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PRESENTATION

Robert Justin Marcus - *JPMorgan Chase & Co, Research Division - Analyst*

Good morning, everyone. I'm Robbie Marcus, the medtech analyst at JPMorgan. Happy to kick off the third day of the conference Treace Medical. I'm going to turn it over to John Treace, the Founder and CEO, and then we'll do a bit of Q&A afterwards. John?

John T. Treace - *Treace Medical Concepts, Inc. - CEO, Founder & Director*

Thank you, Robbie, and good morning, everybody. We're really excited to be here and have the opportunity to talk about Treace Medical at the JPMorgan Healthcare Conference.

So Treace Medical is a high-growth med tech company, 100% focused on improving outcomes for bunion patients. We pioneered and patented the Lapiplasty 3D Bunion Correction procedure to bring better outcomes to patients suffering from painful lifestyle-limiting bunions. Our business has shown strong momentum since our first commercial sale in 2015, and we recently preannounced 2022 revenues representing growth of 50% over prior year.

As a high-growth rate, high-margin company targeting a large underserved market, we believe Treace Medical represents a compelling opportunity for investors. Our disruptive Lapiplasty Technology targets a \$5 billion-plus addressable market in the U.S. and has witnessed strong early adoption from the Foot & Ankle surgeon community. Lapiplasty is backed by strong intellectual property compelling clinical data sets and is marketed by the industry's only bunions focused direct sales channel.

With 1 in 4 adults in the U.S. affected by bunions, we believe ours represent one of the most compelling opportunities in medtech today. Bunions are hereditary in nature and progressive and they result in about 4.5 million Americans seeking attention for their bunions each year. And we estimate that about 25% of these patients are symptomatic surgical candidates. And it's this group of just over 1 million patients that represents our \$5 billion U.S. TAM. This said, less than half of these candidates are opting to have surgery, and we believe that's largely due to the deficiencies of conventional surgical treatments.

So there's a misconception that a bunion is just a painful growth of bone on the side of the big toe. In actuality, bunions are complex 3-dimensional deformities caused by an unstable joint in the middle of the foot. And it's this unstable joint that allows a long metatarsal bone to drift outwards creating the visible painful bump. Most bunions have 3 planes involved in the deformity as described in these illustrations on the right, and recent scientific studies have demonstrated how important correcting this third frontal plane is on surgical outcomes, as failure to properly correct can result in 10x to 12x greater likelihood that the patient's bunion will return or they'll have a recurrence.

And it's this third frontal or rotational plane that's been historically unrecognized and unaddressed in conventional surgical treatments until our company and our [surgeon] advisers focused on it and developed a solution for it 7 years ago.

So here, we have the 2 conventional, 2-dimensional surgical approaches. The metatarsal osteotomy accounts for 75% of procedures today. This procedure targets the bump itself, cutting the metatarsal bone below the bump and shifting the bump inward. On the positive, it's a relatively straightforward for surgeons to perform and the patient can begin to bear weight on the operative foot within days to weeks following the surgery,

depending on the type of osteotomy performed. But because it does not address the third frontal plane, nor does it address the unstable joint, it's associated with some of the higher recurrence rates in the clinical literature as high as 78%.

The traditional Lapidus Fusion is the alternative procedure, and because it does secure the unstable joint, it is generally associated with lower recurrence rates than osteotomies. But because it's a very challenging freehand operation for the surgeon, and requires a much longer and restrictive recovery for the patient, often up to 6 to 8 weeks in a cast, this is typically a reserve for only the most severe bunions, those that an osteotomy cannot fully address.

So with Lapiplasty, now surgeons and patients have a new option, one that offers a 3D fix for their 3D problem and one that addresses the root cause of the bunion by fusing the unstable joint in the middle of the foot. And Lapiplasty allows wait bearing to begin just days following surgery and demonstrates very low recurrence rates based on our clinical data sets. As shown in these illustrations, Lapiplasty offers proprietary instrumentation and a surgical method that allows the surgeon to confidently and reproducibly correct all 3 planes of the bunion deformity in 4 straightforward steps. Without the patented Lapiplasty tools and method, this is a very challenging procedure for surgeons to perform reproducibly.

