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# Endologix, Inc. (ELGX)

Stifel Health Care Conference

## CORPORATE PARTICIPANTS

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

Vaseem Mahboob  
*Chief Financial Officer, Endologix, Inc.*

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## OTHER PARTICIPANTS

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

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## MANAGEMENT DISCUSSION SECTION

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

My name is Mathew Blackman. I'm part of the Stifel Medtech Research team. I appreciate you joining us for this session with Endologix. We have some senior managers from Endologix here: Vaseem Mahboob, to my right, CFO; and Dr. Matt Thompson, Chief Medical Officer at Endologix. Appreciate you guys joining us again this year.

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Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

Thanks for having us. [indiscernible] (00:00:22)

## QUESTION AND ANSWER SECTION

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

I'm going to sit down, but I thought, to start, sort of preface it all, it's been a challenging few years at Endologix. But I think over the last several quarters and maybe it gets lost in some of the noise, is that the business has, I think, begun to show some signs of stability. So, all the hard work over the last 12 months I think is starting to pay off. But there is some more wood to chop, and I thought we'd start by talking about some of the headwinds that still persist.

And we'll talk about the newest and most recent potential headwind, which was data from a very small study from a very large IDN that suggested there may be some safety issues with one of your devices. Maybe, I don't know, if, Dr. Thompson, you want to do it...

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

...Vaseem.

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

...but maybe in a more articulate fashion sort of talk about what the issues are and...

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Sure.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

...what can be done.

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Thanks, Matt. I mean, it's a complicated story and a complex story. So we have a product line called AFX that has really evolved from 2011 onwards and there are three iterations of that device, so it would be fair to say that the very first iteration of that device called AFX Strata had a late endoleak Type III rate that was noticed by the

company, noticed by the FDA, and eventually that product has been withdrawn from the market. There has been really a focus from a clinical and a regulatory aspect on Type III endoleaks with the AFX product line ever since.

And the most recent abstracts that was presented on Kaiser Permanente day trip, The American College of Surgeons identified that there were three patients out of a total of 33 patients with the current product line that suffered with Type III endoleaks and that was really the stimulus behind the FDA.

**Mathew Justin Blackman**  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And so Dr. Thompson, not to interrupt.

**Matthew Thompson**  
*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

**Mathew Justin Blackman**  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

So about 10% Type III just to give you a context typically at Type III rate would be less than a percent probably.

**Matthew Thompson**  
*Chief Medical Officer, Endologix, Inc.*

A

Yeah. In order of you know at 1% per year would be maybe a ballpark figure, but Matt let's put that in context and essentially the AFX system in that healthcare system has been used only for special access cases for the last three years. We don't know anything about these patients. What we do know however is, it is completely impossible to draw any form of robust conclusion from such a small dataset.

When we look at our own rates, we're looking at 60,000 patients that we get prospective data collected on and that really allows us to set the data from that Kaiser abstract into context. So, really for the last two or three years, certainly as CMO, I've had a focus on answering the question, are your products performing as you had expect them to and we have a very robust system for doing that.

We look at randomized controlled data. We have their new randomized controlled trial of [indiscernible] (00:03:46) product in the space. We actually acquire registry data from a real world registry in the US, and we have our own compliance system and what we have is an ability to look for concordance and product performance through essentially 60,000 patients that we have data points on. So, we can be very confident in the performance of our current products. And that allows us to say, I think, it's smaller number of patients into the context.

**Mathew Justin Blackman**  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And so you're talking specifically about a number of things, but the LEOPARD study being one...

**Matthew Thompson**  
*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

...one dataset where you've collected data. Give us again a flavor in those datasets, the Type III leaks rates you were seeing was.

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

So, LEOPARD has 455 patients, of which 250-odd have the AFX system. The endoleak we're talking about is a [ph] 3b fabric intergradation (00:04:43). There is one patient with robust follow-up now [ph] out past (00:04:50) three years in that data in the VQI data. I'm not allowed to give you the actual numbers, but it's entirely concordant with what we see in LEOPARD.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Because you clearly have several legs to stand on here to sort of push back.

