

Greatbatch, Inc. Investor Day Transcript

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[Thomas Hook](#) - President & CEO

Welcome everybody. Thank you all for coming to the 2013 Investor Day for Greatbatch. I would like to welcome all the shareholders and prospective future shareholders of the company, I appreciate the support from the Board of Directors as well as the executive leadership team and there's a few senior leadership team members and subject matter experts from Greatbatch that are here today as well, as well as some important partners for Greatbatch in terms of how we've grown this company and obviously most importantly also our some customers in the room here that have made it possible for us to succeed as a company and I appreciate their involvement as well.

So welcome everybody. I hope you've all settled down. There's obviously some refreshment for those you are feel free to get up during the presentation and enjoy that. What you'll see me walk through here today is a couple of very important messages that I want you to keep in mind before I go through all the slide presentations.

First and foremost we want to show you the strength of our core business. How we built the company and how we are growing it, and the second piece is we are going to highlight there's a lot of pent up demand for understanding of what our medical device projects are. We are going to highlight one product in particular called Algostim which is a marquee project for us that we've invested in over the past five years, and we are going to provide a lot of technical information with regards to Algostim.

If you came in you'll actually have a chance to have seen a few of the pieces. We will provide a lot more information in the presentation here as well. And then Mike Dinkins is going to walk through some of information in terms of what it means to us financially.

Little cautionary statement here that I will be making some forward-looking statements in the presentation. Also from a disclaimer standpoint there are products that I will refer to particularly Algostim that have not been submitted yet to the FDA for clearance or approval. We will talk to them also in terms of where we are going with the technology and what our plans are as we move forward, but those products have not been cleared or approved by the FDA yet.

From a presentation standpoint the three amigos that will be here today and the only one with hair, it's a unique qualifier for us. I'll walk through the beginning of the presentation on the core business. It's been driven by the company over the last five to eight years. Mike Dinkins, our Chief Financial Officer will present with regards to the financials later on in the presentation and in the middle will be Scott Drees, who is the President of our Algostim LLC subsidiary. He will come up and specifically talk to Algostim.

As all of you kind of walk through not only the refreshment area, but also an area that highlighted some of the physical samples of the technologies as a company that we've developed at the component level which I'll talk about as well as the systems level for Algostim that Scott Drees will talk about.

We will also as the presentation today completes, open that area up and have one of our subject matter experts Dr. Norbert Kaula present more information on the programmer side of Algostim and have a little product demonstration for you as well. I'll walk through the presentation agenda as follows: I'll hit some key messages that I want you to keep in mind throughout this afternoon.

I'll talk to how we are going to grow organically in our business. Scott Drees will cover the commercialization of the Algostim product. We will take a short break, so everybody can recover a little bit for 10 minutes and then Mike Dinkins will come back up and walk us through the financials. We will have the executive leadership team come up and be available for any focused question-and-answer session before we adjourn and allowing everybody to go through the products showcase in more detail.

So you have to obviously in any investor presentation boil it down to the one slide. This is the one slide we will refer to it in several segments within the presentation or what do we want you to get out of this. First and foremost, we want you to understand we have a very strong foundational business. We built the business over the course of a decade through partnering with our OEM customers, embodying those partnerships in multi-year long-term agreements that drive our reputation for innovation and operational excellence.

If we don't have a quality, reliability innovation and operating excellence customers won't sign those long-term agreements that have built that foundational business. Are we there in every product line yet? No. In our traditional product lines and cardiac we are very strong. We have done a very good job in vascular and a very good job in portable medical. We have work to do yet in orthopedics and I'll talk about that today. But we have a very strong foundational business.

We're going to walk through Mike Dinkins's section of the presentation and we're going to try to give you more transparency on the strength of that foundational business that we feel is much stronger than has been historically appreciated. We're going to try to let you look down through how we've done over the course of time and where we project going forward in the future that separates the medical device investments from that core business. So we are going to take that core business and we're going to grow it.

We've made some targeted investments in sales and marketing at both the Greatbatch Medical and Electrochem level to bring in subject matter experts that are better DNA, from a sales and marketing perspective than Greatbatch has had historically. They are taking the product technologies that we have and the applications we have and they are pursuing adjacencies to grow the business model into complementary markets and also growing the business model with customers that we haven't historically served at our primary markets.

Greatbatch has made a lot of investments in innovation, made a lot of investments in manufacturing and operations. We've been laggards at investing in sales and marketing and with some external hires as well as some talent that we picked through the acquisition of a portable medical company MicroPower, we have dramatically improved the sales efficiency within the company and I am going to highlight that so you can get a better appreciation for how we are going to grow that core discrete product business.

Many of you're here today just to hear about commercialization of medical device innovation specifically Algostim, which is what Scott Drees will walk through. We have spent 4 to 5 years of developing this platform. It's gone all the way from just the identification of what market we are going to go after to what device technology we wanted to pursue and how we wanted to pursue that product development, all the way through the complete system development, which is displayed out in the product showcase for you and will actually be turning on and demonstrating the actual hardware and software itself later on when the presentation completes.

What do those three pieces add up to, driving the profitable growth as a company. And the way we want to have you think about it is, we want you to think about the core business we have growing it and valuing that. We want you to think about the devices as an upside opportunity. A separate investment that's going to leverage off our core capabilities, that's going to drive future value of the overall franchise.

So our matter inside is top-line, bottom-line, pipeline. We are innovators at the core, we've done a very good job of generating unique ideas that we partner with OEM customers at the component and in the future the system level. So we are going to take that pipeline and we are going to push it down through to drive top line opportunities and precipitate twice amount of leverage of that in the bottom line, and we are obviously going to do that leveraging of the operations base that we have from an manufacturing, efficiency and a productivity standpoint and leverage of the capacity that we put in place to have more profitable growth by 2x factor from our top line.

We are targeting in the mid-single digits on the top line from an organic perspective. I know many of you will ask and we will get to that we may enhance that or supplement that with some targeted acquisitions as the years roll out over the next several years. But organically we want to be able to grow at the mid-single digit rate from a component standpoint and we are going to enhance that through medical device sales, we are going to enhance that through the sale or through the inclusion of inorganic growth or with targeted acquisitions.

Where's Greatbatch today? It is 646 million in 2012 timeframe of which almost 90% is tied to the medical device market. This is a bit of a shift. As Electrochem has grown over time through acquisition and organically, we have shifted the mix of this business to be predominantly a medical device oriented company, and we project that with a fast growth rate of portable medical, the growth rate in Greatbatch Medical as well as the growth rate of devices will continue to make Greatbatch more of a medical device centric company.

It's not say in our energy market place that we are exiting energy. We are going to maintain those product lines, the very high reliability product lines that customers need from us, the technologies are close to the types of technologies that are used in medical, but we are not going to emphasize those in terms of our business strategy or our investor communication.

As we go forward we have strong customer relationships there, strong intellectual property protected product lines, and we're going to focus on the medical device market in terms of opportunities.

So who are we and what do we sell? You will see our four fundamental medical device markets that we are targeting. We combine cardiac and neuromodulation together because the technologies that serve those markets for active implantable medical devices are very similar, and we sell them out to customers that are within those market places that have those businesses use similar technologies.

And since we have historically a very strong base in relationship in cardiac rhythm management and cardiac applications, we are leveraging that base in to neuromodulation and we are combining them together. Our next market that we are focusing on is orthopaedics and we are new entrants to orthopaedics in the 2008 timeframe, we diversified in to orthopaedics to take advantage of other implantable medical applications to give us a broader operating base as a company and we are very full service offering in that product line.

We do instruments, we do delivery systems and we do the implants themselves. We are heavily represented in the reconstructive market right now and less so in the other markets. I am going to go through in terms of orthopaedics what our position is during the presentation and I am going to also describe to you the opportunities we have in orthopaedics which are extensive.

Vascular, we have a focused view of the vascular market. We make some completed devices like steerable sheath as well as introducers. I will walk you through a few of those product opportunities and I am going to describe to you what opportunities in the vascular market we are targeting relative to where we are today.

And finally portable medical, we view that the portable medical market is very tightly aligned to the implantable medical market. As patients are being pushed outside of care centers and they are pursuing in the home based environment to becoming more mobile, especially with proclivity for mobile devices patients have more mobile needs in healthcare than they ever had before. And those mobile needs need portable power, and we view our selves as the experts in the portable power of that industry and tending to continue to peruse portable medical technology as an industry have done a very good job here and studying that initiative, the acquisition of micro power and its been a very best for us over the past year and we plan that being a good role for us into the future. So a little bit of

clarification everybody is always asking what is portable medical? It is not something which goes in your body, it is something that you have outside of your body, it could be an oxygen concentrator, could be an external defibrillators and AED it hangs on the wall of airport or inside of a school. All of those medical devices are part active markets, it's an expanding market in terms of application and we have even extended into power surgical tools which we think is a very attractive area as well.

So for us as a company while we have historically been implant to a medical focused, we are focusing also on the broader perspective including portable medical and we are noticing a connection virtually every implantable medical device needs a portable medical device to communicate and you will see the five external medical devices that the Algostim represents and there is five portable medical devices in that platform that we are leveraging our technology in to deliver that system solution to the market place.

To review the implantable medical and the portable medical is a very natural compliment as a company and we are pursuing those opportunities together as we move forward and focusing on both of them. From the standpoint of vision and strategy, you have seen this many times, the vision and the strategy is not change as a company. We want to be a definitive leader both at the component level as well as the device level and deliver the markets to those markets through innovation and operational excellence.