So what we've effectively done here is given surgeons a paint-by-numbers approach, 3-plane bunion correction. And in doing so, we've enabled Lapiplasty to be adopted by the broad foot and ankle surgical community and used to treat any severity of bunion. We're highly focused on our core market, and that allows us to scale our business in a very capital-efficient manner. While other orthopedic extremity companies in our space offer thousands and thousands of sellable products, we have just 40, and this focus allows us to rapidly innovate our key technologies and defend our market leadership position.

On the left is our instrument tray that contains reusable instrumentation needed to perform the Lapiplasty procedure. To clarify, we do not sell these trays and they're capitalized on our balance sheet. These trays were sterilized at the facility prior to surgical case and then processed again following the surgical case. The trays about the size and weight of a MacBook laptop, so it's easy for our sales reps to transport and easy for the facilities to process.

On the right-hand side are high-margin sterile implant kits, these are the items we actually sell. And the economics here are such that the margin from just one implant kit sale covers the capital cost of one of our reusable instrument trays. And these trays average about 30 cases per year at an average price point of over \$5,000 per surgical case. So we're happy to build as many of these low-cost reusable instrument trays as we need to, to scale the business.

Shifting now to speak to our business strategy. We're investing in and executing on a well-defined and proven 5-point strategy that's driven the growth of our business for several years now. The key drivers here being: rapid product innovation, direct sales channel, surgeon and patient education programs and supportive clinical evidence.

And every great strategy starts with a great product. We've invested heavily in our rapid R&D innovation programs to continuously improve upon our flagship Lapiplasty procedure to make it faster, easier to perform and more effective. In 2022, we launched 3 significant Lapiplasty advances, including our 3-in-1 cut guide. This is an advanced instrument that combines what were formerly 3 separate instruments and 3 separate surgical steps into just one instrument and one step. Since its launch midyear 2022, customer feedback has been excellent, with our users saying that the 3-in-1 guide saves them up to 15% of their overall operative time in a case.

And the S4A plating platform, which represents our next-generation fixation technology and features advanced 3D contours to better match variations in patient anatomy. We've seen rapid uptake in our user base from this premium-priced implant kit since its launch in Q3 2022.

And our recently launched SpeedRelease tissue release instrument. This innovative single-use instrument makes a challenging soft tissue release procedure that's performed in over 90% of Lapiplasty cases, easier to perform and more reproducible for surgeons. And from a revenue standpoint, every time we sell a SpeedRelease, it adds \$300 or more to a case.

Another arm of our R&D strategy is focused on making Lapiplasty less invasive, smaller incisions with less tissue dissection for quicker patient recovery. We've innovated our instrument and implant technology 3 times now over the past couple of years, starting with a 7-centimeter incision

size with our traditional Lapiplasty, then reducing that size by 50% with the introduction of our Mini-Incision System in early 2021. Mini-Incision System continues to be really well received and adopted with surgeons over time, and the implant kit carries a premium price point.

And in 2023, we plan to introduce Micro-Lapiplasty. This new platform features advanced instrumentation that allows Lapiplasty to be performed through a 2-centimeter incisions using our new SpeedPlate Compression Implant Technology. We're really excited about the potential that this Micro-Lapiplasty SpeedPlate combination could bring to patients. As with any procedure that involves smaller incisions and less tissue dissection, we believe this can lead to even faster patient recovery for Lapiplasty patients.

So our focus on bunions has led us to identify other clinical problems related to the union, one such as a deformity of the midfoot known as metatarsus adductus, which presents in up to 30% of bunion patients. And clinical research shows that recurrence rates are higher in patients with this deformity if it's left unaddressed. Just as we did with Lapiplasty, we're the first to offer an instrumented system designed to deliver reproducible results for yet another technically challenging operation of the midfoot, which has largely been unaddressed until now.

