Globus Medical

March 11, 2026
1:30 PM EDT

Matt Miksic: Good afternoon. Thanks, everybody, for joining us. Thanks to Globus for joining us here at the conference again this year. We have Kyle Kline, Chief Financial Officer, and Brian Kearns, IR and Strategic Business Development and, like, three other jobs, I think.

Brian Kearns: Yes, something like that. That's the way it works at Globus.

Kyle Kline: At Globus, you do a little bit of everything you can to help out.

Matt Miksic: Yes. I make the joke, I think, that if you stand around too much, you get another job. And as someone I was talking to said, "Actually, you don't really have to stand around. You just get another job anyway."

Brian Kearns: That's how it works.

Matt Miksic: Well, so maybe just to start off, you had a really strong finish to last year and then took up – have taken up numbers pretty significantly in the last couple of quarters. A couple of things that I think investors ask about and probably struggle with kind of working the math is – we'll get to margins in a second – on the revenue growth side, what picked up, say, in the middle and back half of last year in your core non-Nevro businesses that enabled you sort of like to return to, call it, a pre-NuVasive level of growth, just about 10%, just under 10% constant currency? Like, what were some of the factors? And I'm sure there's a bunch of them, but how would you explain that to investors?

Kyle Kline: So, I'll hit on a few of them, but thanks for having us here, first of all, and good afternoon, everybody.

When we think about the strength that we saw on the back half, it really started in Q2. And our U.S. spine business is our largest piece of the business. It's the one that we've developed first, and it is essentially the key focus of our business. And what we saw was in Q2, we grew at about 7.5% day-adjusted and then accelerated that to just under 10% in Q3 and Q4.

And the focus on U.S. spine and driving that growth is really three main pillars that we've kind of always hung our hat on; one of them being competitive recruiting, which is a focus. And if you think back to the NuVasive acquisition, which closed in late 2023, in 2024, we focused and spent a lot of the time retaining and making sure that we had our hands around the sales force as we integrated systems, as we integrated processes, as we set up new teams. As we pivoted in late '24, early 2025, we got back to our roots of competitive recruiting, and we started to see that kind of benefit us as we hit this mid to second half of 2025.

Another one is robotic placement and pull-through from those accounts that have capital in their hospital. So, making sure that we get capital out in the field, we make sure that we launch that program successfully, get utilization, get further penetration. As we focus on that and drive that utilization, we see implant pull-through as well.

And then, finally, product launches and making sure that we have the right technology in the hands of our sales force to make sure they can go out and sell.

So, really kind of a focus on "back to the basics" of what kind of helped us in the first place has driven that U.S. spine.

Ancillary to that, you saw drivers in terms of our trauma business, which continued to grow in the 20% to 30% range throughout the back half of the year. That business continued to grow.

And then, we got through some of the headwinds that we had, whether it's through reimbursement with the neuromonitoring business – that took a step forward in the second half of the year – as well as enabling tech, which had been, quite frankly, soft throughout the first three quarters of the year. We were really able to close the deals that we had commented on, that the pipeline was kind of dragging a little bit. We weren't losing deals, but they were extending out. We were able to close a lot of those deals in Q4 and ultimately have a record enabling tech quarter.

Matt Miksic: That's great. And that last point, I think, surprised a lot of folks. Well, surprised a lot of folks early last year. But there was a thinking, I think, early on as we all were trying to understand what happened in Q1 and what was improving in Q2, was this idea that, well, enabling technology has got to grow or the system doesn't work or something, the growth model doesn't work.

Obviously, you've been placing a lot of robots and those are building a stream of pull-through revenues and things like that. That's one factor that's kind of a tailwind, whether you sell the incremental robot or not. But what were some of the things that we missed in terms of the strength of U.S. spine, even if, in total, robots came in a little bit slower for the year than we originally thought?

Kyle Kline: I think I'll answer that in two ways. One, I think that if you think about our business and we had the decline in Q1 of 2025 from a quarter-over-quarter perspective – so, Q1 '25 versus Q1 of 2024 – that's the first time we had a quarterly decline since back in 2015. So, I think that caught everybody by surprise. And enabling tech was a part of that miss in terms of revenue.