You will hear more about the investments we are making in commercialization that we have been investing in actively over the last year in particular as we move forward from our strategic deployment. But our strategic deployment even with those investments in sales and marketing is oriented at partnerships with the OEMs themselves.

Historically, we've partnered with OEMs and components; we've also done that with sub-assemblies. Now we are going to offer complete systems to enhance and deepen the partnership with OEMs as we move forward and grow. And it's important that you understand that. It is that we will reiterate this as we go through Scott Drees' slides and Mike Dinkins' slides.

Our intention is to commercialize via those partnerships not around those partnerships. So sustainable organic growth, how are we going to grow as a company in these core product lines, how are we going to expand our discrete product offerings. I'm going to walk through this and then Scott Drees is going to come up and talk to how we are going to do that in the medical devices.

Two pieces here that we are going to want to highlight for you. I am going to walk through each one of these sections in terms of so you understand the size of the opportunity, what the business model we are using to pursue that opportunity. Then we are going to talk about the investments that we've made and will make to pursue that opportunity and then we will talk about the sales force that we are putting in place to go out and deliver the results for us.

First and foremost, what are the targeted markets that we are talking about? As I have talked to you about the size of our business today, our most mature business is cardiac and neurology. We've combined the two, notice I'm not saying cardiac for the management, I'll walk through the difference for you.

We are combining these technologies together with how we disclose our revenue streams, that's our largest business and it represents a little less than half of the overall company. Note that, if I've talked to you in 2004 that was 90% of the revenue base of the company, so you can see the effect of diversifying on the business as we've grown.

Orthopedic represents a little less than 20%. We are very a small player in the orthopedics markets, particularly in recon. We will talk to you about those growth prospects and similar in portable medical, the smaller market in orthopedics but we are also a small player in this market with plenty of opportunity to grow.

And then in vascular, we are not serving a broader vascular market. I'll show you the subset of the vascular market we will talk to. So here's a very busy slide. What I want you to take away from this slide? There are lots of opportunities for Greatbatch to consider and this is very different information we've ever shared with you before.

Historically, when we've shared information we've only shared those opportunities that we felt were an immediate opportunity for us as a company to pursue. So we would always talk to the small piece of the pie and our position in it.

As a company over the last year in particular with the support of the board of directors and the upgraded sales and marketing leadership we've had in the company, we are taking a much broader view of market opportunities and where our current technology can be sold into.

So we've taken traditional markets in cardiac and neurology like pace making and we've taken an expanded view of the market which have opened up market opportunities for us towards \$1.5 billion. We are historically we've targeted at that in the \$600 million to \$700 million range.

We are not being unreasonable in terms of saying we think we can address the device market at this level where our customers pursue from a clinical end. We are just looking at it from an underlying technologies perspective and how we service them.

Orthopedics, one of the biggest markets we serve. You see a lot of opportunities in this a \$3 billion in size. We are only a little over \$122 million and we've had a struggle a year in terms of our operational deployment. That market is very cyclical and it tends to sometimes grow quicker or slower and it's very dynamic especially at the instruments and delivery systems end.

We will walk through how we are approaching our operational transformation in that area and how we are addressing the future opportunities within the market place. Portable medical you even have seen this on our slides a few years ago before we start to focus on these opportunities.

You can see that we entered this market principally through the acquisition of Micro Power. It has become as strong double-digit grower for us. We picked up a lot of sales and marketing expertise in Micro Power. We complemented that with the operational expertise at Greatbatch in Electrochem's division and we're doing a good job of pursuing those commercial opportunities and partnership now and it's been a great plus (inaudible) growth story for us.

Vascular, I will go through a little bit of a vascular product lines in terms of the breakdown there. So let's look at cardiac and neurology. I know it's a lot of information on the slide here but its important information for you to understand. Note, (inaudible) cardiac and neuromodulation, not CRM.

The opportunities here for us is that to take the position we have in established markets in pacemakers and defibrillators where we're selling to the OEMs today and we're designing in our discrete components. There is many other devices that use these technologies where we're just beginning to expand our market penetration in.

It's the same business model. We not only talk with a new set of engineers and a new set of marketing resources in the company, we take our technologies and we can demonstrate that we can develop those technologies for those applications that are outside of our traditional product lines and selling technology like pacemaker batteries and electrical components and metal stampings, we're going to pry those down into devices in broader areas of neurostimulation or in cardiovascular like [Alvads] or even in the hearing applications like cochlear.

We typically have not been aggressive at pursuing those engineering projects and of course because we don't pursue them, we don't win development projects and we don't win revenues and we don't win margins off of those and our market is underpenetrated with our technology.

By using an approach of leveraging our engineering and manufacturing resource is to pursue opportunities there. It gives us the advantage of being able to grow faster than the underlying cardiac and neuromodulation marketplace. You can see even in mature areas, you can see the right hand side of the slide here, in terms of CRM and neuro, even in areas where you traditionally think Greatbatch is a large player in batteries or in feedthroughs, we have substantial opportunity to grow as a company even with the current market place.

There is opportunity for us to expand our offerings in batteries in the pacemaker industry as well as defibrillators industry and a lot of opportunity in the capacitor type technologies to do the same. So you want to look at current applications with existing customers expanding those, you want to look at new customers with our current technologies or we want to look at new applications with their existing technologies.

We have a lot of room to grow in cardiac and neurology and we don't want investors to miss that. Historically, we have always focused on pacemaker market, defibrillators market and messaging around those marketplaces and missing the opportunity to say that there are applications that we can do it more broadly and we haven't pursue them, because we haven't been actively involved in those.

But we already have the technology to make an impact today. We look orthopaedics, orthopaedics has been struggle for us, we entered this market through acquisition in 2008 to broaden our revenue base out. We are very small player. Some areas here you need a (inaudible) need to see the blue bar, it is there is billion dollars of opportunities highly fragmented market and we feel that in this marketplace there is room for innovation and operational excellence.

There is a lot of room for world-class quality and reliable player and we feel that the market is not well served now and we have not done a good job operationally out of our Swiss operating base to serve that market. So we've made a very tough decision in 2012 to move that Swiss operating base to the North American facilities that we built, invested in and we are going to run the business out of there.

And you will see in the guidance section that Mike Dinkins provides that we are going to transform what has been an operational struggle in our orthopedics product lines and we are going to move forward more aggressively out of the North American operating base to serve the customers and to get that back as a double-digit grower, and you will see a little bit more of the yeses and nos that as we go through the presentation.

Portable medical, there is a great story, there will be no blue bar for this if we went back a few years because we largely had never pursued the portable medical marketplace. When you look through the acquisition of both EAC that we did in the end of 2007, we wanted to do the acquisition of Micro Power in 2007, but we were led to the punch by an investor that bought Micro Power.

We had to wait patiently till the end of 2011 to close that deal when they exited. What it has brought to the company is a product line that we never had before. In context with portable medical customers, we've never been able to leverage it before. So this is a \$1 billion opportunity, it is a whole new marketplace for Greatbatch.

And what we saw in EAC and we saw in Micro Power was tremendous understanding of the marketplace and a tremendous understanding of what the market place needs where for portable medical devices and creating our own medical device (inaudible) in the five portable medical devices that drove it and what we felt is while we had great battery technologies, we didn't know how to apply it to those customers because we didn't know the customers, companies like Micro Power did.

The advantages was when we brought those to Greatbatch, we have the operating base and the operating system to drive that performance more impactfully. So it allowed the DNA from sales and marketing and market understanding of those acquired companies to be added to the operational excellence of Greatbatch and its put us in a position to innovate together and drive revenues which is behind the double digit growth rate in portable medical for the last year.

It's also allowed us to not only look at the current applications that we've gone after in areas like defibrillators or oxygen concentrators, but to look more aggressively at expanding our participation to the rest of that \$1 billion pie. And that's a pretty large pie and it's very fragmented for how it serves from competitors and we estimate that that pie is growing by 6%. We think we can grow that at least twice as fast in terms of our market penetration through innovation and partnership with the OEMs and our Electrochem division has done a wonderful job of maximizing the engagement with customers to continue to drive that, and you'll see as that is also one area where we think

there's potential for even some inorganic entry into this market to continue to accelerate our portable medical product offerings.

Finally vascular, again this is not the broad vascular market that I think many of you read data and understand and cardiovascular. We are taking a narrow view of the vascular market and we describe it as approximately \$1.3 billion opportunity, particularly in specialty catheters and vascular introducers. We take a narrow view of the market where our technologies match up well and we feel that the addressable opportunity for us is about \$1.3 billion in size and we've sub optimized our offerings in this space. The offerings we like to do are both at the component level and at the device level through our QIG initiatives. Where are those markets used? Electrophysiology, peripheral vascular, interventional cardiology. You can see the growth rates and the size of those markets and you see that we have no representation and some of those and very small representation in others. How we are going to penetration those, we know we've got the technologies today and we don't have the context within the product development resources or within the marketing resources of the company who are not involved in the projects.

So what's continued upon us is our commercialization investments in sales and marketing. There's a Greatbatch medical team are opening up those opportunities and presenting us opportunities to innovate and partner with customers just like we have historically in cardiac for the management type product lines of portable medical. So what's the aggregate opportunity, as one of the very important slides for everybody to understand is we are in a very mature markets that are struggling like CRM is struggling with somewhat of a flat to negative market growth rate that weighs down the perception from investors on Greatbatch's prospects.