We're excited about the benefits of Adductoplasty can offer to surgeons, their patients and our business. Surgeon feedback has been excellent on this product and a recent user survey indicates that our surgeons could foresee using a Adductoplasty and up to 15% of their Lapiplasty cases over time. Adductoplasty adds over \$4,000 in incremental revenue per Lapiplasty case. And though early in its uptake, it's already adding some nice support to our blended ASP.

Adductoplasty is having a compound effect on our business, driving new certain interest in Lapiplasty, our training programs and helping us win more new account approvals.

In addition to product innovation, another powerful competitive advantage we have is our rapidly growing bunion-focused direct sales force. This is the only such that we are aware of in the industry. Our analytics show that our direct reps penetrate their markets faster, drive higher utilization and sell at higher blended ASPs due to the fact that they're 100% focused on our products and fully utilize the company's suite of resources.

Our direct sales channel has been an area of significant recent investment as we more than doubled the size of this team during 2022, exiting the year with 168 quota-carrying direct reps and nearly 80% of our revenue mix coming from this direct channel. When you include our associate reps, clinical specialists and sales managers, our total employee fleet in the field totaled 267 at the end of -- sorry, 2022 versus 144 at the end of 2021, for an 85% increase. So as we enter 2023, a we have a much larger team interfacing with customers, explaining the clinical benefits of our products and driving our growth.

We're very pleased with the results we're seeing in our direct sales channel, and we'll continue to invest here during 2023.

So as a pioneer in the management of bunions as 3-plane deformities, our medical education efforts aim to focus surgeons on recognizing bunions as 3-plane deformities and how to comprehensively correct them using our instrumented 3D approach. We use highly experienced surgeon faculty and company staff to deliver both online webinars and national in-person lab events across the country throughout the year. Hands-on training is a requirement for any new surgeon prior to live use of Lapiplasty, so we offer local labs, leveraging our fleet of direct clinical specialist employees.

Our clinical specialists are an important part of our surgeon support program as they also attend new users initial cases to ensure these surgeons get the best patient outcomes possible immediately following their training. With increasing awareness of Lapiplasty and its clinical success, we've seen accelerating demand for our training events. Our 2022 events were fully subscribed and many oversubscribed, producing more than 600 new users during the year, which was the highest in the company's history.

Our patient awareness and education initiatives are another important part of our strategy. We've been investing for several years now in focused DTC initiatives designed to educate patients on bunion deformities and our novel solution, encourage patients to seek more information on our website, locate and connect with Lapiplasty surgeons in their market using to Find a Doctor tool on our patient website and ultimately to schedule a surgical consultation.

We use a comprehensive mix of social media, Google paid search, PR and other media, including targeted TV campaigns, with strong metrics showing active patient engagement on our website, further supported by feedback from regularly conducted surgeon surveys. Our investment in DTC is resulting in hundreds of thousands of patients visiting our website every month and tens of thousands of patients looking for doctors in their area. We believe we have a highly effective and scalable DTC strategy in place with more patients asking for Lapiplasty by name when visiting their doctors than ever before.

Another key differentiator for us in the market is our growing body of clinical evidence. Lapiplasty is supported by 21 peer-reviewed publications, which is a real standout as there are very few marketed bunion products backed by any published peer-review studies. To further document the clinical efficacy of Lapiplasty in late 2018, we initiated our flagship Lapiplasty ALIGN3D study.

ALIGN3D is a multicenter prospective 5-year study with a 2-year primary endpoint. ALIGN3D not only captures traditional measures like recovery time and recurrence rates, but also includes several patient-reported outcome scores to measure improvements in other important factors such as pain, social interaction and return to daily activities. Our latest ALIGN3D interim data was presented last September at the annual meeting of the AOFAS. This report included 159 patients with at least 12-month follow-up and demonstrated very positive trends, including just 8.3 average days to initiate weightbearing, a low 1.4% recurrence rate and over 80% improvement in pain and other key activity related in social interaction scores.

