PARTICIPANTS

Corporate Participants

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John D. McDermott – Chairman, President & Chief Executive Officer
Shelley B. Thunen – Chief Financial Officer

Other Participants

Brooks E. West – Analyst, Piper Jaffray, Inc.
Steven M. Lichtman – Analyst, Oppenheimer Securities
Joanne K. Wuensch – Analyst, BMO Capital Markets (United States)
Charles D. Croson – Analyst, Sidoti & Co. LLC
Chris Cooley – Analyst, Stephens, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Endologix, Inc. Fourth Quarter 2012 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Zack Kubow of The Ruth Group. Thank you, sir. You may begin.

Zack Kubow, Investor Relations Contact, The Ruth Group, Inc.

Thanks, operator, and thanks, everyone, for participating in today's call. Joining me from the company are John McDermott, President and Chief Executive Officer; and Shelley Thunen, Chief Financial Officer. This call is also being broadcast live over the Internet at www.endologix.com, and a replay of the call will be available on the company's website for 30 days.

Before we begin, I would like to caution listeners that comments made by management during this conference call will include forward-looking statements within the meaning of federal securities laws. These forward-looking statements involve material risks and uncertainties. For a discussion of risk factors, I encourage you to review the Endologix Annual Report on Form 10-K and subsequent reports, as filed with the Securities and Exchange Commission.

Furthermore, the content of this conference call contains time-sensitive information that is accurate only as of the date of the live broadcast, February 27, 2013. Endologix undertakes no obligation to revise or update any statements to reflect events or circumstances after the date of this call.

With that said, I'd like to turn the call over to John McDermott.

John D. McDermott, Chairman, President & Chief Executive Officer

Thanks, Zack. 2012 was an important year of growth and expansion for the company. In our core business, we continued to gain market share in the U.S., while also building our direct sales operations in Europe. Combined with good results in the other international markets, we achieved

27% annual growth. We also made substantial progress with our new product pipeline, positioning us for several important new launches in 2013. We're very pleased to have received CE Mark for Nellix in January. In addition, we hope to have FDA approval for PEVAR shortly, plus we are just now finalizing CE Mark for a couple of sizes of Ventana, giving us three innovative advancements in the treatment of abdominal aortic aneurysms.

For the full year 2013, we anticipate growth will be driven by continued productivity from our U.S. sales force, the PEVAR training courses, AFX enhancements, and growth of our business in Europe with the limited market releases of Nellix and Ventana. Based upon these initiatives, we anticipate full year 2013 revenue to be in the range of $126 million to $133 million, representing annual growth of 19% to 25%. In 2013, we also expect to leverage our sales growth and begin generating positive cash flow from operations in the second half of the year and positive adjusted EBITDA for the full year.

I'll start today's call with a quick overview of our results for the fourth quarter, followed by an update on the business and our plans for the full year. Then I'll turn the call over to our new CFO, Shelley Thunen, who will provide a review of our financial results and guidance for 2013. After that, I will come back on to review our key goals for the year and then we'll open it up for questions.

Global revenue for the fourth quarter was a record $29.2 million, up 25% compared to the prior year. In the U.S., sales were up 20% with our sales team continuing to gain share with new and existing customers. We ended the quarter with 80 U.S. reps and clinical specialists and expect to finish 2013 with around 88.

International sales in Q4 were up 47%, demonstrating good results from our investment in a direct sales and marketing organization in Europe and the ongoing success of our distribution partners in Latin America and Japan. In Europe, we finished the year with 30 employees, of which 22 are dedicated to sales, clinical support and training. We have assembled a very experienced team that has proven they can drive product adoption and build strong physician relationships. Over the course of the year, we will continue to expand our European team and expect to finish 2013 with a sales force of about 30 professionals.

Now let me turn to our plans for Nellix and Ventana in Europe. In January, we received CE Mark for the commercial version of the Nellix system. Nellix is the first and only endovascular aneurysm sealing, or what we call EVAS. It is specifically designed to address some of the key unmet needs with the currently available devices. We believe Nellix will simplify aortic procedures, treat a broader range of patients and provide enhance clinical outcomes.