We are trying to get investors to see as the core business has a very large opportunity to grow as a company. This opportunity for us is in our estimate in excess of \$6 billion in unaddressed market opportunity today. We have a good share of that at close to \$600 million in size, but we feel that the way to grow in this marketplace is not just grow where we are at today with our current customers, but to grow in great space where we are not taking our technologies, where we are not selling to those technologies to customers that are addressable and our target for those is to grow at that approximate mid-single digit rate or 5% leveraging it to at the bottom line.

So it's a reasonable capture of this as we go forward not too aggressive. How we are going to do that? We've told the thesis of our supported business model many times and will continue to demonstrate this. We sell to the blue-chip customers in the medical device industry around the globe. Our intention is to stay with that business model and we're very proud of who we've earned business from as a company and we intend to continue to win business with these world class device manufacturers as we move forward, and we plan to do that every single core technology that we have and we plan to supplement that in the future with targeted medical device opportunities. And we're very fortunate to win very long-term agreements with the vast majority of all these customers by showing we have a quality, reliability, operational excellence and innovation that matter to their downstream commercialization efforts.

Without that, they wouldn't partner with us in the first place, because we don't have the ability to drive their business model and that's very fundamentally important. If there is one thing I am very proud of in my ninth year at Greatbatch is the ability to partner with these customers and drive the performance of the company, because without them, we not any opportunities to pursue. What's with the fundamental foundation of that customer success? It's innovation. This is what leads revenue and profitability.

As you look at where we are as a company, as you go back in the decade that I've even here. You can see that back in the early 2000 timeframes, we're already are on a pace to over double our intellectual property as a company. That's a very, aggressive acceleration of intellectual property generation as a company. It's been led by the support of shareholders and the Board investing in research and development at the discrete product level as well as the medical device level.

A lot of that technology is on display for you today. Takes a lot of work to develop the technology. Obviously, you know that US patent system has changed to a first of file system now. We've changed our system to feed that more aggressively and then we're using that intellectual property to develop products. Those products are then sold to new

customers to enable their product developments and then they are commercializing through their product commercialization. The device has been sale into the market place.

So for us as a company, we get the opportunity to sign long term agreements with customer because we have intellectual property that matters, and the basis of that intellectual property, you want all the investment community to understand has accelerated significantly within the past decade, which is why we are bullish on deploying that intellectual property as we go out into the medical device markets.

Last thing I would like you to take from the slide is notice in the right side of the slide; it highlights something that's never been there before. We have a large portfolio of medical device patents and we are going to later in the presentation, if Scott Drees talk about how the medical device innovations in intellectual property is being generated for Algostim project, which is not only the discrete component level. It's at the system level and the device level for what we have developed, which is very exciting because now we are not only adding to the discrete core component technologies, we are actually supplementing those and moving up closer to our customers and more deeper partnerships with our customers at the system and device level, which is a strategic opportunity for us as we go forward.

What does the business look like in terms of investments from a foundation, in terms of customers, it's very good. If you look this year, we have the vast majority of our customers on long term agreements, as we move through 2014. That's an impressive accomplishment to know what our business composition is going to look like. Two-thirds of our business is very well defined for us as we plan. It helps resource planning, capacity planning, it's predictability in terms of our productivity initiatives, and we can give predictability as a supply chain. We have better returns for operator process control, cost reductions for customer's etcetera. Every year we see long term agreements to mature with customers and we have been very fortunate that as our performance has been high those agreements have been lengthening out in time becoming more broader.

That is very typical in Greatbatch medical to see this type of profile. It's not as typical in our Electrochem division or portable medical, where long term agreements are not the standard. In portable medical it relies on a standard product life cycle. We are early in the design stage for several years. We work with customers to get designed in to the product. They embody our intellectual property in to their designs; they use our operating capability to submit those designs to the FDA for approval or clearance; or in foreign countries for their approvals; and then we manufacture those as part of their operational strategy commercialized.

They tend to be very long cycled products up to a decade of length and you can see the product life cycle that's very typical of portable medical device, where it go through launch, service and production stages as it build, and that when I flip to the next slide I am going to give you an example of the AED and Defibrillator Battery market place that we enjoy today. In other words how we've grown the portable medical product lines for the company. It's driven up launches and replacement.

As opposed to the implantable medical market when you get a pacemaker, it's in you for a long period of time. In the Defibrillator market place or AED the battery is replaced on an annual to the every other year basis. So every year you go back to the hospital, you go back to the airport and you take the battery out and you put a new one in. And as the launch gets larger, there's more and more replacement business. So when you look at adding to that multiple generations of growth, you look at a very favorable revenue picture which is why we like the portable medical marketplace.

Still high reliability requirements, still high quality requirements, heavy innovation is demanded here and a lot of cost performance is demanded here and we feel we are in a very good position to expand in this area. So when we look at the various customers we sell to, we are adding the launch, the multi-generations of those launch and the support aspect of these as we move forward to drive this growth.

And that's the \$1 billion opportunity in portable medical that we see of which we are only \$80 million something investing into today. And it's the fundamental nature of this that provides the long-term nature of the relationships with OEMs rather than the formal long-term agreement that we would see in portable medical.

I have to shift based now to where we are from a strategic investment standpoint is, so how have we done this, carved this position out, built this strong business model to address the markets we are serving. We've done a very good job. I joked to the management team on kind of page 29 is this is my Greatbatch life on one PowerPoint page. This has consumed thousands of individuals' passion and dedication over the course of nine-year period of time.

And its been a lot of blood, sweat and tears, I can even see some smiles in audience from customers that are today here, the path and the trials and tribulations that we've been on we've made, with the support of board of directors and a lot of confidence from shareholders, one of the hallmarks of the Greatbatch strategy in the last decade has been, is a comprehensive consolidation in investment and the operational base of this company.

Without the support to do that from the board of directors over a 10-year period of time, we never would be in a position to commercialize medical devices today. We've shut down dozens of facilities; we've built many facilities either from a green field or refurbished them.

There's a lot of buildings that we've built are in blue dots, a lot of the buildings we've shut down and moved to the blue dots are in orange. These are very complicated projects that involve a lot of cooperation between our customers as well as our operating teams and our engineering teams that expand cardiac, neurology, vascular, orthopedics and even portable medical.

It even included administration sites that encompass sales and marketing as well as multiple sites that included research and development. A lot of moving people, a lot of moving parts, a lot of moving equipment, many sleepless nights, and its particularly satisfying to show you this chart because in 2012 we reached the crescendo and are wrapping up this heavy consolidation in investment phase that's occupied us for over nine years of time.

We will certainly do some consolidation in investments as we go forward but its important for investors to understand that the large adjustments in (inaudible) items that we perpetually have been putting into the mix that spill off of these projects are largely completed and our financials are becoming much more cleaner, so you can understand the outcome that comes out of all this consolidation investment in terms of productivity.

That mean, you wanted to loosen the slide here and I should probably bold it in red is expanded capacity. All of these products have driven hard cost reduction taking back office out, taking inefficient operating facility investments out.

We doubled and tripled the capacity of our manufacturing capabilities of this progress to allow for growth of the core business and to allow for medical device growth. It's already been built into the operating base of the company with these projects.

So now on the good side as we grow, we get the incremental profitability to drive through the business to return on the investments that we made in these operating plants to return the capital that we put in over the course of this period of time and to leverage it for the medical device initiatives as we commercialize them. That's very important that you understand is that we look out at expanding our business, our capital needs are targeted in terms of what we need to deploy to keep with the manufacturing opportunities as a company.

Short side notes on orthopedics as I know there is going to be questions on them, what happen, where are you? I am happy to say that we completed a lot of very important milestones in orthopedics over the last several months. We got our instruments in and (inaudible) transport out of Switzerland and we are already enjoying the savings of those moves.

We've divested in some product lines. We described that earlier in the year about \$15 million of annualized revenue. We did not move. We sold off to a small Swiss company for them to service those accounts as we move forward. We've done a lot of supplier certifications at our North American facilities and we started some production at our North America facilities.

We still have some items that we have to bridge by to get orthopedics on a growth trajectory. So the work's not done but the milestones in terms of shutting down our three Swiss facilities are completed. So we're on the path that we laid out for ourselves at the beginning of the year operationally. It's a significantly accelerated path. We're on the mend but we're not fitting operationally where we want to be in and not to my satisfaction or to the management team's satisfaction yet.

From a quality standpoint, where we are at from our operating performance on quality standpoint, we require 10 companies from a various levels of technologies and we have taken the historic strong reliability and quality ethos of great (inaudible) and we have integrated and harmonized and optimized that across entire company. Not just the medical components but at the same time through medical devices, which has been made particularly challenging investment for us to make as a company, because we don't want to adjust become a bigger medical component company, we have to mature all of those systems to also be able to produce in commercialized medical devices with a partner for project such as Algostim.

So we have drawn a lot of leadership as a company to do that integration and optimization and harmonization. We have done a very nice job of unifying and commonizing a lot of the back office architecture of the systems and we have done a very nice job of preparing ourselves in walking the path into the medical device infrastructure.

We have got a lot of leadership to play, nine of our facilities are ISO 13485 certified now. We have eight FDA registered facilities, we have multiple FDA inspections that are been very successful and we have done a very good job of continuing to reduce our cost quality as a company both at the components level.

We have yet to deploy this improvement that we can do it systematically and efficiently at the device level that stored along with the Algostim project something that we have to do to be successful demonstrate the shareholders that as a medical device company, we can return on those investments.

