George Sellers, Analyst
501-377-2065, george.sellers@stephens.com

Harrison Parsons, Associate

Changes	Previous	Current
Rating	--	Equal-Weight(Vol)
Target Price		$26.00
Price:		$27.81
Fully Diluted Shares Out (mil.):		61.03
52-Week High:		$27.97
52-Week Low:		$12.48
Market Cap (mil.):		$1,697.2
Fiscal Year End:		Dec
Average Daily Volume:		1,164,044
Float:		66.4%
Debt/Cap:		53.1%
Cash/Shr:		$1.47
Dividend/Yield:		$0.00/0.0%
Book Value/Shr:		$1.09

EPS	2022A	2023E	2024E
Mar	($0.16)A	($0.25)	($0.20)
Jun	($0.31)A	($0.22)	($0.16)
Sep	($0.22)A	($0.20)	($0.14)
Dec	($0.08)A	($0.10)	($0.04)
FY	($0.77)A	($0.77)	($0.55)
P/E	NM	NM	NM

Non-GAAP EPS	2022A	2023E	2024E
Mar	($0.16)A	($0.25)	($0.20)
Jun	($0.23)A	($0.22)	($0.16)
Sep	($0.22)A	($0.20)	($0.14)
Dec	($0.08)A	($0.10)	($0.04)
FY	($0.69)A	($0.77)	($0.55)
P/E	(40.3)x	(36.1)x	(50.6)x
Rev.	$141.8M	$188.3M	$228.4M

TMCI is an orthopedic medical device company who specializes in the treatment of bunions selling their patented Lapiplasty 3D Correction System. The company is headquartered in Ponte Vedra Beach, FL.

Treace Medical Concepts

TMCI – NASDAQ

Equal-Weight (Volatile)
Reason for Report: Initiation of Coverage

TMCI's Device Superiority Is Winning The War on Bunions, Initiating EW/V Due To Valuation

INVESTMENT CONCLUSION:
We are initiating coverage on TMCI with an **Equal-Weight/Vol** rating and $26 price target. TMCI is an orthopedic medical device company focused on the ~$2.3 bil. bunion market (foot deformity characterized by a big toe protrusion). The company's Lapiplasty procedure for treating bunions, combined with smaller additional device launches, has driven a 78% 5-year revenue CAGR, including 50% revenue growth in 2022. Additionally, the company has maintained strong gross margins (80%+ ex. covid), and its average blended revenue per procedure has increased each of the last three years. With strong IP (40 existing U.S. patents dating as far back as 2014, and 46 pending), a successful DTC marketing strategy, and an increasingly direct sales force, we expect TMCI to continue driving strong market penetration (currently ~5.5% of annual bunion procedures use Lapiplasty). While we are constructive on the longer-term growth potential of the business, the current valuation keeps us **EW/V**.

KEY POINTS:
Lapiplasty 3D Bunion Correction System: A Differentiated Device. Treace's primary offering is the Lapiplasty system, a set of tools designed to simplify a lapidus fusion procedure. While osteotomies remain the primary procedure that surgeons utilize to treat bunions (~$2.3 bil. TAM), lapidus fusion (and correcting in 3D) is gaining traction and increasingly supported by clinical data. TMCI's lapiplasty kit simplifies this procedure with tools to correct the metatarsal bone, eliminate the complications associated with free-hand cutting, and ultimately fixate the bone. While these tools simplify the procedure for physicians, the devices have the added benefit of making the procedure more repeatable (improving patient outcomes) and increasing the procedure speed (reducing OR time). From a clinical perspective, the company's ALIGN3D study, which to date includes analysis of 128 patients with at least 24 months of follow-up, showed a 0.9% recurrence rate (n=118) at the 24 month follow-up time frame. Additionally, patients were able to be weight-bearing in a walking boot at 8.1 days. Overall, we believe the lapiplasty system is an elegant approach to a common deformity, and we expect the ease of use and positive clinical data to continue to drive growth for TMCI.

Bunion Adjacent: Treating Concomitant Deformities. In addition to the ~$2.3 bil. bunion market, TMCI is gaining share in the adjacent markets such as Metatarsal Adductus (prevalent in ~30% of bunion cases). This deformity is characterized by middle metatarsals angling inward, and is often caused by bunions increasing in severity and impacting the position of additional toes. TMCI's Aductoplasty kit is used to treat this deformity during the bunion procedure, and with an ASP of $4,000 this

Paragon 28, Inc. v. Treace Medical Concepts, Inc.
IPR2026-00194
Treace Ex. 2022

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launch of this system in 3Q21 has helped drive additional revenue per procedure growth for the business, and we believe this remains a significant opportunity for TMCI. Looking ahead, there are additional deformities concomitant with bunions (such as hammer toes) that provide the company with further growth opportunities. Said differently, there remains significant runway for growth beyond the bunion market.

Surgeon Penetration Vs. Procedure Penetration. While 24% of the ~10,000 surgeons performing bunion procedures used Lapiplasty in the last 12 months, the system only accounted for ~6% of bunion procedures in 2022. Historically, physicians use lapidus fusion for more severe bunion cases and a simpler osteotomy in milder cases, however, Treace typically sees surgeon utilization increase from ~7 Lapiplasty kits in the first 12 months of using the device to ~18 kits in year 5. With more than half of the current active surgeon population having been trained in the last 24 months, this suggests significant revenue growth over the next 3 years. While we are not assuming every surgeon follows the company's historic utilization curve, we do expect the procedure volume penetration to trend towards the surgeon penetration rate over time. Said differently, the growth in active surgeons should translate to increasing market penetration over time. Additionally, while we do not expect Lapiplasty to entirely replace osteotomies (particularly for the milder surgical cases), we do expect it to be increasingly used in severe and moderate cases.

Direct Commercial Strategy. An important driver for Lapiplasty taking share from osteotomies as well as growth in the overall business is the company's transition to a more direct sales force. Specifically, since 2018, TMCI has invested in its direct sales force, which has grown from contributing 27% of revenue in 2019 to contributing 72% in 2022 (77% in 4Q22). We believe this transition has been a significant factor in driving increasing revenue per procedure as well as driving greater penetration into the surgeon population. In addition to the increasingly direct sales force, TMCI has successfully implemented a direct to consumer marketing initiative that we believe is helping drive increasing surgeon utilization rates. As patients are informed on Lapiplasty before going to the doctor, it is pushing surgeons to use the system at higher rates. Importantly, we believe patients with mild bunions that would typically be candidates for an osteotomy are requesting Lapiplasty instead. Overall, we believe this commercialization strategy will continue to be effective, helping to maintain the company's competitive position longer term.

Valuation and Thoughts on the Stock. TMCI is top-tier growth company with strong gross margins and a well capitalized balance sheet (after its recent deal). It has a differentiated device in a relatively underserved market, and with additional launches in adjacent markets and improvements on the existing device, the company has a long runway for growth. However, with the company currently trading at 8.4x EV / NTM revenue, we feel the risk / reward is relatively balanced. Given this dynamic, we are initiating coverage with an **Equal-Weight/Vol** rating and $26 price target. Ultimately, we would recommend investors look for market pullbacks as opportunities to put new money to work in this name. Our price target equates to 7.8x EV / 2023E revenue.

Potential Risks:
Competitive Risks. TMCI competes against multiple significantly large orthopedic businesses as well as small companies focused on bunions. To the extent the company is not able to effectively compete, its revenue growth could be negatively impacted.
Staffing Shortages. Potential staffing issues hospitals and surgery centers may face could have an impact on TMCI revenue growth. In the event of meaningful healthcare staffing shortages, TMCI's revenue could be negatively impacted.
Product Liability Risk. Implanting medical devices in patients inherently has risks associated, and in the event of a product failure the company could potentially be held liable.
Payer Risk. TMCI is dependent on public and private payers to provide reimbursement to their patients for their procedures and to the extent payers reduce or eliminate reimbursement for certain procedures, TMCI's revenue could be negatively impacted.
Cash Flow Risk. TMCI has historically operated at cash flow negative and may need additional capital to continue operations, and there can be no guarantee that the company will reach cash flow positive before needing access to additional capital.

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Treace Medical Concepts, Inc. (TMCI)

Initiating Coverage Report

Equal-Weight (Vol) Rating

$26 Price Target

George Sellers
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Source: Company filings.

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Treace Medical Concepts (TMCI) Overview: The Financial Snapshot

(Dollars in Millions, Except Per Share)

General Information

Ticker - U.S. Listing (NAS)	**TMCI**
Headquarters	Ponte Vedra Beach, FL
Stock Price	$27.81
Diluted Shares Outstanding	61.0
Market Cap	**$1,697**
Less: Cash & Equivalents	(165.4)
Plus: Debt	52.7
Enterprise Value	**$1,585**
2022 Revenue	$141.8
2022 EBITDA	($23.7)
Institutional Ownership	70.4%
Insider Ownership	29.6%
Average Trading Volume - *Shares*	93,659
Average Trading Volume - *$*	$2.6
Short Interest - Days	2.1
Short Interest - % of Float	3.1%

Estimates

	Stephens	Street	Difference
1Q23 Revenue	$38.1	$39.6	(3.8%)
2023 Revenue	$188.3	$190.8	(1.3%)
2024 Revenue	$228.4	$236.1	(3.3%)
1Q23 EBITDA	($11.4)	($11.6)	(1.9%)
1Q23 EBITDA Margin %	(29.8%)	(29.3%)	(57 bps)
2023 EBITDA	($29.3)	($36.2)	(19.0%)
2023 EBITDA %	(15.6%)	(19.0%)	341 bps
2024 EBITDA	($14.6)	($23.2)	(37.2%)
2024 EBITDA %	(6.4%)	(9.8%)	345 bps

Research Coverage

Firm	Rating	PT
J.P. Morgan	Buy	$30
Stifel	Buy	$30
Morgan Stanley	Buy	$30
BTIG	Buy	$29
Stephens	**EW/V**	**$26**

4 Buys

Source: Company filings, FactSet Research Systems and Stephens estimates.
Note: Pricing as of the close on 4/6/23.

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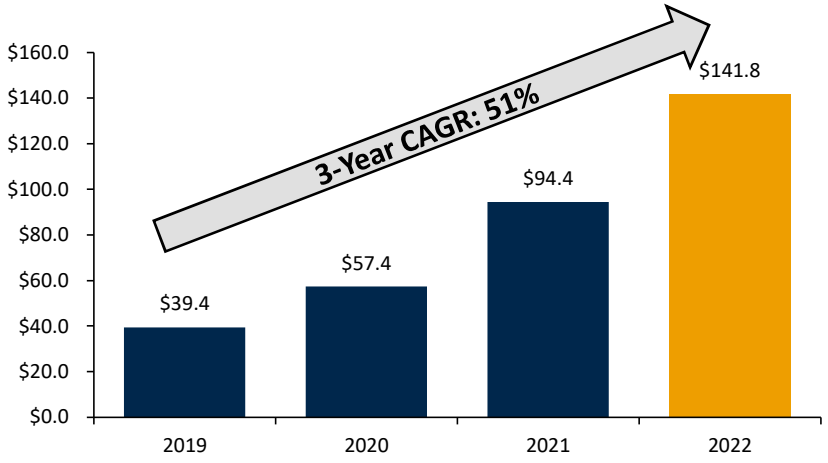
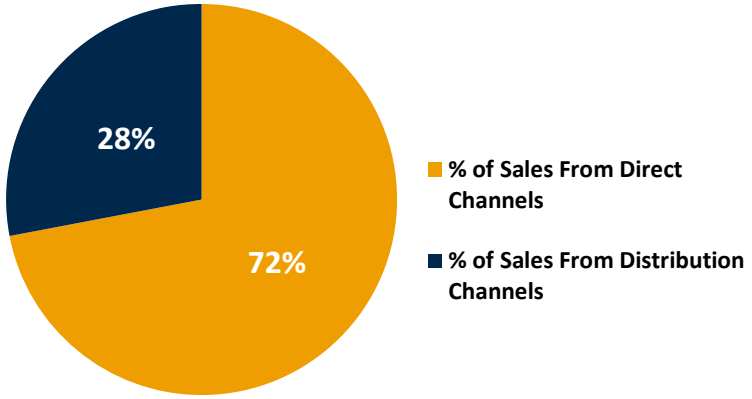
Treace Medical Concepts (TMCI) Overview: Corporate Summary

- Treace is a commercial-stage orthopedic medical device company focused on the surgical treatment of hallux valgus (bunions).
  - Bunions are a deformity of the big toe (the hallux) wherein the middle joint (TMT joint) is unstable, leading to a deviation in the bone's position.
  - With an estimated 480K surgical procedures to treat bunions annually and TMCI's ASP of $4,700, **the U.S. bunion market is ~$2.3 bil.**
- Sales of the Lapiplasty 3D Bunion Correction System, a kit with instruments and implants, make up a vast majority of TMCI's revenue.
- TMCI has grown organically at a 51% 3-year CAGR with strong gross margins.

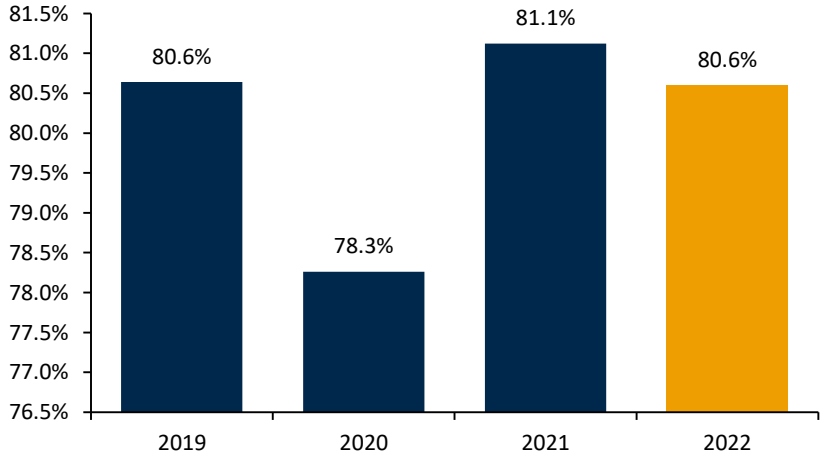
Revenue *($ in Mil.)*



2022 Revenue Breakdown



Gross Profit Margins



Source: Company filings.