The first procedures with Nellix are scheduled for March, which will be the beginning of our limited introduction into a few sites in Europe and Canada. We'll work closely with physicians in these initial procedures to gather additional clinical information and fine-tune the procedure and our training program.

In the third quarter, we will begin training physician who will be participating in our post-market clinical trial and continue to build our experience through the end of the year. If everything goes according to plan, we'll start to roll out Nellix for a broader commercial release in Europe in 2014.

For Ventana, we're finalizing receipt of our CE Mark for two of the device sizes, and we'll then submit more clinical data to our notified body to get approval for additional sizes. The original submission only included data on a small cohort of patients but we now have over 100 implants worldwide and need to gather, analyze and submit that data. By the time we pull together the data, prepare the submission and have a few rounds of questions with the notified body, we anticipate receiving CE Mark for the additional sizes sometime in the third quarter of this year. For the sizes that will be approved, we will make them available to a very limited number of sites beginning in the second quarter.

Ventana will provide physicians in Europe with the first off-the-shelf endovascular option for patients with complex anatomy, including aortic necks shorter than 10 millimeters and aneurysms that extend up to and include the renal arteries. We believe Ventana will be well received, given its ease of use advantages compared to existing fenestrated devices that typically require six to eight weeks' lead time to manufacture.

In the U.S., we continue to enroll patients in the Ventana clinical trial. We've enrolled 63 patients to date and are forecasting to complete enrollment of all 122 patients in the Q4 timeframe. The trial protocol includes a one-year follow-up period, which would position us to submit our PMA to the FDA in early 2015.

For Nellix, we have submitted our IDE and hope to receive approval in Q3, so we could begin enrolling patients in Q4. Based upon the projected timelines for the trial enrollment and patient follow-up, this positions us for potential FDA marketing approval of Nellix in 2016.

Turning to PEVAR, we believe we're very close to FDA approval for the percutaneous indication for AFX. As a reminder, Endologix is the only company to run a randomized prospective multi-center clinical trial to demonstrate the safety and effectiveness of percutaneous abdominal aneurysm repair. This trial was run with Abbott and their closure devices, so both Endologix and Abbott need to obtain FDA approval, which we expect to receive shortly.

Pending approval, we plan to hold our first PEVAR training course in March and will establish regional training sites across the United States. The PEVAR training programs will be led by expert physicians who will instruct attendees on the percutaneous technique and best practices learned in the clinical trial. We believe this additional exposure to new and existing customers will provide continued growth opportunities for us in the U.S.

In January, data from the PEVAR clinical trial was presented at two major medical meetings. The results from the study demonstrated that PEVAR significantly reduced procedure times and time to hemostasis. The study also showed positive trends toward lower blood loss, less need for pain medication and shorter lengths of stay, which are all attractive for physicians, hospitals and patients. The full data from the trial is expected to be published in the Journal of Vascular Surgery later this year. Overall, Endologix remains well-positioned to drive growth with AFX in the U.S. and continue building our business in Europe and other international markets.

The U.S. business will be led by market penetration with AFX, supported by our PEVAR training programs and additional tenure and growth in the sales force. In Europe, we have two game-changing new products that will be gradually introduced over the next several months. While we believe Nellix and Ventana represent significant growth opportunities, our focus for these products in 2013 will be on establishing solid clinical experience and physician training, in advance of broader launches in Europe in 2014.

Next, I'd like to hand the call over to Shelley Thunen for her financial review. Shelley has been with the company just under two months and has a strong track record in high growth medical device companies. We're very fortunate to have Shelley join the leadership team here at Endologix. Shelley.

Shelley B. Thunen, Chief Financial Officer

Good afternoon and thank you, John. Before I begin, I want to express my genuine excitement in joining Endologix. The company is uniquely positioned, with a strong core business and product pipeline that will continue to capture market share. This product pipeline, with the recent CE Mark approval of Nellix, anticipated U.S. approval for our PEVAR product, and the expected Ventana CE

Mark approval for the first couple of sizes, to be followed by another CE Mark for additional Ventana sizes in the second half of 2013, uniquely positions us for further revenue growth.

