Medical Technology

COO top pick for 2024 in our coverage

Price Objective Change

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Equity
United States
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2024 thoughts on our medtech names

In this note, we provide our thoughts for 2024 on our covered names as a complement to our broader medtech preview earlier this week (see Medtech in 2024: focus on estimates after the big 2023 multiple reset). Companies with the best opportunity for upside to revenue/earnings should outperform in 2024 as we do not foresee significant multiple expansion across medtech. We expect investors to favor stocks that can work in more than one macro environment (hard/soft landing) and with lower operating risk. COO is our top idea in 2024 and inside we go through our detailed thoughts on BLCO, COO, GEHC, GMED, ITGR, IART, FNA, PRCT, RXST, SIBN and TFX. We update several of our POs (see table inside).

COO top idea: can work in different scenarios

We think COO might have the biggest potential for earnings upside in medtech on strong top-line execution, underlying operating leverage and macro trends. COO reset Street EPS expectations in early Dec with its fiscal 2024 EPS guide ($13.60-14.00), 20c below the Street at the midpoint. Embedded in the guide is a $0.65 or 5% Fx headwind because COO does not hedge currency exposure. The guide likely does not reflect the rapid weakening of the USD. Our math suggests that the headwind may already be 25-30c lower at current rates. Further USD weakening (as our rates team expects) would be less headwind/more upside which management will let fall to EPS. We think better than expected sales growth, interest expense and tax rate could drive even more EPS upside.

In either a soft or hard landing, interest rates are likely to come down and the USD should get weaker, driving more upside to COO's earnings. Some investors fear a hard landing may pressure consumer-focused products (vs surgical implants), but the contact lens market has proven to be recession-resistant in the past. Importantly, COO has no exposure to GLP-1s.

Disruptive companies at premium valuations can still work

High growth medtech quickly re-rated late in 2023 and multiples for PRCT and RXST returned to levels well above historical averages for medtech SMIDs. While multiple expansion may be difficult from here, these stocks can still work on revenue upside. Both companies likely guide inline with the Street to start 2024 so we likely need to wait for beats and raises through the year which should help de-risk outyear revenue estimates. If a higher inflation/higher interest rate environment returns, PRCT and RXST will come under pressure, but they are better positioned than peers because, while unprofitable, they are both well capitalized and driving operating leverage.

Exercise caution with GMED/IART despite low multiples

Both GMED and IART have drawn interest from investors heading into 2024 because of their historically low multiples. The discounted multiples probably limit downside, but we see risk to Street numbers for both. We expect GMED to lose share during its NuVasive integration. IART's Boston facility reopening timeline does not leave much room for contingencies and its implied 2H24 share recapture seems aggressive, in our view.

Tickers mentioned in this report

BLCO = Bausch + Lomb
COO = Cooper Companies
FNA = Paragon 28
GEHC = GE Healthcare
GMED = Globus Medical
IART = Integra Lifesciences
ITGR = Integer Holdings Corp
PRCT = Procept Biorobotics
RXST = RxSight
SIBN = SI-Bone
TFX = Teleflex

Acronyms:

ASC=ambulatory surgery center
ASP=average selling price
BHC=Bausch Health
FDA=Food and Drug Administration
ENT=ear, nose, throat
GE=General Electric
GLP-1=Glucagon-like peptide 1
IOL=intra ocular lens
LRP=Long range plan
LSD=low single digit
MSD=mid single digit
TAM=total addressable market
USD=US dollar

Refer to important disclosures on page 19 to 22. Analyst Certification on page 18. Price Objective Basis/Risk on page 16. **12641658**

Timestamp: 05 January 2024 06:02AM EST

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PO Changes for our covered companies

Exhibit 1: Summary of Price Objective (PO) changes in this report
Table shows the PO changes to our covered companies

Company	Ticker	Current Price	Old PO	New PO
Bausch & Lomb	BLCO	$ 16.40	$ 20	n/c
Cooper Cos Inc/The	COO	$ 365.98	$ 390	$ 420
GE HealthCare Technologies Inc	GEHC	$ 76.57	$ 72	$ 82
Globus Medical Inc	GMED	$ 52.94	$ 55	n/c
Integer Holdings Corp	ITGR	$ 98.56	$ 90	$ 105
Integra LifeSciences Holdings	IART	$ 41.41	$ 40	$ 45
Paragon 28 Inc	FNA	$ 11.80	$ 12	$ 15
PROCEPT BioRobotics Corp	PRCT	$ 40.40	$ 38	$ 52
RxSight Inc	RXST	$ 35.59	$ 32	$ 48
SI-BONE Inc	SIBN	$ 20.59	$ 24	$ 26
Teleflex Inc	TFX	$ 241.06	$ 225	$ 265

Source: Bloomberg, BofA Global Research estimates
n/c = No change

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Stock thoughts in 2024

Bausch & Lomb (BLCO) – Buy, $20 PO (unchanged)

Stock likely stuck until we have more clarity on spin, but hopeful we get more visibility. BLCO has been under pressure since mid year but bounced off the lows in the last two weeks of the year. We expect the stock to trade in a relatively narrow range until there is more clarity on the timing of the spin. We are optimistic that updates or resolutions of BHC's ongoing litigation this year may provide more clarity on timing. The Xiidra acquisition should improve margins, help the Miebo launch in 2024 and offset the Prolenza loss of exclusivity (LOE) assuming the business rebounds after multiple quarters of falling sales under Novartis. BLCO reset 2024 margin expectations on its Q3 call which makes new Street estimates look more attainable. BLCO trades at a 46% discount to other eye care competitors Alcon and Cooper on an EV/EBITDA basis and we attribute at least half of the discount to the spin overhang.

Spin is the biggest potential catalyst. Unfortunately, we do not start 2024 with any more visibility on the timing of the spin than we did in 2023. We are looking to 2024 updates on BHC's ongoing litigation, including its Xifaxan patent appeal ruling (expected Q1 2024) and the fraudulent conveyance trial brought by BHC's investors (timing uncertain). There is no guarantee that updates from these lawsuits/trials will increase the likelihood of a spin or increase clarity on timing, but we believe any steps toward resolution of these cases could push the company closer to a spin.

Management reset 2024 margin expectations on Q3. BLCO has not provided 2024 guidance yet but the company provided some considerations for 2024 on its Q3 call. Specifically, BLCO tempered Street expectations on margin expansion as it expects incremental investment to support Miebo, Fx headwind and additional spend because of recent their own contact lens supply challenges to offset some of the margin gains from Xiidra. The Street now expects 2024 EBITDA margin of 19.4% which is down 50-100bps compared to prior expectations but still up 130bps y/y. The Xiidra deal is expected to be 200bps accretive to overall BLCO margins, but it will likely take a few quarters before we see that.