They are off to a great start here that we are very satisfied with to keep our business risks below as we mature to the medical device marketplace. Just talk about those investments, we are very bullish on Algostim; you will hear that about the technology today. One thing you need to understand is not only we are bullish about the technology with the support of the board of directors, we have made the investment in the operational capability to manufacture this product and we are running this product line, you do see that in the investment and design verification testing line that we provide information in our financial statements, but we built out in our Plymouth, Minnesota facility a manufacturing plant to build out those stamp using all the work class capability that Greatbatch has from an operational excellence standpoint.

So what we are incubating medical device technologies which are similar to other startup companies, they are actually building and operating the manufacturing facility at the same time which is not something you are going to see in many startup companies.

And we have also will be manufacturing all the underlying discreet component technology that fits into that integration in the manufacturing environment. We have already have the facility registered, we have done a great, you can see the alphabets superior of the other work that we have done to get prepared for this.

So we talk about being a commercialization partner for Algostim, we are actually talking that we made the investments and we are prepared to help to drive the business of that partner as we go forward in the future, not just from the product development standpoint but also from an operational standpoint.

And it's nice to see as that facility has been built out, its been staffed, its running and as a major portion of the investment that we will be making going forward is we are very confident, we are collecting data and that will help us as we move forward to commercialization in the regulatory approval stages in Algostim, we have actual hard data that we can reference of the system in performance of the manufacturing environment.

Lastly, so I am going to highlight from an investment standpoint is our M&A strategy, how we are going to complement the growth of the medical devices, complement the growth organically of the discreet product line we already have today.

We are going to look for targeted deals. But I want to direct your attention that, we are not going to focus outside of the areas in the medical markets we are already in. We are going to focus on orthopedics, portable medical, cardiac, neurology as well as vascular. So we are going to narrow our focus, we went back to 2007 and 2008 we want to expand and diversify and we don't want to do that today. We are not looking for transformer deals; we are looking for targeted deals that align with our current strategy. We may address technology needs or they may address product line needs that we've targeted that we want to bring to the company.

In over the last year or so we brought in a technology company NeuroNexus and we've brought in Micro Power that aligned very nicely with that strategy. We've always had financial criterion and Mike Dinkins has added a renewed vigor to the screening of deals, as we move forward to make sure that we are meeting our return objectives. And while we will do straight up acquisitions, we also look at doing some targeted equity investments in technologies like we have historically as well. We've identified areas of technology, we are not a 100% convinced on yet, but we want to be actively involved to participate in that and then possibly be able to monetize that downstream. We've done that successfully several times.

So what's driving fundamentally the organic growth? It's the sales force emphasis that we are putting on, that we brought into the company both at the Electrochem division and the Greatbatch medical division. So besides being too really handsome guys, I hope you have the opportunity to meet both Greg Webster and Andrew Holman today. They run sales and marketing for Greatbatch medical division as well as Electrochem. Neither Greg or Andrew are historically from Greatbatch. We brought them in from the outside with a mandate to take this rich innovation, this rich operational excellence who we worked decade plus to develop and we want them to help us find the markets and commercialize it more impactfully to go after all the pie chart that I've shown, to put in the infrastructure in the back office and to emphasize how we can do a more efficient and effective way of bringing our technologies to market at the product level in terms of discrete technologies.

We worry about how we are going to commercialize the medical devices when we identify a partnership, but right now we are focused on a discrete product lines through these individuals. You can see the background on the screen; they are not traditionally from a Greatbatch world DNA of innovation and operational excellence. They are from sales and marketing background. They brought it a great deal of talent to the organization to help us mature and understand how to target opportunities better and how to drive the future applications better than we ever have before. And they've taken and done a great job of optimizing what resources we've had in the company today that I'll admit have not been deployed as effectively and efficiently as we should have.

They've taken that invested in bringing in some outside leaders who are here today, I see some of the right shiny faces here today and they are showing us how to do a better job at identifying market opportunities, engaging customers and directing our product development resources to pursue those opportunities from a sales perspective both from an upstream and the downstream perspective. Well, that's done, its improven our capability to win longer term agreements with customers, its opening up markets that we never had addressed before and of course its enabled our intellectual property and those revenues although they take several years to develop in terms of product development they open up organic growth opportunities that we haven't counted on before as a customer.

The bottom right it really says it all; they get paid when we win and get paid so they are taking a long term performance model along with us which helps us manage the cost of the deployment of these, as we go forward. So with that, what I would like to do is I am going to transition of the core business and I am going to start the section on commercialization of medical devices, and I am going to invite our President of our Algostim LLC subsidiary to come up and present this section.

Algostim is a distinct legal entity that's part of our QIG division that we've explained at business model as well as that division before. That division is run by Dan Kaiser, who is the Chief Technology Officer, and at Algostim subsidiary, we want a few new co's that we run is run that portfolio of new cos in the neuro modulation space is run

by Scott Drees. And Scott's going to come up and he is going to give you an introduction to the Algostim platform technology, and he is going to walk you through the system, its strength and its capabilities.

Now, Scott, many of you may or may not know, has been in this industry for three plus decades. He has an expert in the field; he has the DNA of an executive in the medical device industry. He has been a tremendous addition to the team. He has been a long standing player in the neural stimulation space at other companies and it's my distinct pleasure to announce the leader of the Algostim product development, Scott Drees.

[Scott Drees](#) - President Algostim LLC

Tom, thank you very much and appreciate the opportunity today to share with you some of the long-term unique plans that we put together for Greatbatch medical on this neuro modulation opportunity and to try to get you up to speed in about 40 to 45 minutes on four years of work. So that's almost an impossible task. So I am going to move rather quickly, but we will talk about the unmet needs that exist in this market, we will talk about the innovation that we performed, we will talk about our value proposition, we will talk about future opportunities and kind of have it all fits not just for a commercial partner downstream but also for Greatbatch downstream.

So let's see if I can click the right direction here, wrong direction. Okay, now I know which button it is. When we started on this journey four years ago, we took a hard look at the capabilities required for an active implantable medical system at Greatbatch and there is a long, long list of things that you've got to be able to do, if you want to be able play in the active implantable space. I am not going to read this chart to you, but in leads and accessories, there is a long list, in IPG or your Pulse Generators there is a long list, for programmers and softwares there is a very long list, as well as functional capabilities that have to be in place.

So it's critical that these things be in place if we are going to succeed long term. The good news is that about 90% of what we needed to be successful long-term exist within Greatbatch, which makes an Algostim opportunity much different than many of the other Neuro stimulations start-ups that many of you may be following. Still within in place, the market itself is large and growing; the CAGRs are good; there is a number of approve indications today that didn't exist when I got started in this business and there is all kinds of new emerging and future indications.

So from an existing standpoint, I think you all know deep brain stimulation exist with a host of approved indications, Vagus nerves stimulation for epilepsy; spinal cord stimulation, sacral nerve stimulation, percutaneous tibial nerve stimulation all existing companies that serve these markets. There is a long list on the right side of emerging in future and one of the other things I have tried to do for Greatbatch and service kind of a business development function in this field of neuromodulation and together Jeff Gagnon our Marketing Director and I are attracting 100 startups in the field of nerve stimulation somewhere in the world today that are some form of acceleration.

So if you think about it intellectually, once you have a system and once you have all the pieces of the system put together, then all of a sudden you have a leverage capability across this market in a broader way for a very long time, which is a big part of the puzzle that we have been putting together. The market itself as you can see is \$1.4 billion in the spinal cord stimulation which is what we will concentrate on today, DBS today Deep Brain Stimulation with over \$400 million; sacral nerve stimulation is a close third at \$400 million; Vagus nerve stimulation is here in gold, over \$200 million; and then there is pulpary of off label used in orphan scenarios that make up a difference. But overall about a \$2.6 billion market today. We are on a trajectory with the commercial partner for 2015 commercial entry of the Algostim device and so therefore we have got some 2015 numbers up here.

So as you can see, we anticipate the SCS market growing to about \$1.7 billion in that timeframe. So nice market, largest market and still highly underpenetrated if you read all the reports that you all write for the other companies that work in this space and the other companies in this space are obviously Medtronic, Boston Scientific and St. Jude Medical [Neuro].

So let's talk a little bit about SCS. Why is it accelerating? A couple of unique things. Anytime the technology has advanced in this space, the market grows and more people gravitate to it. The physicians want this to be easier, faster, quicker, better. They don't want to spend hours and hours and hours.

When I started in neurostimulation a procedure took a good physician four plus hours to do. Now a good physician can do that in about an hour and a half. Okay, so it gets better. And the more speed you can put into and more efficient you can be in the procedure, the more you will be rewarded with more patients by the physician who gets paid by patient, not by time, okay. It's not a time function of their payment.

Greater awareness for referrals, the pain was not pain; chronic pain was not something that was in the forefront of 20 years ago. But today, patients are just not going to live with, living with chronic pain everyday and they also know that the more narcotics I take, the more drugs I ingest, I'll have all kinds of other complications or contraindications that aren't always fun. So they are looking for an electrical prescription as opposed to a pharmaceutical prescription.

The reimbursement and insurance payment for this is strong, its good and its wide and the other thing that's unique is that patients today unlike when I started in this business like I said 16 years ago, we weren't tethered to all these devices. Today, you can't even wake up in the morning before you reach for your device or before you go to bed.

We have iPads, we have iPhones, we have computers, we have all this technology now at our fingertips. But when we started in this business it was kind of strange for people to have this kind of peripheral products around them in their purses or in their pockets. Today it's accepted.