We also have the opportunity to balance our product and market expansion investments with operating leverage to deliver improved bottom line results in 2013. The company has a bright future and I look forward to meeting our investors at upcoming conferences and industry meetings.

Now turning to the results. Today, we are pleased to report our financial results and key metrics for the fourth quarter and full year 2012. Total revenue for the fourth quarter 2012 increased by 25% year over year to $29.2 million. For the full year 2012, total revenue increased by 27% year over year to $105.9 million. U.S. revenue in the fourth quarter increased by 20% year over year to $23.4 million. For the full year 2012, total U.S. revenue increased by 21% to $87.1 million.

Fourth quarter international revenue increased by 47% compared to the fourth quarter of 2011, which was our first full quarter in our transition to a direct sales force in Europe. For the full year 2012, total international revenue increased by 61% to $18.9 million.

In addition to driving market share, our European direct sales model will allow us to control the introduction of two new products in Europe this year, Nellix and Ventana, complementing our AFX product.

Gross margin in the fourth quarter was 76%, compared to 77% in the fourth quarter of last year. The decrease in gross margin was primarily driven by a greater proportion of our revenue from international sales. Gross margin in the full year 2012 was 76%, compared to 78% in 2011. The largest overall factors which drove the reduction were the increase in international revenues, from 14% of total revenue in 2011 to 18% of total revenue in 2012, and inventory reserves taken primarily in the first nine months of 2012.

Operating expenses for the fourth quarter were $27.8 million compared to $21.3 million in the same period last year. For the full year 2012, operating expenses were $102.6 million, compared to $83.1 million in 2011. Excluding a one-time legal settlement, the purchase of an exclusive patent license, and business development expenses, annual operating expenses in 2012 were $96.1 million compared to $81.4 million in 2011, an increase of 18% on a 27% increase in revenues.

Research, development, and clinical expenses in the fourth quarter were $6.3 million compared to $5.4 million in the fourth quarter of 2011. The increase was due to the Nellix enhancement program and increasing expenses related to the Ventana IDE trial. For the full year 2012, research, development and clinical expenses were $22.9 million compared to $21.2 million in 2011, virtually unchanged.

Marketing and sales expenses grew to $15 million in the fourth quarter of 2012 from $11.5 million in the fourth quarter of 2011, a 31% increase on a revenue increase of 25% due to expenses related to developing our direct sales organization in Europe. At the end of 2011 we had eight sales, clinical, and training personnel internationally. At the end of 2012, we had grown to 22. Marketing and sales expenses in 2012 were $54 million, up from $44.7 million in 2011, an increase of 21% compared to a 27% increase in overall revenues, reflecting U.S. operating leverage offset by investments building our European direct sales team.

G&A expenses grew from $4.4 million in the fourth quarter of 2011 to $6.5 million in the fourth quarter of 2012. Again, the expense growth was driven by infrastructure investments in Europe, with marketing, customer service, finance, and support personnel growing from four at the end of 2011 to 10 at the end of 2012.

During the fourth quarter 2012, we also incurred final legal expenses associated with Cook settlement, and non-cash stock-based compensation associated with non-employee options for

Nellix consultants. Total 2012 general and administrative expenses, including the $5 million Cook settlement and business acquisitions, were $25.7 million, compared to $17.3 million in 2011 inclusive of business acquisitions in 2011.

In total, for the fourth quarter of 2012, our GAAP net loss was $6.5 million or $0.11 per share compared to a net loss of $3.7 million or $0.06 per share for the fourth quarter of 2011.

For the full year 2012, our GAAP net loss was $35.8 million or $0.60 per share compared to a net loss of $28.7 million or $0.51 per share for the full year of 2011. In the fourth quarter, the Nellix contingent payment liability, which is a non-cash charge and is solely payable in shares of Endologix common stock, increased by $1 million, which was almost entirely related to the increase in Endologix's stock price from the previous measurement date at September 30.

Including that impact on an adjusted non-GAAP basis, we reported a net loss in the fourth quarter of 2012 of $5.5 million or $0.09 per share compared to an adjusted loss of $0.06 per share in the fourth quarter of 2011. We reported an adjusted net loss for the full year 2012 of $15.7 million or $0.26 per share, compared to $0.29 per share in 2011. These non-GAAP values are reconciled and presented in the press release filed immediately prior to this call.