We believe we're the only company to offer this level of clinical evidence on a commercial bunion product and it's really rewarding to see the quantifiable positive impact Lapiplasty making on people's lives, not just physically, but socially and mentally as well. So it's our goal to establish Lapiplasty is a standard of care for bunion surgery. We believe we've made significant progress towards this goal, increasing our surgeon customer base from 554 active surgeons in 2018 to nearly 2,400 surgeons in 2022. This represents a 34% CAGR in surgeon user growth over the past 5 years.

We added 606 new surgeons in the year 2022, and this is the most in the company's history, and we exited 2022 with approximately 24% of the 10,000 estimated U.S. bunion surgeons using Lapiplasty in their practice last year, which indicates we're expanding into the early majority portion of the technology adoption curve.

On the right-hand side of this slide, we graphically show an important story that's at the core of our success. We're not just converting new surgeons, but our surgeons, on average, increased their utilization of Lapiplasty progressively each year. Our average surgeon performs nearly 7 cases in their first year, then increases their use by 50% in their second year, and this grows to approaching 20 annual Lapiplasty cases as they exit their [fifth] year. This is a result of surgeons mastering our procedure, seeing the positive results on the patients in their practice and converting more of their osteotomies procedures over time.

The graph on the left of this side of the slide shows revenue over time with continued top line strength in 2022. Our revenue growth is driven by our growing surgeon customer base as well as growth in our blended average selling prices, which increased nearly 10% in Q4 of 2022 over Q4 2021. The continued growth in blended average selling price reflects increasing surgeon adoption of our newer technologies, such as our Mini-Incision System and Adductoplasty Systems, as well as our recently launched S4A plating system and Tissue Release instruments.

We're pleased with the successes we've seen in 2022 and remain focused on continuing to innovate our core Lapiplasty system as well as developing complementary products targeting other conditions that present in bunion cases.

Our anticipated 2022 full year revenue growth will be approximately 50% compared to 2021. Q4 revenues grew 47% to 48% over prior year. Notably, this performance represents acceleration in Q4 growth rates over what we experienced in both 2020 and 2021. On a sequential basis, our anticipated Q4 2022 revenue represents a step-up of 49% to 50% over Q3 2022. As a reminder, Q4 has historically been our seasonally strongest quarter, with patients hitting deductibles and having more vacation time to use to recover from surgery.

Along with strong revenue growth, we've also delivered strong gross margins, which were over 80% through Q3 of 2022. Following a successful investment in growth year in 2022, we have a strong balance sheet in place to support our future investments in growth.

In closing, we're driving a market conversion with disruptive technology in a large and underserved market. To date, we penetrated approximately 5.3% of the 450,000 annual bunion procedures performed in the U.S. and only 2.2% of the 1.1 million surgical candidate opportunity. We're encouraged with our 2022 results, and we'll continue to build upon our success and momentum in 2023 with continued investments in our bunion-focused direct sales channel, product innovations and leading surgeon and patient education programs.

I'd like to thank our employees, our customers and our shareholders for their loyalty and support as we continue to advance Lapiplasty as a standard of care for bunion surgery. Thanks.

QUESTIONS AND ANSWERS

Robert Justin Marcus - *JPMorgan Chase & Co, Research Division - Analyst*

Great. Thanks. Maybe if we could kick it off, a question I get a lot from investors is this is not a new market bunion treatment has been around for many, many years. I guess what allowed Treace to come in and take so much share rapidly and disrupt the market, where a lot of your big competitors have been for a long time?