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And to put in that vein, what should we expect over whether it's the next few weeks or months in terms of your more formal response? You've sent notification to healthcare providers and explained it, but what are you doing from the data analysis...

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yes. That's right. So our immediate response, as we've said previously, we press released. We've sent that information out to 3,000 or so healthcare providers. We briefed our internal teams. We think it's important to get an independent analysis of where we think our data are and where we think the Kaiser data are. And we communicated that that on the earnings call we said we're going to commission an independent statistical analysis of both, the KP data and our own data to set those in context and we have arranged to go and have a conversation with the FDA around the safety notice and around future communication.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And where would you expect I think you were, at the time, last time we spoke, you were having trouble getting the data from Kaiser. I don't know if they are now willing to share, but how should we think about how quickly you could turn around I guess would be your third-party how you could quickly turn around – how quickly you could turn around and get some data to respond?

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yeah. So we've asked Kaiser for the data in a formal letter. We're yet to receive a response. Clearly, we need to progress this as quickly as we can. So what we'll do initially is get an independent statistical analysis on the data that were presented rather than the raw – the identified data. We hope to have that completed really within the next two weeks. And then, we will arrange a conversation with the FDA, talk to them about the independent data analysis and talk to them about the data sets, multiple data sets that we have that looks at the performance of the AFX2 product.

**Mathew Justin Blackman**  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And would you hope or is this an unreasonable hope that maybe FDA revises its prior statement or provides a more fulsome discussion. They did put out a notification after that specific dataset went out and obviously said it was small number of patients, but maybe we have an issue. Would you expect that FDA would potentially update that if there's something to update it with?

**Matthew Thompson**  
*Chief Medical Officer, Endologix, Inc.*

A

I can't. Matt, I'm not in the position where I can kind of second guess the FDA. But what we're aiming for initially is the independent analysis, and then a conversation with the FDA and obviously we can take things from how those discussions progress.

**Mathew Justin Blackman**  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And, again, so you would hope to have those discussions in the early part of next year, you would think with that...

**Matthew Thompson**  
*Chief Medical Officer, Endologix, Inc.*

A

No. I think for us, it's more pressing than that, because what we don't want is to get patients in the wrong frame of mind, we don't have any information out there that is potentially difficult to interpret. So, [ph] I'd very much (00:08:04) want to get in front of the agency this year.

**Mathew Justin Blackman**  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Then I shift to you. What have you seen so far in the field in terms of whether it's case scheduling or case cancellations? Has there been any impact? You noted on your call. I think it was a couple weeks ago that you hadn't seen anything meaningful yet. Any update on that?

**Vaseem Mahboob**  
*Chief Financial Officer, Endologix, Inc.*

A

So no real update to where we left off in the earnings call. The only thing is, we have a few more weeks of data now. And I can say that what I said in the call which is, our case creation is unchanged. Our case completions or the cases that had scheduled, we haven't seen any cancellations of anything that's unusual as it relates to the notice. So we feel very, very confident that the guidance we've put out there at the earnings call it represents the risk.

Now having said that, did we wish that we had this FDA action, absolutely not. But what it does is, Matt, it takes time away for the commercial team to go defend the franchise for AFX, and that comes at the cost of making

growth goals when it comes to Ovation. So we did see some case creation changes in the Ovation number, but AFX continues to be strong. I think it's a very resilient graft. We have seen that through multiple disruptions that we have seen since Q4 of 2016. But, again, what I highlight is, whatever guidance we have put out there reflects that, so there's no change to the guidance there.

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**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Okay.

Q

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**Vaseem Mahboob**

*Chief Financial Officer, Endologix, Inc.*

We might actually be looking at more a positive outcome. Now what we're hoping for is that, it's a transitory event. And I think that we got to give a few more weeks to really make sure that this disruption doesn't continue.