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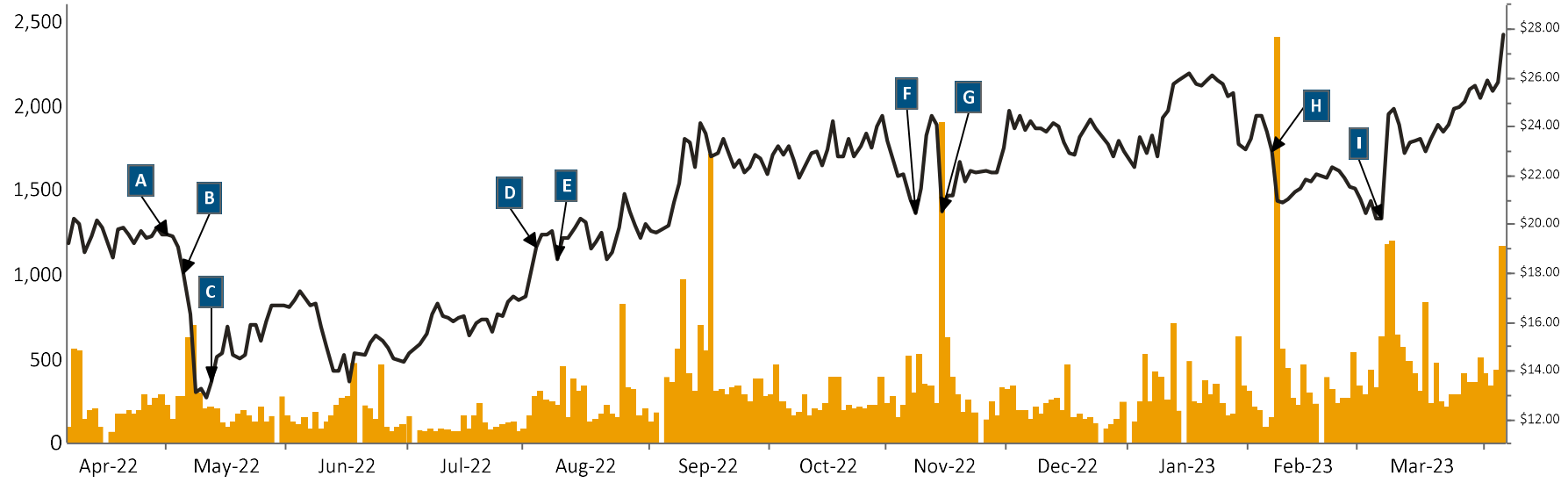
Treace Medical Concepts (TMCI) Overview: One-Year Annotated Price Chart

(April 7, 2022 – April 6, 2023)



A 5/2/22 TMCI announced a five-year $150 mil. debt financing agreement with MidCap Financial, with $120 mil. in a term loan and 30 mil. revolving credit facility.

B 5/5/22 Reports 1Q22 revenue of $29.0 mil. (vs. consensus of $26.0 mil.) and non-GAAP losses of ($0.16) per share (vs. consensus of ($0.20) per share). TMCI announced two newly granted patents on instrumented bunion techniques leaving the company with a total of 34 patents granted.

C 5/12/22 Sell-side initiation with a buy rating.

D 8/3/22 Treace announced the full commercial launch of the Lapiplasty 3-n-1 Cut Guide, The Lapiplasty S4A Anatomic Plating Kit, SpeedRealse, and TriTome Release Instruments.

E 8/9/22 Reports 2Q22 revenue of $30.0 mil. (vs. consensus of $28.7 mil.) and non-GAAP losses of ($0.23) per share (vs. consensus of ($0.21) per share). TMCI announced two newly granted patents on instrumented bunion techniques leaving the company with a total of 36 patents granted.

F 11/8/22 Reports 3Q22 revenue of $33.1 mil. (vs. consensus of $30.1 mil.) and non-GAAP losses of ($0.22) per share (vs. consensus of ($0.29) per share). TMCI announced two newly granted patents on instrumented bunion techniques leaving the company with a total of 38 patents granted.

G 11/15/22 A short report was published alleging TMCI is involved in deceptive reimbursement practices. The report alleges that TMCI will not be able to sustain the current billing practice, therefore lowering the ASP to be in line with the rest of the market. The claim is that TMCI does not have a superior product but is engaged in fraudulent activities.

H 2/7/23 TMCI announced a follow-on offering of $100 mil. worth of shares of common stock with an additional $15 mil. option increasing the share count by 8.6% if the underwriter option is not exercised, or 9.9% including the underwriters option.

I 3/7/23 Reports 4Q22 revenue of $49.8 mil. (vs. consensus of $44.8 mil.) and non-GAAP losses of ($0.08) per share (vs. consensus of ($0.10) per share).

Source: Company filings and FactSet Research Systems.
Note: Pricing as of the close on 4/6/23.

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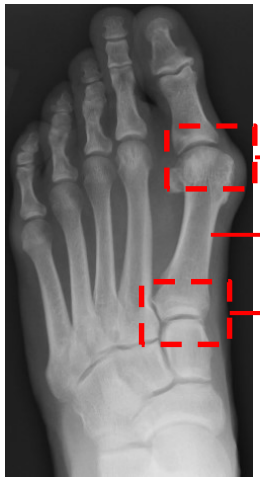
What Are Bunions?

- A Bunion, medically known as hallux valgus, is a deformity that presents as a large bump on the inside of the foot.
- Bunions develop due to instability at the first tarsometatarsal (TMT) joint which causes the metatarsal bone to drift inward.
- As the big toe drifts towards the smaller toes due to consistent pressure (shoes, internal mechanics, sustained trauma), the metatarsophalangeal (MTP) joint protrudes in the inside of the foot, creating the identifiable bump.
- This protrusion often worsens over time and is increasingly a source of pain that can make every day activities, including walking, difficult.
- Bunions can be caused by narrow / pointed shoes, genetics, or arthritis.
- This deformity is most common in older adults.

Early Stage Bunion



The Progression of Bunions

Source: American Academy of Orthopedic Surgeons and company filings.

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The Current Standard of Care

Mild – Moderate Bunion Treatment

- At early stages, physicians recommend changing footwear, icing inflamed areas, utilizing inserts, or simply taking OTC pain medicine.
- As the condition progresses, non-surgical options, such as corrective sleeves, are used to slow the progression and mitigate the symptoms of the deformity.
- Legacy surgical treatment included shaving down the protrusion, which was more cosmetic in nature rather than a long-term fix.
- The current surgical standard of care includes 2D osteotomy (~70% of annual cases) or 2D lapidus fusion (~30% of annual cases).
- For osteotomy, the protrusion is shaved and the bone is cut and realigned. For lapidus fusion, the TMT joint is fused, treating the root cause.

Removing Protrusion

2D Osteotomy

2D Lapidus Fusion

Technically challenging procedure to perform freehand.

Source: Mayo Clinic, Company filings and Stephens estimates.

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Key Investment Highlights

We are Initiating Coverage on TMCI with a EW/V Rating and $26 Price Target

1. Differentiated Device Simplifies Bunion Procedure
2. Significantly Large Existing Market
3. Surgeon Penetration An Indicator Of Future Growth
4. Commercial Strategy Shifting To Direct Sales Force
5. Positioned to Support Near-Term Investment Period
6. Recent M&A Transactions In Orthopedics
7. Valuation

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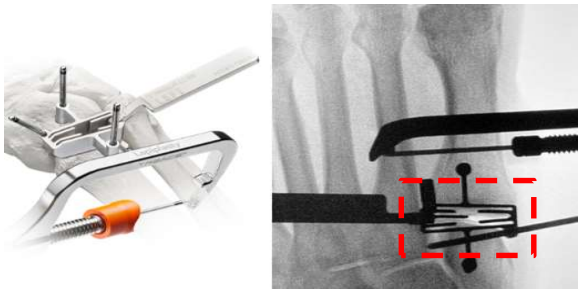
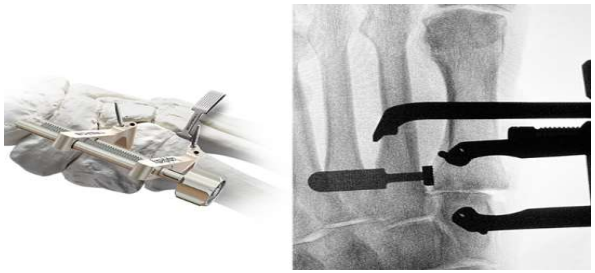
1 Differentiated Device Simplifies Bunion Procedure

Lapiplasty System – Simple & Repeatable

Correct: Rotate & Shift Metatarsal Bone



Cut: Follow "Paint by Numbers" Cutting Guide



Compress: Compress TMT Joint

Fixate: Apply Multiplanar Fixation

- Treace's Lapiplasty kit is designed to simplify a lapidus fusion procedure and provide consistent and repeatable results.
- The system makes the surgeon's life easier beginning with the tool that is used to rotate and shift the metatarsal into its correct position and then fixate the bone in place.
- The "paint by numbers" cutting guide provides a simpler alternative to removing the cartilage surfaces free hand.
- The pins used for the cut guide are then used to compress the joint, which is then fused with the provided plates and screws.
- The company has developed additional iterations of this system for smaller incisions, including the expected 2023 launch of a system that uses a staple (rather than plates) and a smaller incision.
- From a clinical standpoint, the ALIGN3D study has shown a 0.9% recurrence rate through 2 years and a return to weight bearing in a walking boot in 8.1 days.

ALIGN3D Study: Positive Results To Date

	Current Standard of Care	Lapiplasty System
Recurrence Rates	10.4% - 24.9%	0.9%
Recovery Period	14 - 42 days	8.1
Addresses 3 Planes	No	Yes

Source: Company filings, National Library of Medicine and Stephens estimates.

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2 Significantly Large Existing Market

- There remains significant debate among the medical community regarding the treatment of bunions, leading to relatively high retreatment rates or pushing patients toward non-surgical options.
- Ultimately this market has been underserved, and there remains a significant portion of surgical candidates that are not receiving surgery.
- We estimate that ~1.5% of bunion patients are surgical candidates. However, we believe only 50% of surgical candidates receive surgery, and with TMCI's Lapiplasty kit ASP of $4,700+, this equates to a $2.3 bil. market.
- In addition to correcting bunions, TMCI has launched into the adjacent market of metatarsal adductus which occurs in ~30% of surgical bunion cases. The incremental revenue per procedure is ~$4,000, equating to an additional $540 mil. market.

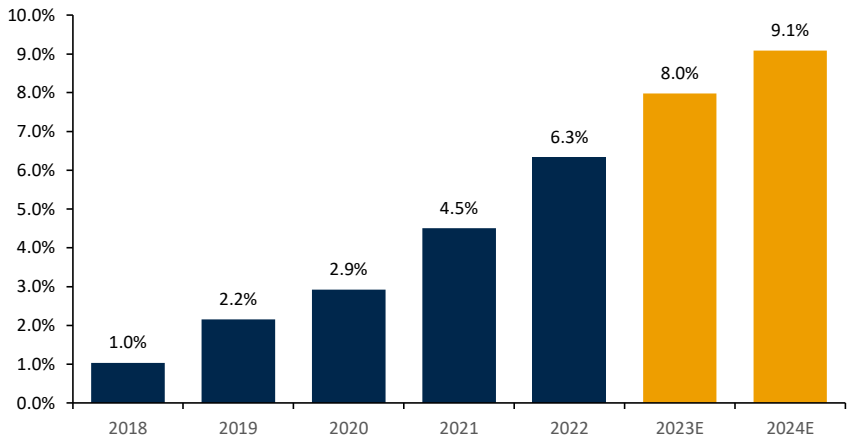
Existing TAM

U.S. Adult Population	258 mil.
Prevalence Rate	1 in 4
Bunion Population	65 mil.
Surgical Candidates	1.5%
% of Candidates Receiving Surgery	50.0%
Surgeries Per Year	0.5 mil.
TMCI ASP	$4,700
TAM	**$2.3 bil.**

Adjacent Market Opportunity

Metatarsal Adductus Opportunity	
Bunion Population	450,000
Metatarsal Adductus Prevalence	30%
Market Population	135,000
Blended Average Selling Price	$4,000
Market Size	**$540 mil.**

TMCI Market Penetration



Source: Company filings and Stephens estimates.

