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Si-Bone

SIBN CEO call: discussing channel expansion initiative (full transcript inside)

Reiterate Rating: BUY | PO: 26.00 USD | Price: 17.30 USD

SIBN CEO call: "strategy going to complement growth"

Last week we hosted a conference call with SI-Bone's CEO Laura Francis to discuss the company's initiative expanding its sales channel to include interventional spine specialists. The replay can be accessed here and the full transcript is available in the body of this report. We highlight our key takeaways from the Q&A below. We reiterate our Buy.

Initiative can provide access to potential 280k SIJ patients

SIBN's initiative to engage with interventional spine specialists should help the company gain access to a larger portion of the estimated 280,000 patients that could benefit from minimally invasive SI joint fusion. Market penetration today is less than 10% due to a sometimes challenging physician referral pathway and lack of awareness amongst SI joint dysfunction sufferers. SIBN expects this initiative to complement the strong growth of its core business over the last few years.

Targeting interventionalists most likely to do SIJ fusion

SIBN learned that many interventionalists have a high level of interest in performing SI joint fusions and want to work with the company given its market leadership. SIBN plans to focus on interventionalists that typically do not refer their SI joint dysfunction patients to orthopedic or neurosurgeons (SIBN's primary users). Many of these interventionalists have done other minimally invasive spine procedures which suggests they are good candidates to learn lateral SI joint fusion. This targeted approach should let SIBN leverage its existing salesforce and limit excess incremental spend.

SIBN to lead with TORQ but INTRA a worthy alternative

SIBN's goal is to train interventionalists on its core lateral minimally invasive SI joint fusion with TORQ. However, some doctors may still feel less comfortable with the procedure. With INTRA, SIBN can offer a bone allograft to those physicians that may prefer a less permanent option. INTRA allows SIBN to get closer to a group of physicians (and patients) that it would have otherwise struggled to access. The new reimbursement code (27278) means that SIBN can sell INTRA at a price similar to TORQ.

Protecting existing surgeon relationships a priority

It is important that SIBN's initiative does not disrupt existing referral patterns or surgeon relationships. SIBN is targeting higher volume interventionalists in markets where a referral path to a spine surgeon has not yet been established and patients do not yet have access to minimally invasive SI joint fusion.

Estimates (Dec) (US$)	2022A	2023A	2024E	2025E	2026E
EPS	(1.79)	(1.13)	(0.93)	(0.84)	(0.80)
EPS Change (YoY)	-4.7%	36.9%	17.7%	9.7%	4.8%
Consensus EPS (Bloomberg)			(0.99)	(0.77)	(0.42)
DPS	0	0	0	0	0
Valuation (Dec)					
EV / EBITDA*	NM	NM	NM	251.8x	65.5x
Free Cash Flow Yield*	-7.2%	-3.7%	-4.3%	-1.8%	-0.6%

* For full definitions of iQmethod℠ measures, see page 14.

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Refer to important disclosures on page 15 to 17. Analyst Certification on page 13. Price Objective Basis/Risk on page 13. **12669931**

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Stock Data

Price	17.30 USD
Price Objective	26.00 USD
Date Established	5-Jan-2024
Investment Opinion	C-1-9
52-Week Range	15.57 USD - 29.51 USD
Mrkt Val (mn) / Shares Out (mn)	710 USD / 41.1
Free Float	95.5%
Average Daily Value (mn)	7.78 USD
BofA Ticker / Exchange	SIBN / NAS
Bloomberg / Reuters	SIBN US / SIBN.OQ
ROE (2024E)	-22.6%
Net Dbt to Eqty (Dec-2023A)	1.6%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Glossary:
SI – sacroiliac
SIJ – sacroiliac joint

*iQ*profile℠ Si-Bone

iQmethod℠ **– Bus Performance***

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-34.6%	-24.6%	-19.4%	-18.4%	-18.2%
Return on Equity	-52.6%	-32.3%	-22.6%	-20.7%	-19.1%
Operating Margin	-56.0%	-33.8%	-26.8%	-21.0%	-17.5%
Free Cash Flow	(51)	(27)	(31)	(13)	(4)

iQmethod℠ **– Quality of Earnings***

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	NM	NM	NM	NM
Asset Replacement Ratio	2.8x	1.4x	1.7x	1.6x	1.4x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	14.7%	1.6%	8.2%	3.6%	-5.5%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	106	139	164	192	222
% Change	18.0%	30.5%	17.9%	17.3%	15.4%
Gross Profit	91	109	128	148	171
% Change	13.8%	20.6%	16.7%	15.8%	15.4%
EBITDA	(33)	(17)	(7)	3	11
% Change	-1.2%	47.3%	59.3%	NM	284.7%
Net Interest & Other Income	(2)	4	6	6	6
Net Income (Adjusted)	**(61)**	**(43)**	**(38)**	**(34)**	**(32)**
% Change	**-8.3%**	**29.3%**	**13.1%**	**9.6%**	**4.5%**