A

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**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

And that was sort of my next question and maybe, Dr. Thompson, you can chime in having experience obviously as a practicing physician. How long do you think it takes to something like this to [indiscernible] (00:09:54) more important, what's the – you're out in the field. You're talking to your high volume docs. What's their take on what they've seen so far?

Q

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**Matthew Thompson**

*Chief Medical Officer, Endologix, Inc.*

Yes. So, obviously, at VEITH this week and VIVA two weeks ago – spoken to a number of physicians and I think they're really foremost sentiment, not as surprised as to how the FDA translates the small number of patients, 13 at two years to a safety notice that mentions the current product. So I think there's that surprise. As Vaseem said, I don't think the notice helps us in any way, shape or form. And, clearly, we wish that it had been phrased differently or portrayed in a slightly different light.

A

But I think most doctors that I speak to or a small proportion are looking for the raw evidence. So, where is your data? What does it look like? I want to make my own interpretation of it. And we're able to point then to our annual clinical updates that we recently published our 2016 to 2019, a new clinical update that's a 100-plus page document full of data. So, for any physicians who are very data-driven who want to see really the raw data set, they have that resource to go to. And I think that is a great help.

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**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

And you mentioned you're presenting some data. There's a medical meeting going on right as we speak here in New York, a major vascular meeting called VEITH. You're presenting data on Thursday from LEOPARD. Is that...

Q

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**Matthew Thompson**

*Chief Medical Officer, Endologix, Inc.*

Correct. We are. So, Chris Kwolek, who's a physician who practices Massachusetts General Hospital, who's the PI of LEOPARD, who will present the most updated data on Thursday.

A

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And I'm really not expecting you tell me what's the in the data, but anything that would come out of that that would again help your argument here? I assume you're going to be talking to a lot of these metrics and how [ph] discording (00:11:49) what they are seeing at Kaiser versus what you're seeing at...

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yeah. Absolutely. I mean, so we'll present the updated data cover LEOPARD, I think I've really explained what LEOPARD has shown previously. And I can say unequivocally that you won't see any different messages to that when we present the updated data set.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. That's helpful. Well let's shift to something a little bit more positive and talk about the third quarter of which is the first time I think in two-and-a-half years that you grew year-over-year. And as we sort of said at the outset, it does feel like. And taking a step back, as a company that went through significant change over the last 12 months, a major strategic reboot, a little over 12 months ago. And I think maybe these last couple of quarters, we're now maybe seeing evidence that you're finding your footing with that that new strategy. So maybe the best way to do it is, can you talk about some of the data points from the third quarter that give you confidence that should give us confidence absent this AFX2 question that the business has started to find its footing?

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

Sure. So if you guys remember, back in October last year, when we had the Investor Day. We clearly laid out the strategy, Matt, on what needed to happen, vis-à-vis, the restructuring. And I think we said that that was completed last year and we wanted to do it in one shot versus do it multiple times. So for the organization, we thought it was important. So that was all done. And I think you see that reflected in the P&L, vis-à-vis the lower cash burn, vis-à-vis the lower spending. So, I think that's a real positive.

But more importantly strategically, what we laid out as the return back to growth was two things. We said that we had to see a stabilization of AFX in the US business. And the way we define that stability was that, our second quarter sales would be equal to our third quarter, would be equal to our fourth quarter and we are happy to report that at least for the second quarter and the third quarter, we did see a sequential improvement in the AFX business, although not a huge, but we saw stability in that business. And I think that goes back to what Matt talked about. Our sales team spend a lot of time talking about the LEOPARD data, which was the only randomized controlled trial in the EVAR space. And that really resonates well with the physicians. So I think that was very important.