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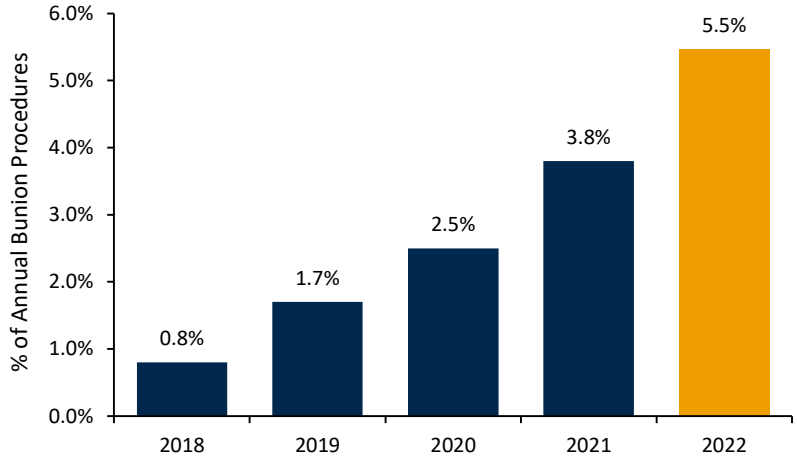
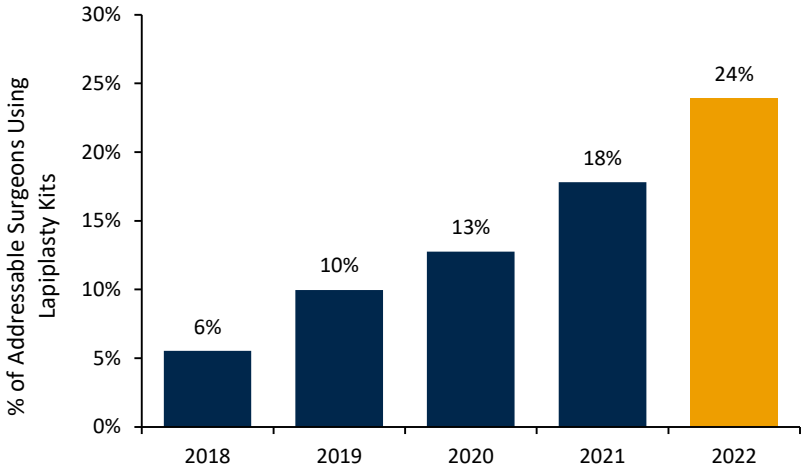
3 Surgeon Penetration An Indicator Of Future Growth

Market Penetration (Procedure Volume)

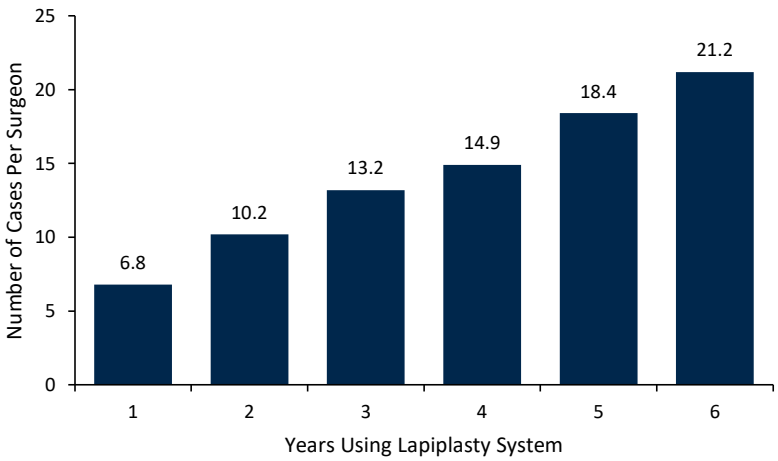


- While TMCI exited 2022 with 5.5% of the market, as many as 24% of the 10,000 surgeons performing bunion procedures used Lapiplasty in 2022.
- With the company's typical ramp in surgeon utilization, this implies a 20%+ revenue CAGR over the next 3 years.
- Although there are many competitive offerings for lapidus fusion bunion correction, 70% of bunion procedures continue to be osteotomies.
- We expect a combination of the company's DTC marketing, medical education programs, and increasingly direct sales force to drive physician conversion from osteotomy to lapiplasty.

Market Penetration (Surgeon Population)



Surgeon Utilization Curve



Source: Company filings and Stephens estimates.

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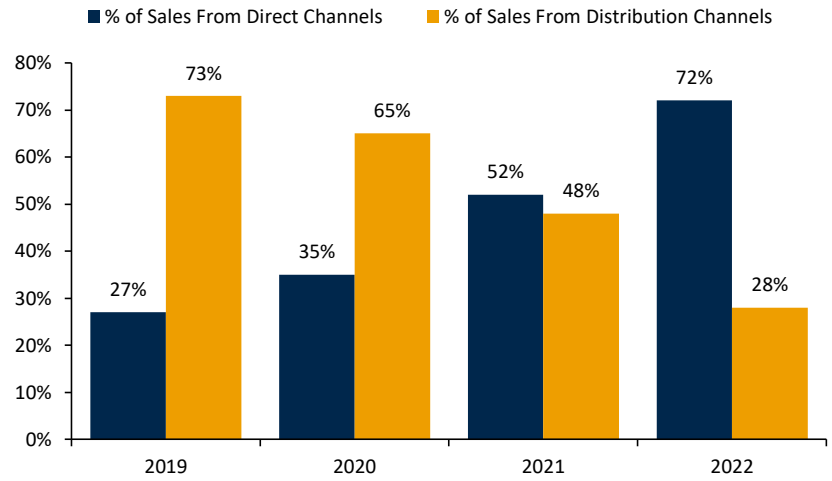
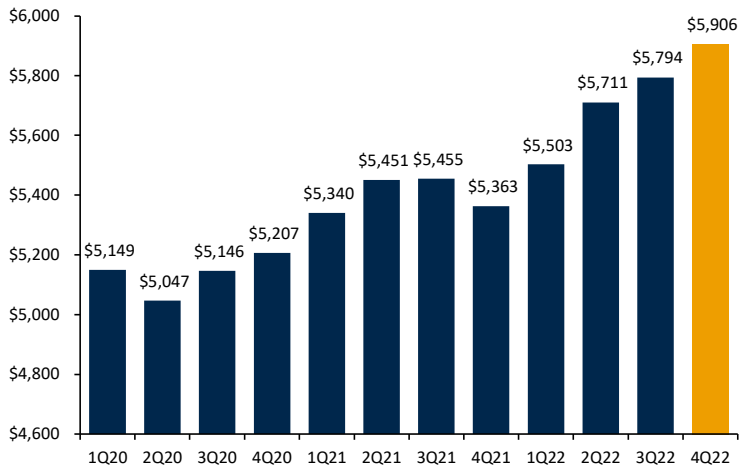
4 Commercial Strategy Shifting To Direct Sales Force

- TMCI has invested to transition to an increasingly direct sales force in recent years, exiting 2022 with 77% of sales coming from direct channels in 4Q22.
- We believe this transition has been a significant driver of the company's growth in average revenue per procedure as the direct sales force successfully converts physicians to more TMCI devices per procedure (i.e. adductoplasty, speed release, etc.).
- In our view, this model is more easily integrated with the DTC marketing initiative (physicians have a direct rep to reach out to) and surgeon education programs (direct reps can help direct surgeons to cadaveric training labs).
- The direct sales force also helps maintain the company's competitive position vs. a distribution network that is less focused on selling exclusively lapiplasty kits.

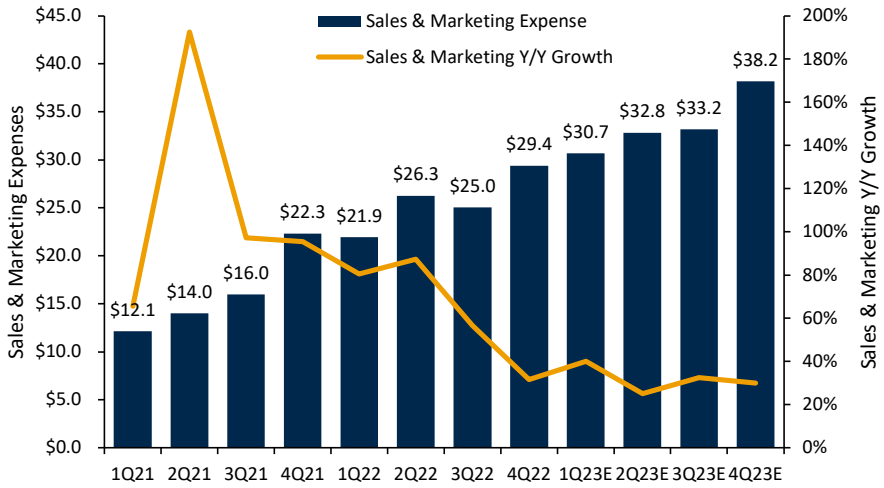
Sales Increasingly In Direct Channels



Driving Increasing ASP Per Procedure



Recent S&M Investment Slowing



Source: Company filings and Stephens estimates.

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5 Positioned to Support Near-Term Investment Period

Recent Deal

02/07/2023 Follow-On Details	
Additional Shares	5.5 mil.
% Dilution	9.9%
Cash Raised	$100 mil.
Cash Raised / Share	$1.64
Market Price / Share	$27.81
Cash Raised / Market Value	5.9%

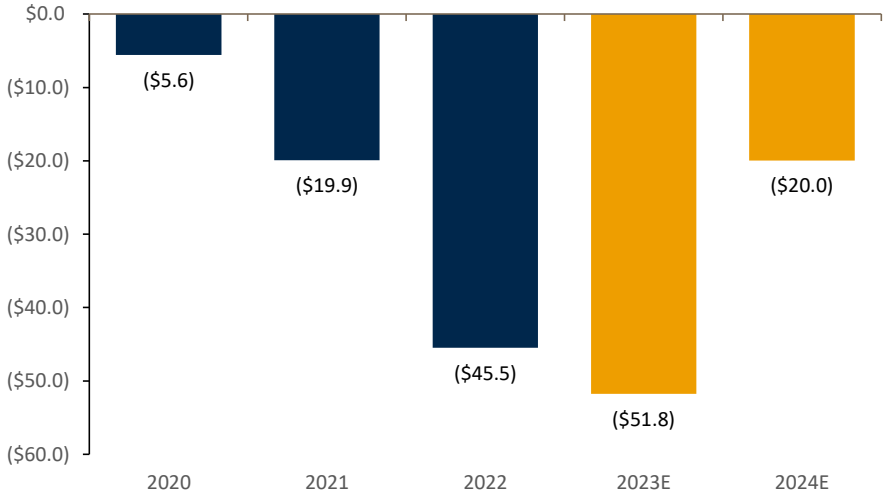
- **Recent Deal.** On February 7th, 2023, TMCI announced a follow-on offering that would provide the company with an additional ~$100 mil. of capital through the issuance of 4.8 mil. shares with the underwriters having the option to purchase an additional 0.7 mil. shares for a total share count of 5.5 mil.
- **Capitalization.** TMCI strengthened its balance sheet after the recent follow-on offering while diluting shareholders. We are taking the view that the path to profitability is murky and have yet to see a clear path to profitability.
- **Cash Flow.** TMCI invests heavily in their growth and we expect investments in direct to consumer marketing to be the main driver of growth moving forward. In the out years we see potential for a problematic trade off between investing in growth and reaching and maintaining profitability as the company matures.

Pro-Forma Capitalization

	12/31/2022 Balance Sheet	Impact From Deal	Pro Forma Balance Sheet
Cash & ST Investments	$81.3	$100.0	$181.3
Other Current Assets	$52.2	$0.0	$52.2
Non-Current Assets	$25.6	$0.0	$25.6
Total Assets	$159.0	$100.0	$259.0
Current Liabilities	$30.2	$0.0	$30.2
Non-Current Liabilities	$68.3	$0.0	$68.3
Additional Paid In Capital	$145.2	$100.0	$245.2
Stockholders Equity	$60.5	$100.0	$160.5
Liabilities Plus Stockholders Equity	$159.0	$100.0	$259.0

Source: Company filings and Stephens estimates.

Free Cash Flow: Near-Term Investment



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6 Recent M&A Transactions In Med Tech

Conmed Acquires In2Bones

- **05/04/22.** CNMD announced the acquisition of In2Bones.
- **06/14/22.** CNMD closed on the acquisition of In2Bones, a privately held company who sells medical devices to treat conditions in the upper and lower extremities.
- **$145 mil. (Ex. $110 mil. Earnout) Price Tag.** The deal calls for an initial $145 mil. and an additional $110 mil. in growth-based earnouts over a four-year period.
- **$23.7 mil. 2H22 Revenue.** Annualized, this values In2Bones at 3.1x NTM sales (5.4x including the earnout).
- **Additional Financials.** In2Bones had a revenue growth rate of 10% and gross margins of 80%.

Abbott Acquires Cardiovascular Systems

- **02/08/2023.** Abbott Laboratories (ABT) announced the acquisition of Cardiovascular Systems (CSII), an innovative company treating patients with artery disease.
- **$707 mil. Enterprise Value.** The deal calls for ABT to pay each holder of CSII $20 per share which sums to an equity value of $839 mil. and an enterprise value of $707 mil.
- **$270 mil. 2023E Revenue.** This deal values Cardiovascular Systems at 2.6x EV / 2023E revenue.
- **Additional Financials.** Cardiovascular Systems had a revenue growth rate of (4.7%) and gross margins of 71%.

Boston Scientific Acquires Apollo Endosurgery

- **11/29/2022.** Boston Scientific (BSX) announced the acquisition of Apollo Endosurgery (APEN), a pioneer in the endoluminal surgery space innovating devices to provide patients with a minimally invasive alternative to open and laparoscopic surgery.
- **$615 mil. Price Tag.** Boston Scientific has agreed to pay APEN shareholders $10 per share summing a total enterprise value of $615 mil.
- **$89.3 mil. 2023E Revenue.** Boston Scientific has agreed to pay 6.9x EV / 2023 revenue.
- **Additional Financials.** Apollo Endosurgery had a revenue growth rate of 19% and gross margins of 55.9%.