Free Cash Flow Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(61)	(43)	(38)	(34)	(32)
Depreciation & Amortization	3	5	6	7	8
Change in Working Capital	(8)	(5)	(20)	(11)	(11)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	24	24	31	36	42
Capital Expenditure	(10)	(8)	(10)	(11)	(11)
Free Cash Flow	**-51**	**-27**	**-31**	**-13**	**-4**
% Change	**-11.4%**	**48.2%**	**-15.4%**	**58.6%**	**65.9%**
Share / Issue Repurchase	2	86	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	1	0	(8)	(14)

Balance Sheet Data (Dec)

(US$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	21	33	23	22	23
Trade Receivables	21	22	33	39	45
Other Current Assets	96	156	150	137	124
Property, Plant & Equipment	16	16	20	24	27
Other Non-Current Assets	4	3	3	3	3
Total Assets	**158**	**230**	**229**	**225**	**222**
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	21	23	28	30	32
Long-Term Debt	35	36	36	28	13
Other Non-Current Liabilities	3	2	2	2	2
Total Liabilities	**59**	**61**	**66**	**59**	**47**
Total Equity	**98**	**169**	**163**	**165**	**175**
Total Equity & Liabilities	**158**	**230**	**229**	**225**	**222**

* For full definitions of ***iQ***method℠ measures, see page 14.

Company Sector

Medical Technology

Company Description

SIBN is a spine-focused medical device company that develops minimally invasive surgical implants to treat sacroiliac joint dysfunction that causes lower back pain. The company's primary product, the iFuse, consists of a triangular titanium implant which is inserted to fuse the Si joint to reduce Si joint dysfunction/pain oftentimes associated with physical movement.

Investment Rationale

We believe SIBN has the right tools to develop iFuse as the standard of care for treating Si joint pain and turn this into a large market opportunity. Many commercial payers have designated their coverage as exclusive to iFuse, suggesting that Si-Bone has a very proprietary technology backed by strong clinical evidence.

Stock Data

Average Daily Volume	456,576

Quarterly Earnings Estimates

	2023	2024
Q1	-0.32A	-0.30E
Q2	-0.30A	-0.24E
Q3	-0.25A	-0.20E
Q4	-0.27A	-0.19E

SIBN CEO Call Transcript

Craig Bijou: Yes, thank you, operator, and thank you, everyone, for joining us this morning. It's my pleasure to host a call with SI Bone, and we have their CEO, Laura Francis with us today. So Laura, thank you for being here.

Laura Francis: Thanks, Craig. I really appreciate the invite, especially since we had our earnings released last week and had some technical difficulties, especially during the Q&A. So given all of the exciting things that are going on here at SI Bone, both the great year we just finished as well as the year that we're going into, I appreciate the opportunity to talk a little further.

Craig Bijou: Great. And just from a logistical perspective, call's scheduled to run 45 minutes to an hour. It'll be a Q&A session with Laura. I guess with that I'll get started. Laura, I wanted to start with the strong execution that you guys saw in 2023, and 2023 was really a great year for the company. And can you quickly provide a summary of some of the key themes and highlights from the year and then some of the momentum that you have heading into 2024?

Laura Francis: Yeah, great. I would love to talk about that. So as you said, 2023 really was a terrific year for us. I'd call it a milestone year. And we hit a lot of new highs and I'm talking about revenue in surgeon engagement and even with that growth and revenue in surgeon engagement, also really strong operating leverage too. So to start out with revenue growth, our revenue growth grew 31% worldwide and we got to close to $140 million in sales for the year. So the US in particular was the growth driver that was there. The US grew 32% and that growth was across all of our US procedures. So just to be clear, in the core business, in minimally invasive SI joint fusion and pelvic fixation as well as in pelvic trauma.

Also hitting an all-time high in terms of the level of physician engagement, in the fourth quarter we engaged 1,130 active users. And if you looked at the number of users for the entire year, it was over 1,600 physicians that we worked with for the year.

I also did mention that even with that sort of revenue growth and surgeon engagement, we also made significant progress on operating leverage. So 48% improvement in our adjusted EBITDA. And then also if you looked at cash usage, we used less than a million dollars in the fourth quarter of 2023. So we ended the year with a very strong balance sheet with $166 million in cash. So with all of that said, we're really just scratching the surface of the opportunity that we have. And so what we're doing is focusing on continuing to expand while also driving deeper into the markets that we're addressing.