John T. Treace - *Treace Medical Concepts, Inc. - CEO, Founder & Director*

Yes. Great question. I think the innovation and the identification of the missing link, that third plane, and finding a novel solution to address that and laying down a lot of patents on what we did and protecting it early on and then it rapidly advancing and iterating the technology to make it easier and faster for surgeons, while we invested in our commercial programs to enhance our sales channel, enhance our clinical datasets, enhance our marketing programs all along the way, this focus is what's allowed us to be so successful. Focusing on this one problem and trying to be better at it than anybody else. Our company's mission is to improve surgical outcomes for bunion patients. So that's all we focus on every day, and that's a strong competitive advantage, we believe.

Robert Justin Marcus - *JPMorgan Chase & Co, Research Division - Analyst*

So I saw the chart where year after year after year doctors do more and more [Lapiplasties]. And it makes sense to me that the longer you've been doing it, the more you do, but you guys also have a really robust patient awareness and marketing system for the procedure and the doctor. So maybe spend a minute on the interrelation between that more and more, along with how it plays into the physician practice and what it does at the practice and why that may tie into more and more procedures each year.

John T. Treace - *Treace Medical Concepts, Inc. - CEO, Founder & Director*

Sure. Our patient awareness, DTC initiatives, that's an important part of our strategy that we've been doing it for the last 5 years and constantly learning more and tuning our programs, investing more. We find it works in several different ways. Number one, obviously, it helps patients find experience Lapiplasty users in their market and increased awareness that there is a different procedure. It also impacts and helps slower adopters become more receptive to Lapiplasty because they're hearing about it from patients.

So those surgeons tend to, at some point, become interested in attending our training programs and become those future users of Lapiplasty. So we see doing a lot of things. It's an integral part of our commercial strategy and we're very pleased with what we're seeing there.

Robert Justin Marcus - *JPMorgan Chase & Co, Research Division - Analyst*

Is it starting to get to a point of awareness in the market where patients are asking doctors, I want this, and then they come to you to get trained because they have patients asking for it?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

That's part of it. There's a lot going on. If you go back 3 or 4 years, 1 in 25 doctors that perform bunion surgery in the U.S. use Lapiplasty was fringe. Now we're at 1 in 4, roughly. So it's becoming more mainstream and more respected surgeon peers are beginning to use it. So you combine that with clinical evidence, patients asking for it and just the reputation of the product, it really works extremely well. And that's all blending together to create that receptivity and desire to get trained on Lapiplasty.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

Help us bridge how you get from your market share today of the total bunion market, which is robust, but still on the lower end of the entire market for a young company, going to 25% of doctors performing surgery, use it, how do you bridge it so that your 25% market share or better?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Yes. No, that's a great question. And one of the things we have to understand is in the last 2 years or less than 24 months, we've acquired roughly half of our users. And so half of our users are in that 6 to 10 case zone on the curve. So part of it is temporal. As those surgeons move up the curve and have more years of use, they're going to be achieving higher utilization rates by the day that we have. And then our direct sales channel, continued better clinical data, enhanced product innovations to make the procedure faster and easier, these all tie into helping increase that utilization over time as well.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

So doctors that get trained and use Lapiplasty, imagine all of them are not using Lapiplasty in 100% of their bunion cases. So what are the situations where they might be using other procedures to treat bunion surgery? And is there a chance that you can convert all of the volumes at your doctors?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Yes. So we tend to have 2 types of customers that we work with. One type is somebody that came out of a program that was more prone to doing a Lapidus type operation in the first place. And they get introduced the Lapiplasty and realize, wow, this increases my capability, this is more reproducible, more accurate, and they tend to adopt faster to the majority of their bunions.