Despite the significant incurred investments in 2012 to build our European operations, we began to see leverage in our operating expense model. Excluding one-time charges in 2012 for the Cook settlement and in each of the comparable periods for business development expenses, total operating expenses in 2012 were 91% of revenues, down from 98% in 2011. R&D and clinical regulatory expenses were virtually flat from period to period, with the mix of expense types shifting towards clinical marketing expenses in 2012 supporting Nellix and Ventana clinical studies.

Revenues grew 27% year over year, with leverage in sales and marketing with an 18% overall company increase in operating expenses excluding non-recurring items, to support the 61% increase in international revenue and 21% increase in U.S. revenues. D&A increased 49% year over year, inclusive of unique expenses for legal fees for the Cook litigation and settlement.

Now turning to the balance sheet. Accounts receivable days outstanding were 71 days at the end of the fourth quarter of 2012 compared to 61 days at the close of 2011, reflecting an increasing mix of international accounts, which are traditionally slower to pay. Inventory turnover increased to 1.5 times turns at quarter end, compared to 1.3 turns at September 30. We expect that inventory turnover will remain in the range of 1.5 turns despite the launches of the Ventana and Nellix products in Europe in 2013.

During the fourth quarter, we used $2.6 million in cash, which included the $5 million to fully settle the litigation with Cook. Most of that was related to increasing accounts receivable balances in accordance with sales growth. We ended the quarter with a cash balance of $45.1 million and an unused $20 million revolving line of credit.

So in summary, in 2012, we began to leverage our market share gains and sales growth in the United States. The outstanding progress made by our international team is validating the substantial investment we are making in Europe, and we have the necessary financial resources in place to support the continued execution of our growth strategy.

Now, turning to guidance. For the full year 2013, we expect revenue to be in the range of $126 million to $133 million, a 19% to 25% increase over 2012. On the bottom line, we project 2013 guidance of a GAAP loss between $0.14 and $0.17 per share. This net loss takes into account first, the continued growth of direct sales force in Europe to support the market penetration and launch of both Nellix and Ventana. It also takes into account the medical device tax which went into effect in January 2013, the estimated legal fees to fight the Acacia patent matter, estimated non-cash

expenses, primarily from stock-based compensation of $11 million to $12 million, and the benefit of a $1.3 million dividend paid by our former product liability insurer in this first quarter.

We expect gross margins in the first three quarters of the year to be comparable to 2012, or around 76%, with margin expansion in the fourth quarter as we realize the operations leverage in 2013 flowing through inventory.

On an adjusted EBITDA basis, which excludes non-cash expenses such as stock-based compensation and business development, we expect to have a net profit between $0.01 to $0.05 per share for the year. This puts us in a position to use a small amount of cash for the entire 2013 year but be cash-flow positive in the second half of the year, taking into account further expansion of accounts receivable and inventories consistent with our growth and capital expenditures offset in part by non-cash expenses, primarily those from stock-based compensation.

We are carefully balancing our continued desire for excellent revenue growth, which will be driven by the expansion of our product offerings and continued execution of our core business, with the need to begin to see leverage in our operating expenses. Not included in this loss per share guidance, however, are potential adverse litigation outcomes, fair value adjustments associated with the Nellix contingent consideration and the effects of possible business development transactions.

I will now turn the call back over to John.

John D. McDermott, Chairman, President & Chief Executive Officer

Thanks, Shelley. We're pleased with our performance in Q4 and the full year 2012. We have demonstrated good results with our core business and have successfully advanced our new product pipeline.

Following are our key goals for 2013: first, achieve our revenue guidance and generate positive cash flow from operations in the second half of 2013; second, continue to gain market share in the U.S. by driving our PEVAR initiative and AFX enhancements; third, begin the limited market introduction of Nellix and the initial sizes of Ventana in Europe; fourth, gain CE Mark for the additional sizes of Ventana and add them to the limited market introduction; fifth, complete enrollment in the U.S. Ventana IDE clinical study; and last, receive FDA approval to begin enrollment in the Nellix IDE clinical study.