So when you asked a little bit about 2024, we did provide what I would call measured guidance relative to the potential that we have. So we're seeing continued strength and surging demand for our existing portfolio. And then we've also started to talk about some complimentary initiatives that will drive accretive top-line growth. So that includes the launch and new products across all of our markets and gives us the opportunity to work with a number of different physicians and accelerate our market penetration.

And also one of the things that we talked about quite a bit was methodically training interventionalists. So adding a channel here that provides this incremental patient funnel that we were not previously able to access because those interventionalists were not referring to our surgeons. So with all of that growth opportunity, we also do expect to continue to see operating leverage on the business and we have a clear line of sight to adjusted EBITDA breakeven.

Craig Bijou: Great. Laura, that's a helpful and great summary. So the initiative to focus on interventional spine specialists that you really introduced or maybe articulated in a little bit more detail on the Q4 call, maybe it was the first that a lot of people have heard about it, but I'd love to understand at a high level for a start and we can dig into it. But

just talk about the decision to expand your target doc procedures to the interventionalists.

Laura Francis: Yep. Yeah, we still have a lot of room to run with our core group of surgeons. And if you look at our business since we went public, we have had a growth rate of approximately 25% in procedure volumes since that point in time. And if you look at the last 12 consecutive quarters, we have had double-digit active physician growth. So we're seeing this strong momentum across our core surgeon base and we don't expect for that to slow down. With that said, we also know that there are approximately 280,000 patients per year who can benefit from our solutions with minimally invasive SI joint fusion. And so the market is less than 10% penetrated if you look at procedural claims data. So that was really the driver for how we were thinking about the expansion of call points.

And just to be clear, there really are two discreet patient funnels that are here. You're very well aware of the first one. We've been working with surgeons, orthopedic and neuro-spine surgeons, since the inception of the company. And we've been very successful there, we're the market leader in the space, we pioneered the space. Our surgeons have historically worked with pain management physicians for referrals, but those particular pain management physicians that are referring typically don't perform procedures.

So that's where you get to the second group of what I'm going to call interventionists, and they're going to treat patients conservatively but sometimes they also do like to perform procedures. And they seldom refer patients to surgeons. And so typically they would be treating patients with injections. Historically they've used radiofrequency ablation to treat patients who have SI joint pain. And they may be doing Allograft procedures as well. And so now what we have is the opportunity to address this particular funnel and it gives us the opportunity to reach out to patients that we previously have not been able to reach.

So I think if you ask the question of why now, why are we doing this now? Effective in January, there was a reimbursement change that's in our favor that's going to allow us to define the interventional market for the SI joint and access this interventional patient funnel that we haven't previously addressed. So we were aware that these changes were coming. So we've been working over the last 18 months developing and testing a strategy. And we've been very targeted with which interventionalists we're actually going to work with. We're working with interventionalists who have done other minimally invasive spine procedures. And once again, these are interventionalists that typically are not referring patients to surgeons.

So what we did is we established an interventional advisory board made up of key opinion leaders in the space, and they're excited about what we're doing. We also did a lot of surveying of interventional physicians as well. And what we learned is, given our market leadership position, our focus on clinical data, our direct sales force that has more knowledge in this space than anybody else, our professional education, and medical affairs efforts, we heard very strongly that interventionalists were interested in working with SI Bone. And so that's what we're going to do. We're going to leverage our existing sales force, given the many relationships that we already have in this space. And quite frankly, as the market leader, we felt it was our responsibility to provide patients with access to our highest-quality products and procedural support.

Craig Bijou: Great. That's a helpful color, Laura. Thank you. And you said you're targeting, on the call you said you're targeting a subset of the 4,500 interventional spine specialists. I think you mentioned some of the specific specialties that comprise this group, but maybe if you can just give us a little bit on the scale of the sub-segment that you've already targeted and how you do expect to penetrate that 4,500 in total of interventional specialists.

Laura Francis: Yeah, you're correct. So the information that we provided was that there are approximately 4,500 interventional spine specialists that are out there. We received that information from the American Society of Interventional Pain Physicians. So it gives us information to help us understand what that target population looks like. In terms of the specialties that interventional spine clinicians usually work in, it's anesthesiology, it can be physical medicine and rehabilitation, or it can also be interventional radiology. So as I said, we really focused on methodically building relationships with this specialty and we initially targeted groups that specifically had experience with other minimally invasive spine procedures.

And if you look at that group, you're probably talking about around a thousand physicians at this point. And those particular physicians do have a lot of interest in treating patients with SI joint pain. So the goal here, once again, is to use a targeted approach that's going to allow us to leverage our sales force and train this specialty as well as augment our current surgeon volume growth to reach these 280,000 target patients per year.