Orthopediatrics Acquires Pega Medical

- **06/14/2022.** Orthopediatrics (KIDS) announced the acquisition of Pega Medical, a private company focused on treating pediatrics patients with rare musculoskeletal disorders.
- **$33 mil. Deal.** Orthopediatrics has agreed to pay Pega Medical $31 mil. in cash upfront and an additional $2 mil. in restricted stock for a total of $33 mil.
- **$7 mil. 2022E Revenue.** This deal values Pega Medical at 4.7x 2022E revenue.
- **Additional Financials.** Pega had a revenue growth rate of 0% and gross margins of 68%.

Source: FactSet Research Systems and Stephens estimates.

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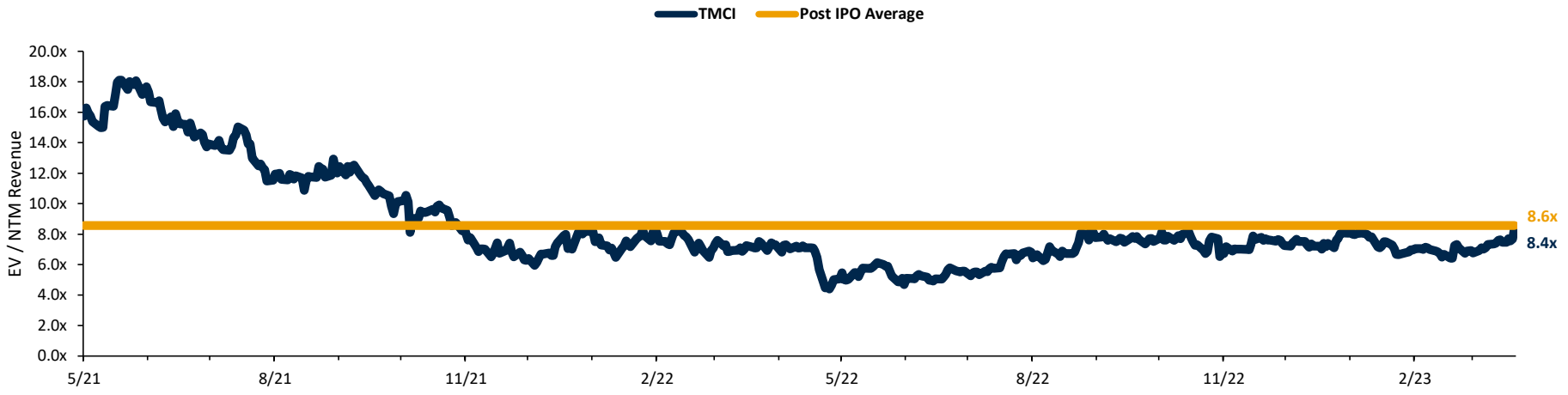
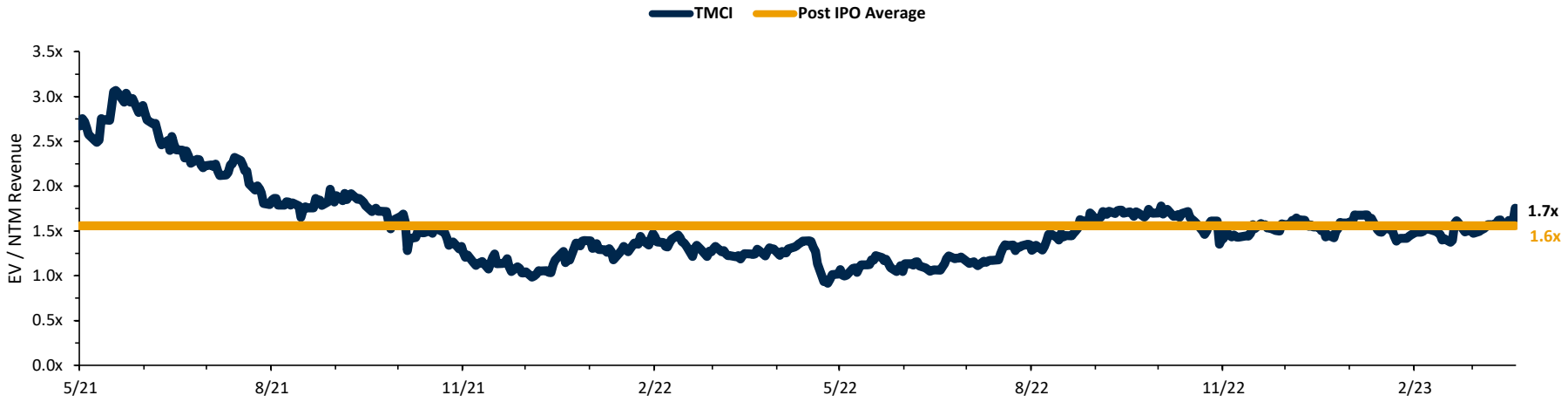
7 Valuation: Discount to Absolute Avg., But Premium To Relative Avg.

Historical NTM Revenue Multiple



Historical NTM Revenue Multiple Relative to S&P Healthcare Composite



Source: FactSet Research Systems.

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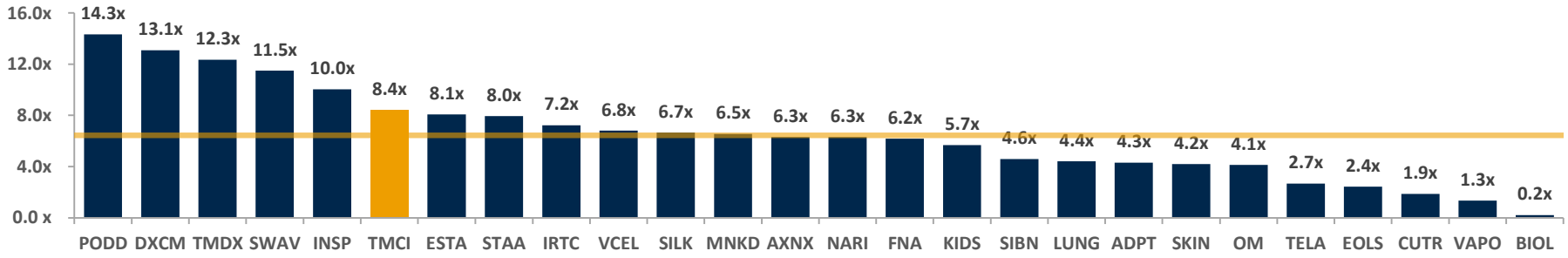
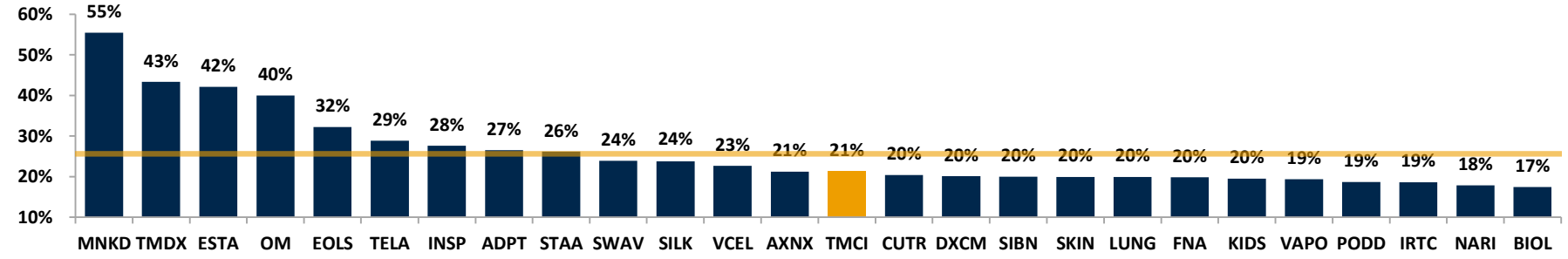
7 Valuation: Premium vs. Similar Growth Profiles

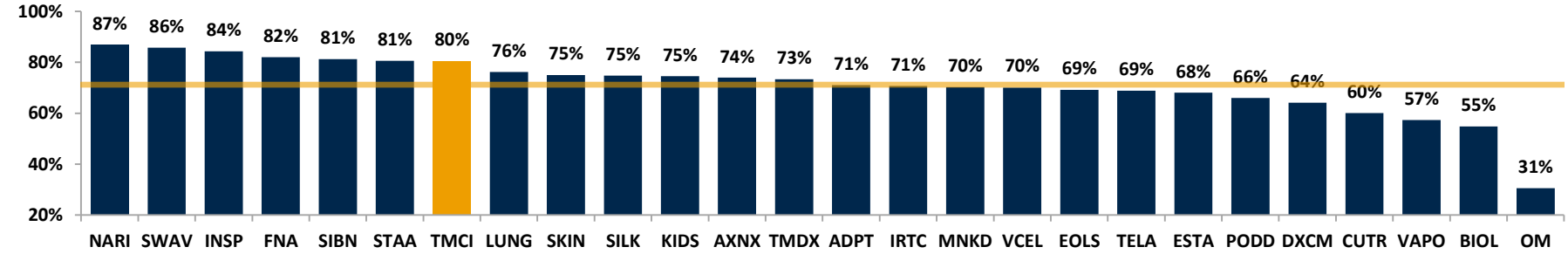
Current NTM Revenue Multiples For Top 25 Fastest Growing Med Tech



2024 Growth Expectations For Top 25 Fastest Growing Med Tech



2024 Gross Margin Expectations For Top 25 Fastest Growing Med Tech



Source: Company filings, FactSet Research Systems and Stephens estimates.

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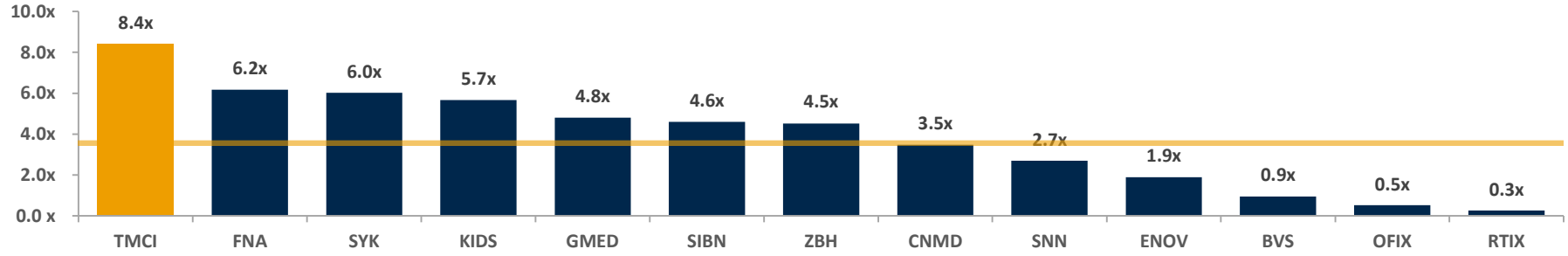
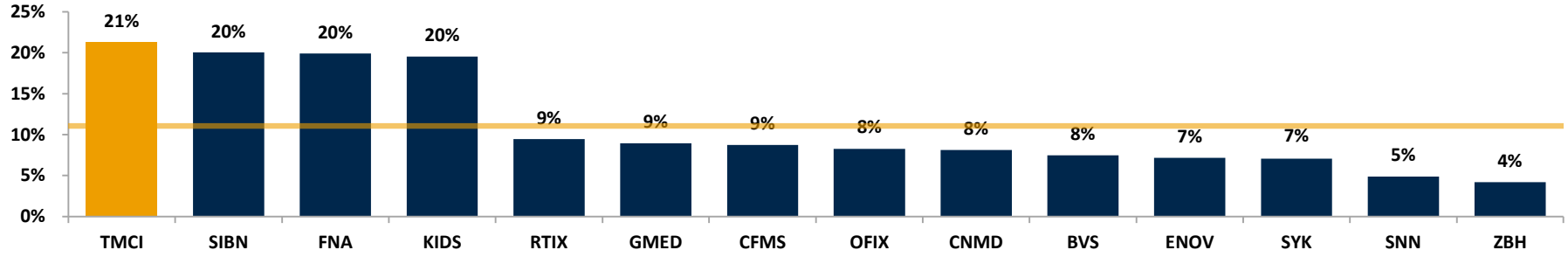
7 Valuation: Premium vs. Similar Growth Profiles In Orthopedics

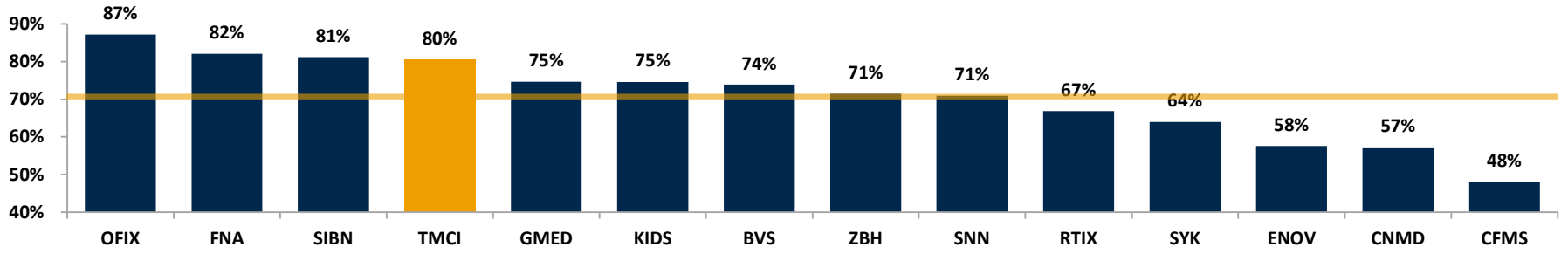
Current NTM Revenue Multiples For The Orthopedic / Spine Group



2024 Growth Expectations For The Orthopedic / Spine Group



2024 Gross Margin Expectations For The Orthopedic / Spine Group



Source: Company filings, FactSet Research Systems and Stephens estimates.

