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PRESENTATION

Operator

Greetings and welcome to the Endologix Incorporated fourth quarter 2015 earnings conference call.

(Operator Instructions)

I would not like to turn the conference over to your host, Mr. Zack Kubow. Thank you, Zach, you may begin.

Zack Kubow - *Endologix Inc. - IR, The Ruth Group*

Thanks, operator, and thanks everyone for participating in today's call. Joining me from the Company are John McDermott, Chief Executive Officer; and Vaseem Mahboob, 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 one year.

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

Furthermore the content of this conference call contains time sensitive information that is accurate only as of the date of the live broadcast February 22, 2016. Endologix undertakes no obligation to revise or update any statement to reflect events or circumstances after the date of this call.

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

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Thank you, Zack, s afternoon everyone, and thank you for joining us today for Endologix's fourth-quarter 2015 conference call. This afternoon I'll provide a brief overview of our fourth-quarter results followed by an update on the recently completed merger with TriVascular and our key growth drivers.

I'll then turn the call over to Vaseem for a review of our fourth-quarter financial results 2016 guidance and an update on our synergy plan from the merger. I'll then come back on to provide an overview of our top priorities and then we'll open up the call for questions.

Fourth-quarter revenue was $39.2 million, an increase of 4% on a constant currency basis and in line with our expectations following the announcement of the merger with TriVascular in October. Vaseem will provide more detail in his remarks but at a high level, the merger-related disruption in the fourth quarter was consistent with our expectations.

In the fourth quarter we also experienced continued significant growth with Nellix in Europe, where our direct business system sales increased 49%. We are also pleased to announce the completion of our 5,000th Nellix procedure. We just recently achieve this milestone and continue to see significant growth potential as we leverage Nellix together with Ovation and AFX to become the leader in endovascular aortic aneurysm therapy.

Turning now to the merger, I'd first like to thank everyone from both teams for their hard work and dedication throughout the merger process. The significant planning and preparation from both sides allowed us to hit the ground running and we are very pleased with the early results in collaboration.

This past weekend we held our first national sales meeting for the combined US sales and clinical team which will average around 130 experienced professionals. The focus of the meeting was training on the Ovation iX system and there's a tremendous amount of excitement for the product and it's great clinical results.

What stood out for me at the sales meeting was the level of EVAR experience in the combined team and the enthusiasm for being able to offer physicians the best device for each individual patient. The power of the portfolio was highlighted again this morning as we had our first implanted AFX2 system in the United States. The procedure went extremely well and the patient is doing great.

Over the next few months in the US, the US team will focus on driving adoption of Ovation iX while we can currently do procedures and plan for the launch of AFX2 later in Q2. As you can imagine there's a lot of excitement in the US and significant growth potential from launching two new devices within six months followed by Nellix around the end of this year.

Turning to Europe our combined sales and clinical team of 50 professionals will be getting together later over the next couple of months for their first sales meeting in the coming weeks to train on Ovation iX and the newest design of Nellix. These products along with AFX are very complementary and we are already getting reports of positive feedback from physicians who appreciate the ability to pick the optimal device for each patient.

We are very encouraged by this feedback as it underscores one of the key benefits of the merger and highlights the significant growth potential of our portfolio approach. In other international markets we now have 15 reps, clinical specialists, and agents. We are actively meeting with our distributor partners and training of representatives and agents on the products available in their markets.

It will take time to complete the distributor transitions but our partners are enthusiastic and we see significant growth potential in Asia and Latin America over the next several years. In addition to our global sales force activities and upcoming product launches, we continue to make very good progress with our clinical studies and new product development programs. We currently have five clinical studies that are actively enrolling patients.

First is our Nellix Continued Access Protocol. We have enrolled over 100 patients in the CAP and expect to submit for additional patients next month. The LEOPARD study is the first and only head-to-head clinical trial with AFX against Gore, Medtronic, and Cook. We have over 170 patients enrolled and expect to get up around 400 patients by the end of 2016.

Our LIFE study is 250 patient multicenter post-market registry with Ovation. The study is the first of its kind using a fast track protocol that includes a percutaneous procedure, local anesthesia, no time in the ICU, and next-day discharge. To date over 200 patients have been enrolled and we expect to complete enrollment later this year.

LUCY is a 225 patient prospective study to evaluate Ovation in women and other patients with a short aortic necks and small access vessels. To date we have enrolled just over 40 patients and expect to complete enrollment next year. And lastly, the ASCEND study that was kicked off last fall by physicians to evaluate the use of Nellis together with aortic branch devices to treat patients with complex aneurysms.

The 200-patient study already has over 100 patients enrolled and we expect to complete enrollment by the end of 2016. So as you can see we have a number of important clinical research project designed to provide clinical and economic evidence to further drive the adoption of our broad portfolio of products.