But you added on the Nevro deal right at the same time. So, as we exited Q1, did not have a great quarter, we also had the Nevro deal coming on, which I think, quite frankly, spooked investors. "You're not done with NuVasive. How are you going to take on this next deal? How are you going to be able to make it successful?" So, I think that's one part of why, in Q2, even though we saw some of those trends coming through – U.S. spine grew that 7.5%; enabling tech was still down, but it was down 4%, we didn't miss Q2 by that much – I think that kind of got lost in translation.

And then as we moved to Q3 and Q4, you saw the core business moving up, and you also saw the profitability and sustainability in terms of the Nevro business, and that kind of came through in the last two quarters of performance.

From an enabling tech standpoint, I think the point is that the sales – getting units in the field are important. What was maybe missed or not focused on as much was the fact that enabling tech is roughly 5% of our revenue. So, it's important and it's an important part of the overall story, but in and of itself is not the most important piece of our business.

And we started signaling in Q3 that we're going to move to make sure that we have different ways for our customers to acquire capital, which includes volume-based arrangement or these placement type of deals.

Now, as we move through the year and we think about Q4, a record Q4 in terms of revenue dollars as well as number of units sold, those were still almost entirely upfront cash RevRec-type deals. The call-out is really that as we make more of these available as we move into 2026, we could see some of that shift in terms of number of deals and how they fall. Do I believe that it will be a monumental shift, all of a sudden going from a vast majority cash to a vast majority volume? Absolutely not. I think it will just become a larger part of the mix.

Unidentified Participant: Okay. That's helpful. And the pipeline after Q4, there was this – "deals have been taking longer, they've been in the pipeline longer, but we're not losing any," which was much of the commentary for most of last year, what's the pipeline look like? And think of it as, like, backlog, I guess, of '25 deals comparatively to other years, entering '26.

Kyle Kline: Good question. And when we think about that pipeline, we had commented throughout the year, "Pipeline remains strong. It's just a delay." So, Q4, I think we closed some of those deals. We saw those deals come through. We ultimately were able to close them and recognize revenue on them.

As we exit Q4, enter 2026, we still have a very strong pipeline. And when we think about pipeline, it's not necessarily just, "Hey, I've got a lead of somebody I talked to one time." There's a lot of effort that goes into getting into that pipeline and deals that we feel good about. And you should think about it from the standpoint, if a deal is going to be on our pipeline and we feel good about it, it's because a surgeon has dedicated time to come in and train, to go view a surgery from another surgeon. They're taking time away from their day job to make sure that they're going and taking a look at this. So, they're basically investing that time and effort in it. And we're also evaluating who we've talked to from the executive staff. Have we gotten a meeting with the CFO to talk about it as well? Those are the deals that as we fill that pipeline and think about the strength of the pipeline, they're real deals that are close to coming to fruition.

Now, as I think about we enter '26, I feel good about the pipeline. That doesn't mean every deal from 2025 that didn't close is necessarily going to close in 2026 either. I think we're going to have some mix. And we also are consistently going after new deals and new opportunities. So, I think you'll have a mix in 2026: some that are potentially 2025 deals that pushed out and other ones new 2026 deals.

Matt Miksic: Okay. So, maybe switching gears a little bit to Nevro, because that was a surprise. And then, upon closer examination, I think it was surprising to a lot of people at what the attractive economics were to Globus on that deal. Essentially, like, I think less than a quarter's worth of free cash flow or something to get the deal done. And it's done better than anyone's expected. It sounds like better than the team has expected. So, congrats on that.

I mean, what's your sense of it now? Of course, one line of thinking might be, well, it's done great up until now, but we've entered a new calendar year and maybe things are going to change, there's going to be more dropout. How are you thinking about it? And how should investors think about the continuity of last year's performance to this year?

Kyle Kline: And so, when I think about Nevro, and to your comment, I think we all have been somewhat surprised in terms of what we've been able to accomplish. And that's really taking the business from – in 2024, as a standalone company, it was $400 million in revenue with a $100 million net loss. We've been able to take that up. In Q4, they were just under $100 million of revenue, and we turned them profitable, roughly 21% EBITDA.

So, there's a lot of G&A reductions in there, a little bit of efficiency in terms of cost of goods sold, and then the manufacturing and distribution process. What we tried to do was stay away from the sales force as much as possible. Because the idea was let's walk into this, let's retain sales in the first year or so, and then, from there, let's find a way to grow that business and grow top line.