So the patient's accepting of electronics has really helped the electrical prescription of neurostimulation move forward in my estimation. So what's the last 12 years looked like in the world of spinal cord stimulation? It's an interesting market study. A couple of things, in 2001 this was not quite a \$300 million market. Medtronic is the company in blue here with market share across that 12-year segment.

The company in green was my former company St. Jude Medical Neuro which was at that time was Advanced Neuromodulation Systems and then in Lavender with Advanced Bionics which then was Boston was purchased by Boston Scientific.

So you can see a very nice growth profile. You can see that when one player was in it, it grew, when two players were in it, it grew. When three players are in it, the segment continued to grow. The other thing that I takeaway from this is in about a five-year time period when entrant number two came in and then entrant number three came in they were both able to carve out about a 25% market share.

So what that tells us intellectually is that with technology and innovation and effort and energy this market has very long legs and continues to grow and there's room for one of these three active implantable companies to be interested in Algostim offering. There is also potentially room for a non-active implantable company who want to get in to this space.

So intellectually, that's (inaudible). So where you start when you are trying to create a new, innovative medical device, where do you start? You start with market research and you go to the people who are really going to use the product in a real time and ask them what are they looking for?

So I think we talked a little bit about what the physicians were looking for. The physicians were looking for something that's easy to implant, high clinical performance, give me lots of lead options because that's what they touch the most, the leads and the placement of the leads.

Make this programming dynamics simpler. It's just too hard and also let me see what the heck is going on when program is being done and I'll talk about that a little bit later. What do patients want? They want their pain to go away. That's why they are doing this. They want a discrete device; they want something that doesn't call them out as having a spinal cord stimulator that they can utilize every day to interface with the device.

They want to make sure this is covered by insurance because it's expensive. They don't want to pay out of pocket and they want a company that they can trust.

What do payers want? They want cost effective therapy. If they are going to shell out the money for an implantable device, they want to make sure it works, it has high efficacy and it has low complications because the last thing they want to have is an expensive procedure followed by a lot of intraoperative problems downstream that have to be fixed.

And they also want a significant reduction, medications, the medications that go along with these chronic pain patients' problems are expensive and they are very toxic narcotics. It's not that they are bad drugs. They do a great job but a lot of people today would prefer an electrical prescription or a narcotic prescription that take care of their chronic pain. So again, this is the all the growth drivers.

So what's the next thing you do? You put a team together after you have done your market research and you say who are the leaders in the world in this field? And we feel very fortunate to have two world-class partners who have been working side-by-side with us who have been guiding us every step of the way.

These two people are Dr. Rick North and Dr. Giancarlo Barolat. I am not going to read all these bullets; I will just give you a few highlights.

Dr. Barolat has implanted more neurostimulators for chronic pain than anybody in the planet by about a factor of two in his 30 plus years of experience. He ran the program at Thomas Jefferson in Philadelphia for 21 plus years and then went into private practise in Denver about eight years ago.

Rick North was one of the seminal people in spinal cord stimulation. He grew up at John Hopkins, was full professor at John Hopkins for 20 plus years before he went into private practise about eight years ago.

So, we have two people with 60 plus years of experience in spinal cord stimulation helping guide us along the way. Something it's a little bit unusual to about a QiG model is when we form a company we also form a partnership with a few clinicians. So they are partners in this enterprise, they are not just paid guns by the hour.

And as part of being partners in the enterprise, they agree to contribute all their intellectual property to the entity which they did for Algostim and they also agreed that all inventions that take place between themselves and the engineering group on that journey belong to the company and that's a unique model and because of that model, they are all in.

They are just not interested in one feature for one royalty payment they are all in. So it makes a kind of a unique model and fun to work with the world's best. Today, there are three world-class companies that plants spinal cord stimulation; I said Medtronic, Boston and St. Jude Medical Neuro. I will not say anything negative about any of those three companies, all three are world-class.

However, they have not to this day solved all the unmet needs that still exist around this therapy. So the next step we want in our journey once we did our research, once we got our experts, once we put our team in place was to list what are the unmet needs around the different components within this system that can be approved in the dramatic fashion. And then of course when you identify that, how do you do it and then how do you protected from an intellectual property position as well.

So there is a long list of unmet needs and this is very fun process for me and it was a little bit was kind of tough medicine as well because after being with Advanced Neuromodulation Systems in St. Jude Neuro for over a decade to take all this tough feedback and stay while you guys think you are good, well this is what we really want that doesn't exist today. So it was a humbling experience to go through.

Some of the things, I am going to just touch on the few simple things. On the IPG, all the companies had basically 16 contacts and eight [electrode] leads but that was the standard. People wanted more if you can control more in an easy way.

Why do you want to have wires attached from every programmer to every device in order to talk to it when we are in wireless world now? That didn't make sense to our users here. Everything should be wireless now, right. And there's all these tethers that the companies require. Why if I implant an IPG does it have to be one side up and if for some reason it flips upside down or it gets implanted the wrong way that it cannot be recharged. Why? You should be able to recharge from either side; just a few things about IPGs. On leads, all leads today are static, they are built with a design I'll talk about later and they have no body compliance. They don't give at all. So give us a lead that has body compliance because when you are a spinal cord stimulation patient you don't walk around stiff all day, like Frankenstein. I mean you are bending, you are twisting, you are stretching and you have leads that are placed between the spine and the IPG and body compliance or stretch would be a good thing to have. It took a lot of work to do that.

I'd say the last piece is in today's world not only do we have all these electronics, but we have all these electronics that are colored, that are touch screen, that are easy to interface with. We are not dealing with a PC world in 1995 anymore. The screeners and the programmers that run these products shouldn't be black and white with a stylus. We are way past that. So our entire program of line you will see is color, its touch screen, its highly intuitive and its something that anybody who works in this field can look at pretty quickly and understand quickly. So we are in the world of the iPad and the iPhone.

So I think the product strategy that we just laid out; we talked about the unmet needs; we focused on product differentiation for every user group. This is a legacy free system. We didn't have to grow out of pacing to go into neurostimulation. We didn't have to grow out of a company we purchased into neurostimulation. We looked at the whole thing with a clean slate and said let's throw current technology at it. We worked really hard on safety. There's a lot of small safety features that are built into the system that are very subtle and that I'm not going to try to explain, but I have a long list later.

We also are playing in a field where the regulatory approval is a little bit different than other active implantable devices, and there's a long history of literature based PMAs. And I know we will have some dialogue about that today. And we have a generation one product which I'm going to spend the vast majority of time talking about. We also have some ideas about what's next and where we would like to take this beyond just Gen 1; because any commercial partner worth their salt is not just going to want one system to last five years, they are going to want to know, what's next, what else could you guys grow into.

So if you came in, you probably saw the product demo in the back. There's no way I can talk about all the pieces of this system in the next 20 minutes. And rather than having me race through it, I'm going to try to hit the high points and then if you'd like to learn more our director of marketing where's Jeff Gagnon? Jeff Gagnon is in the back. He and I'll be in the booth here to take any product questions you have when we are completed and also at the end of all the presentations Norbert Kaula will also walk you through the clinician programmer, the interactive software and you'll get to see how all this color resistive touch screen programming takes place. So there's genius there.

So this is our system and I'll just walk you around the system a little bit. The system has two implantable pulse generators, not one. It has a full family of percutaneous leads, percutaneous leads are put in through a needle predominantly by interventional pain physicians. We also have a line of surgical paddle electrodes for the orthopedics spine in neurosurgical spine customers who want to play in this field. We also have a pocket programmer which I will tell you more about. This is our programmer recharger. It's two devices combined in to one for convenience and cost saving. This is our clinician programmer which we will get in to and this is unique new device patient feedback tool.

So that's just a short walk. Also take a minute when you go to the back later and just flip through the catalogue. This is the US commercial launch catalog. This is not one IPG, one programmer, one lead, we're startup Neurostimulation Company. There are 64 stock keeping units that go in to the entire system for Algostim. This is a complete offering. This is designed for a commercial partner who wants a complete offering in this field to hit the ground running.

So, there is a long list of innovations in each one of these areas. We have a long list of unmet needs and that builds in to a long list of innovation, and I am not going to read you all of them. Instead, I am going to try to take you through them in the three main categories. First, we will talk about IPGs; then we will talk about leads; and then we will talk about the programmers and the software, okay. But before I go further, just for curiosity, I would like to know my audience a little bit. How many of you know someone who has a neurostimulator implanted in them. Not too many. That could be SAS, could be DBS, could be [secro], could be epilepsy. Okay, since a small number. How many of you have seen some kind of neurostimulation procedure either through a video clip or live? Okay that's good that's helpful. How many in the room are EEs or PhDs in Biomedical engineering? I am not that's why I want to know. Okay that's good to know too; how many you have MBAs? Everybody right, okay, everybody.

So I am going to take into the each one of these areas a little bit deeper. So IPGs I said there were two, this is one of the two. They come in two flavours, what we call a two by 12, because it has two ports and holes leads that have 12 contacts and we also have a three by eight model that would hold three octopolar leads. So it gives you an idea for the size and what it looks like. The IPGs are implanted in the vast majority of patients just below the belt line, right here. So if you imagine this is a place just above where you sit. So it would be a good idea if this is small, it would be got idea if it was thin, would be a good idea, if it had all rounded edges and if it was comfortable, and so this is the smallest thinnest generator as compared to the other companies today, okay.