Contact lens and premium IOL launches should drive 2024 revenue growth. BLCO's contact lens business has been one of the key growth drivers thus far in 2023, growing 10% in Q1, 10% in Q2 (excluding Lynchburg facility disruption) and 7% in Q3 (ex-Lynchburg). Daily SiHy lenses are only a small portion of BLCO revenue today, but growth was more than 30% each quarter and was 79% in Q3 as BLCO recently rolled out its daily SiHy lens in China. We expect this momentum to continue into 2024 as BLCO plans to launch a daily SiHy toric lens. Premium IOLs have grown 33% in constant currency the last two quarters (albeit of off a very small base of $11-12m per qtr) and multiple launches around the world in 2024 should drive strong surgical implantable growth.

Xiidra's Q4 revenue should give indication of work needed to turn franchise around. BLCO expects Xiidra sales to be $80-90m in Q4 as the company tries to stabilize the franchise. BLCO expects Xiidra to return to growth in Q1, continue to build in Q2 and reach MSD growth in 2H24. We model $350m of Xiidra sales in 2024.

Maintain Buy rating and our $20 PO. Our $20 PO is based on 11.5x our 2025E EBITDA which is a discount to ophthalmology peers trading around 17x. We think the discount is warranted as uncertainty around the spin completion from Bausch Health remains an overhang and BLCO has slower growth and lower margins than peers.

Cooper Companies (COO) – Buy, $420 PO (from $390)

COO positioned well on strong end market demand and likely to benefit from weaker USD. COO was up 23% over the final two months of the year driven by the strong close to its fiscal year, reset fiscal 2024 EPS expectations and favorable expected macro trends in 2024 (weaker USD and expected interest rate cuts). Strong underlying contact lens market demand should continue in 2024 driven by daily disposable demand and incremental pricing (expected to be up 2-3%). Importantly, we see limited risk even if there is an economic downturn as the contact lens market has proven to be recession resistant in the past. COO introduced fiscal 2024 EPS guidance ($13.60-14.00) in early December which at the midpoint was below consensus ($13.80 vs Street's $14.01) despite also adding $0.20 of accretion from the acquisition of the Cook Medical assets. This proved to be a clearing event as 2024 EPS expectations now seem reasonable, if not conservative. Specifically, we think COO's initial estimate of Fx headwind to EPS of $0.65 looks overly conservative to us and we think that headwind could already be $0.25-30 lower with the weakening of the USD over the last two months. While COO carries a premium multiple, we think the stock could move higher on upside to EPS estimate both from stronger than expected organic revenue growth and more favorable macro trends (weaker USD, lower interest rates).

FY24 revenue guidance looks conservative. We think COO's fiscal 2024 revenue guidance of 6-8% looks conservative. For fiscal 2022 and 2023, COO guided to total company 6-8% organic revenue growth. COO's actual organic growth exceeded the initial guides, delivering 11% and 10% in 2022 and 2023 respectively. Leading into its fiscal Q4 2023 call, we thought management was signaling that the initial growth guide could be higher than the past two years. However, COO again guided to 6-8% organic revenue growth. We see guidance as conservative primarily because management still sounded very confident on the fundamentals of the business.

Exhibit 2: COO initial organic sales guidance (fiscal years 2022-24)
COO again guided to total organic revenue growth of 6-8% (same as last 2 years) which we see as conservative given actual organic growth was 11% and 10% in 2022 and 2023, respectively

	Fiscal 2022		Fiscal 2023		Fiscal 2024	
Organic sales growth	Initial Guide	Actual	Initial Guide	Actual	Initial Guide	Actual
Total Cooper	6-8%	11%	6-8%	10%	6-8%	n/a
Vision	6-8%	12%	7-9%	11%	7-9%	n/a
Surgical	6-8%	8%	4-6%	8%	4-6%	n/a

Source: Company filings, BofA Global Research

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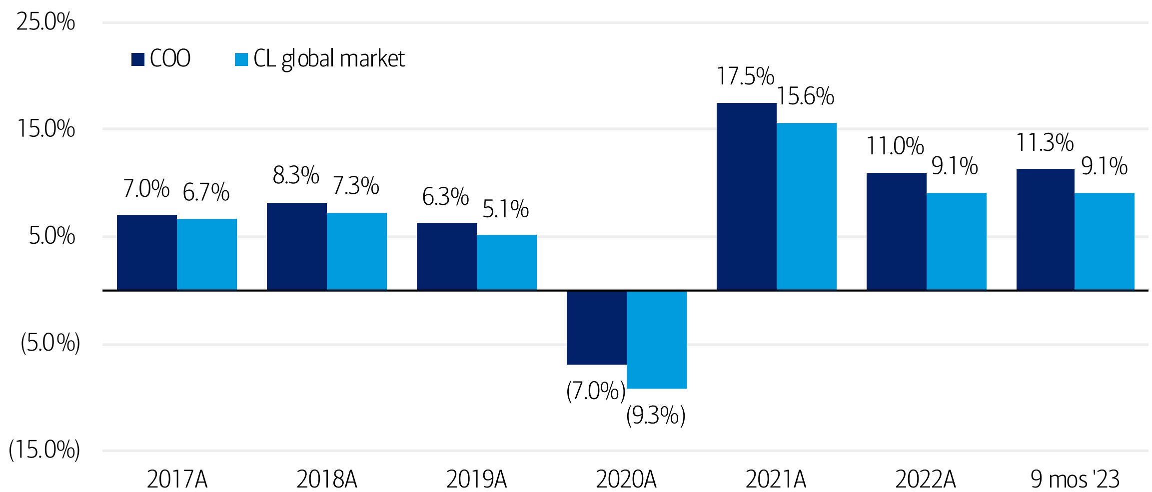
We expect strong contact lens demand to continue in 2024; COO well positioned to outperform again. The key contact lens market growth drivers – increased volume, mix benefit from premium lenses and pricing power – should continue through 2024. Wearer demand seems to be near an all-time high as better technology keeps older people in lens longer and new wearers seek the higher volume daily disposables. Both increase the volume of lenses sold but also provide a mix benefit given the higher selling prices. Additionally, the market took 2-3% of price in 2023 and the major players feel confident in taking more price in 2024. We think growth should remain in the high single digits in 2024. Importantly, contact lenses are traditionally recession resistant and do not have exposure to GLP-1 headlines.

COO has outpaced the contact lens market over the last five years, typically growing 100-200bps above the market. COO sells a higher proportion of specialty and daily disposable lenses than peers which provides a higher average selling price than competitors and less cannibalization of older technology lenses. Also, in 2023, COO took less price than competitors but management expects the company to take more price this year which could be a 50-100bps benefit to growth.