From a product perspective, in the near-term we expect our growth to come from Ovation iX, AFX2 and Nellix. Ovation iX and AFX2 are both FDA approved, and we already have approval in Europe for Ovation iX, AFX2 and the current generation of Nellix. For Nellix in the US we continue to be on schedule and are planning to submit the final PNA modules within the next 60 days targeting FDA approval at the end of this year or into the first quarter of 2017.

We expect a one-year follow-up clinical data from the US IDE to be presented at the SVS meeting in June. Longer-term we believe our CHEVAS and Ovation Alto programs will enable us to penetrate the underserved complex abdominal aneurysm market. We are also interested in devices for the treatment of thoracic aneurysms and dissections and will provide updates on those programs later this year.

Between our expanded global sales and clinical teams, our pending product launches, our significant and growing clinical evidence and our deep new product pipeline we feel Endologix is externally well positioned for significant growth.

I'll now turn the call over to Vaseem for his financial review. Vaseem?

Vaseem Mahboob - *Endologix Inc. - CFO*

Thank you, John. Good afternoon, everyone. So total revenue in the fourth quarter of 2015 was $39.2 million, up 1% reported and up 4% on a constant currency basis compared to the fourth quarter 2014. As we had indicated at prior events we were expecting a sales disruption in the range of $0.00 to $2 million and we estimate that our fourth-quarter 2015 revenue was impacted by around $1 million to $1.5 million due to the anticipated disruption related to the merger with TriVascular.

On a pro forma basis the combined Company's revenue in 2015 was as follows. First quarter $44.7 million, second-quarter $49.2 million, third quarter $47.7 million, fourth quarter $49 million. So for the full-year up $191 million. The geographic split was $134 million in the US and $57 million outside of the US.

Turning back to Endologix's fourth quarter 2015 results, in the US revenue was $26.4 million, down slightly compared to the fourth quarter of 2014. This decrease was due to the temporary postponement of the Continued Access Protocol or CAP and our US Nellix IDE clinical study which was restarted in November. And merger-related disruption.

Excluding the impact of the CAP, our US sales were flat compared to the fourth quarter in 2014 which was in line with our expectations given the announcement of the merger. International revenue was $12.8 million, up 17% on a constant currency basis, including European revenue growth of 18% on a constant currency basis to $8.2 million.

Global Nellix sales reached 692 systems for the quarter which is up 15% from 2014. This includes our European direct business which was up 49% compared to 4Q last year and an indirect European business which was down 54% for the same period due to a large order in Q4 last year and some anticipated disruptions related to the merger. On a full-year basis worldwide Nellix systems saw a 38% growth year over year.

Gross margins in the fourth quarter 2015 was 60% compared to 76% in the fourth quarter of 2014. The decrease was primarily due to an inventory write-off of $3.4 million in the fourth quarter of 2015 for product transitions and an increase of our obsolete inventory of zero as a result of quality and process improvements. Operating expenses for the fourth quarter 2015 were $45.5 million compared to $40.5 million in the fourth quarter of 2014.

Fourth-quarter 2015 operating expenses included a $5.1 million in one-time charges, $1.9 million of which was contract termination fee to our distributor in Japan, and $3.2 million of acquisition related expenses. Our GAAP net loss was $15.3 million or a loss of $0.22 per share in the fourth quarter 2015 compared to a GAAP net loss of $14.8 million or a loss of $0.22 per share for the fourth quarter 2014.

This included a $9.6 million or $0.14 per share non-cash tax benefit associated with the accounting treatment for the $125 million convertible offering in Q4 2015 to finance the merger. Adjusted EBITDA for the fourth quarter 2015 was a loss of $11.5 million or $0.17 per share compared to an adjusted EBITDA net loss of $3.4 million or $0.05 per share in Q4 2014.

For the balance sheet we ended the year with cash and cash equivalence and investments of $177.3 million compared with $86.7 million at the end of 2014. In October we raised $121.4 million in net proceeds from the sale of convertible senior notes in an underwritten public offering of which a portion was used in February in conjunction with the closing of the TriVascular deal.

Now turning to guidance. For 2016 we expect revenues will be in the range of $192 million to $202 million compared to pro forma 2015 revenue of $[191] million. We believe the majority of the anticipated disruption related to the merger will occur in the first half of the year and we expect to see good growth in the second half of 2016 from our planned new product launches.

Although we do not plan to provide quarterly guidance in the future, due to the expected merger disruption in 2016 we are providing directional ranges for quarterly revenues. We expect Q1 revenue to be down 10% to 15% from last year, Q2 to be down 5% to 8%, and then in Q3 up 10% to 15%, and Q4 up 15% to 20%. For the full-year 2016, we expect our geographic revenue mix to be approximately 65% from the US and 35% from outside of the US.