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7 Valuation: Comparison of Top 25 Fastest Growing Med Tech

	Ticker	Price	Shares	Mkt Cap	EV	Revenue Growth		Gross Margin		EBITDA Margin		EBITDA Growth		Revenue Multiple	
		4/6/23	Out	(mil.)	(mil)	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
T25 Fastest Growing Med Tech Comps															
MannKind Corporation	MNKD	$ 4.15	263.9	$ 1,095.3	$ 1,312.8	71.9%	55.4%	61.5%	70.4%	NM	NM	NM	NM	7.7x	4.9x
TransMedics Group, Inc.	TMDX	73.15	32.2	2,355.2	2,221.5	57.7%	43.4%	68.2%	73.3%	NM	12.5%	NA	NA	15.1x	10.5x
Establishment Labs Holdings, Inc.	ESTA	71.00	24.4	1,733.7	1,846.7	27.5%	42.1%	66.1%	68.1%	NM	NM	NA	NA	9.0x	6.3x
Outset Medical, Inc.	OM	17.56	48.6	854.1	669.8	25.5%	40.0%	20.3%	30.6%	NM	NM	NA	NA	4.6x	3.3x
Evolus, Inc.	EOLS	8.39	56.4	473.3	493.8	25.9%	32.2%	69.9%	69.2%	NM	0.0%	NA	NA	2.6x	2.0x
TELA Bio, Inc.	TELA	10.98	66.1	725.8	725.2	49.2%	28.9%	67.3%	68.8%	NM	NM	NA	NA	11.7x	9.1x
Inspire Medical Systems, Inc.	INSP	234.01	29.0	6,797.6	6,355.1	39.5%	27.6%	84.1%	84.3%	2.8%	6.7%	158.3%	201.4%	11.2x	8.7x
Adaptive Biotechnologies Corp.	ADPT	8.61	143.2	1,233.2	968.3	12.7%	26.5%	69.5%	71.0%	NM	NM	NA	NA	4.6x	3.7x
STAAR Surgical Company	STAA	62.48	48.2	3,013.8	2,833.2	20.1%	26.2%	80.0%	80.6%	17.9%	25.2%	NA	76.9%	8.3x	6.6x
Shockwave Medical, Inc.	SWAV	223.05	36.5	8,140.3	7,896.2	37.1%	23.9%	86.4%	85.8%	27.2%	30.1%	27.2%	37.4%	11.8x	9.5x
Silk Road Medical, Inc.	SILK	39.31	38.5	1,511.9	1,380.7	30.0%	23.8%	72.9%	74.9%	NM	NM	NA	NA	7.7x	6.2x
Vericel Corporation	VCEL	30.08	47.4	1,424.7	1,352.8	13.4%	22.7%	68.1%	70.1%	15.8%	19.8%	22.0%	53.2%	7.3x	5.9x
Axonics, Inc.	AXNX	56.43	50.0	2,819.4	2,471.4	25.4%	21.3%	73.2%	73.9%	NM	5.4%	NA	NA	7.2x	5.9x
Cutera, Inc.	CUTR	23.59	19.6	462.7	575.3	12.3%	20.4%	57.8%	60.0%	1.3%	10.2%	NA	830.0%	2.0x	1.7x
DexCom, Inc.	DXCM	112.47	386.4	43,459.9	43,148.7	19.2%	20.1%	62.9%	64.1%	23.8%	25.8%	26.8%	30.3%	12.4x	10.4x
SI-BONE, Inc.	SIBN	19.48	35.0	681.5	623.7	17.9%	20.0%	81.4%	81.2%	NM	NM	NA	NA	5.0x	4.1x
Beauty Health Company Class A	SKIN	12.34	132.5	1,635.1	1,820.5	24.7%	20.0%	73.8%	75.0%	17.8%	22.0%	70.5%	48.0%	4.0x	3.3x
Pulmonx Corp.	LUNG	11.20	37.6	421.7	304.7	20.1%	20.0%	73.6%	76.2%	NM	NM	NA	NA	4.7x	3.9x
Paragon 28, Inc.	FNA	17.08	82.1	1,402.0	1,339.0	19.8%	19.9%	81.9%	82.1%	NM	3.7%	NA	NA	6.2x	5.1x
OrthoPediatrics Corp.	KIDS	47.00	23.0	1,080.7	978.2	21.2%	19.6%	74.2%	74.6%	2.2%	5.3%	1360.2%	182.7%	6.6x	5.5x
Vapotherm, Inc.	VAPO	0.66	46.2	30.5	119.9	14.1%	19.4%	47.5%	57.4%	NM	NM	NA	NA	1.6x	1.3x
Insulet Corporation	PODD	317.72	69.5	22,095.0	22,853.1	17.1%	18.7%	65.2%	66.0%	16.5%	17.6%	12.4%	26.4%	15.0x	12.6x
iRhythm Technologies, Inc.	IRTC	124.60	30.2	3,764.9	3,682.8	17.1%	18.7%	69.4%	70.8%	NM	5.0%	NA	NA	7.7x	6.4x
Inari Medical, Inc.	NARI	65.08	54.3	3,534.7	3,240.6	24.2%	17.8%	87.5%	86.9%	NM	3.0%	NA	NA	6.8x	5.8x
BIOLASE, Inc.	BIOL	0.28	24.2	6.8	18.3	23.6%	17.4%	47.7%	54.8%	NM	2.1%	NA	NA	0.3x	0.3x
T25 Average						**26.7%**	**25.8%**	**68.4%**	**70.8%**	**13.9%**	**12.2%**	**239.6%**	**165.2%**	**7.2x**	**5.7x**
Treace Medical Concepts, Inc.	TMCI	27.81	61.0	1,697.4	1,584.7	32.8%	21.3%	79.9%	80.5%	NM	NM	NA	NA	8.4x	6.9x
												TMCI Premium Valuation		**16.3%**	**21.2%**

***Conclusion:* On average, TMCI trades at a 16% premium vs. the top-25 fastest growing Med Tech peers.**

Source: Company filings, FactSet Research Systems, and Stephens Estimates.
Note: TMCI Multiples Based on Stephens Estimates, all other estimates are FactSet consensus.
Note: Pricing as of the close on 4/6/23.

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7 Valuation: Comparison of Orthopedic Sector

	Ticker	Price	Shares	Mkt Cap	EV	Revenue Growth		Gross Margin		EBITDA Margin		EBITDA Growth		Revenue Multiple	
		4/6/23	Out	(mil.)	(mil)	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Orthopedic Comps															
Treace Medical Concepts, Inc.	TMCI	$ 27.81	61.0	$ 1,697.4	$ 1,584.7	32.8%	21.3%	79.9%	80.5%	NM	NM	NA	NA	8.4x	6.9x
SI-BONE, Inc.	SIBN	19.48	35.0	681.5	623.7	17.9%	20.0%	81.4%	81.2%	NM	NM	NA	NA	5.0x	4.1x
Paragon 28, Inc.	FNA	17.08	82.1	1,402.0	1,339.0	19.8%	19.9%	81.9%	82.1%	NM	3.7%	NA	NA	6.2x	5.1x
OrthoPediatrics Corp.	KIDS	47.00	23.0	1,080.7	978.2	21.2%	19.6%	74.2%	74.6%	2.2%	5.3%	1360.2%	182.7%	6.6x	5.5x
Surgalign Holdings, Inc.	RTIX	1.26	8.4	10.6	5.8	(37.1%)	9.5%	66.3%	66.8%	NM	NM	NA	NA	0.1x	0.1x
Globus Medical Inc Class A	GMED	57.22	77.9	4,457.6	4,011.5	7.8%	9.0%	74.4%	74.7%	34.0%	34.7%	10.8%	11.4%	3.6x	3.3x
Conformis Inc	CFMS	1.61	7.5	12.1	(9.1)	(6.8%)	8.7%	36.8%	48.1%	NE	NE	NM	NM	NM	NM
Orthofix Medical, Inc.	OFIX	17.33	36.5	631.8	608.0	(12.4%)	8.3%	84.5%	87.2%	9.6%	12.4%	20.7%	39.7%	1.0x	0.9x
CONMED Corporation	CNMD	106.24	30.5	3,240.3	4,284.8	14.0%	8.1%	55.8%	57.2%	19.4%	20.8%	23.9%	15.8%	3.6x	3.3x
Bioventus, Inc. Class A	BVS	1.31	62.0	81.2	485.9	2.8%	7.5%	71.4%	73.8%	12.9%	15.1%	2.5%	25.6%	0.9x	0.9x
Enovis Corporation	ENOV	53.20	54.3	2,890.1	3,200.6	5.4%	7.2%	57.0%	57.5%	15.7%	16.9%	9.9%	14.9%	1.9x	1.8x
Stryker Corporation	SYK	287.68	378.8	108,982.2	120,580.2	7.3%	7.1%	63.4%	63.9%	26.0%	26.8%	7.9%	10.6%	6.1x	5.7x
Smith & Nephew plc Sponsored ADR	SNN	28.55	436.7	12,467.2	12,117.2	5.3%	4.9%	70.5%	71.0%	25.2%	26.0%	3.7%	8.3%	2.2x	2.1x
Zimmer Biomet Holdings, Inc.	ZBH	129.17	210.1	27,134.0	32,675.1	3.0%	4.2%	71.2%	71.4%	34.3%	34.9%	4.6%	6.0%	4.6x	4.4x
Orthopedic Average						**5.8%**	**11.1%**	**69.2%**	**70.7%**	**19.9%**	**19.7%**	**160.5%**	**35.0%**	**3.6x**	**3.2x**
Treace Medical Concepts, Inc.	TMCI	27.81	61.0	1,697.4	1,584.7	32.8%	21.3%	79.9%	80.5%	(15.6%)	(6.4%)	23.7%	NA	8.4x	6.9x
												TMCI Premium Valuation		**135.3%**	**120.1%**

***Conclusion:* On average, TMCI trades at a 135% premium vs. the Orthopedic peers.**

Source: Company filings, FactSet Research Systems, and Stephens Estimates.
Note: TMCI Multiples Based on Stephens Estimates, all other estimates are FactSet consensus.
Note: Pricing as of the close on 4/6/23.

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7 Valuation: Putting It All Together

Comparable Transaction Multiple

	Bear	Base	Bull
TMCI 2023E Sales	$188	$188	$188
Transaction Revenue Multiple	6.0x	7.0x	8.0x
TMCI 2023 Enterprise Value	**$1,130**	**$1,318**	**$1,507**
Plus Cash	165.4	165.4	165.4
Minus Debt	(52.7)	(52.7)	(52.7)
TMCI 2023 Market Capitalization	**1,242.6**	**1,431.0**	**1,619.3**
Shares Outstanding	61.0	61.0	61.0
Value per Share	**$20.36**	**$23.45**	**$26.53**
Current Price	$27.81	$27.81	$27.81
Percent Difference	(26.8%)	(15.7%)	(4.6%)

Average Peer Multiple

	Bear	Base	Bull
TMCI 2023E Sales	$188	$188	$188
Peer Revenue Multiple	7.0x	8.0x	9.0x
TMCI 2023 Enterprise Value	**$1,318**	**$1,507**	**$1,695**
Plus Cash	165.4	165.4	165.4
Minus Debt	(52.7)	(52.7)	(52.7)
TMCI 2023 Market Capitalization	**1,431.0**	**1,619.3**	**1,807.6**
Shares Outstanding	61.0	61.0	61.0
Value per Share	**$23.45**	**$26.53**	**$29.62**
Current Price	$27.81	$27.81	$27.81
Percent Difference	(15.7%)	(4.6%)	6.5%

Historical Average Multiple

	Bear	Base	Bull
TMCI 2023E Sales	$188	$188	$188
Historical Revenue Multiple	7.5x	8.5x	9.5x
TMCI 2023 Enterprise Value	**$1,412**	**$1,601**	**$1,789**
Plus Cash	165.4	165.4	165.4
Minus Debt	(52.7)	(52.7)	(52.7)
TMCI 2023 Market Capitalization	**1,525.1**	**1,713.4**	**1,901.8**
Shares Outstanding	61.0	61.0	61.0
Value per Share	**$24.99**	**$28.07**	**$31.16**
Current Price	$27.81	$27.81	$27.81
Percent Difference	(10.1%)	0.9%	12.0%

Source: Company filings, FactSet Research Systems and Stephens estimates.
Note: Pricing as of the close on 4/6/23.

Our Price Target

	Bear	Base	Bull
Comparable Transaction Based EV	$1,130	$1,318	$1,507
Weight	30.0%	30.0%	30.0%
Peer Valuation Based EV	$1,318	$1,507	$1,695
Weight	60.0%	60.0%	60.0%
Historical Avg. Valuation Based EV	$1,412	$1,601	$1,789
Weight	10.0%	10.0%	10.0%
TMCI 2023 Enterprise Value	**$1,271**	**$1,459**	**$1,648**
Plus Cash	165.4	165.4	165.4
Minus Debt	(52.7)	(52.7)	(52.7)
TMCI 2023 Market Capitalization	**1,383.9**	**1,572.2**	**1,760.5**
Shares Outstanding	61.0	61.0	61.0
Value per Share	**$22.67**	**$25.76**	**$28.84**
Current Price	$27.81	$27.81	$27.81
Percent Difference	(18.5%)	(7.4%)	3.7%

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Potential Catalysts & Risks

Potential Catalysts

Quarterly Performance. We believe the primary focus for investors when evaluating quarterly performance will be total revenue growth, gross margins, and cash flow.