Exhibit 3: COO contact lens growth vs global market

COO has outperformed the market by ~150bps on average over the last 7 years



Source: Company reports, BofA Global Research

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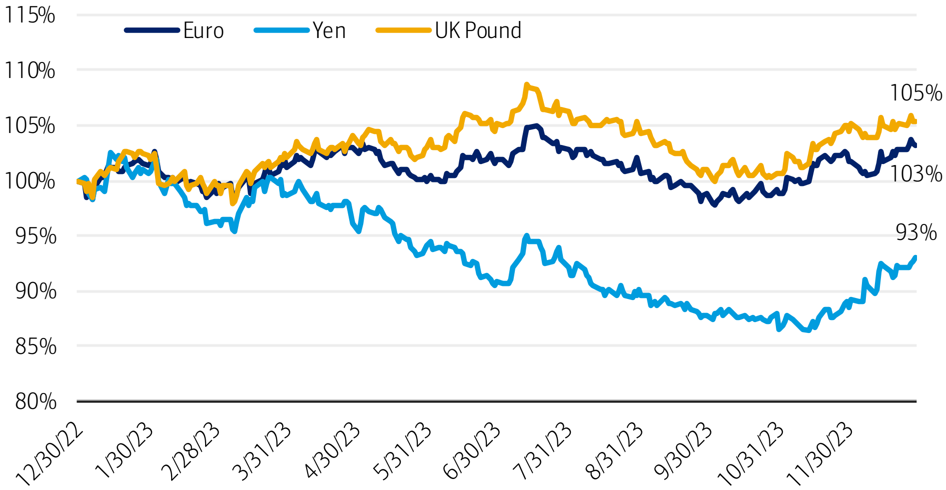
COO could see largest EPS benefit in medtech from a weaker USD. COO does not hedge its currency exposure and is particularly exposed to Euro, Yen and UK Pound. COO's fiscal 2024 EPS guidance ($13.60-14.00) includes $0.65 or 5% currency headwind. The Yen (+7%), Euro (+4%) and UK pound (+5%) have all strengthened relative to the USD over the last two months. Our rates team expect the USD to weaken further throughout 2024. Unlike years past, COO management has committed to let any Fx benefit fall through to the bottom line on top of its expected double-digit operating income the company expects which could deliver sector leading EPS growth.

Exhibit 4: Index of USD spot exchange rate relative to Euro, Yen and UK Pound for 2023
All three currencies have been strengthening against the USD since end of October – Yen +7%, UK Pound +5% and Euro +4%



Source: Company reports, Bloomberg, BofA Global Research

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Reiterate our Buy and raise our PO to $420 (from $390). We raise our price objective to $420 (from $390) which is based on 26x our fiscal 2025 EPS (25x previously) as peer multiples have increased. The multiple is at the higher end of large cap medtech which we believe is warranted given COO's potential for double-digit sales growth, margin expansion and upside to EPS growth expectations.

GE Healthcare (GEHC) – Neutral, $82 PO (from $72)

Stock rallied into year end but we think concerns on China and order growth could limit upside in early 2024. GEHC shares rallied 22% in the last two months of the year. The initial rally was because of the company's better than expected messaging on the anti-corruption impact in China following the release of its Q3 results. We believe the rally to close 2023 was because investors became more comfortable that GE was unlikely to sell its GEHC shares before year end. GEHC is currently trading inline with the large cap medtech, so we think there is likely little room for multiple expansion until we have more clarity on China and order growth.

GE still owns 14% of GEHC. We believe the rally into year end was largely fueled by the presumption that GE was not going to sell any portion of its remaining GEHC stake in 2023. We think this remains a concern for some investors. GE monetized some of its GEHC stake in 2023, but GE still owns roughly 13.5% of GEHC shares and has not provided detail on when it plans to monetize that stake.

China still a question mark. Consistent with management's messaging since August, GEHC only saw a limited impact from the anti-corruption campaign in China despite most other companies saw more meaningful headwinds. GEHC said that its orders and revenue in China grew y/y in Q3. The impact from the anti-corruption campaign in Q4 should be like Q3 according to management, but the company did not quantify the impact. However, management highlighted that due to government stimulus in Q4 2022 and Q1 2023, GEHC would face tougher y/y comps in Q4 2023 and Q1 2024.

Will slowing order growth negatively impact revenue in 2024? Q3 order growth of 1% and a lower book to build sparked several investor questions on what low order growth could mean for 2024 revenue growth. The 1% order growth was down compared to 6% in Q2. The delta is not as big on a comp adjusted average (+2.5% in Q3 vs +3.5% in Q2) but down nonetheless. GEHC attributed some of the slower order growth to temporary US purchase delays because hospitals had to get reapproved for certain construction projects due to increase prices. GEHC expects these delays to only be 30-60 days. GEHC sees a stable global hospital capex environment. The concern from some investors is that order growth is a future indicator of revenue growth and could a LSD growth quarter translate into an LSD revenue growth quarter in 2024. GEHC does have a $18bn backlog (about $1bn more than pre-covid) that could help offset any revenue growth pressure. We believe that it is something that bears watching.

Reiterate our Neutral but raise our PO to $82 (from $72). We raise our PO to $82 (from $72) which is based on 17x our 2025 EPS as peer multiples have moved higher. The multiple is a slight discount to large cap medtech peers given GEHC's lower margin profile and higher exposure to capital equipment spending. We reiterate our Neutral rating as we wait for more progress toward margin goals before ascribing GEHC a higher multiple.

Globus Medical (GMED) – Underperform, $55 PO (unchanged)

GMED off lows and downside may be limited, but not sure we see catalysts yet to expand multiple (even if depressed). GMED bounced off lows (up 19% in December) and given the discounted multiple relative to history we think the downside is likely limited as long as the sector remains stable. That said, GMED has not yet provided updated pro forma expectations (including NuVasive) for 2024 and we think that GMED's initial 2024 guide may come in below the Street. Street 2024 EPS looks high to us given management comments on timing of cost synergies. The Street was expecting $2.60 in 2024 EPS for GMED standalone before the deal and we think the pro forma initial guide is likely closer to that number versus current Street consensus of $2.72. Early dis-synergies were inline according to the company, but integration is still only at the very early stages and history has proven spine/ortho deals are messy. See risk as it continues.

We see downside risk to Street's 2024 EPS. The Street is modeling 2024 EPS of $2.72, up ~12c compared to GMED standalone expectations in August, before the deal closed. The incremental 12c of EPS would represent about 5% accretion. GMED kept its 2023 EPS guidance flat at $2.30 despite a Q3 beat which implies Q4 EPS guidance of $0.58 (-2% y/y) and may suggest some early dilution from the deal. We expect GMED to be conservative with its guidance at such an early stage of integration.

GMED increased share buyback authorization to $500m when it closed the deal which could offset any potential EPS impact. However, we would not expect GMED to guide a specific buyback amount in 2024 and management likely would prefer to leave that for future upside.

