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Corporate Participants

Zack Kubow – Investor Contact, The Ruth Group
John D. McDermott – Chairman of the Board, President and Chief Executive Officer
Robert J. Krist – Chief Financial Officer and Secretary

Other Participants

Steve M. Lichtman – Analyst, Oppenheimer Securities
Charles D. Croson – Analyst, Sidoti & Co. LLC
Chris Cooley – Analyst, Stephens, Inc.
John M. Putnam – Analyst, Capstone Investments
Jacob A. Messina – Analyst, BMO Capital Markets (United States)

MANAGEMENT DISCUSSION SECTION

Operator: Greetings, and welcome to the Endologix, Inc. Third Quarter 2012 Earnings Conference Call. [Operator Instructions] A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

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

Zack Kubow, Investor Contact, The Ruth Group

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

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

Furthermore, the content of this conference call contains time-sensitive information that is accurate only as of the date of the live broadcast, October 25, 2012. Endologix undertakes no obligation to revise or update any statements to reflect events or circumstances after the date of this call.

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

John D. McDermott, Chairman of the Board, President and Chief Executive Officer

Thanks, Zack, and welcome, everybody, to today's call. We're very pleased with our third quarter results, growing 20% year over year, despite increased competitive activity and very tough comp from last year when we launched AFX in the third quarter of 2011. Our international team has done a great job, growing sales 170% over last year, and clearly demonstrating the benefits of building

the direct sales force in Europe. We've also made excellent progress with the Nellix program and expect to do our first cases with the enhanced design next month.

I will start today's call with a quick overview of our results for the quarter, followed by an operational and pipeline update. Then I'll turn the call over to Bob for his financial review. After that, I'll come back on to discuss our goals for the remainder of the year and into the first part of 2013. And then we'll open it up for questions.

Global revenue for the quarter was a record $26.7 million, driven by continued, excellent clinical results with our current products and interest in our new technologies. In the U.S., sales grew 5% year over year, which is in line with our expectations, given the recent competitive activity and the significant sales boost from the launch of AFX in the third quarter of last year. We continue to execute our sales strategy in the field and are effectively gaining ground with new and existing customers. We ended the quarter with 76 U.S. reps and clinical specialists and expect to add a few more by the end of the year.

In Europe, we're making steady progress in building our team and introducing more physicians to AFX. Following on the acquisition of our Italian distributor in July, we began selling to our small team and a network of agents and sub-dealers. With the addition of our new people in Italy, we expect to finish the year with 28 to 32 employees in Europe, of which about 70% will be dedicated to sales and clinical support.

I recently spent several days in Italy with our new team and local thought-leading physicians and believe we're off to a good start in solidifying key relationships and laying the groundwork for continued growth. Outside of Europe, we also had a very strong quarter, as our distributors in Latin America prepare for the market introductions of AFX.

Now switching to the new product pipeline. We have several upcoming milestones that represent incremental growth opportunities. The first is potential FDA approval for percutaneous labeling on the AFX system. As a reminder, Endologix is the only company to run a randomized, multicenter clinical trial to demonstrate the safety and effectiveness of percutaneous abdominal aneurysm repair.

We completed the study earlier this year and have submitted the PMA supplement to the FDA, hoping for approval by the end of this year. If we receive approval as anticipated, we'll begin providing training programs across the country in early 2013, featuring thought-leading physicians, demonstrating the best practices learned in the clinical trial. The results from the clinical study are expected to be presented at both the SAVS and the ISET meetings in January, with publications to follow.

The second near-term milestone is the potential CE Mark for the Ventana Fenestrated System, which we hope to receive before the end of this year. Once we receive CE Mark, we'll begin a limited market introduction in selected centers and gradually build the network of trained Ventana users across Europe.

During the quarter, we received CE Mark on the current version of the Nellix System, which included several significant design modifications compared to the first-generation device that was previously approved in Europe. We view this approval as a positive steppingstone towards commercialization of our final design, which we plan to submit for approval in Q1 of 2013.

