positive or negative in the growth of CNMD's smoke evacuation business, meaningful progress or lack of progress in margin expansion, larger companies having an ability to contract with hospitals making it harder for CNMD to take share in its base business, and continued COVID or inflation related headwinds.



Dexcom (DXCM)

Our \$170 PO is based on 45x our 2025 EBITDA, a premium given DXCM can grow EBITDA faster than mature large caps. High quality large cap names (BSX/SYK) trade at 19x EBITDA. We maintain our Buy rating as we see multi-year, increasingly profitable revenue growth coming from basal with some potential new insights into TAM expansion over the next 1-2 years with the non-insulin product coming to market.

Upside risks are strategic activity, less of an impact than expected from competition, and faster approvals for DXCM's pipeline products. Downside risks are introduction of a pharmaceutical that better treats diabetes, increased competition in glucose sensing, inability to move into new market opportunities or geographies (i.e. setbacks with expected TAM expansion due to regulatory/reimbursement coverage delays), or pricing pressure.

Edwards Lifesciences (EW)

Our PO of \$78 is based on a 26x PE multiple on our 2025E EPS. We assume with high single digit revenue growth, good margins/cash flow/balance sheet and some upside TAM potential, EW deserves a 25x forward EPS (two turn premium to SYK).

Risks to our PO are: 1) the TAVR market slows if the TAM is not as big as we expect or new populations do not benefit from TAVR, 2) the mitral/tricuspid market does not materialize, 3) EW faces setbacks with its clinical trials or pipeline, 4) the TAVR market becomes more competitive.

Inari Medical (NARI)

Our \$68 PO (derived using 5x EV/2025E sales) is based on NARI's high growth potential in a large, underpenetrated market where NARI offers among the safest and most effective alternatives for acute pulmonary embolisms and deep vein thrombosis. The EV/sales multiple we apply is in line with NARI's peers. We believe NARI should trade in line with high growth peers as its market opportunity, growth outlook and margin outlook are similar to those companies'.

Upside risks are if NARI can generate meaningful international sales, significantly beat Street expectations and become consistently profitable quicker than expected. Downside risks to our PO are a failure to meaningfully convert pulmonologists and develop the market, increased competition from new and existing players, and covid.

Inspire Medical (INSP)

Our \$230 PO is based on 7x our 2025 rev. With INSP executing and revenue growth remaining strong there are reasons to believe that INSP can eventually achieve profitability. This allows us to assign INSP an EV/Sales at the high end of the medtech SMID group which trades in the 1-7x sales range.

Risks are 1) future competitors could pose a risk, 2) procedure interruptions due to COVID-19, 3) lack of ability to train doctors and have doctors want to do the procedure, and 4) heavier weighted OUS exposure to Germany.

Intuitive Surgical (ISRG)

Our \$400 PO is based on roughly 53x our 2025E EPS. We think the premium multiple relative to average large cap peers is justified given ISRG's expected mid-teens top-line growth over the next several years, nearly 3x that of the medtech market, and ISRG is well ahead vs competition in one of the most significant growth markets in medtech (soft tissue robotics). ISRG pipeline also justifies our multiple as ISRG is spending over \$500m a year in R&D and it's a matter of time before the fruits of these investments show up in estimates.

Downside risks are 1) lower surgical volumes due to covid, 2) slowdown in hospital capital spending, 3) other competitive entrants and 4) supply chain headwinds.

Nevro (NVRO)

Our PO of \$17 is based on a 1.0x 2025 EV/Sales multiple, which represents the low end of the historical 1-5x EV/Sales range smid cap medtech has historically traded at since sustainable profitability seems far out and there's uncertainty with underlying market growth/share. Upside risks are a material acceleration in the SCS market, a setback at a competitor that helps NVRO, strategic activity, or a material inflection in PDN. Downside risks are a slowdown in the core SCS business or SCS market, a failure to expand the market for PDN, or new competitive entrants that take market share.

Outset Medical (OM)

Our \$3 PO is based on 1x EV / 2024E sales. This multiple is at the low end of smidcap medtech valuations given execution missteps creates risk around revenue estimates and OM is not generating profits.