Cost synergies will take time to show up on P&L. GMED said that the $170m of cost synergies were pushed out by a quarter or two and would not start until 2024. Year 1 synergies are now expected to be 40% of the $170m cost synergies or $68m, down from 50% initially. We believe that the implied $68m of year 1 synergies is a year ending run rate and the actual dollar savings for 2024 will be lower. It is also important to highlight that a portion of the expected cost synergies will come from manufacturing and insourcing which flow through COGS and will take longer to hit the P&L.

Cross selling synergies remain our biggest concern. GMED expects cross-selling synergies of approximately $205m to offset sales dis-synergies by the third year post deal close. The sales dis-synergies of $201m by year 3 represent 17% of NuVasive's standalone sales which we think is reasonable given precedent transactions (Globus Medical: Taking a closer look at deal assumptions disclosed in the S-4). However, we think the cross-selling synergies seems aggressive. To put it in perspective, the $200m of cross-selling synergies would represent 2 points of spine market share over the next three years which seems like a lot of share given the competitive spine market.

Maintain our Underperform and our $55 PO. Our PO of $55 is based on 9.5x 2025 EV/EBITDA (11x 2024 EV/EBITDA previously). We lower the multiple as we rollforward to 2025. The multiple is a discount to SMID cap peers given we believe GMED should trade at a discount because of the potential of sales disruption from the integration of the acquisition of NuVasive.

Integer Holdings (ITGR) – Neutral, $105 PO (from $90)

Margin improvement remains the key to multiple expansion in our view. ITGR shares have rebounded following strong Q3 results as we believe investor concern that inventory workdown at ITGR's biggest customers have largely passed. We think the investor focus now is on the path for margins to get back to pre-covid levels. Q3 operating margin was 90bps better than Q2 and 240bps above Q3 2022, so ITGR appears to be on the right track. With sustained margin expansion like what we saw in Q3, we think there could be multiple expansion. That said, we want to see consecutive quarters of strong margin expansion before getting more positive.

Concerns over OEM inventory work down overblown. There was pressure on the stock in early December as investors thought messaging on working down elevated inventory levels from ITGR's three largest customers – Abbott Laboratories, Boston Scientific and Medtronic – would have a negative impact on ITGR's business. However, management was clear that it has visibility a couple of quarters out and any normalization by customers was incorporated into its guidance. The company also has a $1bn backlog (only $300m pre-pandemic) of which 30% of it is for delivery 6 months or more into the future which should provide revenue stability.

Q4 and 2024 set ups look attractive. We do not expect ITGR to preannounce Q4 results or provide 2024 guidance next week. Q4 Street consensus of $405m assumes flat sequential revenue despite a $5m contribution from the InNeuroCo acquisition and only represents ~8% y/y growth. Q4 has a tough comp because of catch up sales last year which probably strips 300bps of growth. Looking ahead, Street consensus revenue in 2024 looks reasonable implying only 7% y/y growth on an organic basis.

Moving closer to reaching sustain operating income growth 2x revenue growth. In Q3, ITGR hit its goal to grow operating income at twice the rate of revenue and delivered 15.9% OM the best quarterly operating margin in more than two years and up 90bps sequentially. ITGR raised its full year operating income guide which implies 25% growth over 2022 (~1.6x revenue growth) and implies a margin of 15.1%. The margin is 200-300bps below pre-pandemic levels, but management sees meaningful opportunity to expand through labor efficiency.

Could we get update on emerging company pipeline in February? In February 2023, ITGR said that it expected $80-100m of revenue in 2024 from its partnership with emerging companies. This was an increase of $20m from its previous guidance. We believe that the company may be tracking ahead of the 2024 goal, so we could see an increase to that expectation. We think it may also be possible that ITGR could provide a longer-term goal. We think if either of these updates were to happen, we think it would be a positive catalyst for the stock.

Reiterate our Neutral but raise our PO to $105 (from $90). We raise our PO to $105 (from $90) is based off 11.5x 2025 EV/EBITDA estimate (11x 2024 EV/EBITDA previously) as multiples for the group have moved higher. The multiple is inline with SMID cap peers which we think is warranted as ITGR's revenue growth and margin expansion momentum are encouraging but margins still trail other SMID cap peers. We reiterate our Neutral as we want to see more quarters of margin expansion before getting more constructive.

Integra LifeSciences (IART) – Underperform, $45 PO (from $40)

IART execution wins in 2024 needed before we can get more constructive. Over the last year and a half, IART has struggled with a global product recall (Cerelink) and the May 2023 shutdown of its Boston manufacturing facility. There have been delays in timelines and a bigger than expected disruption which has hurt investor confidence in the turnaround. Valuation looks inexpensive on a historical basis and compared to peers which likely provides downside protection absent any significant setbacks. However, given some of the delays/setbacks, we think there is still potential risk to Street 2024 numbers. We prefer to wait and see if IART can deliver on its plan to reopen the Boston facility and recapture share after being out of the market for over a year.

Boston facility hit first milestone and still on track to open by mid to late Q2 2024, but risks remain. IART re-started the Boston facility in early December ahead of the expected year end goal. While a positive development, the earlier reopening does not change the ultimate timeline to start shipping by mid to late Q2 2024. The next milestone is that facility will go through a “dress rehearsal” audit by a third party in January/early February. Then a different third-party auditor will conduct the final audit by the end of Q1 2024 and those results will be submitted to the FDA. After those results are submitted, IART can start manufacturing product to distribute without needing a specific FDA reinspection or sign off.

2024 Street revenue estimates below framework IART provided when announced shutdown, but company's $50m revenue disruption in 2024 assumes aggressive share recapture. Street consensus for 2024 revenue is $1.623bn. We think this is slightly below what 2024 revenue ($1.640bn) was implied by the framework that IART laid out at the time of the Boston facility shutdown. IART expected a $50m negative revenue impact in 2024 from the Boston shutdown. IART framework: the midpoint of 2023 revenue guidance before the Boston shutdown ($1.611bn) and grow that by 5% (low end of the LRP) to get “normal” 2024 revenue of ~$1.690bn. Then subtract $50m of revenue disruption from the normal revenue that to get $1.640bn.

The Boston facility generated more than $80m of sales in 2022, or ~5% of total IART sales. Therefore the $50m of disruption (which includes 10-15% of substitute sales) suggests $30-35m of sales from Boston facility products. Since the Boston facility will likely not generate any revenue in 1H24, the majority of the $30-35m (except for substitute sales) will come in 2H24. This suggests that IART believes it can recapture a significant amount of its lost share quickly. We think this may be difficult given these products sell in competitive markets and supply may be somewhat constrained initially. We model $1.613bn of sales in 2024, ~1% lower than the Street.