The second piece we had said was, we needed to see sequential growth in Ovation. And that was our path back to growth. And that's exactly what we saw. But I think more importantly – listen. What I feel really good about AFX in general is that, the AFX [indiscernible] (00:14:25) itself globally grew 18% year-over-year in a market that's growing mid-single-digit. So in the OUS markets, where AFX does not have this overhang of this legacy Strata product, it continues to do really well. And I think a great example is the Japan business, where our partner Japan Lifeline has taken a significant market share in the last three years. And that we hope we can replicate in the other geographies.

So really from my perspective and from a company perspective, I think making those three big changes – executing on the plan and exceeding the expectations operationally. The second is the cash burn. And I cannot forget the restructuring of the balance sheet and the debt deal that we did in April, where we brought in \$52 million of new money, and we put together a mechanism to kind of drive the de-levering of the balance sheet. And as we know, unfortunately, in the last couple of quarters, where the stock price has been, it hasn't really worked from a structural perspective, so – but we are confident that with the changes in the approval of the Alto, completion of EVAS2 and the other things that we laid out, we can see this continue to be a sustained top line growth.

**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And you said in the past sustained above market, I think, it's sort of a growth [indiscernible] (00:15:44) whether it's 2020 or 2021.

**Matthew Thompson**

*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

[indiscernible] (00:15:47) market, growing just to give us some context and what are you going to be growing in excess of, I guess, is really the question.

**Vaseem Mahboob**

*Chief Financial Officer, Endologix, Inc.*

A

Well, I think the markets are behaving differently. Like the US is low-single digits [ph] at best (00:16:00), but growing slightly. Our European markets have grown mid-single digits and then the Asia-Pac markets are growing double-digits. So when you look at it in aggregate, listen, it's a market that's growing maybe 3% to 5% a year.

**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. So, we can interpret that as when you guide for 2020, it's going be in excess of 3% to 5% if that's...

**Vaseem Mahboob**

*Chief Financial Officer, Endologix, Inc.*

A

In 2020, we'll provide the guidance.

**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

[indiscernible] (00:16:25). So, let's talk about 2020 just conceptually and the key drivers. I guess a lot of the same of what we're seeing here in 2019, but above and beyond that and this will be the next topic, which is the pipeline and the nearest term pipeline Ovation Alto, what role does Alto play when you think about your 2020 outlook, whatever that outlook may be? And then, I'll ask Dr. Thompson, to sort of fill in some of the blanks from the regulatory process there.

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

Yes. So, I think the play – you're right. The play is, what we laid out last year. And I think that doesn't change for 2020, which is continue to have a stable base of AFX business. And then second, [indiscernible] (00:17:12) grow the Ovation franchise. And on the heels of iX, which we have today. And then accelerate that with Alto. But I want to make this point that what we have learned in Endologix is some very painful lessons on the ramp-up of Nellix in Europe, and we're not going to make the same mistakes again, right?

So, what I mean by that, I think what we laid out at the October reset was a purposeful march of market especially in the US. So we want to make sure that we have taken Alto to those accounts, where there is proficiency, where there is high volume, people have done a lot of EVAR cases. And then, at the same time, are the accounts that will be feasible for a randomized controlled trial towards the end of next year when we launch Alto here in the second quarter.

So, I don't think we should expect to see significant ramp-up or suddenly Alto growing in every account. I think we will be very purposeful on how we go to market and taken some of the lessons from Nellix and the previous launches that we have done in the company.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And, again, so I take that as meaning, again, all things equal, you could still grow in excess of the market with minimal contributions now that was kind of the way to frame it?

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

That's right.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. So maybe Dr. Thompson, with filling some of the blanks here on the regulatory side for Alto. It's taking a little bit longer than we would have hoped. Maybe give people some background on where you are in the regulatory process, maybe, what some of the hurdles are still to clear and [ph] fill in with (00:18:44) some other questions...