Upside risks are more rapid expansion in the acute care market and faster uptake than expected in the home care market while reaching expanded gross margins and reaching profitability quicker than expected. Downside risks are if OM is unable to continue expanding its gross margin profile, increased competition from new entrants in both the home or acute dialysis setting, or an inability to grow the home hemodialysis market as previous attempts by competitors have not been overly successful.

Shockwave Medical (SWAV)

Our \$250 PO is derived using a 30x EV/2025E EBITDA multiple. This represents a premium given SWAV can grow EBITDA faster than mature large caps. High quality large cap names (BSX/SYK) trade at 20x EBITDA and large cap growth (ISRG) trades at 30x EBITDA.

Downside risks: SWAV's success has gotten the attention of competitors, and while it's not clear how successful a competitive technology would be, it seems quite likely that SWAV will eventually face competition. Other downside risks are any major changes in reimbursement and an inability to expand in new geographies. COVID and staffing challenges are a risk as well.

Stryker (SYK)

Our \$325 PO is based on 28x our 2024 EPS which is a premium to medtech but in line with where higher-quality, higher-growth names trade today on 2024 EPS.

Downside risks to our PO are a slowdown in hospital capital spending, supply chain disruption, or more inflation pressure on costs and materials. Upside risks to our PO are new product launches and continued share gains driving upside to revenue growth. Moderating inflation/improving supply chains could also drive upside.

Zimmer Biomet (ZBH)

Our \$135 PO is based on 17x our 2024E EPS. This multiple is in line with large cap medtech peers. We think in line is appropriate given ZBH is growing revenue and eps in line with average large cap medtech peers.

Upside risks to our PO are 1) orthopedic backlog caused by covid comes through faster than expected, 2) pipeline product adoptions happens quicker than we had modeled and 3) an acquisition that accelerates top-line growth.

Downside risks are 1) a slowdown in the hip/knee market, 2) pressure on margins from supply chain/inflation/ increased pricing pressure in hips/knees and 3) slower than

expected benefit from robotic utilization and new product mix and 4) strategic activity that is not well received.

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US - Medical Technology & Devices Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Abbott Laboratories	ABT	ABT US	Travis Steed
	Axonics	AXNX	AXNX US	Travis Steed
	Bausch & Lomb	BLCO	BLCO US	Craig Bijou
	Becton Dickinson	BDX	BDX US	Travis Steed
	Boston Scientific	BSX	BSX US	Travis Steed
	Dexcom	DXCM	DXCM US	Travis Steed
	Inari Medical	NARI	NARI US	Travis Steed
	Inspire Medical	INSP	INSP US	Travis Steed
	Insulet	PODD	PODD US	Travis Steed
	Intuitive Surgical	ISRG	ISRG US	Travis Steed
	Medtronic	MDT	MDT US	Travis Steed
	Paragon 28	FNA	FNA US	Craig Bijou
	Procept BioRobotics Corporation	PRCT	PRCT US	Craig Bijou
	RxSight	RXST	RXST US	Craig Bijou
	Shockwave Medical	SWAV	SWAV US	Travis Steed
	Si-Bone	SIBN	SIBN US	Craig Bijou
	Stryker	SYK	SYK US	Travis Steed
	The Cooper Companies	COO	COO US	Craig Bijou
NEUTRAL				
	Baxter International Inc	BAX	BAX US	Travis Steed
	Conmed	CNMD	CNMD US	Travis Steed
	Edwards Lifesciences	EW	EW US	Travis Steed
	GE HealthCare	GEHC	GEHC US	Craig Bijou
	Integer Holdings Corporation	ITGR	ITGR US	Craig Bijou
	Teleflex Incorporated	TFX	TFX US	Craig Bijou
	Zimmer Biomet	ZBH	ZBH US	Travis Steed
UNDERPERFORM				
	Embecta	EMBC	EMBC US	Travis Steed
	Globus Medical	GMED	GMED US	Craig Bijou
	Integra Lifesciences	IART	IART US	Craig Bijou
	Nevro	NVRO	NVRO US	Travis Steed
	Outset Medical	OM	OM US	Travis Steed
	Silk Road Medical	SILK	SILK US	Travis Steed
	Tandem Diabetes Care	TNDM	TNDM US	Travis Steed

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Important Disclosures

Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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