A lot to prove with Acclarent acquisition. IART acquired the Acclarent ENT business from JNJ for $275m cash up front and $5m in milestones. The deal price seems reasonable at only ~2x sales and is adjacent to the Codman franchise, however we think the deal is not without risk. It pushes IART's leverage to the upper end of its traditional 2.5-3.5x leverage range. In addition, Acclarent saw limited growth during its decade plus at JNJ and we think it may take time for IART to develop the ENT call point. Therefore, it may be more difficult for IART to hit its growth targets for Acclarent. We think the deal has potential to be accretive to Codman growth but need to see how the initial integration and execution go before getting more positive.

Reiterate our Underperform but raise our PO to $45 (from $40). We raise our PO to $45 (from $40) which is based on 12x our 2025 EPS estimate (12x 2024 EPS previously) as we rollforward to 2025. The multiple is a discount to SMID cap peers. We think a discounted multiple is justified given our concerns on IART's ability to accelerate revenue growth and expand margins in 2024 given the Boston facility shutdown.

Paragon 28 (FNA) – Buy, $15 PO (from $12)

Shored up balance sheet removes financing overhang, in our view. Paragon 28 shares were down 35% in 2023 and down 57% at the trough in late October. Shares have rebounded 20% since FNA's Q3 release primarily because it entered a new, larger, non-dilutive credit facility with Ares Capital. The facility eased investor concerns that the company was going to have to do a dilutive equity raise while the stock was at depressed levels. With the financing overhang removed and investor cash concerns largely alleviated, we think that the stock can work in 2024 with continued strong execution. Paragon is trading generally inline with the other higher growth SMID cap ortho/spine names. We think Paragon's multiple could expand from current levels if the company can return to its 20% topline growth and continue its path toward positive EBITDA (which should come in 2024).

2024 Street revenue looks reasonable but Q1 revenue looks a little high. The Street is modeling $256m of revenue which implies 19% y/y growth. We think Street numbers look reasonable given 2023 growth will likely be 19-20% excluding Fx. Paragon had supply chain disruption that cost Paragon cases in 2023 that weighed on growth, although the company did not quantify the impact. Paragon is expecting a strong product launch cycle in 2024, so it's possible that the company can accelerate top-line growth.

We think Q1 2024 Street revenue estimates look a little high since they imply a 1% sequential step up over Q4. The 1% Q4/Q1 step would match what Paragon saw in 2023 but the average Q1 sequential growth in 2019, 2021 and 2022 was -4%. We expect Paragon to preannounce Q4 results next week but we are not sure if management will provide any color on 2024.

New credit facility removed investor overhang and gives Paragon financial flexibility. The new $150m credit facility with Ares contains no dilutive equity and expands Paragon's previous $90m facility. The company drew $100m at closing (with an option to draw another $50m) which was used to pay off $30m of debt and add cash to the balance sheet. FNA has approximately $100m of cash and $115m of debt on a pro forma basis as of the end of Q3. FNA's EBITDA has been trending more positive and we expect it to turn positive for the full year 2024.

We may get more information on Smart 28 next week. Management has talked excitedly about the potential for its Smart 28 platform over the last couple of years but has provided only limited details to date. We think we may get more from Paragon next week at an investor conference or at some point early in 2024. Paragon 28 received FDA approval for the Bonelogic 2.2 software backbone of its Smart 28 platform in mid-December. The company acquired the software as part of its Disior acquisition in Jan 2022. Bonelogic 2.2 can rapidly segment and map bony anatomy and will serve as the predicate for upcoming modules. Paragon plans to launch its first module in 2024.

Reiterate our Buy and raise our PO to $15 (from $12). We raise our PO to $15 (from $12) which is based on 4x our 2025 sales estimate (3x prior) as multiples for SMID cap medtech have risen. The multiple is inline with the historical average multiple for SMID cap medtech 1-7x EV/Sales. We believe a multiple in line with the SMID cap medtech group is appropriate because FNA has been executing and has potential to deliver 20% topline growth and is only on the brink of turning EBITDA positive. We reiterate our Buy rating as we believe its new credit facility removes the financing overhang and the company is positioned well to continue to take share in the foot and ankle market.

Procept BioRobotics (PRCT) – Buy, $52 PO (from $38)

We think shares can move higher in 2024 but needs upside to estimates. PRCT shares recovered nicely over the last two months of 2023 (up 56% in Nov/Dec) after crossing below $25 per share in late October. PRCT benefited (along with other high growth medtech names) from the re-rating of the high growth SMID medtech as expectations for interest rate cuts in 2024 increased. Given the recent run and premium multiple, we think multiple expansion from here will be difficult and will need to see upside to numbers for the stock to move higher. We expect PRCT's initial guide to be inline with the Street estimates, likely setting up the company for another year of beats and raises.

Likely to see Q1 system sales seasonality again in 2024. We think PRCT has reached a scale where it sees typical capital equipment seasonality patterns (weaker Q1/Q3 placements, stronger Q2/Q4 placements). Last year, PRCT's 25 systems sold in Q1, which only represented 17% of full year systems sold, surprised many investors because PRCT had grown through any seasonality in prior years. In 2024, we model 35 systems sold which represents 19% of total systems sold, similar to the seasonality PRCT saw last year.

Commercial activities in Japan should ramp in 2H24. The first commercial Aquablation case in Japan was done in August. PRCT is currently running a post-approval study of 100 patients at five sites in Japan and expects a full launch in mid-2024. While PRCT has not explicitly sized the Japanese benign prostatic hyperplasia (BPH) market, Teleflex (UroLift maker) said it is about one-third of the size of the US BPH market. Aquablation has good reimbursement in Japan and we expect PRCT to see good early adoption.

Early prostate cancer data likely coming in mid-2024; still very early but interesting potential TAM expansion. In September, the FDA removed Aquablation's prostate cancer contraindication based on some early clinical work PRCT completed. PRCT also received approval of an Investigational Device Exemption (IDE) study to investigate safety and efficacy of Aquablation for prostate cancer. The study (PRCT002) single arm study with 20 patients across 3 different sites in the US. The primary endpoint is safety and there will be several secondary efficacy endpoints. PRCT thinks it can have 6-month data by mid-2024. PRCT is also continuing enrollment in PRCT001 which is a study treating BPH in patients with prostate cancer. Early data from this trial was used to remove Aquablation's prostate cancer contra indication. The trial will continue to enroll patients until it reaches ~125.

The timing of the prostate cancer opportunity is still uncertain, but we think 6-month data from the IDE study will likely be available in mid-2024. That said, we would not expect a commercial Aquablation prostate cancer until at least mid-2025. Several of PRCT's current users pushed the company to purse Aquablation for prostate cancer. Prostate cancer represents an attractive market opportunity as 3 million men are living with it in the US, ~288k new cases are expected in 2023 and ~200k procedures are performed each year (mostly radical prostatectomy or radiation therapy). Similar to BPH, a portion of the men with prostate cancer are in active surveillance, choosing the wait and see approach versus intervention given potential significant complications.