Craig Bijou: Great, thanks. And so I do want to ask, maybe step back slightly and just ask about the SI joint fusion market. You mentioned that it's less than 10% penetrated, you talked about it on the call. You guys have been at it a while but there's been several different headwinds over the years and really only the last couple of years have things aligned and you've really seen an inflection point in penetrating that market. So maybe just talk about how we expect or how you expect that market penetration to go over the next several years, how you're positioned. And then also you touched on it a little bit, but maybe a little bit about how this interventional strategy really can accelerate that penetration.

Laura Francis: Yeah, so if you think about the patient continuum of care, maybe that's the way to get at the question that you're asking. So a typical patient that presents with SI joint pain is going to initially be treated through conservative care. So they're going to get pain medication, physical therapy, steroid injections. They also historically have received radiofrequency ablation as well, but for the most part, radiofrequency ablation is no longer reimbursed. And so if you think about moving along that continuum, we have been the last stop for the patient and for the physician. We provide a minimally invasive SI joint fusion procedure, a lateral procedure, and we have clinical data, multiple randomized controlled trials, and perspective studies that show long-term greater than five-year pain relief reduction in disability, very clearly these patients get better. And our best estimate in the last year is that we had around 70% market share in that space for minimally invasive SI joint fusion procedures.

But it gets back to this question of, how do we reach these patients? And we do think that there's an opportunity for us to work with them on an Allograft solution, so we launched our INTRA product. And INTRA is going to provide what we believe to be more of a medium-term solution for these patients. We do think that this solution is going to be of interest to them. And especially with the loss of coverage for radiofrequency ablation, interventionists are becoming increasingly interested in a solution that provides patients an alternative.

But then we also have our TORQ product, which our STACI Study interventionists were using our TORQ product using a lateral procedure which, once again, is your more definitive procedure. So with a market that's less than 10% penetrated, we think selectively targeting interventionalists is going to get us closer to the patients who otherwise would not get access to our solutions. It's going to complement the growth we're seeing in surgeon procedure volume. And also opens up another avenue to reach the target of 280,000 patients.

Craig Bijou: Got it. That's helpful. And so maybe switching to where the interventionalists play and the products that they use, and specifically on the Allograft procedures, you're launching a new Allograft product, INTRA, for those interventionalists that maybe want to do an Allograft. But ultimately the strategy as I understand it, is that

you want to serve this interventionalist community with a TORQ, or really a TORQ, so one of your core SI joint fusion products. So I just want to, I guess, ask specifically how you think about that strategy. And then I do have some other questions that I'll get into with the Allograft procedures, but maybe just from more of a higher level view of how you expect to serve the interventionalists.

Laura Francis: Yeah, so the interventionalists that we're working with, some of them have been doing Allograft procedures already. Also, some of them are performing lumbar spinal stenosis decompression procedures. Some of them are doing interspinous interlaminar fusions as well. So this is a group that has actually been performing a number of different procedures already. And so the approach that we actually took last year was to take the opportunity to methodically engage with the field and do some pilot programs. And what the pilot program showed us is that this group of interventionalists, they can perform SI joint procedures very effectively and with great patient results as well. And they really like the support of our leadership field sales team of over 150 people, if you look at both territory managers and our clinical support specialists as well.

So that's the way that we initially approached this effort. And then at the point where we saw the change in reimbursement had two different codes. So there's the existing code that we've always worked with, our code 27279 for lateral procedures, and then there's a new code called 27278, and those are really targeted more toward dorsal Allograft procedures. So it gave us an opportunity to work with these physicians either with a lateral more definitive procedure or this Allograft procedure that is covered as well.

Craig Bijou: Great. That's helpful. Maybe just shifting to specifically the Allograft procedures, and I think since you guys communicated the strategy focusing on interventionalists, a number of investor questions that I've gotten on INTRA and really focusing on the interventionalists. In the past, you've talked about for Allograft procedures, the lack of clinical evidence, some issues with longer-term durability, and at the time you thought that there'd be likely some insurance coverage pushback for these types of procedures. So maybe just to ask directly, how is your view of the Allograft procedures evolved over the last several years? And I know you talked about it a little bit before, but why is now the right time to open up and launch an Allograft product as well?

Laura Francis: Well, I would actually say the biggest concern that we had was reimbursement around the procedure. So we launched a product in 2019 called iFuse Bone, but given the code 27279, it was very clear to us that the procedure that was covered under 27279 was a lateral procedure. And so iFuse Bone was being used in conjunction with our titanium implants in a lateral approach. So I would actually see our primary concern over the last few years has more been the lack of reimbursement in this area. And as I said, there was clarification of the reimbursement effective this year and so that really did change how we think about things.