But because they had such significant losses, we had to go and attack synergies relatively aggressively. We've been successful through three quarters of kind of, (a), making that happen from synergy action as well as maintain revenue. What I would continue to say to the Street is what we've emphasized throughout the past three quarters, is with this much change that we've made to the business, we anticipate there will be some kind of lumpiness in revenue. And I would have predicted that that would have happened in 2025. I'm now changing my prediction to 2026, that we'll have some amount of lumpiness there.

The other thing to consider that we did leaving '25 and entering 2026 was changing the rep comp model over to the Globus comp model, which means less fixed pay, more variable, uncapped in terms of total comp that a rep can make at Globus. We think that will allow us to ultimately find those hunters out there that want to go out and go and win in the field and continue to grow. That will allow them to increase their amount of pay. But there are individuals on the team that maybe aren't as growth mindset and just trying to keep a stable base; their pay, net-net, will come down.

We think between the G&A cuts and the change to the sales comp structure that we could have some lumpiness and impact here in 2026.

Matt Miksic: Okay. And by "lumpiness," some rep attrition or turnover, things like that?

Kyle Kline: I think, yes, rep attrition, a little bit of turnover there will impact top line somewhat. It's hard to give a precise amount and we don't want to guide definitively to "here's what we expect Nevro to be," but as you think about our total guidance, that lumpiness is anticipated in both our top and bottom line.

Matt Miksic: Okay. On the cost side, I think, was, just to be clear, I think a little less surprising because you had a pretty good record of taking costs out of – managing it out of your own business and generating margins and cash, but also then doing a pretty fast and competent job with NuVasive. And so, it was more, "what's this going to do to the top line" was the big question. And congrats on holding that together really nicely while you brought up margins.

So, maybe on margins, the overall corporate return to nicely over 30% EBITDA margins in Q4 was also faster. And kind of looking back and kind of using the NuVasive deal as an example, that also was back faster. And so, maybe talk a little bit about – part of that is what I just mentioned, taking costs out effectively quickly, but part of it is also there's something else to that to return your margins so quickly over 30%. So, maybe talk about how do you explain to investors how this happened so quickly.

Kyle Kline: And when I think about NuVasive or any of the deals we've done, part of who we are at Globus and what we want to do is act fast, make a decision and go down the path. And I think where we could have stumbled was sitting back debating what we wanted to do and maybe not been as aggressive in some of our actions. And so, by having that mentality and that methodology and understanding that, okay, we could make a mistake, but we're going to learn from that mistake and we're going to get back up and we're going to figure it out, that mentality has kind of stuck through in terms of our approach in both of those deals.

The most important deal – the most important aspect of either of these deals, number one, is the top line. Because we expect that we – outside of these acquisitions and integrations, we seek to be a mid- to high-single-digit grower. And so, we want to continue down that trajectory.

The first order of business as you bring in these acquisitions and work through integration is getting that stable base within the sales force. So, NuVasive, to your point, a lot of our time and effort in that first 12-plus months was really about how do we make sure those teams are set up the right way, how do we make sure that we have coverage, how do we make sure we have the ability to cross-sell where and when we want to, how do we get them onto common system platform process for how we do things. That really took us a good year to work through that. And then we got to say, once you have that base stable, you could go and drive your growth pillars.

So, I think the effectiveness of what we did in NuVasive – and if you go back to the deal model, we had stated our goal was to achieve $170 million of synergies, minimize revenue disruptions, get back to a mid- to high-single-digit grower after three years; that was ultimately over a three-year period. And in there, we talked about getting back to mid-30s. So, you're looking at we're about two years and a quarter through that. We were able to grow revenue like we did over the past year and the past couple of quarters. You had those synergy actions that got you $200 million of synergies, $30 million more than the $170 million that we had planned. And then you got yourself back on a Globus standalone basis – for the quarter, we 35.7% in Q4 here. So, really getting back to everything we laid out in the deal model, we wanted to make sure we could achieve that.

Matt Miksic: Okay. And had a plan with Nevro as well, sort of back to accretion or reaching accretion ahead of schedule. So, part of it is execution and speed and some of the things that you mentioned. I think one of the things that's a little less understood about Globus and has been really since the IPO has been this sort of – there's a lot of companies that have 31%, 32%, 33% EBITDA margins or aspirations to get to mid-30s. But that's an upward battle to get to mid-30s. And I think one of the things – and love to hear your thoughts on how you balance these investments that you make. But even though it was surprising that you came public with the mid-30s EBITDA margins, the reality is that was mid-30s EBITDA margins after investments that you were making in growth programs. And so, there's, like, a certain amount of important but inherent flexibility in your P&L also, which, I would imagine, helps during these periods of all hands-on integration, right? But maybe talk a little bit about how that works and how you think about prioritizing those spend areas.