We anticipate a GAAP loss per share of $0.20 -- $1.20 to $1.30 per share and an adjusted loss per share of $0.70 or $0.80 per share. This guidance excludes purchase price accounting impacts related to the TriVascular merger. On the spend side as presented at our October Investor Day, we expect approximately $35 million in one-time deal related expenses and we have already spent around $3.2 million in 2015, and the remainder $32 million will be spent in 2016, the majority that in the first half of this year. We will provide visibility to these costs on our quarterly earnings calls as we progress throughout the year.

While we are talking about cost, we are on track to deliver the $17 million in merger synergies with the vast majority of that coming from sales and marketing and G&A reductions. We have already executed on headcount actuals as planned. On a related note, beginning with the first quarter earnings support we will no longer be providing sales by product line, pricing information or details about our sales forces. There are two primary reasons for this decision.

First be mindful that certain product level revenues, pricing information and sales rep details essentially gives our competition a roadmap to our business plan. Second, with the merger now complete we think it's important to focus our quarterly metrics on the strength of the combined Business and its ability to take global market share. We completed the merger to build a portfolio Company with an ability to be the market leader and our long-term success will be driven by our ability to take market share with our entire product portfolio.

Importantly we are more confident in Nellix today than ever before, as evidenced by the 49% European direct Nellix systems growth in the fourth quarter. Nellix remains the most innovative solution in AAA, and we anticipate the product will continue to deliver rapid global revenue growth over the next several years.

The good news for us is that Nellix is one three excellent products in our portfolio, and we are the only Company with the ability to offer physicians the best solution for each individual patient.

With that, I'll hand it back to John. John?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Thanks, Vaseem.

2016 is off to a very good start and we are pleased with the merger progress so far and the positive feedback we are getting from the field. Our first consolidated US sales meeting this past weekend was a major success and we're excited about the growth potential of launching multiple new products to our larger, more experienced global sales organization.

Our top priorities over the next 12 months are: first, get Nellix PMA approval and prepare for the US launch; second, drive growth from three other upcoming new product launches, the first of which is Ovation iX in the US, second is AFX2 in the US and in Europe, and third our next generation Nellix system in Europe in Q2; another priority is to continue advancing our Ovation Alto and CHEVAS development and clinical programs for the treatment of complex AAAs; third is to leverage our post-merger infrastructure and capabilities to achieve profitability as soon as possible; and lastly to continue building clinical and economic evidence with our LIFE, LUCY, LEOPARD, and ASCEND clinical studies. As we execute on these priorities we expect to deliver significant value to our customers and shareholders, while providing patients with the best possible device for the individual treatment of their abdominal aortic aneurysm. We look forward to meeting with many of you at the RBC Healthcare in BTIG MedTech conferences later this week and to provide an update on our progress on the first quarter conference call in early May.

With that we will now open up the call for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Brooks West, Piper Jaffray.

Brooks West - *Piper Jaffray & Co. - Analyst*

Hello, thanks, can you hear me?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Yes, hello Brooks.

Brooks West - *Piper Jaffray & Co. - Analyst*

Vaseem let me start with Nellix, you threw out a bunch of numbers and I want to make sure I'm clear, so I think it was 18% growth, 49% in direct channel. Can you give us a little bit more detail on what that means? It sounds like you had a distributor comp, how big is the direct versus distributor, just any more of a sense of true underlying system sales growth, in-plant growth, whatever you could d?

Vaseem Mahboob - *Endologix Inc. - CFO*

Sure. Thanks for the question, Brooks. I think the way to think about it is the European direct business went up to almost 550 units.

The indirect was down by about 54%, and that was primarily driven by a very significant comp. We almost did about 160 units in Q4 2014, and it was an unusual one-time order and that's the comp. Now the other point also we made was, there is a little bit of the, on the indirect side, the disruption that we saw related to the merger where our partners were not very clear on how 2016 is going to play out vis-a-vis the transition. So all in all I'd say the direct business was absolutely solid at 49% growth year over year and then on the indirect side it was down 54% as a result of it being in-aggregate.

Brooks West - *Piper Jaffray & Co. - Analyst*

So do you -- thank you for that -- do you have a sense for I guess, maybe what the underlying implant volume was, and I know that's maybe an uncomfortable level of detail, but I'm just trying to cut through the numbers to get a true underlying growth rate?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Well Brooks, this is John. Obviously, you get a very clear picture of that on the direct side. The indirect side is much more choppy so I think the direct business is the best reflection of market uptake and adoption, and we're going to get -- we had a stocking order in Q4 last year and then follow this Q4 with some distributor merger uncertainty and an understandable back off of ordering patterns, so I think we're just going to see some inventory movement on the dealer side but the direct business I think is the best reflection of uptake.

Brooks West - *Piper Jaffray & Co. - Analyst*

So is it fair to say, John, continued upward trend in general from what we've seen throughout the year for Nellix in Europe? Is that away to kind of bookend the statement?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Absolutely, yes.