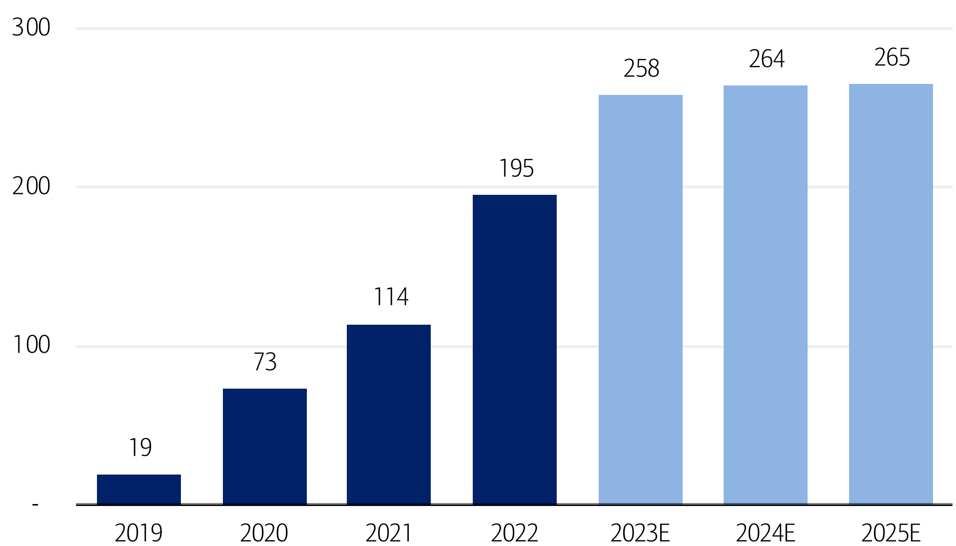
Reiterate our Buy and raise our PO to $52 (from $38). We raise our PO to $52 (from $38) which is based on 8x our 2025 sales estimate (8x on 2024 previously) as we rollforward to 2025. The multiple is above the high end of historical SMID cap medtech multiples of 1-7x. We think a premium multiple is warranted given PRCT's growth trajectory, TAM expansion opportunities, operating leverage and robust cash position. We reiterate our Buy rating as PRCT keeps delivering impressive operating leverage and we think FY23 revenue, utilization and systems guidance all look beatable.

RxSight (RXST) – Buy, $48 PO (from $32)

Even with premium valuation stock can still work in 2024 as we see upside to estimates. We remain bullish on RXST as it continues to disrupt the $1bn premium IOL market. Given the premium multiple (currently trading at 9x 2025E EV/Sales vs 6x avg for high growth medtech), most of the stock upside needs to come from higher numbers. We believe there is upside to both Light Delivery Device (LDD) and Light Adjustable Light (LAL) revenue in 2024 as there is a lot of runway for more system placements (installed base of 660 vs 4,000 high volume cataract surgeons) and for greater penetration of the premium IOL (we estimate RXST has 5% share in US). The balance sheet is solid now with $132m of cash and operating leverage should continue with rapidly ramping gross margin and prudent reinvestment.

Street modeling limited system placement revenue growth in 2024. The Street is modeling $33m of systems revenue in 2024. This implies only 7% y/y growth despite 63% growth in 2022 and 39% expected growth in 2023. The Street expects only 10 incremental LDD placements versus 81 and 65 incremental systems in 2022 and 2023 respectively. In September, RXST introduced a reconfigured LDD which sells at a 10% higher ASP compared to the previous generation and we think Street numbers may not full reflect the increase.

Exhibit 5: LDD systems sold (2019-2025E)
RXST has been rapidly increasing LDD systems sold over the last several years, but the Street is expecting placement growth to essentially stop in 2024/2025



Source: Company reports, Visible Alpha, BofA Global Research
2023E-25E LDD placements represent Visible Alpha Street consensus

BofA GLOBAL RESEARCH

Street likely conservative on utilization expectations in 2024. We estimate that RXST's LAL utilization (LALs per system per month) will grow close to 20% in 2023. However, we believe the Street is only expecting modest MSD utilization growth in 2024. RXST is seeing newly onboarded eye doctors ramp up the utilization curve faster than those in prior years and suggests upside to utilization in 2024, in our view.

Impressive GM leverage, prudent opex spend to continue through 2024. RXST's GM through the first three quarters of 2023 has expanded to ~60% from 42% in 2022 primarily due to an increased proportion of recurring LAL revenue (we expect LAL to be 61% of revenue in 2023 vs 51% in 2022). RXST should see additional GM leverage with the recent launch (Sept 2023) of its reconfigured LDD which has substantially lower COGS. We believe that the new LDD's GM is in the high 30s compared to 20-25% for the previous version. With the reconfigured LDD and the increasing proportion of recurring LAL revenue, we think RXST's GM could be in the mid to high 60s, several hundred bps ahead of the Street.

RXST has also been prudent with operating expense spend which is expected to only grow 25% in 2023 versus 76% topline growth. We expect RXST to spend to fuel growth but to manage its spend to also drive operating leverage. RXST has $132m in cash on the balance sheet and no debt which should provide enough capital for at least the next three years.

Broader international expansion may only be 1-2 years away, but RXST not providing details. RXST primarily sells in the US (started selling in Canada early in 2023) but international expansion represents a significant medium term opportunity that we do not believe is in Street numbers. Management has not given a timeline for broader international expansion, but we think the reconfigured LDD and the LAL+ (launching in early 2024) gives RXST the platform to seek international approvals. We believe management has been waiting for next generation products to start the international approval processes.

Reiterate our Buy and raise our PO to $48 (from $32). We raise our PO to $48 (from $32) which is based on 10x our 2025 sales estimate (8x on 2024 previously). The higher multiple is due to an increase in peer valuations. The multiple is above the high end of historical SMID cap medtech multiples of 1-7x. We think a premium multiple is justified given RXST's recent execution, upside to Street numbers, operating leverage and solidified cash position. We reiterate our Buy as we believe RXST can take meaningful share and expand the premium intraocular lens (IOL) market.

SI-Bone (SIBN) – Buy, $26 PO (from $24)

A solid Q4 beat and an attractive 2024 set up could get the stock going again in early 2024. SIBN was a volatile stock in 2023 starting the year at $13, peaking at $29 mid-year, falling below $16 in November, only to end the year at $21, ultimately up 54% (but off a very low start). While the stock performed well overall in 2023, the roller coaster ride was somewhat confusing given that SIBN beat and raised each quarter. SIBN has negative EBITDA and we think that weighed on the stock like several other SMID cap names as interest rates rose. Looking ahead to 2024, we expect SIBN to preannounce Q4 next week and think SIBN can beat Street revenue again by 5-10% which should move the stock higher. SIBN is unlikely to provide 2024 guidance next week but we expect SIBN's initial revenue guidance to be inline with the 18% growth the Street is modeling. Last year, SIBN initial 2023 guidance was 17-19% revenue growth but increased throughout 2023 and now stands at 28-29%. Like last year, we expect SIBN to guide with room for upside. The stock could move higher on that upside to estimates and should get some multiple expansion if revenue growth is in the 20s again with operating leverage.