We have completed our design enhancements ahead of schedule and expect to do our first cases with the optimized device in November, which will allow us to gather clinical experience with the final design while we complete the testing required for the CE Mark and IDE submissions. Based on our current timelines, we expect to earn CE Mark in the second quarter of 2013 and begin a controlled market introduction in Europe in the second half of 2013.

Our plan is to go slowly and work with selected centers across Europe while we gather more clinical experience and establish one good customer at a time. The final design of the Nellix System will also be used in our U.S. IDE clinical trial, and we expect to file the IDE in Q1 of next year.

Based upon the projected timelines for IDE approval, trial enrollment and patient follow-up, this positions us for a potential FDA approval of Nellix in the U.S. in 2016.

Turning to the Ventana U.S. IDE clinical trial, we have enrolled 37 patients to date and now have most of the study sites screening patients. We are currently targeting to complete enrollment of all 122 patients around mid-year 2013. The trial protocol includes a one-year follow-up period, which would position us to submit our PMA to the FDA in the second half of 2014 and potentially get U.S. approval of Ventana in the first half of 2015.

In the near term, we anticipate Shonin approval for the IntuiTrak Delivery System in Japan by the end of this year. Presently, we are only cleared to market our first-generation delivery system, which we stop selling here in the U.S. back in 2009. Given that IntuiTrak significantly simplifies the procedure, our Japanese distributor is very excited to begin offering IntuiTrak to its customers.

Once we get approval, we'll work closely with our distributor to train their sales team and physician proctors, with a goal of commencing commercial cases with the IntuiTrak System in Japan in early 2013. We've also received approvals for AFX in Argentina and Brazil and will begin introducing that device with our distribution partners over the next several months.

Earlier this month, we held a symposium at the VIVA meeting in Las Vegas, and another one at the TCT meeting earlier this week. These symposiums highlighted the capabilities of AFX and our new product pipeline, including Nellix, Ventana and PEVAR. These symposiums were well attended, and we continue to see strong interest in our innovative pipeline. We expect a similar responsive at the VEITHsymposium next month in New York, which will also feature educational symposiums and KOL presentations, highlighting our technology.

Overall, Endologix remains well positioned to continue growing, gaining market share and introducing innovative new technologies for the endovascular repair of aortic disorders. We have good momentum in the U.S., driven by the excellent clinical results achieved with AFX and our experienced team and sales reps and clinical specialists.

In 2013, we expect to gain additional market share in the U.S. through our PEVAR training initiative, additional tenure in the sales force and continued enhancements to AFX. In Europe, we're making solid progress in building our commercial team and selling AFX, and look forward to the expected limited market introductions of Ventana and Nellix in 2013.

Based upon our results through Q3 and our forecast for Q4, we are updating our full-year 2012 revenue guidance to $104 million to $106 million, which represents growth of 25% to 27%. This compares to our previous full-year revenue guidance of $102 million to $107 million. On the bottom line, we continue to anticipate an adjusted loss per share of $0.20 to $0.24, but expect to finish at the low end of this range due to launch-related expenses associated with PEVAR, Nellix and Ventana.

We also have higher-than-normal expenses in Q4, due to the final Nellix design enhancements and year-end clinical meetings like VIVA, TCT and the VEITHsymposium. These investments will put us in excellent position to continue driving growth as we transition into positive adjusted EBITDA and positive cash flow from operations in 2013.

With that, I'll turn it over to Bob for his financial review. Bob?

Robert J. Krist, Chief Financial Officer and Secretary

So thank you, John. Good afternoon to all. Today, I am pleased to report our financial results and key metrics for the third quarter of 2012, a quarter which featured continued strong revenue growth, sequential improvement in gross margin and progress in leveraging expenses relative to sales growth.