Management's Guidance. TMCI typically issues annual revenue guidance. To the extent guidance is revised higher during the year, this would serve as a positive catalyst for the stock.

FDA Approval. To the extent the company receives regulatory approval of new devices and systems we would expect the revenue growth profile to benefit and the stock to react positively.

Physician Training & Adoption. Growing number of physicians trained and using TMCI's devices is a positive indicator of future growth, and we would expect the stock to react positively to continued growth in these metrics.

Patient Awareness. The company has seen significant growth associated with its direct to consumer marketing strategy, and increasing patient awareness could drive accelerating growth.

Acquisition Announcements. We believe TMCI is a potential acquisition candidate given its differentiated device, and any announcement related to the interest of a strategic acquirer could have a material impact on the stock price.

Potential Risks

Competitive Risks. TMCI competes against multiple significantly large orthopedic businesses as well as small companies focused on bunions. To the extent the company is not able to effectively compete, its revenue growth could be negatively impacted.

Staffing Shortages. Potential staffing issues hospitals and surgery centers may face could have an impact on TMCI revenue growth. In the event of meaningful healthcare staffing shortages, TMCI's revenue could be negatively impacted.

Product Liability Risk. Implanting medical devices in patients inherently has risks associated, and in the event of a product failure the company could potentially be held liable.

Payer Risk. TMCI is dependent on public and private payers to provide reimbursement to their patients for their procedures and to the extent payers reduce or eliminate reimbursement for certain procedures, TMCI's revenue could be negatively impacted.

Cash Flow Risk. TMCI has historically operated at cash flow negative and may need additional capital to continue operations, and there can be no guarantee that the company will reach cash flow positive before needing access to additional capital.

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Appendix

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Experienced Management Team

John T. Treace

Chief Executive Officer, Founder, and Board Member

John T. Treace founded Treace Medical Concepts in 2014 and has served as CEO and board member since inception. He has over 25 years of medical device experience working for Wright Medical and a number of smaller medical device companies before starting his own.

Mark L. Hair

Chief Financial Officer

Mark L. Hair has served as CFO since 2020 and has over 25 years of financial experience. He has served in the CFO role for Restoration Robotics and senior leadership positions for a number of other med tech companies. He began his career working as a financial consultant for Deloitte and as a partner at a boutique firm.

Jamie A. Frias

Chief Business Development Officer

Jamie A. Frias has served in his role as CBDO since 2022 and has previously held other leadership positions within the company. He began collaboration with Treace in 2014 through his firm, Frias Legal PA, and joined full time in 2017. He has over 30 years of experience with 15 spent working for Medtronic.

Source: Company filings.

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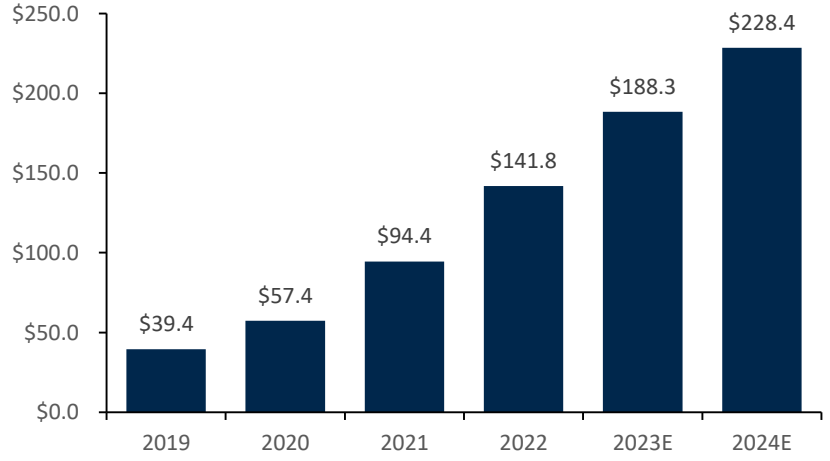
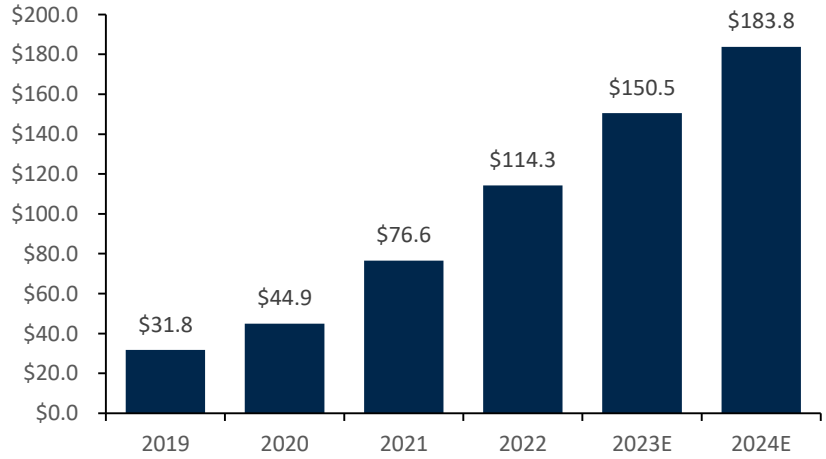
Financial Overview

(Dollars in Millions)

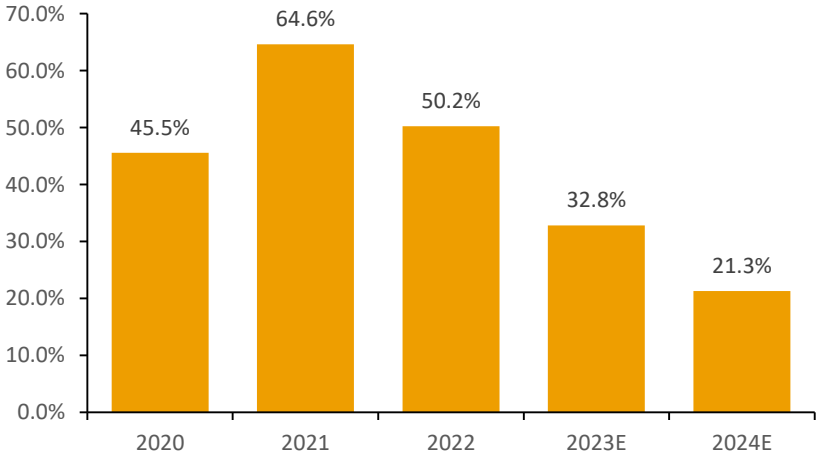
Revenue



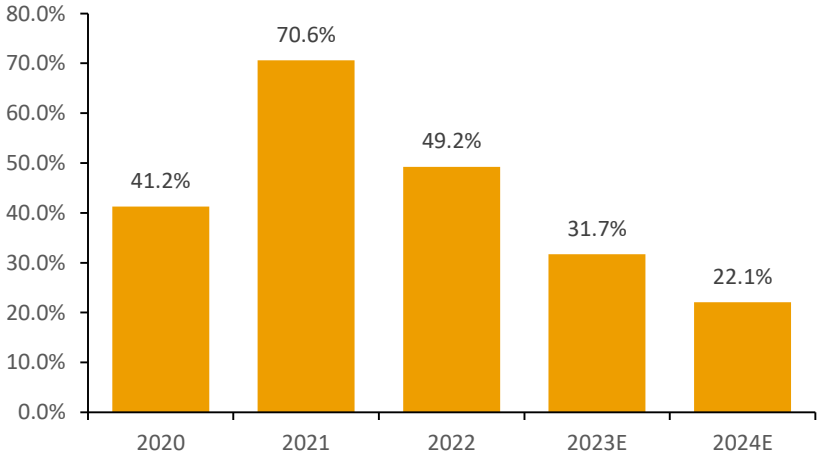
Gross Profit



Revenue Growth



Gross Profit Growth



Source: Company filings and Stephens Estimates.

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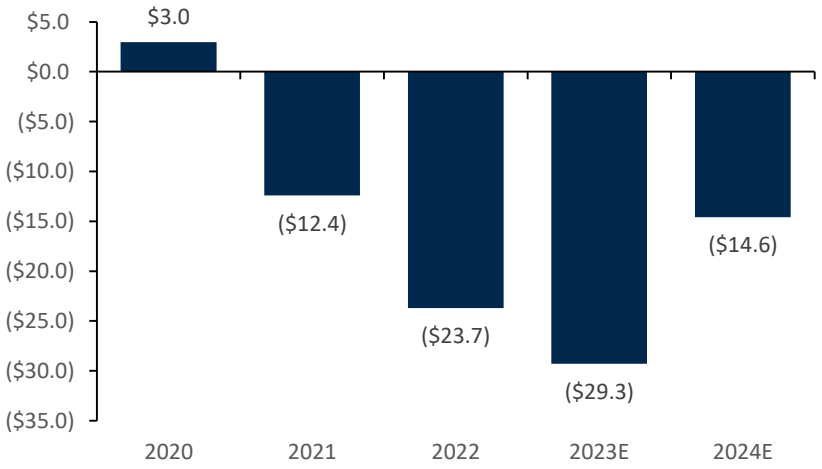
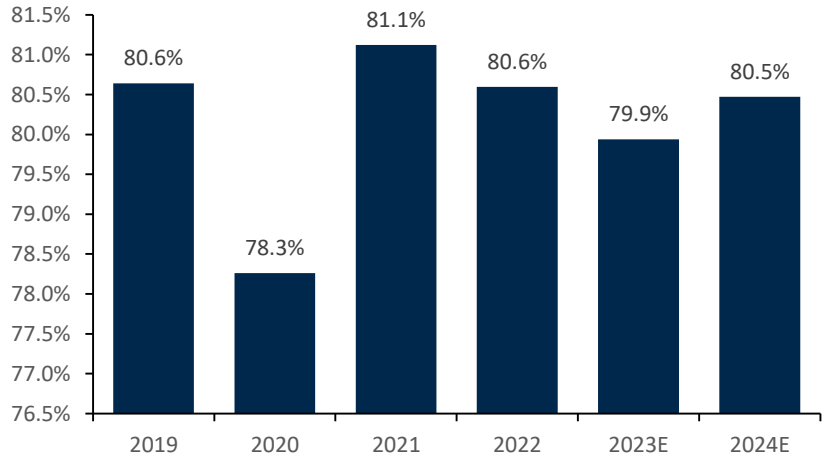
Financial Overview

(Dollars in Millions)

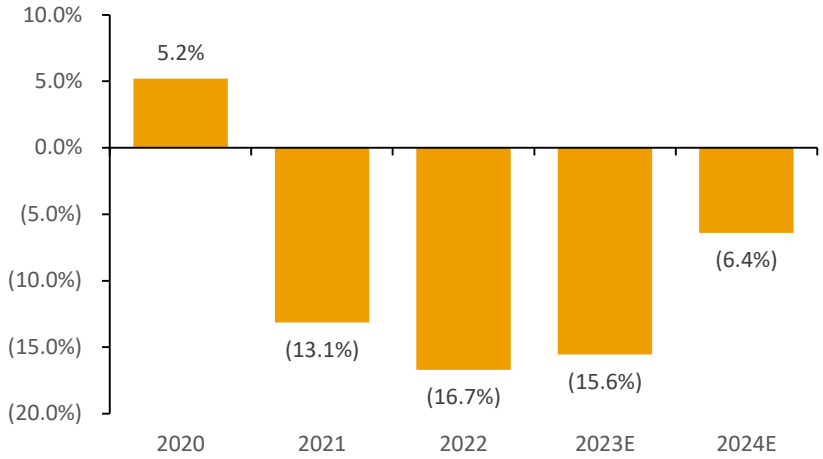
EBITDA



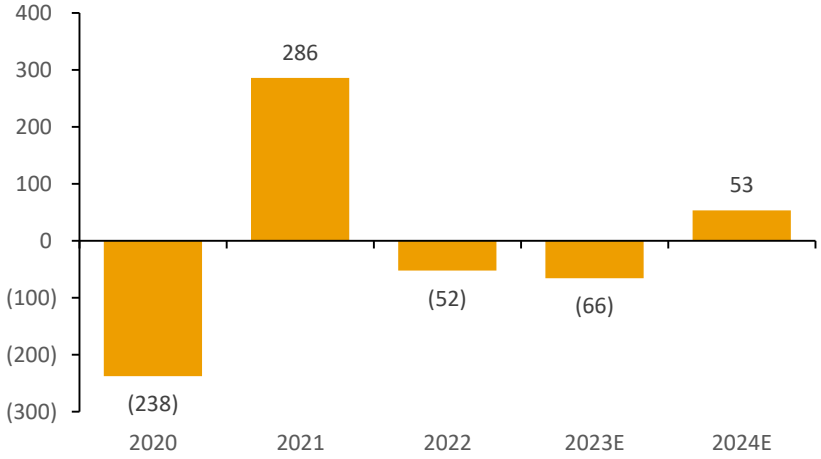
Gross Profit Margins



EBITDA Margins



Gross Profit Margin Expansion *(bps)*



Source: Company filings and Stephens Estimates.