Brooks West - *Piper Jaffray & Co. - Analyst*

And then maybe just one question on the merger, so you had been talking about some account overlap and maybe that was a little bit less than you had thought which is a positive before you did the deal. Just curious if you could give us a little clarity on how the combined account base looks. And then have you picked the team at this point, and you're really moving forward? Are you through the personnel side of the disruption from the merger?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Yes Brooks, I'll answer the last question first. The team is picked, in fact as I mentioned just briefly in my remarks we all met. In fact the tail of meeting ended yesterday afternoon, so we had our first meeting and it was a huge success.

Team's fired up, a lot of enthusiasm about the Ovation iX product and already a lot of examples being shared about having both products in their bag today and how that enables them to provide more solutions to physicians. So it's early but we're pretty encouraged by that feedback. In terms of the account overlaps, we put all the accounts together, we did have some overlaps although it was not as many as we thought. You know, there was some talk about maybe as much as 50%. It wasn't that high, we ended up netting out on a consolidated basis just over 900 active accounts between the two businesses.

And the good news in that 900 accounts -- so that puts us in over 50% of the accounts in the US but under 30% penetration in those 900 accounts, so that's a great sign for us because there's a tremendous amount of additional penetration opportunity in the existing accounts as well as a lot of greenfield of accounts that are not active, so we feel like there's a bunch of upside in this new consolidated team

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Brooks West - *Piper Jaffray & Co. - Analyst*

I'll let others jump in.

Vaseem Mahboob - *Endologix Inc. - CFO*

Thanks, Brooks.

Operator

Rick Wise, Stifel.

Matt Blackman - *Stifel Nicolaus & Company - Analyst*

Good afternoon, everyone. It's Matt Blackman in for Rick -- can you guys hear me okay?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Hello, Matt

Matt Blackman - *Stifel Nicolaus & Company - Analyst*

So a couple questions. I wanted to first follow-up on a couple of Brook's questions, first on Nellix that 49% direct unit growth, as we think about 2016 is that the right type of growth to think about that, the largest chunk of the business, is that the right growth rate to think about?

Vaseem Mahboob - *Endologix Inc. - CFO*

Matt 49% is a pretty significant number and remember we've been talking about it's off a base that's been growing, so I don't think that we can today say that it's going to grow at 40% or north of 40% in perpetuity, so I think for 2016 I think you have to assume is a very strong growth, and again the guidance is reflective of a certain amount of disruption that we can't quantify at this point, and I tried to make this point earlier that we've just got to be very careful on the kind of information that we provide on these calls, so we are trying to move away from this product line detail.

So for 2016, I defer to saying that we're going to have pretty robust growth. We've done 5,000 cases so far, it's grown 49%, and how Nellix will do will be the way that the European growth will be translated and we'll triangulate that in our quarterly reviews with you guys on how that region is doing. So, Nellix is going to be the leading indicator for Europe and the only thing I can say is it's going to be pretty robust growth.

Matt Blackman - *Stifel Nicolaus & Company - Analyst*

Okay I thought I'd try, but thanks. The next question, again another follow-up on Brook's question. As we think about sort of the sales synergies -- thanks for the account update on account overlap information -- but as we think about the sales synergies how should we think about it in terms

of the ability to cross-sell? Obviously, you've got Endologix's legacy account numbers are higher, so thinking about selling Ovation in those accounts just out of sheer numbers would seem to be the larger opportunity.

Am I thinking about that correctly? Or no, there's some reason you could do well in AFX, with AFX and some of these Ovation accounts. Any way to sort of parse out how you're thinking about the opportunities of cross sell?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

I think you're thinking about it right. We started let's say plus or minus with 750 active accounts and netted out at 900, so obviously there's a bigger base of Endologix AFX users and a lot of cross-selling. Like we talked about early on when we announced the merger to TriVascular, Ovation device, it can treat some patients that AFX just simply can't treat, so it's got a broader indication as well as the profile and flexibility benefits, so there were CTs that we never even got to see because physicians know some of the limitations of AFX.

So I see a lot of growth potential, a lot of expansion in our existing accounts with Ovation. That said there are also anatomies in certain situations with the Ovation accounts that where AFX is a better solution or a solution that wasn't going to work for Ovation. So it's going to work both ways, Matt, and I can tell you the team is fired up to take it out for a spin. I know we'll see some good results right out of the gate, but once they really get cross-trained and we're deep into the launch of AFX2, as we turn the corner in the middle of this year we should be building some real momentum.