And so Allograft may provide some measure of relief, but it does lack the high-quality and long-term clinical data that we have put together over the years. And we do think that patients who are suffering from chronic SI joint pain are likely eventually going to need a definitive SI joint procedure with TORQ, or 3D. But with the launch of INTRA, the strategy is to get closer to this expanded group of physicians and their patients who otherwise would not have access to our solutions by providing this optionality to interventionists.

So some interventionalists have been using Allograft and they may be initially reluctant to adopt our permanent metal implants like TORQ. And so our strategy is to lead with TORQ but provide INTRA as an alternative. So in INTRA, we have an innovative design, a reproducible technique for proper placement of the implants, and we're also in a better position to teach those physicians and support their techniques than anyone. So our reps

are building relationship and trust and they're building out the usage of a complete implant offering.

Many interventionalists also understand that current Allograft implants may not provide long-term pain relief. So these patients would be able to either convert the interventionalist to TORQ or create a referral channel to surgeons which was not previously feasible. So while we continue to lead with TORQ and we're encouraged by the growing preference and confidence of interventionalists once they're trained on TORQ, we do believe that in certain circumstances, Allograft is going to provide what they need for that patient funnel to benefit from our solutions. And most importantly, we are the market leader here and we want to offer best-in-class solutions to our patients based on their needs.

Craig Bijou: Great. That's helpful. And I want to maybe talk a little bit about the reimbursement changes. I know you've mentioned them a couple of times, the different code that was introduced, but maybe for investors that may not be as familiar with some of the changes, can you just walk through what did change, talk about the amounts, and what was being done before? And now with the new changes, how that will impact the procedures that are done?

Laura Francis: Sure. So maybe to give a little bit of history first of all. In 2023, reimbursement for these dorsal procedures using Allograft moved to what was an unlisted CPT code. And so given the growing interest by interventionalists and reimbursement uncertainty, we selectively engaged interventionalists and we actually train them on our lateral technique with TORQ. But subsequently, CMS did establish a new CBT code, 27278, effective at the beginning of this year, and it's for dorsal Allograft procedures. It's either in a facility or in an office. And the reimbursement for the procedure under 27278 is approximately 40% lower for the physician's fee, and it's around 20% lower for the facility fee, if you compare it to 27279. Then also CMS provides reimbursement for the procedure in an in-office based setting as well.

So reimbursement under 27278 is likely going to be limited to Medicare for some period of time, based on our historical experience. So our strategy, once again, is to lead with TORQ, and we have seen strong early adoption. But given that 90% of the market remains untapped, we think that the partnership with our surgeons as well as the select interventional spine physicians and the availability of these two distinct CPT codes has the potential to be a significant tailwind for us and accelerate our ability to capture the market opportunity.

Craig Bijou: Great. Maybe just - you talked about an uptick, I think, in Allograft procedures over the last couple of years on the call, how many Allograft procedures are performed annually, do you know? And what has been the growth of that? And then do the Allograft procedures outnumber core SI joint fusion procedures today?

Laura Francis: Yeah, the short answer is no, Allograft is still a small subset of the market today and it is being performed by a limited number of interventionalists. Based on our assessment, it's a few hundred physicians that are performing the procedure today. The surgeon market is significantly larger and it continues to grow as we engage more surgeons. As I said, there were around 1,600 surgeons that did at least one procedure with us last year. But we do see this as a growth opportunity, especially with the new reimbursement.

Craig Bijou: Got it. And I want to address some other investor questions, concerns that I've heard since the earnings call. So I guess how do you respond to the concerns that moving to Allograft could indicate an issue with the core SI joint fusion market with iFuse and TORQ? And what do you think investors are missing from your strategy? And what I've heard is the potential for cannibalization, the Allograft could cannibalize some of your lateral SI joint procedures. How do you see that, do you see that as a risk? And even when thinking about the docs that you're targeting, is there a risk of alienating your

core ortho surgeons versus, or by going to some of the interventionalists? I guess maybe just a little bit of color on how you see the strategy playing out and if there's any risk to overall cannibalization.

Laura Francis: Yeah, I think that's a good question and those are the questions we're answering from some of our investors currently. And I want to provide clarity here, this is an accretive volume opportunity for us. It provides an additional call point and based on how we're positioning the portfolio and having multiple reimbursement codes here, there's a significant opportunity. So if you think about the procedure volume opportunity, this is an incremental opportunity. It's accretive to the overall patient volume and top line growth. It allows us to get at this discreet funnel of patients who are today treated with conservative care and they're seldom referred to surgeons, and they may not make it to a surgeon anyway for that reason. So we're targeting those interventionalists specifically in markets where patients are suffering from joint dysfunction and they've not had access to an orthopedic or neurosurgeon and they've been deprived of this standard of care.