Total revenue for the third quarter 2012 increased by 20% year over year to $26.7 million. And for the nine months ended September 30, total revenue increased by 28% year over year to $76.7 million. Domestic revenue in the third quarter increased by 5% year over year to $21.3 million. As John discussed, the year-ago period included the domestic launch of the AFX system, which provided a one-time boost to quarterly results and made for a more difficult year-over-year comparison this quarter.

Despite that, we achieved a 6% increase in terms of revenue per sales territory during the third quarter, demonstrating the continued success of our strategy to leverage clinical specialists to support cases in order to increase the selling time available to our sales reps, effectively increasing sales rep productivity, while lowering the cost per case serviced.

Third quarter international revenue nearly tripled and increased by 30% sequentially, driven by excellent progress in Europe. Despite a 12% year-on-year decline in the euro, sales in Europe were up more than threefold compared to the third quarter of 2011, and were up by 8% sequentially, despite the typical Q3 seasonal slowdown. The year-over-year growth comparison now includes our transition to a direct sales force in Europe, starting in September of last year. Outside of Europe, sales to our distributors in other rest of world markets more than doubled year over year and increased by 50% sequentially.

Gross margin in the quarter was 75.9% compared to 78.3% in the third quarter of last year. The decrease in gross margin was driven by a greater proportion of international sales to total sales, by the decline in the euro and by royalty payments to C. R. Bard that had not yet commenced in the third quarter of 2011.

As a reminder, let me point out, the royalty does not apply to AFX, Ventana or the Nellix product lines, only to IntuiTrak. And, after 2012, pending Shonin approval, IntuiTrak will be sold only in Japan.

On a sequential quarterly basis, gross margin was up by 50 basis points from 75.4% in the second quarter of 2012, despite a less-favorable U.S. verse international sales mix and a sequential weakening of the euro exchange rate. That improvement reflects the non-recurrence of inventory adjustments recorded in Q2, relative to the worldwide transition from IntuiTrak to AFX and a declining impact to the Bard royalty.

Gross margin through the first nine months of 2012 was 76.3% compared to 77.8% in the same period of 2011. The largest overall factors which drove that 1.5 percentage point reduction were the Bard royalty and the euro decline, both of which are now moving in a positive relative direction. This suggests some sequential improvement in the gross margin in the upcoming fourth quarter and a full-year gross margin in the range of 76.5% to 77%.

Operating expenses for the third quarter were $27.2 million compared to $22.6 million in the same period last year. Operating expenses for the third quarter 2012 include the $5 million settlement agreement with Cook. In 2011, third quarter operating expenses included a one-time $1.3 million payment for the early termination agreement with our previous distributor for most of Europe. Excluding both items, operating expense increased by $900,000 or 4%, which compares very favorably to the overall 20% revenue growth and the continued investment in our direct organization in Europe.

Research, development and clinical expenses decreased to $4.5 million from $4.8 million in the third quarter of 2011. As John noted earlier, R&D expense will increase sequentially in the fourth quarter, due to the Nellix enhancement program and increasing expenses related to the Ventana IDE trial.

Marketing and sales expense grew from $12.3 million in the third quarter of 2011 to $12.7 million in the third quarter of 2012, due to expenses related to developing our direct sales organization in Europe. Looking at the U.S., alone, sales and marketing expense in the quarter were $1.1 million or 9% below the third quarter of 2011. Marketing and sales expenses will also increase sequentially in the fourth quarter, due to major trade show expenses and preparation for the launches of PEVAR in the U.S. and Ventana in Europe.

Finally, G&A expense grew from $4.2 million in the third quarter of 2011 to $4.9 million in the current quarter. All of the increase was in Europe, while G&A expense in the U.S. was 2% lower than in the third quarter of 2011.

So to summarize the expense leverage which is occurring in the U.S. but which is difficult to see in the consolidated reports, SG&A expense; that is, sales, marketing, general and administrative expenses for the U.S. business only, and also net of the litigation settlement and business development charges, decreased from 2011 by 8% for the third quarter. And for the nine-months year-to-date period, U.S.-only SG&A expense increased by just 5%, relative to U.S. sales growth of 22% for the nine-month period.