Matt Blackman - *Stifel Nicolaus & Company - Analyst*

Okay, that's very helpful. My last question. The ASCEND study it's actually seemingly rolling a little bit faster than we expected. Is there any chance that we might see, whether it be a 30 day date or para-procedural date, anything as early as [chair cross] and it'll be some of the patients, or no, we're going to have to wait till maybe 2017 or maybe later in 2016 at [vis-a-vis]? That's all I have.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

I think there's a good chance you're going to get a sneak peek at some data chair cross. I don't think they finalized the agenda yet but the investigators I know have requested the opportunity to share some of their early results so we are hopeful they make it to the podium.

Matt Blackman - *Stifel Nicolaus & Company - Analyst*

All right, thanks guys.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Thanks, Matt.

Operator

Chris Pasquale, JPMorgan.

Chris Pasquale - *JPMorgan - Analyst*

Thanks. I want to start by circling back to the announced performance in Europe this quarter and appreciate the difficult year-over-year comp because what was happening on the indirect side, but sequentially I want to try to get a better sense of how that direct piece, those 550 direct units compared to what you saw in 2Q and 3Q, do you have those numbers?

Vaseem Mahboob - *Endologix Inc. - CFO*

Yes, sure, so in Q1 sequentially they were up 12%, then Q2 we were up 23%, in Q3 for the seasonality we were down 19%, and then we are up 33% in Q4.

Chris Pasquale - *JPMorgan - Analyst*

And that's specifically for the direct piece of the business?

Vaseem Mahboob - *Endologix Inc. - CFO*

Yes.

Chris Pasquale - *JPMorgan - Analyst*

Great, that's helpful. And then, Vaseem, what are you thinking about for gross margin in 2016? You guys took a couple of large inventory obsolescence charges which depressed numbers in 2015. Are you past that now, or do you expect more of that as you roll out iX and [AFX2]?

Vaseem Mahboob - *Endologix Inc. - CFO*

I think there's been some incredible learnings in the last six months to a year on inventory management, the phase-in-phase-out process. So we feel pretty good that we have a pretty good process going forward. I feel a lot of it has been kind of related to inventory management and our quality and the quality improvement that we've been trying to make. So I feel pretty good about where we are headed in 2016.

The gross margins in 2016 are going to be in the 64% to 67% range and obviously we'll kind of true that up as we see how the product mix evolves, and is also somehow linked back to the disruption, but I'd say that the worst is behind us. We have a pretty good process going forward and we'll continue to give you guys guidance on the quarterly calls on gross margin, but I would say expect about a 65% to 67%, somewhere in that range

Chris Pasquale - *JPMorgan - Analyst*

Okay, and if I back out the inventory obsolescence charges for this year, you guys would've been comfortably north of 70% so what drives the lack of improvement coming off a year in which margins were depressed? Is it because you're absorbing TriVascular and they have a little bit more excess capacity? Is the disruption from the deal itself? Why doesn't it get better faster?

Vaseem Mahboob - *Endologix Inc. - CFO*

So a few drivers for that. First of all we had excess capacity in terms of the manufacturing footprint in TriVascular, so the standard cost for Ovation is actually going to go up because we, there was some period costing for some of the units so I think that is going to impact margins. Second, as you think about the growth in the Business, the US is still going to be relatively flat and as we go outside the US the margins are actually lower, so that actually is a little bit of a mix impact there. So I think those are the two big drivers of the gross margin being in the 60% -- 65% to 67% range.

Chris Pasquale - *JPMorgan - Analyst*

Thanks, that helpful.

Operator

Matt Keeler, Credit Suisse.

Matt Keeler - *Credit Suisse - Analyst*

Thanks, guys, for taking the questions. I guess just first, can you give us any color on the expected synergy impact, US, ex-US? Is it similar to the geographic split of overall revenues or is there a different impact that we should be thinking about?

Vaseem Mahboob - *Endologix Inc. - CFO*

Most of the synergy benefits are headcount related and the headcount actions that we've had are mostly US driven, so I'd say it's predominantly US-based.

Matt Keeler - *Credit Suisse - Analyst*

Sorry, I meant revenue dissynergies for 2016. I'm sorry, I wasn't clear.

Vaseem Mahboob - *Endologix Inc. - CFO*

The revenue dissynergies are -- it's mostly going to be in the US, and like we have said in the past it's mostly driven by the territory and rep alignment and as you guys have heard us saying in the past, we have talked about re-setting the sales force. So there is a pretty significant accounts that have a new rep or will be redefined, will be reassigned to different territories. So I would say, that's a big driver of the disruption.

Second, on the European side where we see a significant impact is going to be on the indirect side with the distributors. On the direct side to give you a data point just for the month of January, we've seen a slowdown in some of the Ovation cases in Europe already, which is actually at, almost at a 50% down clip for the month of January. So in terms of the big picture I'd say the disruption is going to be predominantly US, but in Europe it's going to be driven by the distributors. Again is not huge number, it's not moving north to $5 million.