The other thing you would like is you would like this to have wide parameters; the three things you can really control are amplitude, frequency and pulse with one of these generators. So we have the greatest power capacity in amplitude frequency and pulse with us compared to the other three companies as well. Why can we do that because we have Greatbatch batteries in this product and we got to choose which Greatbatch batteries we wanted to include? Unlike like a lot of other start-up here to negotiation for your battery technology, for us it was like a kid in the candy store. We just go to the shop and say what is going to work in this device, so it was fabulous.

Let's see broader parametric ranges, small some finesse, independent current sources. We took some technology from Greatbatch deep discharge recovery, if this gets goes all the way down to zero, we can bring it all the way back up quickly and efficiently, some of the current products to do that very well. I talked about by directional recharge, whether its plant it this way or this way we can recharge the device because the way which we built the antenna into conference of the device as oppose to into one side.

Embedded memory, the device itself has the memory in it. You say so what, who cares. Most of the other devices the programming is embedded in the clinician programmer not in the IPG. So you download into the IPG whatever the patients walk away with. In this scenario, when any time a clinician programmer communicates with our IPG, it uploads with the clinician programmer. You say so what, well I am a patient, I live in Arizona, okay I move to Florida, I have a new pain position and all of a sudden I move there and they hook up their clinician program in my device, they don't know which program is my device. Okay so as a patient moves all their medical record, all their programs are here not in the clinician programmer. If a patients lives in two different places in the United States which I do, I live in two different places, okay different parts of the year, everything is embedded here not embedded in the clinician programmer. So it just seemed like a more logical way to do it, because that's the way we built the logic into this system.

Let's get into leads a little bit. There is basically two kinds of leads. One kind are called percutaneous, they go through a needle. The other are surgical or paddle electrodes which we said earlier which are implanted by orthospine and neurospine surgeons.

So this is the flavor that goes through a needle. And let me get one of these and you can play with these when we go to the back. So what's special? The inner geometry of this lead is somewhat engineering genius. It has nothing to do with quite frankly our physicians, it has to do with our engineers at Greatbatch, and one of the requirements was the physicians wanted a lead that was what they call body compliant, a lead that would stretch, okay.

That's not easy to do and maintain electrical conductivity between the IPG and the working end of the lead, not a simple thing to do. So how did we do it? So there's really the lead progression in the last 20 years it has been three big steps.

It started in the late 80s and through the mid 90s to the late 90s as a coil construction and all the leads and neurostimulation had four contacts. They are what we call quadruple or coils. And the coil had a lot of benefits. It allowed a stylet to go through the middle of it very nicely and the coil also was highly protective because it came out of the pacemaker technology. That's where it came from. They used coils so neurostim used coils, they only had four contacts.

In the late 90s, early sorry, what I do, thank you I got it right. In the late 90s, early 2000s; my former company went to octapolar leads, eight contact leads and then that was followed by the other two companies over time and the issue was nobody could figure out how to put eight coils or eight contacts through a coiled structure. Nobody could figure out how to do that. So we did what was called stranded wire technology.

The good news about stranded wire technology is it lowered the impedance of the leads and because everyone used generators that were not rechargeable that was a good thing because you didn't want the conventional batteries to burn out in three years, you wanted to have them last five or six years. So the lower you had the impedance therefore the longer the batteries would run and it made sense for us to have this construction.

The bad news with that construction is it doesn't stretch. It has no gear. And anytime that should kink it normally leads to a breakage downstream. So in our unmet needs we determined way back 10 slides ago that about 20% of neurostimulation procedures have complications of either lead migration or breakage, why because there's no compliance built into the lead.

That's what we are striving for. So what did we do, we took a look at what was the original technology with coils and we designed a coil within a coil. And our octapolar leads have a full contact inside of four coil and our 12 contact leads with a four contact inside an A. It doesn't sound like a big deal to us in this room. It's a real big deal to the physicians and it's a big deal to the patients.

So we think we will be rewarded for that. We think these are the leads of the future, not just for Algostim but potentially for lots of other companies that want to be in this space who require leads that also require body compliances.

The other game in leads is what's called; it's all around broader coverage. So let me try to explain this efficiently. Normally, when you are stimulating for back and leg pain which is predominantly most of the spinal cord stimulation procedures, you are going to be stimulating somewhere between T8 and T10 and eight electrode leads come in three different kinds of spacing compact, standard and extra long.

So you can see the extra long cover that area. The standards only cover two dermatomes and the compact only covers one. So physicians have a lot of thought process as to which lead they want to use, but if you are going to cover back and leg pain, you are going to cover at least dermatome or at least two dermatomes and even better three.

So this is kind of a limitation of an eight contact leads, okay. It can only cover so much geography because you can only stimulate where the contacts are. It won't stimulate over the entire length of the lead. Just for the working end of the lead is. So why do we want a 12 contact lead because we get broader coverage.

If your key target area is T8 through T10 for the vast majority of procedures you want to be able to cover that. So now with our 12 contact lead, we can cover two dermatomes not one. With our standard spacing, we cover three dermatomes and with our extra long spacing, we cover even four.

So what does that mean? That means the physician can know their target area, put a lead or two in place very quickly, cover the entire dermatomal segment and then you have to move on to the programming. Now how do you manage the more contacts, that's the other part of the game because if you got more complexity, it's like a car, got a 24 cylinder car versus a 4 cylinder car, you got to manage all 24 cylinders, right. You have to come up with efficient way to manage that. So that's the next piece of the puzzle. So that's the leads.

On the leads that the neuro surgeons and the orthopaedic spine surgeons put in, this is the least in base of surgery, it's a fairly simple (inaudible) but putting the leads in place and steering them into place isn't so easy and it's not so easy because they are really not designed to be steered.

These are all the current leads, this is six of about 20 different leads that exist between the three companies, but there is a few things that you can see that are in common, the leading edge of the lead is not designed for steering, there is no stylet or support put into the tail of the lead to help move it along the epidural space and all the leads are about 2 millimetres in thickness.

So we looked at those areas and said how could we do this better and both Dr. Barolat and Dr. North are both neuro surgeons, so we used a lot of their intellectual property move this forward. So this is what our surgical paddle leads look like and there is a few things that are different about them.

A number one, they use the coil-in-coil technology that we talked about. So these leads are also body compliant, they also stretch. Two, they have a stylet or a stiffener in the tail, so that you can help position or move this lead into the centre of the epidural space easier and from a volume perspective rather than being 2 millimetres thick, we remove the back of the substrate and now they are one millimetre thick and about half the volume of the current leads.

Why does volume matter? Here is a cross section of two spine models and on your left, so what you have here is here is your spinal cord, here is your epidural space, this is the area you want to be placing the lead to stimulate the dorsal horns of the spinal cord, okay and we will show you with the current products look like in cross section and then with the Algostim product like in cross section.

So that is a 2 millimeter lead in that space, this is the 1 millimeter lead in that space and the thinner it is, the nice conforms to that curve sub area, think of it like a cave with the soft curve substance underneath and what you don't now ever want to do is push down on the [door] and anytime you push down on the door that is bad.

So volume in this area is something that you can reward for less volume is better than more volume and safer. Let's shift out of leads into programmers for a few minutes. So we got passed the IPGs, we got pass the leads where the programmers.

And as you can see the programmers look like they are a family, they are not just distinct towards the products. This is a pocket programmer, it's the size of the key fob and this goes with the patient, you put your keys on it, if you want this goes in the patient's pocket or purse and everywhere they go this goes.

This gives them control of off-on, up-down program one, two, three or four. So on (inaudible) all day they can adjust their stimulation whether they are ambulating whether they are sitting whether they are sleeping, what not nobody else as a small portable wireless pocket programmer make the patient experience discrete and easy.

If the patient ever feels uncomfortable on all of our devices there is a red button, it's the quick stim off button you push that device goes off for safety and protection. The second device is the patient programmer recharger. This is quite a bit bigger; this is a fully functional device. It's colored, its touch screen, it's based on capital icons, and this is the at home unit. If you have to do more than just those capital functions with the pop, this is your full device capability; it's also what you use to recharge the product. So remember the IPG is usually implanted here, so here's your recharging one. If in case of recharging you place that over the IPG and then you can see with your color resistive touch screen exactly what you are doing. We even have an IPG finding mechanism kind of like a radar finder as part of that to help the patient make sure they place the recharging on properly over the IPG and Jeffery can show you that in the back a little bit later.

Two other pieces, the clinician programmer which is not up here but you can see it in the back, its about the size of an iPad, has seven inch color resistive touch screen, it also has Bluetooth and WiFi capability to talk to the other devices and it has its all wireless and also has the same quick stem off button. It's not so much, its proprietary to the company we designed it from scratch and we own it. It would be very nice to be able to work with say an iPad

platform for these kind of technologies. The reality is that companies like Apple don't allow companies to use their products for medical devices; if they talk to the device specifically. And the other problem you have, if you don't have a proprietary platform, if you get into a problem where you have an FDA approval and then those devices change every six months and your approval mechanism can't keep up with the change. So you get antiquated very quickly. So you really need your own proprietary clinician programmer. And we designed this not just for Algostim; we designed this for other indications, for other future software platforms.

Something else that's a little bit different, it's a kind of high technology and I'm going to let Norbert Kaula talk to you about this, is our patient feedback tool. The way a patient, normally feeds back to a physician while they are being programmed is tell me when you feel it and tell me where you feel the stimulation, is it over your painful area. And in a programming sequence in the doctor's office every six months, that's fairly simple process between the programmer and the patient.