Overall, for the third quarter 2012, our GAAP net loss was $5.9 million or $0.10 per share compared to a net loss of $6.6 million or $0.12 per share for the third quarter of 2011. In the third quarter, the Nellix contingent payment liability, which is a non-cash item and is solely payable in shares of Endologix's common stock, decreased by $1 million. And that was almost entirely related to the decrease in Endologix's stock price from the previous measurement date at June 30.

Excluding that impact and the $5 million Cook settlement, or on an adjusted non-GAAP basis, we reported a net loss in the third quarter of 2012 of $1.8 million or $0.03 per share compared to an adjusted loss of $0.07 per share in the third quarter 2011. For the nine-month period, we reported an adjusted net loss in 2012 of $10.1 million or $0.17 per share compared to $0.24 per share one year ago.

And now turning briefly to the balance sheet. Accounts receivable days outstanding was 60 at the end of the third quarter 2012 compared to 59 days at the close of 2011, virtually unchanged, despite an increasing mix of international accounts, which are traditionally slower to pay. Inventory turnover remained at 1.2 turns at quarter end, unchanged from June 30. We expect that inventory turnover will improve gradually in future quarters but remain in a range from 1.2 to 1.4 turns through the launches of the Ventana and Nellix products in Europe in 2013.

During the third quarter, we used $3.5 million in cash. Most of that was related to increasing accounts receivable balance, in accordance with sales growth, and to complete the acquisition of our distributor in Italy, a transaction which closed in July. We ended the quarter with a cash balance of $47.7 million and an unused $20 million revolving line of credit. So despite the pending $5 million payment for the settlement of the Cook litigation, our cash position is strong. In addition, we expect operating cash to turn positive during 2013.

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

And with that, I'll turn the call back to John.

John D. McDermott, Chairman of the Board, President and Chief Executive Officer

Thanks, Bob. We're pleased with our results in Q3 and the strength of our core business. The new product pipeline looks very promising, and we're well positioned for continued growth and market share gains. Following are our key goals for the rest of 2012 and into the first part of 2013: First, achieve our sales guidance by driving AFX in the U.S., Europe and Latin America and rolling out IntuiTrak in Japan. Second, gain CE Mark approval for Ventana and begin our limited market release in Europe. Third, drive enrollment in the U.S. Ventana IDE clinical study. Fourth, gain FDA approval for percutaneous EVAR and prepare the physician training programs for 2013. And lastly, complete the testing and regulatory submissions for Nellix.

By achieving these goals, we will continue on our path toward becoming a leading innovator in the endovascular aneurysm repair market. We look forward to keeping you posted on our progress and are planning to participate in the Lazard Healthcare Conference, Stephens Investor Conference and the Piper Jaffray Healthcare Conference in November, and the Oppenheimer Healthcare Conference in December. And we look forward to seeing many of you there.

With that, we'll open the call to questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, at this time, we will be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Brooks West from Piper Jaffray. Please proceed with your question.

<Q>: [ph] Mei Su (22:11) for Brooks. My first question is, just wondering how the impact, I guess, of competitive trialing in the U.S. has been going?

<A – John McDermott – Endologix, Inc.>: Well, I'm not sure I would attribute – that we can put a specific number on competitive trialing. As we evaluate our sales mix by customer, we don't see any real losses. So I would say any softening – any softness we saw in Q3 was primarily attributed to seasonality at this point, and maybe some impact from the Medtronic Endurant II, and also a little bit of pull-through from Cook. But I would actually say most of the Q3 results in the U.S. were seasonality driven.

<Q>: Okay. Thank you. And then, OUS, obviously, great job there. Just wondering, are we going to continue to see the rates grow at the same sort of pace? Is that the expectation? And I know you plan on adding a few reps there. Is that – are you getting close to where you think you need to be for critical mass?