The other are the more traditional surgeons that have been trained to use osteotomies for the majority of their practice and only use Lapidus for the 20% [worst]. Sometimes those surgeons will come in and get trained on Lapiplasty and will go back and adopt it and replace their Lapidus cases. And then with our programs, what we do is try to help educate them and nurse them along the way to increasing the share of Lapiplasty and converting their osteotomies over time. So those are the longer gestation period customers to getting to that 40%, 50%, 60%. They take longer.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

You had a slide up there that showed your direct versus distributor proportion. It's been going more and more up close to 80% now in fourth quarter direct. How did your thinking evolved over time? And why has that proportion shifted so far in favor of direct sales reps?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Yes, we've had direct reps on board now for 5 years, and we've been adding along the way progressively and watching their progress, tracking it. And what we find is the direct reps, they tend to penetrate their markets faster. They're not conflicted with other product lines. Once they get into a bunion case, they tend to sell more of our complementary products. And therefore, they also generate higher blended ASPs. And they tend to

focus on all of our programs, and we find that they're just a more effective, in general, team now that we still have some excellent high-performing distributors out there that were really committed to. And they continue to perform, so...

Robert Justin Marcus - *JPMorgan Chase & Co, Research Division - Analyst*

Great. If I look at your revenue build, it's fairly simple in that it procedures, times, revenue per procedure to get to sales. And we've seen procedures continue to grow nicely, but we've also seen upward pressure on the revenue per procedure. And you've added several ancillary procedures that can be done in conjunction with Lapiplasty. So maybe just fill us in on where you stand there and how complete of a portfolio, how much more is there to add to continue to bring that revenue per procedure up?

John T. Treace - *Treace Medical Concepts, Inc. - CEO, Founder & Director*

Yes. And a few of the products are very early in their adoption. So that's helpful for future rise in blended ASP. And then in the back half, we'll have [Micro-Lapiplasty] in that SpeedPlate platform, which will come with a premium price point. But our -- we have a very active surgeon adviser team, 7 surgeons that work with our R&D team. They come down, they do labs every month. They're on calls every couple of weeks, exploring new ideas, looking -- identifying new problems that are related to the bunion and that's how we got to Adductoplasty.

Adductoplasty was looking at how do we get better outcomes for this subgroup that gets poor outcomes if you don't fix the other deformity. So we said, let's standardize the procedure for fixing that. The SpeedRelease instrument is another great example. That's done very commonly at the big toe joint and surgeons struggle with it. And they use scalpels and scissors and they dig in, they're trying to get these soft tissues released, and we said let's design something specialized for that and teach surgeons how to do it. And that's been extremely sticky here in its early phases. But we have a pipeline of new complementary products that are going to be coming out over time that are problem-solving and we'll tie into the bunion as well.

Robert Justin Marcus - *JPMorgan Chase & Co, Research Division - Analyst*

And on the micro-incision, are you able to do some of these other procedures with the micro-incision? Or if you're doing that, do you need to use the larger incision?

John T. Treace - *Treace Medical Concepts, Inc. - CEO, Founder & Director*

Let's see. So you can use the SpeedPlate technology. You have to use it for micro-incision, because we need a smaller implant to fit in that smaller incision. But SpeedPlate is also very versatile. It can be used in standard Lapiplasty. It could be used in our mini-incision and it could be used in Adductoplasty. So it has broad applicability of the fixation platform for surgeons that like to quickly put in an implant. You don't have to use screws, they just drill 2 holes and stick it in.

So we think it's going to be a nice next-generation enhancement for our overall program. We're always looking at how do we speed up the procedure and maintain great results. So this is another step we're taking there and an example of that all around.

Robert Justin Marcus - *JPMorgan Chase & Co, Research Division - Analyst*

And how long does Lapiplasty take versus the other options?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

That's a great question. Osteotomies, we've surveyed doctors, they say it's around 45 minutes per case. And you have some people that can do them in 20 minutes. Some people it takes 1.5 hours. Lapiplasty is around an hour, an hour and 10 minutes on average. Of course, we have surgeons that can do them in 22 minutes beautifully. So if you want to go fast, Lapiplasty has the tools to allow you to go fast like they have in knee surgery with speed blocks and alignment jigs that allow multiple steps to happen at once. We've done that with things like the 3-n-1 Guide.