Matt Keeler - *Credit Suisse - Analyst*

Got you, and that sales mix for next year, 65/35, is that a reasonable way to think about the dissynergy mix?

Vaseem Mahboob - *Endologix Inc. - CFO*

No, I'd say it would be slightly heavier in the US than in Europe, so I'd say, ballpark, I'd it's about 90/10.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Matt, the fact is as you can appreciate it's a hard number to forecast with [indecision]. I would say although like Vaseem pointed out, we've seen little bit of softness in January before the deal closed from TriVascular, those aren't in our numbers, but the US has been performing well. So things keep on track, so far Q1 looks very good.

Matt Keeler - *Credit Suisse - Analyst*

Great, and then just one last follow-up and I'll drop. Any update or any change on like-for-like pricing in either the US or Europe, or are things still pretty steady there?

Vaseem Mahboob - *Endologix Inc. - CFO*

The pricing is actually pretty good, I mean no change in the European pricing. The TriVascular pricing in Q4 was very strong on the iX product, so and on our AFX product we've been actually doing pretty good and holding price as well, so no real change in pricing dynamics for 2016.

Matt Keeler - *Credit Suisse - Analyst*

Thanks, guys.

Operator

Jason Mills, Canaccord Genuity.

Jeff Chu - *Canaccord Genuity - Analyst*

Hello, this is actually Jeff Chu filling in for Jason. Can you hear me okay?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Hello, Jeff.

Jeff Chu - *Canaccord Genuity - Analyst*

Hello, John and Vaseem. John, just want to ask about Ovation, do you know how many people have been trained or how we physicians have been trained on iX in the US, and what could be reasonable expectations for the first half of this year?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

I don't know, at my fingertips, the number of physician certified on Ovation. As we talked about before we had, pre-merger I think around 275 active accounts. So there would typically be more than one physician in an account. But I don't want to guess and give you the wrong number, but I would say it's somewhere north of 300 as an estimate.

The potential is significant, right? I mean there are according to our available market data, there are as many as 4,000 physicians in the US that do EVAR procedures. Now admittedly, a fair number of those are low-volume, but at least half of those are active, and so there's a lot of growth potential with the number of users that are currently using the Ovation system. And Ovation iX system as you know, we just got together to train the consolidated team. The product's been available for a little while. That's still for all practical purposes a brand-new product in the US.

Jeff Chu - *Canaccord Genuity - Analyst*

Okay great, very helpful. And just sticking with Ovation for a moment here, so how do you plan to position Ovation in the US both pre-and post Nellix approval? Is to say, dichotomous situation where the market can, where there are the two procedures based on how comfortable the surgeon is performing each of these. Are we thinking about that in the right way?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

I'm not going to go too deep on the positioning for the same reasons that Vaseem mentioned. We want to continue to provide enough information for people to make good investment decisions without sharing our playbook with the competition. We are mindful that.

That being said, the start of that process is all about the physician's individual experience and needs, so it's very much of solutions-based approach, and what's important to each doctor and each one of his patients, so instead of trying to push one product on a dock because we only have one, we just actually explore what's most important to that physician and his individual patients and then provide the best solution whether in the near-term as AFX, or Ovation, or hopefully by the end of the year Ovation, AFX2, or Nellix. So it really is a portfolio approach and this idea of giving the physician the power of choice to give each patient the best solution is -- that's think of the position, the position more broadly that way.

Jeff Chu - *Canaccord Genuity - Analyst*

Okay. And the last question for me is on the pipeline. Is thoracic still a focus for you or for TriVasculara at this point?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Yes. It's an indication of great interest for us, it will drop into the queue in terms of development after the completion of the Ovation Alto program, so we will provide a little more color on that in the latter part of this year.

Jeff Chu - *Canaccord Genuity - Analyst*

All right, great. Thanks for taking the questions. I'll get back in the queue.

Operator

Steven Lichtman, Oppenheimer.

Steven Lichtman - *Oppenheimer & Co. - Analyst*

Thank you, hello guys. John, wondering on the ASCEND registry, how do you anticipate that being used in the field? Obviously it is a registry so I assume this isn't about a label change, but will you be able to leverage published data for training on CHEVAS? Overall how are you envisioning that data being used in the field?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Well, as you pointed out is not indicated yet for the treatment of these complex anatomies, so we won't really won't be promoting it or teaching or training on the technique. And what will likely happen is what has been happening or continuing, is what has been happening and that is, physicians identify other doctors who have had success with the technique and they seek out their advice and that's how this market has started to evolve, or the procedure has evolved. The presentation and publication of the data I think will just drive more awareness to the technique and for the first time people will get to see a decent body of evidence on the results.

Right now it's conceptually a really a good idea and the results so far have been anecdotally very good, but we hope at the chair and cross meeting to get some real-world data out there so people can see if this is a technique that's got a lot of potential. We're excited about it.