By achieving these goals, we will continue on our path toward becoming the leading innovator in endovascular aneurysm repair. We look forward to keeping you posted on our progress and are planning to participate in the Lazard conference later this week and the ROTH conference in March. We look forward to seeing many of you there.

With that, we'll open it up for questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting the question and answer session. [Operator Instructions] One moment please, while we poll for questions.

Our first question comes from the line of Brooks West with Piper Jaffray. Please proceed with your question.

<Q – Brooks West – Piper Jaffray, Inc.>: Hi. Can you hear me?

<A – John McDermott – Endologix, Inc.>: Yes. Hey, Brooks.

<Q – Brooks West – Piper Jaffray, Inc.>: Hey, John. Thanks for taking the questions. Just a couple of things testing around the guidance range. How much of the guidance is tied to the timing of the approvals – the product approvals? And then John, I was hoping you could give us some idea of your expectation for contribution from Nellix and Ventana this year.

<A – John McDermott – Endologix, Inc.>: Yeah. Let me answer the last one first. We're at this point not planning to get into specific numbers with the Nellix and Ventana contributions. So we're still early at this point in time and the limited release to get into that level of detail.

But in terms of the guidance, really what we did is we just took a midpoint of our forecasts for the year and the current assumptions, and it's really that simple. Again, the U.S. is a big part of it. We see multiple growth opportunities there, and that combined with AFX growth in Europe and with Nellix and Ventana kicking in, we think that's a good set of numbers.

<Q – Brooks West – Piper Jaffray, Inc.>: And let me maybe ask it a different way. Can you give us some flavor for, I guess, U.S. versus O-U.S. growth for the year?

<A – John McDermott – Endologix, Inc.>: Yeah. We think in the U.S. the growth rate – I'll give you a relatively wide range, will be in the 15% to 20% range, and internationally in the 40% to 50% range.

<Q – Brooks West – Piper Jaffray, Inc.>: Okay. And then maybe one more if I could, just on Ventana. With the two initial sizes, what percentage of the addressable patient population do you think that gets you, and then I guess how many sizes will you eventually have?

<A – John McDermott – Endologix, Inc.>: Yeah, the initial approval we anticipate will address 30% to 40% of the patients. That's two codes. There's a total of 12, although really only four of the 12 represent the majority of patients. Several of those, eight are kind of outlier, kind of more special situation codes.

And the color around the partial approval is that when we submitted the data originally it was a limited set, we knew that. So it was enough to get these couple of codes through but they'd like to see some more data on these other sizes. And the good news is we've already got those patients enrolled in our collective global experience. We just have to pool it up now and submit it.

<Q – Brooks West – Piper Jaffray, Inc.>: Great, thanks guys.

Operator: Our next question comes from the line of Steven Lichtman with Oppenheimer. Please proceed with your question.

<Q – Steve Lichtman – Oppenheimer Securities>: Thank you, hi guys. Thanks John, for that color on Ventana, that really was my first question. And second question is, as you're thinking about PEVAR, how many training sessions are you expecting for 2013 and how many docs are you

targeting? And what do you think the mix will be in terms of current customers versus docs who you're not working with today?

<A – John McDermott – Endologix, Inc.>: Yeah, let me start at the end of the question, Steve. The mix, part of this process will be related to their current experience with small hole closure devices. So this is a suture mediated closure system, and what we've learned in our trial and based on Abbott's historical experience, you want to start with guys that have some initial experience with what we call small hole closure, a 6 to 8 French related closure. So there is a funnel of those guys that are already familiar.

And then there are some other physicians who are already doing some percutaneous, maybe it's a small percentage or a more meaningful percentage of their patients. The targeting for these guys will be driven primarily by their current amount of small hole or large hole closure experience and their interest in getting trained. So we're not going out, we're not driving this toward new customers per se as much as we are who's got a baseline of training, who fits the profile in terms of EVAR volumes. We would also not target guys that just do a few cases a year. They need to be busy enough to go through the full certification process.