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TMCI Historical & Projected Income Statement

(Dollars in Millions, Except per Share)

	FYE 2020A	FYE 2021A	For the Quarter Ended 3/31/22A	6/30/22A	9/30/22A	12/31/22A	FYE 2022A	For the Quarter Ended 3/31/23E	6/30/23E	9/30/23E	12/31/23E	FYE 2023E	For the Quarter Ended 3/31/24E	6/30/24E	9/30/24E	12/31/24E	FYE 2024E
Total Revenue	**$ 57.4**	**$ 94.4**	**$ 29.0**	**$ 30.0**	**$ 33.1**	**$ 49.8**	**$ 141.8**	**$ 38.1**	**$ 42.7**	**$ 45.3**	**$ 62.2**	**$ 188.3**	**$ 47.1**	**$ 52.8**	**$ 54.9**	**$ 73.7**	**$ 228.4**
Total Cost of Goods Sold	**$ 12.5**	**$ 17.8**	$ 5.5	$ 5.7	$ 6.6	$ 9.7	**$ 27.5**	$ 7.7	$ 8.5	$ 9.1	$ 12.5	**$ 37.8**	$ 9.3	$ 10.8	$ 10.7	$ 13.8	**$ 44.6**
Total Gross Profit / (Loss)	**$ 44.9**	**$ 76.6**	**$ 23.5**	**$ 24.3**	**$ 26.4**	**$ 40.0**	**$ 114.3**	**$ 30.4**	**$ 34.2**	**$ 36.3**	**$ 49.7**	**$ 150.5**	**$ 37.8**	**$ 42.0**	**$ 44.2**	**$ 59.8**	**$ 183.8**
Selling & Marketing Expense	**31.7**	**64.5**	21.9	26.3	25.0	29.4	**102.6**	30.7	32.8	33.2	38.2	**134.9**	33.8	35.3	35.8	43.0	**147.8**
Research & Development Expense	**5.8**	**10.2**	3.1	3.0	3.8	3.7	**13.6**	3.8	4.3	4.5	5.0	**17.6**	5.2	5.8	6.0	6.3	**23.3**
General & Administrative	**6.5**	**18.4**	6.7	7.0	8.9	10.4	**33.0**	9.3	9.1	9.4	11.2	**39.0**	9.8	9.6	9.8	11.7	**40.9**
Total Operating Expense	**$ 44.0**	**$ 93.1**	**$ 31.6**	**$ 36.2**	**$ 37.7**	**$ 43.5**	**$ 149.2**	**$ 43.8**	**$ 46.2**	**$ 47.1**	**$ 54.3**	**$ 191.4**	**$ 48.7**	**$ 50.7**	**$ 51.7**	**$ 61.0**	**$ 212.0**
Total Operating Income	**$ 0.9**	**$ (16.5)**	**$ (8.1)**	**$ (11.9)**	**$ (11.3)**	**$ (3.5)**	**$ (34.8)**	**$ (13.4)**	**$ (12.0)**	**$ (10.8)**	**$ (4.7)**	**$ (40.9)**	**$ (10.9)**	**$ (8.7)**	**$ (7.5)**	**$ (1.1)**	**$ (28.2)**
Other Expense	**2.4**	**0.2**	(0.0)	(0.1)	(0.4)	(0.4)	**(0.9)**	-	-	-	-	**-**	-	-	-	-	**-**
Interest Expense	**2.8**	**4.1**	1.0	0.9	1.2	1.3	**4.4**	1.3	1.3	1.3	1.3	**5.3**	1.3	1.3	1.3	1.3	**5.3**
Total Other Income Expense, Net	**5.2**	**4.2**	0.9	0.8	0.8	0.9	**3.5**	1.3	1.3	1.3	1.3	**5.3**	1.3	1.3	1.3	1.3	**5.3**
Pre-Tax Income	**(4.3)**	**(20.7)**	(9.0)	(12.8)	(12.1)	(4.4)	**(38.3)**	(14.7)	(13.3)	(12.1)	(6.0)	**(46.2)**	(12.3)	(10.0)	(8.8)	(2.4)	**(33.5)**
Income Taxes	**-**	**-**	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	-	**-**
Net Income to Common	**$ (4.3)**	**$ (20.7)**	**$ (9.0)**	**$ (12.8)**	**$ (12.1)**	**$ (4.4)**	**$ (38.3)**	**$ (14.7)**	**$ (13.3)**	**$ (12.1)**	**$ (6.0)**	**$ (46.2)**	**$ (12.3)**	**$ (10.0)**	**$ (8.8)**	**$ (2.4)**	**$ (33.5)**
Diluted Shares Outstanding	**40.2**	**48.4**	54.8	55.3	55.4	55.6	**55.3**	58.6	61.0	61.0	61.0	**60.4**	61.0	61.0	61.0	61.0	**61.0**
GAAP EPS	**$ (0.13)**	**$ (0.42)**	$ (0.16)	$ (0.31)	$ (0.22)	$ (0.08)	**$ (0.77)**	$ (0.25)	$ (0.22)	$ (0.20)	$ (0.10)	**$ (0.77)**	$ (0.20)	$ (0.16)	$ (0.14)	$ (0.04)	**$ (0.55)**
Operating EPS*	**$ (0.13)**	**$ (0.42)**	**$ (0.16)**	**$ (0.23)**	**$ (0.22)**	**$ (0.08)**	**$ (0.69)**	**$ (0.25)**	**$ (0.22)**	**$ (0.20)**	**$ (0.10)**	**$ (0.77)**	**$ (0.20)**	**$ (0.16)**	**$ (0.14)**	**$ (0.04)**	**$ (0.55)**
EBIT	**$ 0.9**	**$ (16.5)**	$ (8.1)	$ (11.9)	$ (11.3)	$ (3.5)	**$ (34.8)**	$ (13.4)	$ (12.0)	$ (10.8)	$ (4.7)	**$ (40.9)**	$ (10.9)	$ (8.7)	$ (7.5)	$ (1.1)	**$ (28.2)**
Adjustments	**2.1**	**4.1**	1.8	2.5	3.1	3.8	**11.2**	2.1	2.8	3.0	3.7	**11.6**	2.7	3.3	3.6	4.1	**13.6**
Adj. EBITDA	**$ 3.0**	**$ (12.4)**	$ (6.3)	$ (9.4)	$ (8.2)	$ 0.3	**$ (23.7)**	$ (11.4)	$ (9.2)	$ (7.8)	$ (1.0)	**$ (29.3)**	$ (8.2)	$ (5.4)	$ (4.0)	$ 3.0	**$ (14.6)**
Year-over-Year Change:																	
Total Revenue	**N/A**	**64.6%**	55.3%	45.1%	52.9%	48.8%	**50.2%**	31.3%	42.4%	37.1%	25.0%	**32.8%**	23.6%	23.6%	21.0%	18.5%	**21.3%**
Gross Profit	**N/A**	**70.6%**	53.1%	45.5%	52.2%	47.5%	**49.2%**	29.2%	40.6%	37.2%	24.1%	**31.7%**	24.3%	22.8%	21.8%	20.5%	**22.1%**
Adjusted EBITDA	**N/A**	**(516.2%)**	601.5%	208.6%	85.4%	(107.1%)	**90.8%**	79.4%	(2.2%)	(5.6%)	(433.6%)	**23.7%**	(27.7%)	(41.3%)	(48.7%)	(415.9%)	**(50.2%)**
EBIT	**N/A**	**(2033.3%)**	477.5%	194.6%	107.3%	(37.5%)	**111.0%**	65.9%	0.7%	(4.6%)	33.1%	**17.4%**	(18.5%)	(27.9%)	(30.3%)	(76.1%)	**(30.9%)**
Operating Net Income	**N/A**	**(2033.3%)**	477.5%	194.6%	107.3%	(37.5%)	**111.0%**	65.9%	0.7%	(4.6%)	33.1%	**17.4%**	(18.5%)	(27.9%)	(30.3%)	(76.1%)	**(30.9%)**
Operating EPS	**N/A**	**214.4%**	140.9%	123.1%	80.0%	(35.8%)	**66.3%**	52.8%	(5.3%)	(9.3%)	23.2%	**10.5%**	(20.2%)	(25.1%)	(27.0%)	(59.3%)	**(28.4%)**
Margins:																	
Gross Profit	**78.3%**	**81.1%**	81.0%	81.1%	80.0%	80.4%	**80.6%**	79.8%	80.1%	80.0%	79.9%	**79.9%**	80.2%	79.6%	80.5%	81.3%	**80.5%**
Adjusted EBITDA	**5.2%**	**(13.1%)**	(21.8%)	(31.4%)	(24.9%)	0.6%	**(16.7%)**	(29.8%)	(21.6%)	(17.1%)	(1.5%)	**(15.6%)**	(17.5%)	(10.3%)	(7.2%)	4.1%	**(6.4%)**
EBIT	**1.5%**	**(17.5%)**	(27.9%)	(39.8%)	(34.2%)	(7.0%)	**(24.6%)**	(35.2%)	(28.1%)	(23.8%)	(7.5%)	**(21.7%)**	(23.2%)	(16.4%)	(13.7%)	(1.5%)	**(12.4%)**
Operating Net Income	**1.5%**	**(17.5%)**	(27.9%)	(39.8%)	(34.2%)	(7.0%)	**(24.6%)**	(35.2%)	(28.1%)	(23.8%)	(7.5%)	**(21.7%)**	(23.2%)	(16.4%)	(13.7%)	(1.5%)	**(12.4%)**
Tax Rate	**0.0%**	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**

Note: Adjusted EPS excludes extraordinary / non-recurring charges.
Source: Company filings and Stephens estimates.

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TMCI Historical & Projected Balance Sheet

(Dollars in Millions, Except per Share)

	FYE 2020A	FYE 2021A	For the Quarter Ended 3/31/22A	6/30/22A	9/30/22A	12/31/22A	FYE 2022A	For the Quarter Ended 3/31/23E	6/30/23E	9/30/23E	12/31/23E	FYE 2023E	For the Quarter Ended 3/31/24E	6/30/24E	9/30/24E	12/31/24E	FYE 2024E
Cash & Cash Equivalents	$ 18.1	$ 105.8	$ 98.5	$ 101.5	$ 88.5	$ 19.5	$ 19.5	$ 103.6	$ 90.0	$ 73.7	$ 66.1	$ 66.1	$ 66.0	$ 55.1	$ 39.5	$ 35.6	$ 35.6
Short-Term Investments	-	-	-	-	-	61.8	61.8	61.8	61.8	61.8	61.8	61.8	31.8	31.8	31.8	31.8	31.8
Accounts Receivable	14.5	18.6	16.0	16.5	18.5	29.2	29.2	28.7	27.6	29.6	31.7	31.7	36.5	34.9	36.5	38.5	38.5
Inventory	7.8	10.6	11.1	13.2	16.8	19.3	19.3	18.4	17.7	19.0	20.5	20.5	23.6	22.6	23.5	24.2	24.2
Prepaid Expenses & Other Current Assets	0.6	3.0	1.7	4.0	4.0	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Total Current Assets	**$ 41.0**	**$ 138.0**	**$ 127.3**	**$ 135.2**	**$ 127.9**	**$ 133.4**	**$ 133.4**	**$ 216.2**	**$ 200.6**	**$ 187.8**	**$ 183.7**	**$ 183.7**	**$ 161.5**	**$ 148.1**	**$ 134.9**	**$ 133.7**	**$ 133.7**
Restricted Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, Plant, & Equipment	0.8	2.8	4.0	8.7	14.1	15.3	15.3	19.3	23.2	27.0	30.8	30.8	35.1	39.4	43.6	47.7	47.7
Operating Lease	-	-	15.1	14.7	14.2	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Finance Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Non-Current Assets	**$ 0.8**	**$ 2.8**	**$ 19.2**	**$ 23.5**	**$ 28.5**	**$ 25.6**	**$ 25.6**	**$ 29.6**	**$ 33.5**	**$ 37.3**	**$ 41.1**	**$ 41.1**	**$ 45.4**	**$ 49.7**	**$ 53.9**	**$ 58.0**	**$ 58.0**
Total Assets	**$ 41.8**	**$ 140.8**	**$ 146.5**	**$ 158.7**	**$ 156.4**	**$ 159.0**	**$ 159.0**	**$ 245.7**	**$ 234.1**	**$ 225.1**	**$ 224.9**	**$ 224.9**	**$ 206.9**	**$ 197.7**	**$ 188.8**	**$ 191.7**	**$ 191.7**
Accounts Payable	2.3	4.1	3.4	3.1	7.9	8.7	8.7	4.0	4.5	7.5	8.7	8.7	5.1	4.9	5.1	5.3	5.3
Accrued Liabilities	1.8	4.5	3.6	4.8	5.2	6.2	6.2	6.6	7.2	7.7	8.3	8.3	8.6	9.1	9.5	10.0	10.0
Accrued Commissions	3.5	5.2	3.9	4.3	4.1	7.4	7.4	5.6	6.2	5.8	9.8	9.8	7.3	7.8	7.1	11.8	11.8
Accrued Compensation	2.2	4.5	4.1	4.0	5.0	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Short-Term Debt	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Lease Liability	-	-	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Current Liabilities	**$ 11.6**	**$ 18.2**	**$ 15.4**	**$ 16.6**	**$ 22.6**	**$ 30.2**	**$ 30.2**	**$ 24.2**	**$ 25.9**	**$ 29.0**	**$ 34.8**	**$ 34.8**	**$ 29.1**	**$ 29.8**	**$ 29.8**	**$ 35.1**	**$ 35.1**
Long-Term Debt	29.4	29.5	29.5	52.6	52.6	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7
Operating Lease Liability	-	-	14.8	17.8	19.0	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Finance Lease Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	**$ 29.4**	**$ 29.5**	**$ 44.3**	**$ 70.4**	**$ 71.7**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**	**$ 68.3**
Total Liabilities	**$ 41.0**	**$ 47.7**	**$ 59.7**	**$ 87.0**	**$ 94.2**	**$ 98.5**	**$ 98.5**	**$ 92.4**	**$ 94.1**	**$ 97.3**	**$ 103.0**	**$ 103.0**	**$ 97.3**	**$ 98.1**	**$ 98.0**	**$ 103.4**	**$ 103.4**
Convertible Preferred Stock	7.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Additional Paid-In Capital	14.2	134.9	137.7	139.8	142.5	145.2	145.2	252.7	252.7	252.7	252.7	252.7	252.7	252.7	252.7	252.7	252.7
Accumulated Other Comprehensive (Loss) Income	-	-	-	-	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Retained Earnings (Deficit)	(21.4)	(41.9)	(50.9)	(68.2)	(80.3)	(84.7)	(84.7)	(99.5)	(112.8)	(124.9)	(130.9)	(130.9)	(143.2)	(153.1)	(162.0)	(164.4)	(164.4)
Treasury Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Noncontrolling Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Stockholder's Equity	**$ 0.8**	**$ 93.1**	**$ 86.8**	**$ 71.7**	**$ 62.2**	**$ 60.5**	**$ 60.5**	**$ 153.3**	**$ 140.0**	**$ 127.8**	**$ 121.9**	**$ 121.9**	**$ 109.6**	**$ 99.6**	**$ 90.8**	**$ 88.4**	**$ 88.4**
Total Liabilities & Stockholders' Equity	**$ 41.8**	**$ 140.8**	**$ 146.5**	**$ 158.7**	**$ 156.4**	**$ 159.0**	**$ 159.0**	**$ 245.7**	**$ 234.1**	**$ 225.1**	**$ 224.9**	**$ 224.9**	**$ 206.9**	**$ 197.7**	**$ 188.8**	**$ 191.7**	**$ 191.7**
Leverage Metrics:																	
Total Debt / Total Capitalization	70.4%	21.0%	20.1%	33.1%	33.6%	33.1%	33.1%	21.5%	22.5%	23.4%	23.4%	23.4%	25.5%	26.7%	27.9%	27.5%	27.5%
Total Capitalization	$ 41.8	$ 140.8	$ 146.5	$ 158.7	$ 156.4	$ 159.0	$ 159.0	$ 245.7	$ 234.1	$ 225.1	$ 224.9	$ 224.9	$ 206.9	$ 197.7	$ 188.8	$ 191.7	$ 191.7
Total Debt	29.4	29.5	29.5	52.6	52.6	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7	52.7
Net Debt	11.4	(76.3)	(69.0)	(49.0)	(35.9)	(28.5)	(28.5)	(112.7)	(99.0)	(82.8)	(75.2)	(75.2)	(45.1)	(34.2)	(18.6)	(14.7)	(14.7)
Total Debt / LTM Adjusted EBITDA	9.9	(2.4)	(4.7)	(5.6)	(6.4)	184.3	(2.2)	(4.6)	(5.7)	(6.8)	(55.2)	(1.8)	(6.4)	(9.7)	(13.3)	17.5	(3.6)
Net Debt / LTM Adjusted EBITDA	3.8	6.1	10.9	5.2	4.4	(99.8)	1.2	9.9	10.7	10.7	78.8	2.6	5.5	6.3	4.7	(4.9)	1.0
Cash & Equivalents / Share	$ 0.12	$ 0.55	$ 1.80	$ 1.84	$ 1.60	$ 0.35	$ 0.09	$ 1.77	$ 1.47	$ 1.21	$ 1.08	$ 0.27	$ 1.08	$ 0.90	$ 0.65	$ 0.58	$ 0.15
Book Value / Share	$ 0.01	$ 0.48	$ 1.58	$ 1.30	$ 1.12	$ 1.09	$ 0.27	$ 2.62	$ 2.29	$ 2.09	$ 2.00	$ 0.50	$ 1.80	$ 1.63	$ 1.49	$ 1.45	$ 0.36