<A – John McDermott – Endologix, Inc.>: Well, I do think we'll continue to see good growth. The percentages'll change over time as the base number gets bigger. In terms of head count in Europe, right now, we've got 26 people in Europe in terms of the total organization. About half of them can support cases. By the end of this year, we expect to be up between 28 and 32, of which roughly 20 should be capable of supporting cases, and just keeping in mind that we've got about a six-month training program. So not everybody is certified to do cases immediately, but we should exit this year with a good-sized team that we will continue to add to next year. So we do see good growth prospects for the rest of this year and well into 2013 and 2014.

<Q>: Okay. Great. And then just one final question. As far as Nellix goes, have there been any updates as far as safety? Has it still been – being evaluated for, I guess, the second generation version?

<A – John McDermott – Endologix, Inc.>: Well, as I said in the comments, we've actually -- we're a little ahead of schedule on the design enhancement and, in fact, plan to do some first cases with what we would consider the final commercial design next month. So the progress has been good. The team's worked hard. We like the design; we feel good about it. We just need to complete some of the other testing that's required for the regulatory submissions, which we plan to have done and submit in Q1 2013.

<Q>: Okay. Yeah. No, I guess what I was trying to get at there, the – as far as the thrombosis that had been seen before, if there were any updates as far as that from the earlier generation version?

<A – John McDermott – Endologix, Inc.>: No – no updates, really. Our focus – we did see some events in the past with the previous design. We feel great about the new design, and we're – all systems ahead.

<Q>: Okay. Great. Thank you.

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

<Q – Steve Lichtman – Oppenheimer Securities>: Hi. John, just in the U.S., in terms of the sales force, I mean you've been pretty disciplined in terms of the growth there, as you've been focusing

on Europe. At least from my last check, I think you were only in about a third of potential accounts. At what point do you – can you flip the switch and start growing that U.S. sales force more appreciably again, as you sort of maybe slow down the growth in Europe in terms of hiring?

<A – John McDermott – Endologix, Inc.>: Yeah. I think we'll still stay fairly measured, Steve, with the U.S. sales force adds. We finished Q3 at 76. I think we'll finish Q4 around 80. So we'll show a little bit of growth. That's about 8% increase in total sales in clinical folks over 2011. We do plan a few more adds next year – not anything significant at this point because we do see more growth opportunity in Europe, just in terms of needed geographic coverage.

But I would expect to still see us add mostly on the clinical side over the next 18 to 24 months and build our average territory sizes bigger. In preparation for the future launches of Nellix and Ventana, we'll be well positioned when those products hit the market.

<Q – Steve Lichtman – Oppenheimer Securities>: And for Nellix, great news that you guys are ahead of plans. In terms of what you're going to be doing over the next few months, how many cases do you need to do before you feel comfortable submitting that supplement in the first quarter?

<A – John McDermott – Endologix, Inc.>: Yeah. There's no magic number. There's no regulatory required number. We'll probably do somewhere between 10 and 20. We've got good follow-up on a lot of other patients. We'll be looking specifically at thrombosis, and we really don't expect to see that. But we'll look at that carefully. But I would say 10 to 20 cases, going as we expect, we'll be well positioned going into the first part of next year.

<Q – Steve Lichtman – Oppenheimer Securities>: Okay. And then just lastly, in the U.S. Obviously, PEVAR will be incremental next year. AFX2, is that still on the docket at some point next year to be an incremental add to the portfolio in the U.S.?

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

<Q – Steve Lichtman – Oppenheimer Securities>: And when, about? Is it second half?

<A – John McDermott – Endologix, Inc.>: Be a second half. I can't tell you exactly when second half. And it won't be a full-blown, new system. It'll be some enhancements to the current device. But we do think it'll offer some incremental clinical benefits. And you should look for that. We'll give you more visibility to that in the first part of the year. But right now, we're thinking in the second half.