So it just depends. Some surgeons are very extremely experienced and also very speed minded and some surgeons are more meticulous and they like to operate at a different rate. So I think we're closing the gap very nicely between the time it takes to do an average Lapiplasty and the time it takes an osteotomy with our more experienced Lapiplasty surgeons.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

Let me pause and poll the room. Any questions?

Unidentified Analyst

So could you tell us a -- could you tell us about the difference in recovery time between your technology and the conventional technology. I don't think -- I don't know if you address that directly?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Sure. Sure. So in general, we have 2 types of conventional procedures, there's the osteotomy, that tends to have a quicker recovery time. And then there's the traditional Lapidus Fusion, which has a much longer and more restrictive recovery time. Lapiplasty is closer to being on par with the recovery time of an osteotomy, meaning we can put a patient into a postoperative boot. And based on our clinical data, we're seeing 8 or so days to start weightbearing on that foot.

And what happens is they'll progressively weight-bear up to 6 weeks in that boot, doing more each day, doing more each week and then about 6 weeks, they go into a sneaker. Osteotomies are not dissimilar. Some will say, you could weight-bear them faster. You can put them in a post-op shoe with some of the newer techniques. But there's a trade-off, right? Now Lapidus Fusion, the predecessor to Lapiplasty, you're talking about potentially 6 to 8 weeks in a cast and non-weight-bearing on that foot. That's very difficult for a patient we've got the really low recurrence rates.

But we have a recovery in weightbearing time that's more like an osteotomy. And that's why surgeons are finding it comfortable to start to convert their osteotomy procedures over time to Lapiplasty because they're liking the results, they're liking the recovery, and it's a good trade-off.

Unidentified Analyst

Can your technology address revision surgeries?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

It absolutely can, and we are revising a lot of failed osteotomies, frankly.

Unidentified Analyst

What portion of your procedures would you say that is right now?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

We'd estimate it's under 10%, but it's in high single digits.

Unidentified Analyst

Is it growing faster than the overall?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

We haven't segmented that out.

Unidentified Analyst

Could you address the economics of the surgeon comparative to older technologies?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Yes, that's a great question. We get asked it a lot. There's not really a financial benefit to doing Lapiplasty over osteotomies. It's hard to assess because the bunion is involved with other pathologies in the foot typically, so surgeons are often doing other -- second procedures and third procedures along with the bunion. So depending on that mix, you can have different surgeon income from those procedures, but I wouldn't say that there's a big financial win to doing Lapiplasty over osteotomy.

Unidentified Analyst

Outside of a financial difference, what's the level of confidence in the doctor recommending Lapiplasty versus osteotomy or Lapidus Fusion in terms of recurrence rates and patient satisfaction?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

That's sort of a bell curve answer to a little bit because some surgeons are very -- are big believers in Lapiplasty and they've seen the low recurrence rates in their own practice. They've seen our clinical data and then the 2 makes sense, right? People that are more prone to keeping osteotomies as a significant part of their practice or part of their practice may believe that the recurrence rate is low. And/or if they recur, maybe it's not a symptomatic problem for the patient. So there's kind of a blend of opinions there. It's hard to give a black or white answer on it.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

What about competition, not in Lapidus or osteotomy, but there are a number of branded solutions, small but we do hear it more and more from big companies talking about bunion correction surgery. So I guess, how do you think you stack up versus the competition? And what are you seeing in the field? And are you losing out to competitors in new accounts?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Yes, great question. And I'll maybe talk about the companies in a second, but the way we kind of approach the market is, we believe our biggest competitor is the surgeon mindset that's the instilled dogma to apply the osteotomy to the majority of their bunion practice. So we're really strong

on educating surgeons on the difference and the need to address the 3 planes, address the root cause of the bunion. That's our biggest competitor out there.