In the operating room it's not so simple. These patients are sedated. They are under mild sedation and it's not always easy to communicate with them and we learn that a lot of their verbal response was not all that accurate. And the physician said I would really like some other kind of response other than just verbal to confirm that they feel it and where they feel the stimulation, and so we have a simple squeeze mechanism. So a patient's on the table, they are faced down, they are being worked on in the back and as people are asking them tell me where you feel the stimulation, tell me if it's comfortable, tell me if it's over your painful area, their answer is yes, yes, yes, and through Bluetooth wireless it talks to our clinician programmer.

We also have an algorithm series that help speed up some critical areas in the operator room that you have to do in every case. You've got to do an impedance check, you've got our do threshold checks and we've got to control now 24 electrodes and try to do this fast and efficiently. And the combination of the clinician programmer and this device allows you to do that very efficiently and very quick with our algorithm. The software. As I said, please take a little time to listen to the demo and see it done graphically. I am not going to try to do that from the podium, but there is a long list of features that just do not exist today.

Today when a patient has to tell their physicians where their pain is, they give them a piece of paper that shows a two dimensional body, front and back and the patient scribbles with a pencil where their pain is on that and that's it. That's the record. It goes in their chart. We've actually built and engineered 3-D replication of the human body that Dr. Kaula will show you and how for the first time a patient can have real time 3D stimulation, pain map for their patients, then after the programming we can see where the stimulation overlaps and we can even score the overlap score on a 3D model.

Nothing like it exists today. We've got a lots and lots of other features to speed up programming, to work with the patient feedback tool, and then to hold all this information within the clinician programmer for future use and to download to the IPG which is going to travel away for the patient. So we've been very thoughtful about this and unless you had about four hours, I really can't do a justice from the podium. So we're going to give you a demo afterwards.

Safety features, safety is important, safety matters. All of our devices come with quick stim off buttons. So at anytime if the patient experiences uncomfortable, the patient or the clinician can turn it off immediately and I am not going to go through this list. It's a long and exhaustive list and these are the kind of list the commercial partners like to go through with us to understand.

The regulatory plan, the regulatory plan in spinal cord stimulation or the regulatory process is a little bit different than with other active implantable. So let me try to explain it, the proposed indication that we are chasing is chronic intractable pain of the trunk and/or limbs including unilateral or bilateral pain associate with failed back surgery syndrome and intractable low back pain and leg pain. The simpler way to look at is that exactly the same indication that Boston Scientific has and St. Jude Medical Neuro has. So we are chasing the same indications. A Medtronic to their credit has expanded that with some clinical studies they did over the last two decades with a few other pain areas.

From a historical perspective, the original PMA dates for Medtronic, St. Jude and Boston are here. And then what happens is after your original PMA is approved, there is kind of a supplement process that you go through for all these other innovation, for new leads, new anchors, new accessories, new programmers, etcetera. So it's a building block, kind of a formula. Our plan is not different than what the other three companies have done. For PMA approval we are working towards a let's called a literature based PMA, where you are tested in three critical areas, one is the medical literature review that you provide, the chronic animal study that have to take place, and then thirdly, a tremendously large number of bench test that have to take place for all these interfaces for all these products to approve that they are safe.

And that's the process that exist in spinal cord stimulation and has. It's unique and it's unlike what you find in other active implantable devices. We are not asking the FDA to do anything special for us with this literature based review, we are just asking them to treat us the same as they treated anybody else and of course anything additional they'd ask for us to do, we would comply with. We have gone through a pre-IDE process with FDA. We've had multiple meetings with them, we have shown them the system, they've had a chance to review it, they have seen it before you have seen it and they are impressed and they have not indicated that the path that we are on is not the correct path.

And the FDA often times are like law firms, intellectual property firms, its hard sometimes to get a clear black and white answer. You often get answer that is grey and then you have to work towards a solution with them. From a CE Mark standpoint, TÜV is our notified body out of Munich, and we are using a modular process, there is five steps to that modular process, we have three of the five completed, we have two of the five complete field, so that's the regulatory.

Next generation what are we thinking about after all this innovation, well we are trying to think ahead. I don't know if any of you follow other neurostimulation companies or not anybody follows neurostimulation companies other than this one, few hands go up. High frequency is one other questions is high frequency stimulation potentially superior to standard by phase explore with stimulation, there are some companies investigating that.

If that works out to be positive; we have that capability built into laden into this IPG. There is one other companies believes that accelerometer is a good feature to have a nerve stimulator, so that as you change positions the programming changes slightly to make it more comfortable for the patient. We saw that, we think that's an interesting innovation, it is something we require a long clinical study, we understand that. So we made it a second generation feature and accelerometer is build in to this product. Other companies are looking at novel wave forms but right now may be do not serve that where by basic square wave form doesn't serve the patient well,

I'll give you an example is fibromyalgia, fibromyalgia is a big problem, a lot of people have that pain syndrome. It doesn't respond well to spinal cord stimulation, I wish it did but then we would have a lot bigger market but the reality is may be some other wave form works better for fibromyalgia.

We are not going to take that on today but perhaps there's an opportunity there. From a lead design standpoint, the future of leads is to have lots and lots of electrical contacts its how do you manage them. So how do you have a lot more contacts, the only way to really do it that we can see is what we call thin film lead technology?

We've purchased a company by the name of NeuroNexus a year ago; they are world's leaders in thin film lead technology. The other nice part about thin film or deposition leads is they do not have ferrous metals in them. And if you don't have a ferrous metal in your lead then therefore you have a smoother path or a quicker path to an MRI conditional system.

So we are excited about that but those are future projects, its not we are here to talk about today but we are trying to think ahead. Intellectual property I think Tom gave you good overview of the Greatbatch intellectual property. The first thing we did on this journey was go to all that IP and say what applies to Algostim and we pulled it down. We pulled down some really nice technology that applies that we own.

The next thing we did was we worked with our clinician partners on new invention disclosures and new patent applications. We have 86 patent applications right now in process. We licensed IP from Dr. North and Barolat as well. We only have six patents issued to-date that's because we've only been at this four years and it takes a while to go through the patent office.

We also worked very hard on the freedom to operate opinions. I've been involved in this field and our experts and the leadership team have been involved in this field for a long time. We have 200 years of experience in neuromodulation just amongst our leadership team. We've watched the cascade of intellectual property over the last 15 to 20 years.

We've a pretty good understanding of where the opportunities are and where the landmines are. So we are very careful about our freedom to operate opinions as well and exhaustive there. So I'll move on, I'm sure you will have some questions about that later.

So that's the system. So how do we leverage this? How do we leverage it just beyond Algostim for the betterment of all Greatbatch? One of the things we are excited about is I think in the back of the room somewhere there's a sign that says 95% of all cardiac rhythm management or neuromodulation products that exist today have some Greatbatch component in them.

Well, I'm proud to say this time that 95% of what's in our IPG all comes from Greatbatch. And it comes from Greatbatch from all these different facilities and all these different contributors which is fantastic. So that's leverage and that's leverage that your average neurostimulation start up just can't even begin to comprehend or be able to do.

From a leads and extension standpoint, all these products have body compliance. They all have the coil-in-coil construction. We've manufactured over a 1,000 leads already for design and verification testing. We know they work. And we think there are lots of other start ups out there that would like to have leads with this future in our technology rather than what's current.

From a programming standpoint, our team in Denver and our team in Cleveland designed the hardware for the programmer. The software came out of the group in Denver. And from a portable medical standpoint, the batteries that go inside, all of these peripheral products because they are all rechargeable batteries that run these programmers. All come from Electrochem at our (inaudible) facility. So again we're leveraging what we do well, make (inaudible).

Timeline. So 2013, what are we focused on? We are focused on completing all of our design and verification testing across the entire system and we're also working very hard on our animal studies which will be required for the PMA submission.

From a regulatory cycle standpoint, I think we talked about that already. We're looking for our PMA submission, our schedule to back half of 2013. From a CE Mark perspective, we have a modular approach. We've done three of the five modules already. We have two remaining.

At the same time, this is going on and we're talking to commercialization partners. We've talked to the big three and we've also talked to a host of other companies that are excited potentially about being in this space. So we're seeking a commercial partner and trying to find what we believe will be the best fit for the market for Greatbatch and for partner long-term. There is a lot of issues around that.

And on the timeline we're on, we maintained that timeline as planned. We would be looking at commercialization in this 2015 kind of a timeframe and manufacturing revenue for Greatbatch manufacturing this system to be initiated in around that timeframe, okay.

Value proposition, so what are we doing for customers? I think we have talked about it, what we are doing for the physicians, what we are doing for the patients, and I am going to kind of blow through that right now. I think we have talk enough about of what we are doing for those different groups.

The value proposition for the system itself, in neurostimulation this is the largest market, it's still has long legs, in 2015 every one percent of market share that goes to one of the company is worth almost \$20 million.

So it's high stakes. It's still highly underpenetrated. The three companies currently in this field believe that it's less than 10% penetrated so there is lots of room for growth moving forward, the CAGR still good, we have an extensive IP portfolio, we have a generation-one system follow-up by generation-two system.

So, we think the value proposition is real for the right partner and we think it's doable. What other leverage exist? As we move, as we deliver the complete system for Algostim, we are kind of ending the investment, because it's been a heavy investment from Greatbatch perspective for these last four years.