So that's really the procedure volume, incremental opportunity. In terms of our portfolio positioning, our strategy over the last 15 months has been leading with TORQ and we've seen great early adoption there. And then with iFuse INTRA, it gives us this optionality with interventionalists who may be initially reluctant to use an implant like TORQ. Also from an ASP perspective, they're comparable, whether you're talking about INTRA or TORQ. And so we're agnostic to whether a physician performs one or the other procedure.

In terms of our surgeons, we have had a lot of conversations with our surgeons. We've been very transparent as we've been going through this process. And our surgeon utilization continues to grow, we have not seen fallout or cannibalization from the new call point. And so with this accretive volume growth opportunity, it provides an exciting tailwind for the future.

Craig Bijou: Great. That's helpful color. One last one before getting maybe a little bit more on the competition in the interventional market, but can you explain the significance of the STACI Study? You mentioned it earlier in the call, and for those that aren't as familiar, maybe just the purpose of the study and what you hope to gain from that study.

Laura Francis: Yeah, so SI Bone is well known for our high quality clinical data. And so consistent with our principles, we're focusing on patient safety and building clinical evidence. In this case, it's not about payer coverage, because iFuse TORQ has broad coverage under 27279. The purpose of STACI was to provide post-market information on lateral minimally invasive SI joint fusion procedures performed with TORQ and when they're performed by interventionalists. So it just falls in line with our core strategy of providing high quality clinical data, showing safety and efficacy.

Craig Bijou: Great, that's helpful. So another investor question with the strategy that I've gotten over the last couple of weeks is really about the competitive landscape that you guys are entering into with - by targeting the interventionalist. So maybe if you could frame the landscape in the Allograft market with the interventionalists, what do you see as the key determinants of which products an interventionalist may use? And as you see it today, maybe talk about the product differentiation amongst the companies that are focused on the market.

Laura Francis: Yeah, what we typically see are a number of small players that are out there in this space. And so when we think about the competition, really none of them have the expertise or the experience salesforce or the broad portfolio of solutions. And so the interventionists that were engaged with thus far, they've expressed a strong desire to work with us because of our proven and differentiated technology that's backed by high quality clinical evidence, our patient advocacy and clinical resources, and

most importantly, our best-in-class seasoned salesforce. So our salesforce has trained over 3,600 physicians and we've been a part of over 95,000 procedures performed since our inception. So there's no question that we are the market leader in the SI joint fusion space and what we're doing is bringing that to this market where there are a number of small players that don't have the expertise and experience and broad solutions that we do.

Craig Bijou: Got it. I appreciate the experience that SI Bone has. Maybe asking specifically, INTRA compared to some of the other bone allograft products that are on the market, is there any differentiation or is your, quote-unquote, right to win that's going to be the salesforce, the training, the expertise that you have in the space?

Laura Francis: Yeah, it's a little bit of both. So if you think about INTRA in particular, we addressed various product and implant placement reservations that have been expressed by interventionalists. First of all, what you need is a simple and easy technique with clinically experienced reps in the OR to promote a reproducible placement. So that's important. Also, our allograft placement is in the articular portion of the joint. With some of these other smaller competitors, they'll actually be guiding to the ligamentous portion of the joint and they actually end up in soft tissue. Obviously it's important for the product to end up in the SI joint.

And then also we believe that the placement of the allograft in that articular portion of the joint, it provides biomechanical stabilization and the opportunity for fusion versus the competitor allografts that are placed with their technique. So those are the product attributes that we have. INTRA has a longer length, flat sides, it increases the surface area in contact with the bone, and we do believe it provides the best opportunity for fusion and stabilization with our triangular shape. So all of those things are important with the product. But getting back to the point that you made, we are the market leader here and we do believe that a broad product portfolio with product and technique options to address the physician preference, their training expertise, our clinical evidence, and our experienced salesforce, they're clear differentiators that are leading to strong interventional engagement.

Craig Bijou: Great, that's helpful. And maybe shifting to the investment needed for the interventional strategy and INTRA, so will you be targeting the interventionalist with your existing salesforce? Do you have to invest in reps or expanding territories to drive the strategy forward?

Laura Francis: Yeah, so we do intend to target interventionalists with our existing salesforce. Our existing salesforce understands interventionalists. Around a third of our territory managers actually came from other companies where they sold to pain management. So we have significant expertise here as well. And based on the feedback from our interventionalists, our seasoned salesforce is a key competitive differentiator along with our clinical evidence-backed solutions.

Craig Bijou: Great. I want to touch on pricing. I know you've said that you expect INTRA to be similar to iFuse and TORQ, and more of a case pricing model. So just want to understand your confidence that you can maintain similar price despite a 20% lower reimbursement for the allograft procedures and frankly more competition in the space.