Steven Lichtman - *Oppenheimer & Co. - Analyst*

Great, and then Vaseem, you sound comfortable on the synergy opportunities that you guys have laid out. I may have missed it but how much are you thinking you get in 2016, and I assume that's all you mentioned all on the headcount side working to SG&A?

Vaseem Mahboob - *Endologix Inc. - CFO*

We're going to be on target with the 2017, slightly better. Peak rate synergies $30 million a year as we've talked about, so we have a pretty good line of sight to the 2016 number, that $17 million, and I think it's going well especially with the one-one actions that we've already taken exactly the day after the close, so -- .

Steven Lichtman - *Oppenheimer & Co. - Analyst*

Great, and then lastly, John, in terms of Japan, where are you -- I may have missed this, too -- but where are you on the rollout of AFX with the new partnership there?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

They're just getting busy with it now. I don't know the latest case count off the top of my head, but the feedback has been very positive and Japan lifeline is actively launching AFX as we speak, with plans to launch AFX2 later this year, and we're also hopeful to get approvals for Ovation in Japan by the end of this year. So Japan is going to have a busy year for us.

Steven Lichtman - *Oppenheimer & Co. - Analyst*

Got it, great. Thanks guys.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Thank you.

Operator

Joanne Wuensch, BMO Capital Markets.

Joanne Wuensch - *BMO Capital Markets - Analyst*

Good afternoon, and thank you for taking the question. I want to spend a moment on the Continued Access Program. What was it that caused the delay in procedures, and how much do you have dialed in for the CAP in 2016?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Joanne, remember the delay in the CAP we talked about that before, that was a last year issue, so there's nothing new on that. The CAP right now is actively enrolling and everything is going great. We've actually in fact with the CAP recently introduced a new polymer dispenser and some other things, so the CAP is chugging along. In fact we're going to need to apply for additional patients here next month.

Joanne Wuensch - *BMO Capital Markets - Analyst*

In the 192 to 202 for next year?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

It's not a big number. I don't know that we want to get into too much detail in terms of the total global consensus number. We're not depending upon that to hit our revenue, but what I can say is the CAP is progressing.

Joanne Wuensch - *BMO Capital Markets - Analyst*

Okay, that's very helpful, thank you. And then as a follow-up, qualitatively from the merger what has surprised to the most?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Well, one thing that really stood out to me over the weekend with the sales team is just the level of experience. Collectively it's clear that the combined team has a tremendous amount of talent, so I would say I was it was very positively impacted by what I think is going to be a high-potential team; and I think they are going to hit the ground running early. So far, knock on wood, there's been very little negative surprise, I can't think of one. Sales force retention, we are almost at 100% of the people that were invited to be on the team are on the team, so everything is moving forward really according to plan right now.

Joanne Wuensch - *BMO Capital Markets - Analyst*

Terrific, thank you so much

Vaseem Mahboob - *Endologix Inc. - CFO*

Thanks, Joanne.

Operator

Glenn Navarro RBC, Capital Markets.

Glenn Navarro - *RBC Capital Markets - Analyst*

Hello, good afternoon. I was wondering the Nellix trends in the direct channel in the fourth quarter, we did see some very strong registry data at visa late last year. I'm wondering if that had -- if that contributed to the strength in the fourth quarter with Nellix outside the US. I guess we're all trying to figure out, is this what's giving you the confidence that Nellix is going to have another really strong year in 2016, and I had a follow-up.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Yes, Glenn, it's a few things. One, yes the data was good but also we had if you recall thinking back to 2015, we had brought on some new people at the end of 2014 and in the first half of 2015, and so those folks are now starting to become productive in Europe so there's some momentum there.

Additionally though, we as I mentioned, we are getting ready to introduce the newer version of Nellix in the latter part of the second quarter, so part of our continued confidence in the growth of Nellix is we've got a team that's getting more and more experienced, a growing account base, and a new product. That we're going to drop into the mix here before the midpoint of the year, and it's the combination of those variables that lead us to think that Nellix will keep growing nicely.

Glenn Navarro - *RBC Capital Markets - Analyst*

Okay, and then as a follow-up, Nellix do think in the United States you'll need an FDA advisory panel? And I know your guide is to receive FDA approval late 2016 early 2017. Is the difference between late 2016 to early 2017, does that come down to an FDA advisory panel? In other words no panel, we should get approval into 2016, with panel it may move into 2017? Thanks.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Yes. It's possible, Glenn, if everything goes perfect to even have time for a panel meeting and get by the end of the year. It kind of depends on when the panel meetings are scheduled, so at this point I can't say that for sure. We've tried to give a window of December through March, the end of the year through first-quarter 2017 as kind of our best estimate, but in a best case scenario it would be possible to still go to panel and get approval by the end of 2016, although that does push it a little bit.