All that being said, and given the fact that we touch probably 40% of the physicians in the United States right now, I would expect it to be a pretty balanced mix of new and existing.

<Q – Steve Lichtman – Oppenheimer Securities>: Okay, great. And then, just lastly on the Nellix U.S. IDE, as you think about the centers you're going to be targeting later this year hopefully when the trial gets up and running, how much overlap will those centers be with the Ventana centers? In other words, how many incremental centers do you see that maybe you don't work with today that you can bring in the fold because they certainly would want to be part of the Nellix trial?

<A – John McDermott – Endologix, Inc.>: Yeah, it's a good question. I would say there won't be very much overlap between Ventana and Nellix, in part because they are different kinds of centers. Everybody wants to participate in Nellix, but the fact is that many of the centers that are in Ventana right now are referral centers for more complex anatomies, which is exactly what you want for Ventana. Nellix, we would like that to be just busy both academic and private practices that have good aneurysm volume and a good experience set with clinical research. And that will be a mix of existing customers and new customers. But generally, we have a little bit of a bias toward working with existing customers because we have a feel for their volumes, we have a feel for the anatomy types that they treat in their clinical capability.

So, we'll be thinking of this trial more in the context of getting good outcomes and enrolling quickly than we will as leveraging to get new business. I expect we will get some from that, but that won't be the driving aspect to the site selection.

<Q – Steve Lichtman – Oppenheimer Securities>: Makes sense. Thanks John.

<A – John McDermott – Endologix, Inc.>: Yep.

Operator: Our next question comes from the line of Joanne Wuensch with BMO Capital Markets. Please proceed with your question.

<Q – Joanne Wuensch – BMO Capital Markets (United States)>: Hi, thank you for taking my question. Could you just give us an update on the competitive landscape? You had Medtronic introduce some new products in the middle of the year and Lombard Medical, I believe I'm pronouncing that correctly, just received regulatory approval. Would love your view on those.

<A – John McDermott – Endologix, Inc.>: Yeah. So Medtronic, Joanne, continues to be focused primarily on their Endurant II offering, which as we've talked about in the past, is a small

incremental enhancement to their original Endurant. So, I wouldn't say there's much new to talk about there. They've also been putting some concentration into their thoracic stent graft. So they have discussed branch programs, but we haven't seen any timelines or any product details at this point.

Lombard is new to get an approval. They've been working with this device now in Europe for about five years. What's noteworthy about this device, which is called Aorfix, is that it's designed specifically to treat highly angulated necks. We estimate that represents 10% to 15% of the cases. They've got some work to do. They'll have to build a sales force, and we've heard from physicians that the current delivery system is a bit difficult. So I don't expect to see much real activity from them in the marketplace without a sales force and with a relatively new product until the second half. Again, they've been commercial in Europe for about five years and they've got 1% to 2% market share. So I give them a lot of credit, because it's a long road to take a device all the way through clinic and into the U.S., but it doesn't look like a meaningful threat to us.

<Q – Joanne Wuensch – BMO Capital Markets (United States)>: Okay. Thank you very much.

<A – John McDermott – Endologix, Inc.>: Sure.

Operator: Our next question comes from line of Charles Croson with Sidoti & Company. Please proceed with your question.

<Q – Charles Croson – Sidoti & Co. LLC>: Evening, guys. Thanks for taking the questions. Can you hear me okay?

<A – John McDermott – Endologix, Inc.>: Yep. Hey, Charles.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay. Great. Thanks. Hey, how's it going? So a quick few ones here, most of the other analysts here seem to have touched upon most of what I was looking for. Can you break out the European direct sales for the quarter?

<A – Shelley Thunen – Endologix, Inc.>: In what we had for – I don't have the quarter numbers. We don't publish those, but we do include in our 10-K our international revenues by geographic region. And for all of 2012, Europe was $9 million out of the $19 million total sales internationally, and then Latin America and Asia for the balance of $10 million, split 50/50.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay. All right. That's helpful. And then during these IDEs that you're looking to get into towards the – hopefully towards the end of the year, what sort of reimbursement do you get for those? For some other- in the VATS, for example, you know, they get paid a discounted price for their products. Do you get something in that for the – for Nellix and Ventana?