We think Q4 revenue can beat by 5-10%. We expect SIBN to preannounce Q4 results again in early January like they have done for the past several years. We think SIBN is set up to beat the Street revenue again by 5-10%. In the first three quarters of 2023, SIBN has beaten the Street by 12%, 7% and 5%, respectively. Street consensus Q4 revenue implies only a 7% sequential step up from Q3 to Q4 which is meaningfully lower than the 18% average (excl 2020) over the last five years (range 13-22%). If Q4 revenue grew sequentially at the low end of the historical range (13%), that would translate into a 5% beat.

Exhibit 6: SIBN sequential revenue growth over last 5 years

SIBN's Q4 sequential growth has averaged 18% over the last 5 years (excluding 2020). Street consensus Q4 revenue implies only 7% sequential growth over Q3 which suggests upside when SIBN preannounces in

Year	Q1	Q2	Q3	Q4
2018	(7.7%)	7.5%	(2.1%)	16.8%
2019	(4.1%)	8.8%	(0.8%)	22.4%
2020	(15.1%)	(16.5%)	45.0%	8.7%
2021	(7.7%)	8.6%	0.4%	13.2%
2022	(11.1%)	14.0%	3.3%	20.9%
Avg (ex 2020)	**(7.6%)**	**9.7%**	**0.2%**	**18.3%**
2023	**2.4%**	**1.8%**	**2.1%**	**7.4%**

Source: Company reports, BofA Global Research, Bloomberg
Green represents implied Bloomberg consensus revenue growth

BofA GLOBAL RESEARCH

Favorable reimbursement and new products should again be growth drivers for the upcoming year. Like 2023, we think expect reimbursement and new product launches are key to continue momentum and adoption. SI joint fusion reimbursement in the ASC/outpatient will not be as favorable as it was in 2024 compared to 2023 (down14-15%), but SI joint fusion is still financially attractive in both settings and reimbursement is 8-9% higher than what it two years ago. Granite will once again have its new tech add-on payment (NTAP) in 2024 which adds almost $10k in extra reimbursement per case. A Granite line extension targeting shorter deformity constructs is expected in 2024 which will triple Granite's addressable market.

Expect more operating leverage in 2024. SIBN's operating leverage in 2023 has come as a welcome surprise to investors. For the full year, we expect operating expenses to grow 4% while reported revenue has grown 28%. The main driver of the improvement is leverage from the increased use of sales agents. SIBN had 160 sales agents at the end of Q3 2023 compared to 105 to start 2023 and 59 to start 2022. At the same time, SIBN has kept the number of direct reps generally flat. We forecast an EBITDA loss of $16m in 2023, improving to a loss of $9m in 2024 as we expect further operating leverage.

Not overly concerned about Nevro acquisition of SI joint fusion competitor. Nevro (NVRO) acquired a SI joint fusion company called Vyrsa in late November. We received questions from investors on the potential impact to SIBN, but we do not expect it to be meaningful. Nevro acquired Vyrsa to expand the type of products it can sell to its existing pain management specialist call point. We would not expect much of an overlap because the majority of SIBN users are spine surgeons, although SIBN does have a small presence with pain specialists. That said, SIBN is the SI joint fusion market leader and has competed against and taken share from large spine companies like Globus Medical and Medtronic as well as fend off smaller competitors like Vyrsa based on its differentiated designs and clinical data.

Reiterate our Buy and raise our PO to $26 (from $24). We raise our PO to $26 (from $24) which is based on a 5x EV/2025E sales multiple (4x previously) as SMID cap peer multiples have increased. The multiple is slightly above the historical average multiple for SMID cap medtech of 1-7x EV/Sales. We believe a slight premium to SMID cap medtech peers' average is appropriate given SIBN's revenue momentum, increasing operating leverage and lower risk to its TAM from GLP-1s.

Teleflex (TFX) – Neutral, $265 PO (from $225)

TFX could benefit from well-defined growth drivers. We think one or multiple clear growth drivers need to emerge to help TFX flip to the right side of the average large cap medtech multiple. TFX is currently trading at a 1-2x turn discount to large cap medtech. Over the last year, TFX has traded at a much larger discount to the large cap medtech group, but any rally in the stock generally stops around the 1-2x discount. With UroLift's struggles over the last few years and now that its out of the LRP, we think investors struggle to understand TFX's identity. There are also a lot of moving parts (acquisitions, divestitures, UroLift out of LRP, recalls, selling days) that have made tracking TFX progress difficult for investors. As we move into 2024, we think TFX's business will become easier to understand but we're not sure the stock can break through that 1-2x discount until there are better defined growth drivers.

2024 EPS growth likely to be modest given headwinds (Fx, acquisition, divestitures). Street consensus 2024 EPS of $13.82 implies only 4% growth in 2024. We think consensus EPS is now in the right place given the EPS headwinds the company is facing. Palette dilution ($0.35), MSA roll off ($0.25) and a higher expected tax rate ($0.30) combine for a $0.90 or 7% headwind to EPS in 2024. Adjusting for the headwinds, EPS growth would be ~10%, more inline with TFX's longer term targets.

Are LRP targets still attainable? Now that TFX has bounced off recent lows and there is less of a focus on UroLift, we expect investors to shift focus to LRP. For the stock to work from here, investors will need confidence that TFX can hit its LRP goals. Current LRP goals have been adjusted down since initially introduced at its Analyst Day in May 2022. The current LRP targets call for a 6% CAGR from 2023 to 2025 which assumes no UroLift growth and includes revenue contribution from the Standard Bariatrics and Palette acquisitions. On margins, the LRP targets 250bps of GM expansion and 200bps of OM expansion. The Street models $3.275bn in revenue in 2025 (5.5% 3yr CAGR), ~$50m short of the $3.325bn implied by TFX's 6% revenue LRP. The Street is modeling 200bps of GM expansion and 140bps OM expansion by 2025, both below TFX's LRP targets.

M&A still a priority but we expect TFX to be more selective and avoid more dilutive deals. TFX has spent $770m in upfront cash on the Standard Bariatrics and Palette Life Sciences acquisitions with milestones for both (although unlikely to pay milestones for Standard). TFX has approximately $1bn in firepower

Reiterate our Neutral but raise our PO to $265 (from $225). We raise our PO to $265 PO (from $225) which is based on 17x our 2025 EPS estimate (16x 2024 EPS previously) as large cap medtech multiples have increased. The multiple is a 1-2x discount to the average of large cap medtech peers. We think a discounted multiple is appropriate given TFX's average MSD top line growth but limited margin expansion and EPS growth. We reiterate our Neutral rating as we need to see more quarters of progress towards reaching LRP goals before getting positive.