<Q – Steve Lichtman – Oppenheimer Securities>: Okay. Great. Thanks, John.

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

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

<Q – Charles Croson – Sidoti & Co. LLC>: Hey, guys. How's it going? Thanks for taking the questions.

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

<Q – Charles Croson – Sidoti & Co. LLC>: So first one, I guess on – following up on that AFX2. That's scheduled to go in the U.S. first, right?

<A – John McDermott – Endologix, Inc.>: That's correct.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay. And then the next question I have, I guess just because we're modeling a little bit more growth here for the U.S., maybe [indiscernible] (28:53), not counting fully for that seasonality. My question is just, how confident are you that next quarter you won't see some more competitive pressures, and just kind of tying that in with your guidance?

<A – John McDermott – Endologix, Inc.>: Well we did tighten the guidance range, as you can see. And here today, we think that the range of $104 million to $106 million looks good. So I think we've made some estimates about seasonality and also integrated continued competitive activity. But based on what we know today, we think that's a good range.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay. All right. That's helpful. And then just two last quick ones here. How was pricing for the quarter?

<A – John McDermott – Endologix, Inc.>: Pricing was fine. I don't – we didn't see anything – Bob, I don't know if you have any...

<A – Bob Krist – Endologix, Inc.>: No, I...

<A – John McDermott – Endologix, Inc.>: Color to add to that.

<A – Bob Krist – Endologix, Inc.>: Actually, it's really not measurable, but it was up a few dollars per case relative to Q2.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay. All right. That's helpful, then. And then finally on the device tax. We've been hearing some – more comments out there that there's a chance that it would get pushed back a year or even outright repealed. Have you guys heard that sentiment, or do you have any comments on that?

<A – Bob Krist – Endologix, Inc.>: Well we're hopeful that, that would be the case, but we are not expecting it to be the case. So we're planning for the implementation of what we need to do and trying to manage it in the most optimal way that we can. It would be a good outcome if it were deferred or eliminated, but that's not our expectation.

<Q – Charles Croson – Sidoti & Co. LLC>: I see. And do you expect that to mostly hit on the cost of goods sold? Or is that – would that go – flow through to the operating side?

<A – Bob Krist – Endologix, Inc.>: We haven't completed our evaluation of that, but I would say we're leaning toward having that be booked in operating expense.

<Q – Charles Croson – Sidoti & Co. LLC>: Okay. Okay. All right. That's helpful, then. Thanks, Bob. I will – follow up after the call, and thanks for taking questions.

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

<Q – Chris Cooley – Stephens, Inc.>: Thank you. Can you hear me okay?

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

<Q – Chris Cooley – Stephens, Inc.>: Hey. Thanks so much for taking the questions here this evening. Just kind of curious – two areas of focus. When you talk about the design enhancements on Gen 2 of Nellix now, our current version of Nellix proceeding ahead of schedule, can you elaborate on those design changes? I know earlier on, you commented on the lumens. But can you just give us anything additional regarding what those enhancements were and why you're now very confident in that design as a go-forward? Then I have just a quick follow-up. Thank you.

<A – John McDermott – Endologix, Inc.>: Yeah. Chris. We've decided, just based upon the proprietary nature of the device and the evolution of what we've learned over the many years that it's been in development, not to provide too many specifics about the various design enhancements as to prevent providing followers with a roadmap. So we're not trying to be evasive and not share the information, but it's really that is the reason that we're not getting too specific with the nature of the enhancements.

The reason that we're bullish on these enhancements is they draw from some of the prior device features. So we've got a reasonably good feel for what to expect. So we've kind of borrowed a little bit from past iterations and integrated some of that into the latest version. So that's why we're confident, but we're not really going into too much detail on exactly what we did.