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yeah. I guess nothing really very significant to add from where we were at the earnings call. So we're in a back and forth process with regulatory agencies, both in the US and in Europe. We've had conversations face-to-face and over the telephone with our regulatory partners. We are proceeding with questions, responses. We plan to – from an FDA perspective to send now our response to the deficiency [indiscernible] (00:19:16) in the next two weeks and no real updates from where we were previously.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

You did meet with the agency though I think...

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

We did. Yes.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

... [indiscernible] (00:19:24) anything worth sharing that you can share?

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

There's nothing that I can share other than we are in a position now to submit the full response to the major deficiency letter, which is the process that will [indiscernible] (00:19:40) with the FDA.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And, again, just to [ph] parrot (00:19:42) what we said in the next two weeks, you would hope to respond?

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And so that would put us at some, maybe at the end of the first quarter-ish kind of timeline, is that is the right way to think about it first half. Certainly, I would think next year.

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

Yeah. That's the way to think about it.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. Maybe talk about since we're on the pipeline and we've got you talk a little bit about the pipeline beyond Alto.

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

We got one major study ongoing, you'll start a second one for a product called Nellix in more complex cases. Could we talk about [ph] EVAS 2.0 (00:20:18), talk about Nellix in general.

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

Yes.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And I think if you could spend more time on the ChEVAS opportunity which I think we all probably agree is a real incremental opportunity relative to what's available today on the market.

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

Yes. So, as for per the earnings call, we're really getting now at the back end of the EVAS2 enrollment, which is the noncomplex trial. I hope to finish that early part of next year, which will then put us in a position to start looking at the PMA and start submitting modules on that. With regard to ChEVAS. We have a meeting with our four PIs tomorrow actually which will be the sort of formal kickoff meeting for that. Plan to start enrolling the first patient, again, in the first half, early part of 2020.

That's really exciting opportunity for us if we think about where the unmet needs for endovascular are outside of durability, the biggest unmet need is really the complex space, where particularly in the US there is a relative paucity of therapeutic options for these patients which make up – you make up a very significant part of the market.

ChEVAS will be really a groundbreaking trial marrying [indiscernible] (00:21:39) technology with parallel grafting, being able to move the reconstruction up close to the diaphragm and treating a substantially larger proportion of patients that can currently be treated with infrarenal graft. So, trial is going to be called the complex trial, 120 or so patients. It's a typical PMA. We'll follow them out for five years. We have four very experienced, enthusiastic PIs within the US. Second phase of that trial would be to go outside the US in due course. And we have a lot of interest in participating in this trial, which is really addressing a significant unmet need in the market at present.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And in five-year follow-up, the primary endpoint would be 12 months or is it?

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

Primary endpoint is pretty much as we all with EVAS2 is that our primary endpoint will be at 12 months.

Mathew Justin Blackman  
*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay.

Matthew Thompson  
*Chief Medical Officer, Endologix, Inc.*

A

But the agency will have an expectation that there's a certain portion of those patients who are out for two years at that stage, which they will be. And to reiterate Vaseem's point, Matt, this is a trial we'll want to rollout carefully, cautiously, making sure that we learn the lessons of previous European Nellix [indiscernible] (00:23:08).

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And is the product sort of ready to roll? Is there any changes that need to be made? I mean, we haven't talked this in a long time, but there's...

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

...sort of renal stent component...

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Yeah.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

And so maybe describe what you're doing there. And just conceptually, when you add renal stent, since it's complex procedure, this will be a premium-priced product as well. And just so talk through some of those items.

Matthew Thompson

*Chief Medical Officer, Endologix, Inc.*

A

Absolutely. No, so we're ready to go. We obviously have a system that we've submitted to a lot of bench testing and it's those data that go the FDA when they're looking at your IDE trial approval. So we're ready to go. That will be the system that exists throughout the trial. That will be eventually the system that is commercialized. We would plan, I think you know looking in the future again to be very careful when it comes to a commercial rollout of ChEVAS, this will be patients-only on the anatomic IFU. The therapy is just far too precious for us to play fast and loose with indication. So, again a cautious rollout, very careful, very carefully selected sites. Price-wise, I'll let my colleague to...