Kyle Kline: And from the Globus standpoint, we've always kind of touted having great margins, always focusing on trying to be mid-70s from a gross profit, mid-30s from an EBITDA. We've always kind of defined our range of EBITDA to be somewhere – "mid-30s" for us is 33% up to, like, 36%, 37%.

And the thought process there is there's always going to be times of heavier investment. And if you look at where we exited 2025, we were about 5% of sales was R&D, and that is on the lower end of the range we want to be in. We typically want to be somewhere in the 5% to 6% of the range. Some years, we might flex to 6.5% or 7%.

The importance of what we've historically said from an EBITDA standpoint is so that we have that ability to flex and the ability to invest back in ourselves. We're known for our innovation, our product development process, having an executive chairman who's an engineer as his background. The idea is we continue to reinvest in our business to get the next products out there, to be able to sell, to be able to grow and generate cash and invest back in yourself continuously down that process. That flexibility is super important for us.

I would say – as we walked up here, we talked about if you're at Globus, you do more than one job. Yes, we do run lean, but we also run very, very hands-on. The executive team is going to go into battle and go and attack any problem with multi layers down the organization. We're very, very hands-on from when we think – whether it's through integration or operations or the supply chain item that you're working on, we're involved in all aspects of the business. And I think that's a little bit of our secret sauce, is really knowing and understanding what's happening multiple levels down instead of managing and allowing a team underneath you to coordinate all that.

Matt Miksic: Okay. And then higher in the P&L, you've got your gross margin targets. And folks would look at some of the markets that you're in, you have pricing headwinds, you have competitive headwinds. You have new products that you're launching that are sub-scale on the manufacturing side. And so, headwinds are to gross margins at different times. But you're also pretty actively in-sourcing your manufacturing. And I think that also translates over to Nevro, maybe some of that starting before the deal and some of that now recently completed.

So, maybe talk a little bit about how far into in-source manufacturing you are, what opportunities that are in front of you, and how that – people think, "Oh, in-source manufacturing, that must mean..." – is that going to be 50 basis points of gross margin improvement next year? Or how does that help you offset some of the flows that I was describing?

Kyle Kline: And when you think about those manufacturing initiatives that we had, that you go back to pre-deal or right around the close of the deal, Globus manufactures what's called 75% of all of our products in-house. The legacy NuVasive business, it was closer to 30%.

The idea with these initiatives is to evaluate and be able to utilize the space and basically our cash to go back and outfit each of our facilities. So, Globus has a manufacturing facility in Pennsylvania; NuVasive has one in Ohio. How do we take that space, redesign it so that it's consistent between the two, and then ultimately bring up the level of utilization at NuVasive so that it comes closer to what Globus is?

So, we took that on – the first order of business from synergies was more of the G&A stuff at NuVasive. But then after you got through, like, the first year or so, we pivoted to ordering the machinery, building out those facilities, making sure that we hired the staff, et cetera. And then we've been working on bringing it in.

Now, when we initially thought about that, we initially thought, "Okay. This will be something we action in year two. We'll see this – whatever impact happen in year three." What we identified is as we go out and do that, you need to be careful because you need the outside manufacturing as well. (A), maybe they have a capability that you don't have in-house, and we want to still be able to utilize them for external resourcing. But you also want to make sure that you have a backup plan as well.

So, as we stepped through it, maybe it wasn't quite as fast as we were initially thinking. But if you look over the past six quarters, you'll actually see the sequential improvement quarter after quarter after quarter, improving that gross profit margin. And we expect as we move forward we'll continue to make these improvements. And you'll see some benefit quarter after quarter. Maybe not every single quarter steps up the exact same way, because you've got to remember, depending on what happens with your revenue and what level it is, that's going to impact that margin percentage as well. But we do expect overall next year to add at least 100 basis points to our gross profit and expect to be somewhere in that range of 69% to 70% by the end of the year.

Unidentified Participant: Okay. Well, super helpful. We're at time. So, we could talk for a lot longer about many other aspects of the business, but this has been super helpful. Thanks for joining us.

Kyle Kline: Great. Thanks for having us.