Laura Francis: Yeah, I will confirm, we compete on differentiation, we don't compete on price. And given all of attributes as the market leader in this space, we think that that's extremely important for us to do. And so our procedure, ASP for allograft or TORQ and an ASC is comparable. So it does allow us to be agnostic as to which procedure the physician chooses to use.

Craig Bijou: Great. And maybe one last one on Allograft that I thought was pretty interesting, procedures in the office setting, and you mentioned that I think you did the first procedure in the office setting. So can you just talk a little bit more about that

opportunity and what that could mean just overall and could we see a number of these procedures happen in the office setting?

Laura Francis: Yeah, you are correct that we have completed our first iFuse INTRA procedure in an office-based lab setting. So we do anticipate that there are going to be a subset of interventionalists who have the necessary office infrastructure, who are going to perform a procedure in that office and they'll benefit from that reimbursement. And INTRA is a solution for those physicians. So once again, as the market leader in this space, we're committed to ensuring patients have access to solutions and we're going to ensure patient safety and we're also going to ensure the best possible outcomes regardless of which site of service. And we want to provide alternatives to them that meet their needs.

Craig Bijou: Great. That's helpful. And maybe now just kind of switching to some of your other products and some of the other strengths that you're seeing. And I wanted to ask about Granite. Obviously it's been off to a very good start. You just got approval for the line extension that ultimately expands your TAM for Granite. So if you could spend a couple minutes just talking about what the new short construct Granite product does for the opportunity? And maybe even talk about what you've seen thus far from Granite and how that's driven the overall business.

Laura Francis: Yeah, I'd love to. So Granite, as you know, it was identified by the FDA as a breakthrough device. We're very proud of that. And it does have a new technology add-on payment of approximately $9,800. And so it has done extremely well for us. And the surgeon interest in the product has actually been beyond our expectations. We do believe that Granite can become the standard of care for long construct procedures. But as you said in January, we actually were pleasantly surprised to receive FDA clearance for a smaller diameter Granite implant. And that was actually earlier than we expected, thanks to the great work by a regulatory team. And we also did get expanded indications for placement in the S1 trajectory as well as for pediatric deformity.

So since Granite was launched in 2022, approximately 40% of Granite cases have been in short construct degenerative spine procedures. That's two to four level spine procedures. And we do have information on published data that says the postoperative SI joint incidents in shorter level surgeries is estimated to be approximately 20%. Also, there are some patients that undergo shorter level lumbar fusions that are at higher risk of revision, and that can be due to screw loosening or other hardware failures. And some of those underlying risk factors can be high pelvic incidents, it can be osteoporotic bone, or it could be high BMI.

And so we think that the availability of the shorter diameter of Granite implant, and includes shorter lengths, allows for placement in the S1 pedicle. It's going to actually help us to reach those approximately 100,000 annual degenerative spine procedures that go down to the sacrum. And it's allowing us to engage deformity surgeons as well who've expressed interest in a smaller diameter implant. So we do expect the Granite family of implants to be a key driver of growth this year as we're targeting nearly 130,000 annual procedures.

Craig Bijou: And a follow up on that, I know part of the strategy for Granite was to drive some pull through or increase awareness of the core SI joint fusion market. And would love to get your thoughts on how that has played out, have you seen that accelerate either the awareness or the pull through that you've seen from Granite? Has that accelerated since you launched and does the short construct, obviously, it opens it up to a bigger number of procedures. So I would think that we can could assume that it would accelerate awareness or at least exposure of the SI joint fusion market. But I'd love to hear your thoughts on that.

Laura Francis: Yeah, no, you're correct. So there's two things that we pay very close attention to. One is just the number of new surgeons that are performing procedures, the growth in the surgeons themselves. And as you know, we've had very strong growth there, reaching over 1,100 surgeons in the fourth quarter alone. Now the number of procedures that have been performed per surgeon per quarter has been relatively flat, but the reason why is because you have our surgeons that have been working with us for a longer period of time doing more procedures while we're bringing in a lot of new surgeons that are doing fewer procedures.

So we're actually really pleased with the trajectory that we're seeing. And if you just look at our core business alone in SI joint fusion, the average surgeon is doing a little less than four procedures per quarter. And our surgeons who have fully adopted this into their practice are doing around nine procedures. So there's significant opportunity to grow surgeon density just with our core business.

Now the question you're also asking is how does Granite provide an incremental opportunity? And certainly on adult deformity, it's given us academic institution access and so key opinion leaders using the product. But now as we're going to market our new Granite smaller diameter product, this is going to be hitting more of the typical degenerative spine procedures that our surgeons are doing every single day in the office. And so it does provide this opportunity, not only to increase the number of SI joint fusion procedures they're doing but using our Granite technology in their degenerative spine cases. So yes, we continue to grow the business with surgeon growth, but we also have a significant opportunity to penetrate much deeper into the market.