Investment Rationale

Globus Medical

We see risk to GMED's sales estimates based on potential dis-synergies from the NUVA acquisition. We see limited upside potential in the stock until we get more details on

GMED's integration plan and we expect shares to underperform relative to our coverage universe.

Price objective basis & risk

Bausch & Lomb (BLCO)
Our $20 PO is based on 11.5x our 2025E EBITDA which is a discount to ophthalmology peers trading around 17x. We think the discount is warranted as uncertainty around the spin completion from Bausch Health remains an overhang and BLCO has slower growth and lower margins than peers. Our price objective assumes that BLCO should be able to close the valuation gap to peers with consistent top-line growth and potential margin expansion.

Downside risks to our price objective are 1) delay in the timing of the spin from BHC, 2) poor commercial execution of new product launches, 3) additional COVID outbreaks or lockdowns, and 4) deterioration of global economic conditions.

GE HealthCare (GEHC)
Our $82 PO is based on 17x our 2025 EPS estimate which is a slight discount to large cap medtech peers given GEHC's lower margin profile and higher exposure to capital equipment spending.

Upside risks to our PO are 1) faster than expected topline growth, 2) accelerated margin expansion and 3) growth and margin accretive M&A.

Downside risks to our PO are 1) increased competitive pressure, 2) slower than expected margin expansion, 3) incremental inflation and supply chain challenges and 4) disruptive or dilutive M&A.

Globus Medical (GMED)
Our PO of $55 is based on 9.5x 2024 EV/EBITDA which is a discount to SMID cap peers. We believe GMED should trade at a discount to peers because of the potential of sales disruption from the integration of the acquisition of NuVasive. Upside risks to our PO would be less disruptive integration, more cost synergies than expected or better than expected cross selling.

Integer Holdings Corporation (ITGR)
Our $105 PO is based 11.5x our 2025 EV/EBITDA estimate which is inline with SMID cap peers. We think a multiple inline with the group average is warranted as ITGR's revenue growth and margin expansion momentum are encouraging but margins still trail other SMID cap peers.

Upside Risks to our PO are 1) faster than expected topline growth, 2) meaningful easing of inflation pressure and accelerating margin expansion and 3) growth accretive M&A. Downside Risks to our PO are 1) losing a significant customer or project 2) incremental inflation and/or supply chain challenges, 3) slower growth of emerging customer products and 4) disruptive or dilutive M&A.

Integra Lifesciences (IART)
Our $45 PO is based on 12x our 2025 EPS estimate which is a discount to SMID cap peers. We think a discounted multiple is justified given our concerns on IART's ability to accelerate revenue growth and expand margins in 2024 given the Boston facility shutdown.

Upside risks to our PO are better-than-expected revenue growth or an accretive acquisition that is well received by the Street. Downside risks to our PO are unexpected issues that result in revenue growth misses, announcement of M&A that is not well received by investors, and an increased level of competitiveness in IART's core markets.

Paragon 28 (FNA)
Our $15 PO is based on 4x our 2025 sales estimate which is inline with the historical average multiple for SMID cap medtech 1-7x EV/Sales. We believe a multiple in line with the SMID cap medtech group is appropriate because FNA has been executing and has potential to deliver 20% topline growth and is only on the brink of turning EBITDA positive.

Downside risks to our PO are heightened competition, poor commercial execution and any supply chain disruptions. Upside risks to our PO include an acceleration in use by new surgeons, faster than expected utilization by existing surgeons and better profitability than expected.

Procept BioRobotics Corporation (PRCT)
Our $52 PO is based on 8x our 2025 sales estimate which is above the high end of historical SMID cap medtech multiples of 1-7x. We think a premium multiple is warranted given PRCT's growth trajectory, TAM expansion opportunities, operating leverage and robust cash position.

Downside risks to our PO are slower than expected robot placements or surgeon adoption of Aquablation, reimbursement changes or inability to gain coverage from additional commercial payers.

Upside risks to our PO are faster than expected robot placements or surgeon adoption, earlier than expected positive commercial coverage decisions or favorable reimbursement decisions.

RxSight (RXST)
Our $48 PO is based on 10x our 2025 sales estimate which is above the high end of historical SMID cap medtech multiples of 1-7x. We think a premium multiple is justified given RXST's recent execution, upside to Street numbers, operating leverage and solidified cash position.

Downside risks to our PO are heightened competition from the likes of ALC and JNJ, if near term LDD placements are below expectations, if adoption of LALs slow or a challenged economic environment impacts patient spending behavior.

Upside risks to our PO are accelerated placements of LDDs in the field which could lead to a greater presence in ophthalmology practices as well as heightened productivity of procedures on this install base above our current expectations.

Si-Bone (SIBN)
Our $26 PO is based on a 5x EV/2025E sales multiple which is slightly above the historical average multiple for SMID cap medtech of 1-7x EV/Sales. We believe a slight premium to SMID cap medtech peers' average is appropriate given SIBN's revenue momentum, increasing operating leverage and lower risk to its TAM from GLP-1s.

Downside risks to our PO are slowing SI joint fusion market development, increased competition, reimbursement changes or pricing headwinds. Upside risk is faster than expected adoption of recent product launches, strategic activity and faster move towards profitability.

Teleflex Incorporated (TFX)
Our $265 PO is based on 17x our 2025 EPS estimate which is a 1-2x discount to the average of large cap medtech peers. We think a discounted multiple is appropriate given TFX's average MSD top line growth but limited margin expansion and EPS growth.

Upside Risks to our PO are 1) faster than expected UroLift growth, 2) meaningful easing of inflation pressure and 3) growth accretive M&A.

Downside Risks to our PO are 1) UroLift growth does not rebound as expected, 2) incremental inflation and/or supply chain challenges, 3) slower growth of high growth products and 4) additional procedure disruptions because of new Covid outbreaks

The Cooper Companies (COO)
Our price objective of $420 is based on 26x our fiscal 2025 EPS which is at the higher end of large cap medtech. We believe a multiple near the high end of the group is warranted given COO's potential for double-digit sales growth, margin expansion and upside to EPS growth expectations. Upside risks to our PO are 1) faster than expected topline growth, 2) accelerated margin expansion and 3) growth and margin accretive M&A. Downside risks to our PO are 1) increased competitive pressure, 2) continued Fx headwinds, 3) slower than expected margin expansion, 4) macroeconomic concerns.

Analyst Certification

I, Craig Bijou, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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

Disclosures

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%

[R1] Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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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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BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: GE HealthCare, Integer Holdings, Paragon 28, Procept BioRobotics, RxSight, Si-Bone.
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