Right now things are progressing right on schedule and we're anxious to get the final module submitted and get the clock ticking on the FDA review.

Glenn Navarro - *RBC Capital Markets - Analyst*

Thank you.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Yes, thank you, Matt.

Operator

Larry Haimovitch, HMTC.

Larry Haimovitch - *HMTC - Analyst*

Good afternoon, gentleman. Glenn just asked one of the questions I was going to ask about whether you'd need a panel meeting. The other question I wanted to get clarification on is, I believe there's typically four modules to file for a PMA, where do you stand on the number of modules you've filed at this point on Nellix?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

So one and three are in and two and four are on deck.

Larry Haimovitch - *HMTC - Analyst*

Four being the clinical data?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Exactly. And two being? Two is all of the testing data, so the pre-clinical. The bench and the durability and all the DV&B data. As you recall from previous discussions we had received some questions from the FDA about the use of adjunctive devices, in fact this question goes back and is linked to Joanne's earlier question about the temporary postponement in the CAP.

There was one request for additional patients in the CAP where the FDA asked us to supply more data related to the use of adjunctive stents with the Nellix system. And so we've worked with the FDA to provide them with the data. They then approved more patients in the CAP and then have recently accepted our testing plan for the adjunctive devices, so we're clear sailing now on the submission of the two remaining modules.

Larry Haimovitch - *HMTC - Analyst*

Okay, and then John, one follow-up question related to manufacturing, I know from my own experience being associated with TriVascular that the plant at Santa Rosa was really oversides from what was needed in terms of their capacity. Can you update us at all on what you're doing with manufacturing, where you are doing it, and what will happen to the very large plant in Santa Rosa?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

I'll give you the 40,000 foot level is, it's we have a lot of capacity in Santa Rosa and we plan to use it all. We're not going to move -- our plan isn't to move anything right now. We expect to see a lot of growth out of Ovation and we think we're going to need all that capacity so we're going to leave it right and scale it up to supply the volumes that we hope to achieve over the next few years.

Vaseem Mahboob - *Endologix Inc. - CFO*

And Larry, I can comment to that, if you remember at the Investor Day we had talked about -- in our strapland we had assumed that we were going to add manufacturing equipment on our new capacity in 2018, so for us that's kind of off the table and that's one of the synergy drivers for us in the future. So we plan to in-pen it all, and especial with the ramp up for Nellix I'm sure we'll need it and use it.

Larry Haimovitch - *HMTC - Analyst*

So in other words, you expect the unit growth, that you will grow into the, grow to the plan essentially?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Absolutely. That's the plan.

Larry Haimovitch - *HMTC - Analyst*

Great, thank you very much.

Vaseem Mahboob - *Endologix Inc. - CFO*

Thank you.

Operator

Brooks West, Piper Jaffray.

Brooks West - *Piper Jaffray & Co. - Analyst*

Hello guys, thanks for the follow-up. John, I just wanted to circle back on the panel commentary because that's an important timeline for investors, so are you essentially saying that even if you do need to go to panel, you're still confident in your ability to get the device on the market, to get Nellix on the market by the end of March? Is that a correct statement?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Yes. What I can tell you -- what I don't know is what are going to be the questions in the process, right? Obviously, I can't predict that with certainty. What I can tell you is that within the typical 180 day review cycle we have allocated some time within this window through March 17 to go to panel.

Whether we'll need it all or not I don't know, or nor do I know exactly the nature of the questions and how long it will take us to respond and any other issues. When we lay out the timeline and assume a normal series of questions and responses, it is possible to get through a panel review in that timeframe.

That being said, there is no indication at this point in time we will have to go to panel, so although we have planned it in our overall timeline, we won't know until the agency has had the fourth module for a couple months or so whether or not we'll even need to do that.

Brooks West - *Piper Jaffray & Co. - Analyst*

And that was the other point of clarity I wanted to ask was, it seems like over the last six months you've been fairly confident that you don't need to go to panel, has that changed at all or are you still in the same place?

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

No, it has not changed. There isn't anything that we can see that would lead to panel, but again it is a new system, the newer the device the more likely you are to go to panel. But this is in fact -- they're treating aneurysms and there's other devices that have been doing that, so we remain hopeful we don't have to go, but we don't know for sure and have built a timeline just in case.

Brooks West - *Piper Jaffray & Co. - Analyst*

Thank you, very helpful.

Operator

There are no further questions at this time. I'd now like to turn the conference back over to Mr. McDermott for any closing remarks.

John McDermott - *Endologix Inc. - Chairman of the Board & CEO*

Okay, well thanks, everyone, for joining us on the call this afternoon, and your questions and interest in Endologix. We look for to seeing you at the upcoming conferences and we'll provide regular updates on our progress. Have a good evening.

Vaseem Mahboob - *Endologix Inc. - CFO*

Thank you

Operator

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