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

How much you're going to charge?

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

Well, we'll look at that. You know we are considering various DRGs and how we are going to position it. And so, there's some work being done. But, obviously, you would want to be as close as possible to the DRG for [indiscernible] (00:24:42) which is a pretty nice premium to where we are today.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Got it. We have about five minutes left. Maybe we'll – and one of your favorite topics is balance sheet, cash burn, how much delight you sort of touched on it briefly. Tell us where you are in terms of cash consumption and where do you expect to track by the end of the year. And then I think as we all think about the Endologix story, the balance sheet is a challenge for a lot people to sort of wrap their head and arms around. Let me just lay out what's next? Sort of, what are the next triggers on the balance sheet that we need to be concerned about, refinancing whether you need access to more capital, help us through that portion of the story?

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

Sure. So just to kind of recap it, we ended the third quarter with \$47 million and change on the balance sheet. We have the [indiscernible] (00:25:31) where we have availability of close to \$19 million. So the total liquidity that we have today is \$66 million as of the third quarter. We had the cash burn for the third quarter to be less than \$5 million which was one quarter ahead of expectations which we will feel really good about. And we also said that we expect to sustain the fourth quarter that less than \$5 million number and then with that moderate top line number that you talked about, we still think we can sustain the less than \$20 million for next year on an average at about less than \$5 million a quarter, okay? So that's kind of the lay of the land on an operating side of the house, and no different by the way from where we were back in April when we did the deal.

But at the same time, when we did the deal in April, the structure that we put together had certain conversions that were going to happen and unfortunately those haven't kind of materialized as we expected. So, the only thing that's outstanding right now is the \$11 million stub that we need to exchange. But at the same time, listen, with \$66 million of liquidity, we don't think that it's a challenge. But when you hear what Matt and I have been talking about here with the launch of fall to a completion of EVAS enrolling the first piece patient in ChEVAS, we feel there's a significant value that we can unlock and we'll be in the market looking at kind of how we address the balance sheet. So, we're looking at all options. But having said that at least from a liquidity perspective that we are well-capitalized with the financing that we did in April and we'll give you more updates as we move along.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Okay. And just on sort of as we end, are you going to – I think maybe the last that you guided at JPMorgan's [indiscernible] (00:27:11) any just as we think about when we might hear something about 2020 in advance of maybe the fourth quarter would JPMorgan be a potential spot we get an update?

Vaseem Mahboob

*Chief Financial Officer, Endologix, Inc.*

A

I think it could be a spot, where you get an update on the guidance but at the same time, listen, I think what's more important is not to put out guidance, what's more important to have the visibility and I think we continue to monitor this latest headwind with the FDA. So far all indicators are positive. I think we feel that the guidance that we put out for the fourth quarter is very achievable and that the indicators are kind of leading us to believe at this point that it's a transitory event in which case we can give you a better update. But if we don't have that kind of visibility, which I doubt, we potentially might do the guidance like we normally do on our fourth quarter earnings call.

Mathew Justin Blackman

*Analyst, Stifel, Nicolaus & Co., Inc.*

Okay. All right. Any questions from the audience? Anyone? Anyone? No? All right. Well, that's been a great update. Appreciate you guys taking the time. Thank you for coming across town.

**Vaseem Mahboob**

*Chief Financial Officer, Endologix, Inc.*

Sure. Listen, I want to apologize John Onopchenko, our CEO, could not be here. He was struggling with a bad flu, but hopefully Matt and I did service so...

**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

You did. John always cancels on me. So I just – I take it personally.

**Vaseem Mahboob**

*Chief Financial Officer, Endologix, Inc.*

Yeah. No. Thank you.

**Mathew Justin Blackman**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Thank you, everyone. Appreciate...

[Abrupt End]

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