

Medical Technology

What we learned last week

Price Objective Change

Strong beats rewarded...& other updates from last week

In general, medtech stock reactions last week seemed appropriate based on the preannounced Q4 results / guidance. Companies in our coverage universe with big beats such as RXST and PRCT were rewarded with double-digit stock moves up while those with inline quarters or misses fell under pressure. COO provided encouraging updates on currency headwinds and its supply chain constraints which suggests possible upside to revenue. Overall, medtech companies sounded positive on volumes and capital spending, but there was nothing said that materially changes the investment theses for our stocks. Inside, Exhibits 1, 2 and 3 go over all the incremental things we learned from each medtech company. We go through our thoughts on BLCO, GEHC, IART and TFX inside and update our models for BLCO, FNA, ITGR and SIBN.

Disconnect between SIBN's Q4 results and stock reaction

SIBN was down 8% last week despite a 6% top-line beat which stood out to us as one of the biggest disconnects between results and stock reaction. Several SMID cap ortho companies (ATEC, OFIX, TMCI) preannounced Q4 beats that were comparable to or worse than SIBN but the stocks were up HSD last week. SIBN did not guide for 2024 but we expect it to be inline with the Street. We see an attractive risk/reward as the 2024 setup looks like 2023 where revenue ended 10% higher than the initial guide.

PRCT & RXST rewarded for strong finish to 2023

RXST (+26%) and PRCT (+15%) were among the top medtech performers last week as both preannounced strong Q4 results that beat the Street. RXST Q4 revenue beat by 11% and its 2024 revenue guide was 8% ahead of consensus. PRCT Q4 revenue beat by 6% but the company did not provide guidance (similar to last year). We remain bullish on both but think near-term upside may be limited given premium valuations until we see beats and raises in 2024. We raise our RXST PO to \$53 (from \$48).

Positive COO updates suggest possible Q1 revenue upside

Currency should be less of a headwind in fiscal 2024 compared to when COO gave its guidance in early December. The plan to add more manufacturing capacity is ahead of schedule which we think could mean upside to the Street's FQ1 revenue. COO didn't comment specifically on Q1 but said the manufacturing progress "de-risks" revenue for the rest of the year and 2025. In addition, the Cook Medical asset acquisition appears to be going better than expected (will get more color on Q1 call).

GMED initial 2024 guidance inline; a lot of integration left

GMED's 2% beat in Q4 was largely driven by legacy GMED strength (+10% y/y). GMED provided initial 2024 revenue and EPS guidance generally inline with the Street. We believe the guide implies only 3% y/y pro forma revenue growth but we will have to wait for the assumptions underlying guidance, most notably net revenue and cost synergies. The integration is on track according to GMED but remains at an early stage. We think risk persists and it could take time before the full scale of sales disruptions materialize.

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Tickers mentioned in this report

ATEC = ATEC Spine
BLCO = Bausch & Lomb
COO = Cooper Companies
FNA = Paragon 28
GEHC = GE Healthcare
GMED = Globus Medical
IART = Integra LifeSciences
ITGR = Integer
OFIX = Orthofix
PRCT = Procept BioRobotics
RXST = RxSight
SIBN = Si-Bone
TFX = Teleflex
TMCI = Treace Medical

Acronym glossary

HSD = high single digit
MSA = Manufacturing service agreement

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Additional company thoughts

BLCO: Increased investment to cut 2024 margin expansion

BLCO shares were down 7% last week as the company surprised investors by talking down 2024 margins even though it did not preannounce Q4 results or give formal 2024 guidance. BLCO plans to increase investment to support the strong early launch of Miebo and other upcoming product launches. BLCO signaled increased investment on its Q3 call but did not quantify what the spend would be. The Street dropped margins by ~50bps following Q3 results. Based on our discussions with management, we think BLCO's 2024 EBITDA margin is likely to be around 18.6-18.7%, implying 60-70 bps of margin expansion over 2023 (vs current Street expectations of 120-130bps). Recall, BLCO management said that the Xiidra could be 200bps accretive to BLCO margins. While disappointing, the reset margin expectations likely puts the company in a better position to deliver upside. The spin from BHC remains the biggest potential catalyst for the stock and is likely more of a focus for investors right now than BLCO's fundamentals.

GEHC: Stable hospital capex environment heading into 2024

GEHC did not preannounce Q4 results. Management sees a more favorable hospital capital spending environment heading into 2024 on improved staffing, better interest rate environment and improved hospital economics. Management provided little color on the key investor issues/questions facing GEHC heading into 2024 – China, slowing order growth, margins. That said, GEHC said it remains committed to expanding its medium-term margin expansion targets of getting to high-teens/20% EBIT margin.

IART: Boston facility reopening on track, but we still see risk

IART did not announce Q4 results this year like it has in the past as the company is fine tuning how it reports quarterly results under the new CFO. We believe that IART also likely wants more visibility on the Boston reopening before providing its initial guide. The Boston facility reopening remains on track for mid to late Q2 2024 per management, but IART provided little additional detail beyond what it has said in the past. We still see risk to current 2024 Street estimates because of a timeline that seems to us to leave little room for contingencies, and we think Street numbers reflect too quick of a recapture of loss market share. Products made at the Boston facility are in highly competitive of markets and IART was only able to substitute 10-15% of the products. It will likely take some time to ramp to full capacity and management recently said that some products will have to go through hospital value analysis committees (VACs) to sell again in some hospitals. Both factors could delay share recapture. In addition, Cerelink has not been re-cleared by the FDA approval, but management said it is still expected in Q1 2024.