That said, there are some companies that are in the space, some large, some small. Great companies. And they've offered products. We're not seeing significant pressure from those products. Companies are very diversified, have very large portfolios, have very distracted sales forces. And at the end of the day, at the surgeon-patient level, it's hard to match the elegance and reproducibility of Lapiplasty out there. And a lot of them have to work around our patents to try to develop a solution. And sometimes these solutions have neat-looking tools, but in the surgeon's hands, they perform more like the old frustrating Lapidus Fusion than they do Lapiplasty.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

Mark, you're clearly in high-growth investment mode right now, 50% revenue growth on revenues year-over-year. How should we think about your balance of investing for the future and generating profits over time.

Mark L. Hair - Treace Medical Concepts, Inc. - CFO

Yes. Great question, Robbie. We've really enjoyed the benefits of all of our investments that we made, especially in '22. We're really feeling good about those results, that growth that you just mentioned, 50% growth year-over-year. So we view ourselves as a high-growth medtech company. And so that's priority #1. But we definitely have an eye on profitability and we've talked about having some increased leverage in '23 over '22.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

How big do you think a fully built-out sales force would be at peak versus where you are today?

Mark L. Hair - Treace Medical Concepts, Inc. - CFO

Yes. That's a question that John and I talk quite a bit about. I don't know that we've defined that absolute number. But we're really pleased with the growth. Again, John mentioned that we more than doubled our sales force in '21, and then we did that again in '22. So we definitely believe there's a lot of room to grow. We'll continue to invest in that sales force. Sales force helps in a lot of ways. But again, part of what they're doing is identifying new surgeon customer accounts, but we're also bringing them on to support all the new surgeons that we have.

We really feel strongly that, we want to ensure that not only are we getting surgeons but that we're making sure that they're having a great experience as they're learning the technology and they're getting advanced training as well. So it's a combination of the two, and we'll continue to invest in that channel.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

How do you think about your -- the bag that the reps hold? You've had a lot of organic innovations, but I feel like there could be more complementary technologies out there and room for them to add to the bag. So how do you think about inorganic opportunities?

Mark L. Hair - Treace Medical Concepts, Inc. - CFO

I'm going to have John respond to that one.

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Sure. Yes. We have eyes on the market for that, Robbie, and the -- we're scanning -- it's a little challenging because the things that we're doing so well are creating brand-new solutions, the problems that just haven't really been resolved yet. And that's -- and we've got a big pipeline of those with our surgeon adviser team that just been absolutely focused on this bunion problem since 2014.

That said, if we were to find a unicorn fit out there that was complementary to what we're doing in the bunion case, we don't want to lose focus on that bunion case. We don't want to develop a product that diverts our sales channel away from the bunion because we believe there's such a huge opportunity. We talked about this a lot, if we just get 20% of the current procedure market at our blended ASP. This is a \$600 million company, and that's a good midpoint to try to shoot for and then move beyond that.

So I think getting back to the sales force number, what does it take to support a \$600 million business, that's what we're tracking to. But again, we're open to it. We just haven't found the right unicorn yet.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

Just check one more time. Any questions? Maybe lastly, before we run out of time here. A lot of orthopedic markets are not far off from 50-50 U.S. outside U.S. Any reason 10 years from now, we couldn't see Treace much more of a global company?

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Yes. I think that's a great question. I think in the short-term, as we've talked about the TAM and the large addressable market right here, 450,000 annual cases is just a huge opportunity for us. So in the short-term here, we remain really committed to this market. There's a lot of opportunity. We're proud to announce our penetration, but it's only 5.3%. So there's a lot more to go here. So our primary focus is going to be in the U.S. market. 10 years from now, very well could be. But I think in the short-term, we really remain committed to the U.S. market, growing the market here and getting that penetration from 5% to 10% to 20% to 30% to 50%.

Robert Justin Marcus - JPMorgan Chase & Co, Research Division - Analyst

All right. Great. Well, we're about out of time. I want to thank you both very much, and thanks for listening, everyone.

Mark L. Hair - Treace Medical Concepts, Inc. - CFO

Thanks.

John T. Treace - Treace Medical Concepts, Inc. - CEO, Founder & Director

Thanks, Robbie. Appreciate it.

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