<Q – Chris Cooley – Stephens, Inc.>: Understood. Understood. And then just as a quick follow-up, this week here at TCT – I believe that was actually on Tuesday, the breakfast symposium you all hosted, we saw some fairly impressive economic data when you saw the use of EVAR versus open surgical repair, which I think we've all pretty familiar with. But furthermore, we saw how that could be enhanced with PEVAR.

Could you talk to us a little bit about how you see PEVAR? I know you said you thought it would be additive in terms of the company's total share. But does this help in pricing as well, just in terms of durability of existing pricing? Can you get a premium when you bundle that with the ProGlide going forward? Just help us quantify how we should think about that and its impact on the 2013 outlook. Thanks so much.

<A – John McDermott – Endologix, Inc.>: Yeah. So just to make sure I understand the question, it's regarding EVAR economics in the context of PEVAR?

<Q – Chris Cooley – Stephens, Inc.>: Correct. Thanks.

<A – John McDermott – Endologix, Inc.>: Okay. I think the biggest impact, Chris, will be on procedure time. So the data has not been published or presented yet, but there is an expectation that there would be some procedure time advantage over open-groin procedure. And depending upon the numbers that you use and the sources, there is good evidence that any blocks of time, whether it's 10, 15, 20 minutes can really make a meaningful reduction in the overall costs of the procedure.

That's where I think PEVAR provides the greatest economic advantage. I don't think it's going to get people out of the hospital sooner. You might see small numbers there, but not anything statistically significant. I think the biggest advantage is going to be procedure time.

<Q – Chris Cooley – Stephens, Inc.>: Understood. Thank you so much.

<A – John McDermott – Endologix, Inc.>: And it relates to bundling, the way that the arrangement is with Abbott, they'll continue to sell their ProGlide device directly, and we'll sell our device directly. So there isn't any – we're not distributing that product or anything more integrated. We're collaborating on the physician training.

<Q – Chris Cooley – Stephens, Inc.>: Understood. Thanks so much.

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

Operator: Our next question comes from the line of John Putnam from Capstone Investments. Please proceed with your question.

<Q – John Putnam – Capstone Investments>: Yeah. Thanks very much. John, without beating a dead horse, have you seen any pick-up in October from the slower seasonality of the third quarter?

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

<Q – John Putnam – Capstone Investments>: Okay. Thanks. That's all.

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

<Q – Jake Messina – BMO Capital Markets (United States)>: Good evening, and thanks for taking the questions. This is Jake in for Joanne. I was just wondering on the cost of goods sold side if you could break out the gross margin impact from FX versus Bard versus the OUS ramp this quarter.

<A – Bob Krist – Endologix, Inc.>: Sure. I'll field that one. So in the quarter, the impact of the year-over-year decline in the euro – which was close to 12% on a quarter-over-quarter average basis – that was about a 90 basis point impact. The Bard royalty was in the range of a point to a point and-a-half. And the balance was accounted for by this relatively faster rate of growth internationally versus in the U.S.

And, of course, the international revenue is a blend of sales to distributors and direct sales in Europe. And while the margins are better on the direct sales in Europe, they're still less good than they are in the United States. So that relative mix of geographies is what accounted for the balance to the 2.4 point decline.

<Q – Jake Messina – BMO Capital Markets (United States)>: Very helpful. Thank you. And then just on the ramp in Europe and international sales, was there stocking this quarter that would not be repeated? Or is this sort of a sustainable level that you're looking to grow from?

<A – John McDermott – Endologix, Inc.>: There's not that much stocking in Europe, as we're building the direct sales force. We've got some sub-dealers in Italy, but actually, most of that wasn't -- there wasn't much growth there. So most of what you're seeing at this point in Europe is direct. There are some dealer markets, but I wouldn't say they materially influenced the growth number.

<Q – Jake Messina – BMO Capital Markets (United States)>: Thank you so much.

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

Operator: There are no further questions in the queue. I'd like to turn the call back over to management for closing comments.

John D. McDermott, Chairman of the Board, President and Chief Executive Officer

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

Operator: Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time, and have a wonderful day.