<A – John McDermott – Endologix, Inc.>: Yeah. Typically Charles, we do get paid for the devices in the trial. It tends to be negotiated, but generally speaking, we get paid. Once in a while, we have had situations where the insurer won't reimburse for an investigational device, but when I think about that in the context of the – I don't think that's happened yet in the Ventana trial that I'm aware of, and I remember it happening a couple of times in the PEVAR trial. So it happens very, very seldom. So generally, we do get to invoice for the devices in the studies.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay, so – and just a follow up with that, it's not something we should be modeling too much of past 2013 or so?

<A – John McDermott – Endologix, Inc.>: You mean the clinical trial revenues?

<Q – Charles Croson – Sidoti & Co. LLC>: Yes, yes.

<A – John McDermott – Endologix, Inc.>: Well, past 2013, you know, you'll have Nellix enrollment in 2014.

<Q – Charles Croson – Sidoti & Co. LLC>: Yeah. No, I'm sorry. That's what I meant – I meant – yeah.

<A – John McDermott – Endologix, Inc.>: And then we will have post-market clinical trials running both in the U.S. and in Europe, but I don't think we'll be separating those line items, so. But just in terms of your own planning, I think it's safe to assume we do get to invoice for clinical trial devices.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay, all right. Thank you. And then just one more quick one here. Japanese reimbursement, where are you guys on that?

<A – John McDermott – Endologix, Inc.>: Yeah, so we have got that and they've started doing cases.

<Q – Charles Croson – Sidoti & Co. LLC>: Oh, okay. Okay.

<A – John McDermott – Endologix, Inc.>: Yeah. So they're off to a good start.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay. All right. Thank you. That's all I had then.

<A – John McDermott – Endologix, Inc.>: You bet.

Operator: [Operator Instructions] Our next question comes from the line of Chris Cooley with Stephens Incorporated. Please proceed with your question.

<Q – Chris Cooley – Stephens, Inc.>: Good evening and thank you so much for taking the questions. Can you hear me okay?

<A – John McDermott – Endologix, Inc.>: Yep. Hey, Chris.

<Q – Chris Cooley – Stephens, Inc.>: Thanks. I apologize if there's any background noise, I am here in an airport. You may have already covered this, I apologize if – hopping back and forth, but did you touch on AFX2 in your prepared comments, in terms of what type of a contribution you think that could be for the U.S. market? And then as a follow-on, I appreciate the tracking of growth expectations for the U.S. and the international markets collectively. But did you touch on pricing there? I know you've mentioned in the past there may be some headwinds just from various governments in terms of reimbursement. How should we be thinking about pricing for maybe – let's just think about the collective offering as we look at Europe and in Japan. Thanks so much.

<A – John McDermott – Endologix, Inc.>: Yeah. Chris, I did not touch on AFX2 in the opening remarks. Just briefly, that is – we have some enhancements planned for AFX. It's not a redo of the whole system, but there are some new design features based upon clinical input that we think will further enhance the system and give us incremental selling opportunities. So right now, we are planning for that to get off to a limited introduction in the Q3 timeframe. So that's our current expectation for that.

In terms of the revenue guidance and pricing, what I can tell you is that our assumptions for price this year are flat. Despite the fact that we're going to be introducing some new technologies – and we'll get price where we can, but we think that those pricing opportunities may be mitigated by more pricing pressure, so we've kind of on a macro level forecasted pricing flat with the exception of Ventana, which of course carries just a materially higher price.

<Q – Chris Cooley – Stephens, Inc.>: Understood. Congratulations on a great quarter, and I'll hop back in queue.

<A – John McDermott – Endologix, Inc.>: Thank you.

Operator: There are no further questions at this time. I would like to turn the floor back over to Mr. McDermott for closing comments.

John D. McDermott, Chairman, President & Chief Executive Officer

Okay. Well, I'd like to thank everyone for joining the call today and for your interest in Endologix. We look forward to seeing you at the upcoming conferences and keep you updated on our progress. Have a good evening.

Operator: This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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