Craig Bijou: I want to talk about pelvic fixation, which is obviously another exciting opportunity that you've talked about. I think you've said it's a smaller indication and it's likely to take a little bit more time to evolve. But maybe give us some color on where that opportunity is today, has it gone as you expected when you launched it? And maybe a little bit more on the focus of that product? Who are the docs that are doing these procedures? And maybe a little bit more on the longer-term opportunity that you see there?

Laura Francis: Yep, happy to do that. So the trauma market is a huge opportunity for us. We launched our TORQ product in 2021 with a focus on both trauma applications as well as minimally invasive SI joint fusion procedures. In particular, what we're targeting with TORQ is the over 120,000 sacral insufficiency fracture cases every year in the United States. So in terms of the docs that perform these procedures, we're currently engaged with major trauma center thought leaders and we're encouraged by the pace of iFuse TORQ adoption in 2023. Spine surgeons also do see this condition, so we can work with our core spine surgeons here. And then interventional radiologists also these patients as well. And so our interventional opportunity is going to help us not only in minimally invasive SI joint fusion but also with trauma.

So towards the end of 2024, we're going to launch another product that's targeting the pelvic trauma market. And we think that with the expanded portfolio and then combining that results with initial results from our SAFFRON trial later this year, we think that's going to be the key to capturing the trauma opportunity. So more of a 2025 growth opportunity for us but one that we are dedicated to and investing in and excited about.

Craig Bijou: Great. Thanks, Laura. That's all the questions that I had, so maybe we can wrap it there but, Laura, I did want to give you a chance, if you had any closing comments. If not, we can just end the call. And thank you everyone for joining.

Laura Francis: Well, Craig, I just wanted to say thank you for the opportunity to get more in-depth on some of these topics that investors have been asking about. I hope that you're as excited as I am at this point. We just came off of a great year in the business. We did grow revenue significantly, 31% in the year, increased surgeon engagement, a clear line of sight to adjusted EBITDA breakeven, and we did provide

measured guidance for the year, but we really think that it sets us up for success in 2024. So I appreciate the opportunity to go a little more in-depth with you and share what we're excited about.

Craig Bijou: Great. Thanks, Laura. Thank you everyone for joining.

Price objective basis & risk

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.

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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
	Edwards Lifesciences	EW	EW 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
	GE HealthCare	GEHC	GEHC US	Craig Bijou
	Integer Holdings Corporation	ITGR	ITGR US	Craig Bijou
	Merit Medical	MMSI	MMSI 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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Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) × (1 − Tax Rate) + Goodwill Amortization	Total Assets − Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations − Total Capex	N/A

Quality of Earnings	Numerator	Denominator
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt − Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense

Valuation Toolkit	Numerator	Denominator
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations − Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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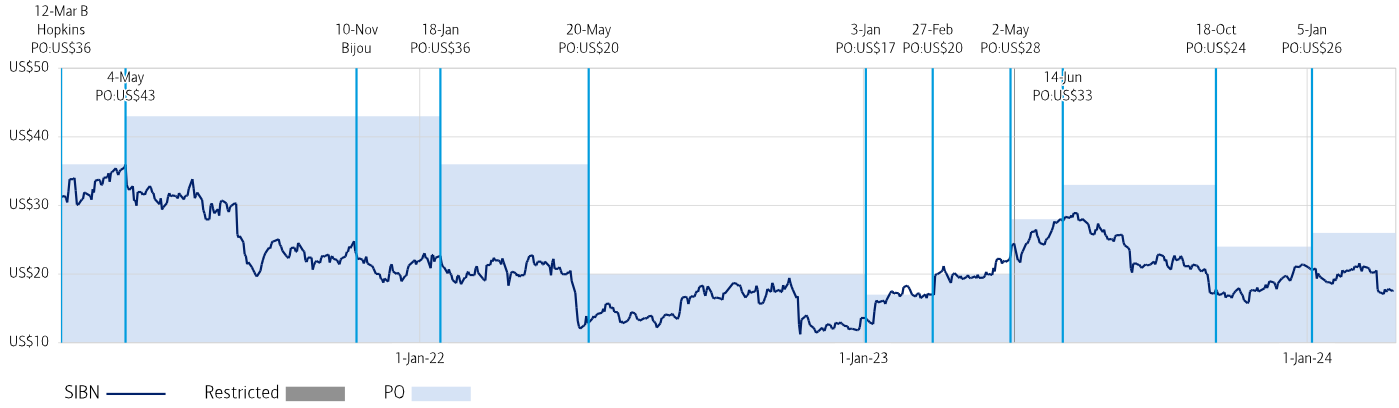
Si-Bone (SIBN) Price Chart



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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
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Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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