TFX: Several moving pieces for 2024 revenue/EPS but Street numbers look ok

TFX did not preannounce Q4 results, but management sounds confident that it can hit its 2023 guidance and therefore we expect inline to slightly better Q4 results. TFX has done a good job detailing the moving pieces- affecting 2024 revenue and EPS guidance. We think that the Street numbers generally reflect the moving pieces and expect guidance to be inline. The Street's 2024 revenue growth is 4.7% a step down from the midpoint of TFX's current 2023 revenue growth guidance of 6.5%. The loss of \$70m of MSA revenue in 2024 will be partially offset by ~\$55m of inorganic Palette revenue which creates a 50bp headwind to growth. We expect TFX to again be conservative with its initial guide and try to raise throughout the year (current 2023 revenue growth guidance is 100bps above the initial guide). Street consensus 2024 EPS is \$13.82 which implies only 3% growth, below TFX's double-digit EPS growth target. However, TFX has approximately \$0.90 of EPS headwind (700bps) from the MSA roll off (\$0.25), Palette (\$0.35) and higher tax (\$0.25-0.30). Management remains confident that it can hit its LRP goals by 2025 – 6% constant currency growth, 250bps of GM and 200bps of OM.

Medtech learnings from last week...

Exhibit 1: Medtech companies that preannounced Q4'23 results

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

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

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

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

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

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

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

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Exhibit 3: Additional color from Medtech companies last week

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

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

Exhibit 3: Additional color from Medtech companies last week

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

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

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

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Exhibit 4: Summary of model changes

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

Ticker	2024 Revenue		2025 Revenue		2024 EBITDA		2025 EBITDA		2024 EPS		2025 EPS	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
ITGR	\$1,716	\$1,771	\$1,818	\$1,887	\$355	\$367	\$393	\$402	\$5.25	\$5.44	\$6.03	\$6.12
SIBN	\$160	\$163	\$188	\$191	-\$8	-\$8	\$3	\$4	-\$0.99	-\$0.99	-\$0.86	-\$0.86
FNA	\$256	\$256	\$304	\$304	\$0	\$0	\$17	\$17	-\$0.32	-\$0.32	-\$0.16	-\$0.16
BLCO	\$4,489	\$4,510	\$4,742	\$4,770	\$880	\$843	\$967	\$940	\$0.64	\$0.50	\$0.92	\$0.81

Source: BofA Global Research estimates

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Raising RXST PO to \$53 (from \$48)

We raise our PO to \$53 (from \$48) which is based on 10.5x our 2025E sales estimate (10x 2024E previously). The slightly higher multiple reflects an increase in peer multiples and strong Q4 results and encouraging 2024 guidance. 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.



Ratings and views

BLCO: We reiterate our Buy rating as we are disappointed to see margin expansion pushed out, but understand investment to support Miebo, and continue to see positive risk reward at current levels.

COO: We maintain our Buy rating as fiscal 2024 guidance looks conservative especially if the USD continues to weaken and creates potential upside to numbers.

FNA: We maintain 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.

GEHC: We maintain our Neutral rating as we wait for more progress toward margin goals before ascribing GEHC a higher multiple.

GMED: We maintain our Underperform as we think multiple expansion is limited until we see progress towards hitting deal targets (both revenue and cost synergies).

IART: We maintain our Underperform rating given uncertainties around the restart of the Boston manufacturing facility.

ITGR: We reiterate our Neutral as we want to see more quarters of margin expansion.

PRCT: We maintain our Buy rating as PRCT keeps delivering impressive operating leverage and we think FY23 revenue, utilization and systems guidance all look beatable.

RXST: We reiterate our Buy as we believe RXST is well positioned to take share in the premium intraocular lens (IOL) market and deliver operating leverage.

SIBN: We maintain our Buy rating based on continued sales momentum driven by new and legacy products and operating leverage into 2024.

TFX: We maintain our Neutral rating as we need to see more quarters of progress towards reaching LRP goals before getting positive.

Exhibit 5: Stocks mentioned

Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
BLCO	BLCO US	Bausch & Lomb	US\$ 15.22	B-1-9
GEHC	GEHC US	GE Healthcare	US\$ 76.17	C-2-7
GMED	GMED US	Globus Medical	US\$ 56.22	B-3-9
ITGR	ITGR US	Integer Holdings	US\$ 103.35	B-2-9
IART	IART US	Integra LifeScie	US\$ 42.94	B-3-9
FNA	FNA US	Paragon 28	US\$ 10.75	B-1-9
PRCT	PRCT US	Procept BioRobotics	US\$ 46.82	C-1-9
RXST	RXST US	RxSight	US\$ 46.37	C-1-9
SIBN	SIBN US	Si-Bone	US\$ 19.03	C-1-9
TFX	TFX US	Teleflex Inc	US\$ 249.15	B-2-7
COO	COO US	The Cooper Companies	US\$ 383.77	B-1-7

Source: BofA Global Research

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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 \$53 PO is based on 10.5x 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.

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US - Medical Technology & Devices Coverage Cluster

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

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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