Source: Company filings and Stephens estimates.

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TMCI Historical & Projected Cash Flow

(Dollars in Millions, Except per Share)

	FYE 2020A	FYE 2021A	For the Quarter Ended 3/31/22A	6/30/22A	9/30/22A	12/31/22A	FYE 2022A	For the Quarter Ended 3/31/23E	6/30/23E	9/30/23E	12/31/23E	FYE 2023E	For the Quarter Ended 3/31/24E	6/30/24E	9/30/24E	12/31/24E	FYE 2024E
Cash Flow from Operations																	
Net Income	$ (4.3)	$ (20.7)	$ (9.0)	$ (12.8)	$ (12.1)	$ (4.4)	$ (38.3)	$ (14.7)	$ (13.3)	$ (12.1)	$ (6.0)	$ (46.2)	$ (12.3)	$ (10.0)	$ (8.8)	$ (2.4)	$ (33.5)
Extraordinary / Non-Recurring Net Income	-	0.0	-	(4.5)	-	-	(4.5)	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	1.2	0.7	0.3	0.4	0.5	0.9	2.1	0.6	0.6	0.6	0.7	2.5	0.7	0.8	0.8	0.8	3.1
Stock Based Compensation Expense	0.9	3.4	1.4	2.0	2.3	2.5	8.1	1.5	2.2	2.4	3.0	9.1	2.0	2.5	2.8	3.3	10.6
(Increase) / Decrease in Assets	N/A	(9.2)	3.3	(4.8)	(5.7)	(74.6)	(81.8)	1.4	1.9	(3.4)	(3.6)	(3.7)	22.2	2.5	(2.5)	(2.6)	19.5
Increase/ (Decrease) in Liabilities	N/A	6.6	(2.8)	1.3	5.9	7.7	12.0	(6.0)	1.7	3.1	5.7	4.5	(5.7)	0.8	(0.1)	5.4	0.4
Increase/ (Decrease) in Other	N/A	2.1	(0.4)	7.9	1.7	62.6	71.7	-	-	-	-	-	-	-	-	-	-
Cash Flow from Operations	$ (2.2)	$ (17.2)	$ (7.2)	$ (10.6)	$ (7.5)	$ (5.4)	$ (30.6)	$ (17.3)	$ (7.0)	$ (9.3)	$ (0.1)	$ (33.8)	$ 6.9	$ (3.4)	$ (7.9)	$ 4.4	$ 0.0
Cash Flow from Operations as a % of Adj. EBITDA	(150.7%)	138.5%	114.2%	112.2%	91.1%	(1873.4%)	129.4%	152.3%	75.8%	120.3%	11.6%	115.2%	(84.2%)	63.6%	197.9%	146.5%	(0.3%)
Cash Flow from Investing:																	
Capital Expenditures	(1.1)	(2.7)	(1.5)	(5.2)	(5.9)	(2.3)	(14.8)	(4.5)	(4.5)	(4.5)	(4.5)	(18.0)	(5.0)	(5.0)	(5.0)	(5.0)	(20.0)
Assets Sold	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions (Net of Cash Acquired)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	(61.7)	(61.7)	-	-	-	-	-	-	-	-	-	-
Cash Flow from Investing	$ (1.1)	$ (2.7)	$ (1.5)	$ (5.2)	$ (5.9)	$ (64.0)	$ (76.5)	$ (4.5)	$ (4.5)	$ (4.5)	$ (4.5)	$ (18.0)	$ (5.0)	$ (5.0)	$ (5.0)	$ (5.0)	$ (20.0)
Free Cash Flow	$ (5.6)	$ (19.9)	$ (8.7)	$ (15.7)	$ (13.3)	$ (7.7)	$ (45.5)	$ (21.8)	$ (11.5)	$ (13.8)	$ (4.6)	$ (51.8)	$ 1.9	$ (8.4)	$ (12.9)	$ (0.6)	$ (20.0)
Free Cash Flow Ex. Acquisitions	(4.5)	(17.2)	(7.2)	(10.6)	(7.5)	(5.4)	(30.6)	(17.3)	(7.0)	(9.3)	(0.1)	(33.8)	6.9	(3.4)	(7.9)	4.4	0.0
Free Cash Flow Margins	(61.1%)	(85.8%)	(30.0%)	(52.5%)	(40.4%)	(15.5%)	(138.3%)	(57.3%)	(26.9%)	(30.5%)	(7.4%)	(122.1%)	4.1%	(16.0%)	(23.5%)	(0.8%)	(36.1%)
Cash Flow from Financing:																	
Change in Equity	N/A	99.0	1.4	(4.3)	0.4	0.3	18.2	106.0	(2.2)	(2.4)	(3.0)	65.8	(2.0)	(2.5)	(2.8)	(3.3)	(33.2)
Change in Debt	N/A	0.1	(0.0)	23.1	0.1	0.1	23.2	-	-	-	-	-	-	-	-	-	-
Other	-	(99.1)	0.0	0.0	(0.1)	(0.0)	(41.4)	-	-	-	-	-	-	-	-	-	-
Cash Flow from Financing	$ -	$ -	$ 1.4	$ 18.8	$ 0.4	$ 0.3	$ -	$ 106.0	$ (2.2)	$ (2.4)	$ (3.0)	$ 65.8	$ (2.0)	$ (2.5)	$ (2.8)	$ (3.3)	$ (33.2)
Effect of Restricted Cash & Other Cash Equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Cash	5.9	87.8	(7.4)	3.1	(13.0)	(69.1)	(86.4)	84.2	(13.7)	(16.2)	(7.6)	46.6	(0.1)	(10.9)	(15.6)	(3.9)	(30.5)
Beginning Cash	12.1	18.1	105.8	98.5	101.5	88.5	105.8	19.5	103.6	90.0	73.7	19.5	66.1	66.0	55.1	39.5	66.1
Ending Cash	$ 18.1	$ 105.8	$ 98.5	$ 101.5	$ 88.5	$ 19.5	$ 19.5	$ 103.6	$ 90.0	$ 73.7	$ 66.1	$ 66.1	$ 66.0	$ 55.1	$ 39.5	$ 35.6	$ 35.6

Source: Company filings and Stephens estimates.

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Companies Mentioned Other Than On Pg. 19 & 20

Public Companies:

Abbott Laboratories	ABT	$104.93
Boston Scientific Corporation	BSX	$50.08
CONMED Corporation	CNMD	$106.24
JPMorgan Chase & Co.	JPM	$127.47
Medtronic Plc	MDT	$80.30
Morgan Stanley	MS	$84.19
Stifel Financial Corp.	SF	$56.28

Private / Foreign Companies:

BTIG, LLC	Private
Deloitte LLP	Private
Frias Legal PA	Private
MidCap Financial	Private

Note: Pricing as of the close on 4/6/23.
Source: FactSet Research Systems Inc.

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APPENDIX A

ANALYST CERTIFICATION

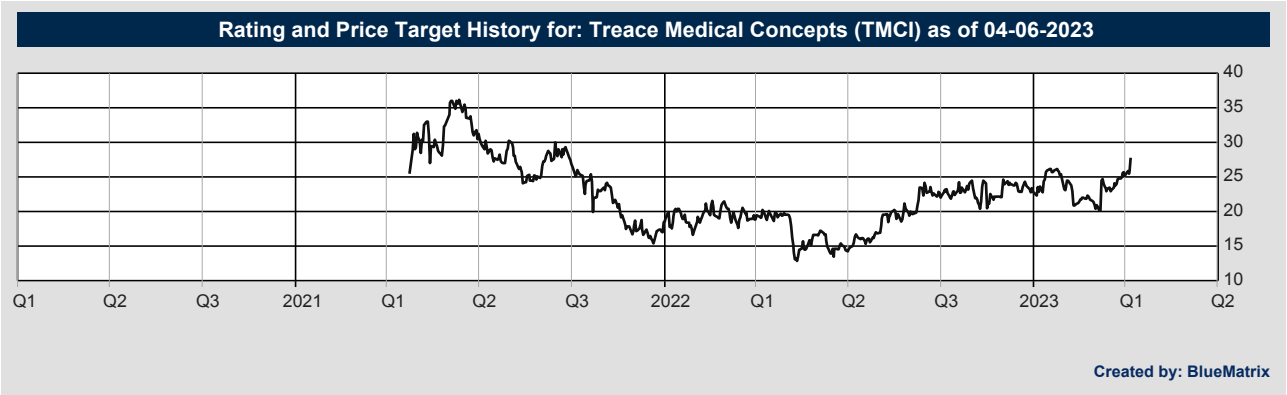
The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Treace Medical Concepts as of the date of this report and may act as principal in these transactions.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Treace Medical Concepts in the next three months.



Valuation Methodology for Treace Medical Concepts

We used multiple valuation techniques, including EV/Sales multiples and a DCF to arrive at our 12-month price target for Treace Medical Concepts. The assumptions driving our valuation are based on the stock's recent trading range, its recent and longer-term multiple ranges, and a comparison to its peers.

Risks to Achievement of Target Price for Treace Medical Concepts

Competitive Risks.

- TMCI competes against multiple significantly large orthopedic businesses as well as small companies focused on bunions. To the extent the company is not able to effectively compete, its revenue growth could be negatively impacted.

Staffing Shortages.

- Potential staffing issues hospitals and surgery centers may face could have an impact on TMCI revenue growth. In the event of meaningful healthcare staffing shortages, TMCI's revenue could be negatively impacted.

Product Liability Risk.

- Implanting medical devices in patients inherently has risks associated, and in the event of a product failure the company could potentially be held liable.

Payer Risk.

- TMCI is dependent on public and private payers to provide reimbursement to their patients for their procedures and to the extent payers reduce or eliminate reimbursement for certain procedures, TMCI's revenue could be negatively impacted.

Cash Flow Risk.

- TMCI has historically operated at cash flow negative and may need additional capital to continue operations, and there can be no guarantee that the company will reach cash flow positive before needing access to additional capital.

Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. EQUAL-WEIGHT (E) - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. UNDERWEIGHT (U) - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

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Distribution of Stephens Inc. Ratings

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [OW]	222	56.92	41	18.47
HOLD [EW]	163	41.79	22	13.50
SELL [UW]	5	1.28	0	0.00

OTHER DISCLOSURES

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