And we are creating this platform technology and all of these things can be applied to other neurostimulation (inaudible) in other areas. If we choose to do it ourselves or if we choose to partner somebody or adjusting the street project that we would work with Andrew (inaudible) on. So with lots and lots of room to grow in different ways now that we have eight platforms, now that we have manufacturing in place and now that we know we have full system, we can leverage it in many ways.

The other thing is two years ago we had a story like this and I talked about the QiG model and it ended with the first thing we are going to do is Algostim. I put up a slide of Algostim and that was it, that's how we said about it and that is kind of what I am saying here.

The next one that we are public about is called Cardiomonix, it's an implantable loop recorder. It's a monitoring system for [IOR] and that's all I am really going to say about it for now and I am sure, you may want to ask a few questions to Tom and others about that, that is outside of my jurisdiction kind of, that is not a neurostimulation product but that is new announcement.

I think that I am concluded, so I think we have a break now for about 10 minutes and I am sure everybody bladder is challenged and we look forward to seeing you back in about 10 minutes and then Michael Dinkins, our CFO will take podium, thank you very much.

[Breakout Session]

I got the opportunity to talk about one of my favorite subjects which is driving profitable growth. Personally I believe that driving profitable growth is an attitude, it's an intention, its part of a culture that a business has to have in terms of making it happen as a commitment. Tom has run several startup companies and successfully ran those. He spent a period of his time at General Electric learning some of their businesses. I started my career at General Electric, I was 17 years at GE, went to the financial management training program. As part of our DNA to drive a culture at Greatbatch where we intentionally make sure that we have profitable growth. And in order to do that you have to measure things. When you hire a sales person you have to have information that tells you this is the quantity of (inaudible) that you can go after. This is the number of deals that they should present to. this is the closure rate they have to have on those deals, an idea what the average deal size should be, the minimum deal size, a process to whet those deals and make sure that you have good margins, and the same thing holds true when you are looking at capital expenditures and when your are looking at long term agreements which our customers. All of those have to come together and be part of the process of some procedures with the intent that we are going to have profitable growth.

But I also believe that hard effort and hard work doesn't mean you are going to have profitable growth. You have to have a strategy and our strategy is fairly simple' it's basically that if we can increase our margins year in and year out, achieve somewhere around 5% organic growth or better; those two things will drive a balance sheet and cash flow that will allow us to supplement that with targeted acquisitions and medical device of size that we've talked

about and I'll talk about a little bit further in this conversation in terms of what we can do to realize upside from our medical device opportunity. But the key message that we wanted to have today is that we believe our pipeline of what we have in intellectual property and the innovation that we have within our company is what gives us the ability to continue to drive our top line growth somewhere around 5% and the ability to leverage that to the bottom line through the manufacturing efficiencies and other things that we talk about at least two times the top line growth.

So the DNA of going after profitable growth has to be combined with a strategy to make it happen, and our strategy basically is leverage our intellectual property and our innovation with our customer. And we believe we can do that because this is a slide that we shared with you earlier. If we take the existing intellectual properties that we have in our business and we combine that with the investments that we have made in our sales and marketing organization, we have additional opportunities that we can go after that we think we can outgrow the underlying performance of the markets that we participate in so that we can sustain that 5% organic growth opportunity. And that's what we are targeting after that and that's what we are trying to make happen. To repeat it, to again kind of just emphasize it, if you got innovation in the pipeline, you've got sales force productivity, and you can get that 5% organic growth.

If you combine that with manufacturing and excellence, and we have a history of that, along with leveraging our orthopedic consolidation, Tom talked about earlier, we have the capacity to put additional volume through our plants without significant investments; so that we can leverage that to the bottom line and end up with the two times growth, in terms of earnings. But in addition to that, not included in that, these core business target is our opportunities to drive additional upsides to targeted M&A that hopefully will enrich our organic growth capabilities, third-party funding of our research which I am going to talk more about that later on in my presentation in terms of what we plan to do in that regard and the commercialization of the Algostim opportunity.

As we indicated, we've kicked off that process of the commercialization Algostim opportunity. We have engaged JP Morgan to help us in that process. We're at the beginning of that process in terms of the timeline and the outcome more to come on that in the future. But we hope that what you saw in Scott's presentation is a product that has value in the market place. The timing of the realization of that product varies based upon what happens with the partner, FDA approval etcetera. So we can't commit to the timing, but what we wanted to share with you today with the technology and hopefully you walk away saying this technology will have value in the market place. Therefore it has value to Greatbatch and Greatbatch investors.

One of the key things that we've been trying to do is to clarify our message, and one little ways that we've done that is that we felt that if we took of our financial statements and we put a new table in the year-end financials, and we called out the medical device spend, so that you can see the amount that that has. So that we think about the core business in terms of how it's performing, the medical device initiatives and how much we spend on that and think of those as two different aspects of our business, when you adjust for the medical device, instead of looking at \$1.77 performance, it's actually 44% higher \$2.55. That's what our core business is contributing to the performance of Greatbatch, and that's part of the message if you want to have. Then separate from that we have to, I have to the Greatbatch leadership team in combination with key members of our Board and entire Board. Well we got a lot of experience in our Board, we've done transactions, we have to try to make sure that we get a good return on the investment that we have made in Algostim in the last few years unless part of what we will be doing over the next time period.

So let's talk about 2013, in terms of where we are going. We have already shared this with you, in terms of the assumptions that we have built into our 2013 guidance. We are not moving off of our 2013 guidance that we gave at the JP Morgan Conference. We are here today just to say we reaffirm that guidance and we still think that we are on target to make the guidance that we provided in early January. The assumptions that we made into that we want to make sure that everyone understands is the fact that we have not put in the acquisitions into that guidance, although we are actively looking to do deals under the terms that Tom indicated earlier, playing within the existing product lines that we exist today; not a transformational transactions; something that will be accretive to our growth, our capability, our margin and our ROI. So we are going to be very disciplined in terms of what we do in acquisitions, but we are actively looking for acquisition. We have not included in these assumptions to impact our R&D commercialization, but whatever we in that bloom with Algostim and some of the other products that we are actively seeking partners for selling the IP, MRI and sensors those are not included in our guidance that would be further upside.

We have taken into consideration the medical device tags which we impact could be anywhere from \$1.5 million to \$2.5 million of gross impact to Greatbatch, but what we'll try to do is recover some of that from our customers so hopefully we can mitigate the impact of that, and the effective tax rate that we have included in this since our 2012 effective tax rate is all over replaced for the 33% to 35% tax rate. We talked about this and Tom went through this in some detail in terms of where we think the opportunities are on each one of our product clients. So I won't go to this in great detail or why; the basic message is exactly what Tom said, it will be investments that we have made in our sales force, the untapped opportunities on the markets that we have not gone after, we believe that we can have somewhere between a 5% to 8% organic growth in 2013. The reason why that number is higher is that for the orthopedic growth you will say a foot on it; we sold out roughly \$15 million of our orthopedic business at the end of 2012; because it was not a profitable business for us; it is not the targeted markets that we wanted to go after. When you adjust for that \$15 million the Orthopedic organic growth will be somewhere between 8% to 14% in 2013 and that will give us an overall company organic growth to somewhere between 5% and 8%. If you take that sales growth and improve our margins by somewhere between 60 and 110 basis points, we think that our adjusted EPS will grow somewhere between 7% and 13% in 2013, gaining us somewhere between \$1.90 to \$2 adjusted EPS guidance that we gave earlier. We still think we are on target for doing that.

Most importantly, we watch and manage the business to make sure we continue to throw off cash flow. We think we will be \$90 million of cash flow off the core business. We did have some convertible debt that did not convert and because we were taking the effective interest rate on our taxes over the last few years, we do owe to Uncle Sam roughly \$30 million of tax payment for those converts. So the net cash flow to Greatbatch will be closer to \$60 million.

And you also noticed in the reduction in our CapEx spends because again the heavy consolidations that Tom talked about earlier, 10 years of his life contracted to one page in a few minutes well that heavy spend is behind us and therefore we are more downturn normalized CapEx spend that we think will be somewhere between the \$20 million to \$30 million of CapEx spend in 2013.

Something that we watch and what we want to improve, we think our return on invested capital is below what it should be to excite shareholders but we want to see a steady improvement on that return on invested capital. Over the next few years, we think we will be at least 60 basis points improvement in 2013 and we hope to sustain that level of improvement even and potentially even pick up pace in future years.

But once again, when you adjust this so you'll understand how the core business is performing, we believe the core business is performing somewhere at 15% to 17% adjusted operating margins and you look at it its somewhere between \$2.60 slightly about \$2.60 adjusted EPS performance from our core business.

And that's what you can separate out and make a separate decision about whether or not the investments that we make on our device spend will return when it should and I'll talk a little bit more about that in a minute. Let me help you bridge how we get from the \$1.77 to \$1.90 to \$2 and what's driving that.

The biggest driver of that as you can see somewhere between \$0.19 and \$0.30 is the orthopedic consolidation getting rid of the problems that we had in 2012 getting that to operations in 2013 Fort Wayne in Mexico where it will perform a lot better, having the organic growth that we anticipate in the second half of the year predominantly because in the first quarter, we will come out of the first quarter with a little bit of a backlog because you notice on Tom's slide we started production in the month of February and we have to ramp that up over time which means that we've virtually had no sales in January but we will have a little bit of our backlog coming out of first quarter that helps our second quarter organic growth.

So our biggest driver of the improvement year-over-year is going to be the fixed of the orthopedic business combined with the organic growth that we hope to have. But that's not all. In 2012, we had nice productivity from our manufacturing operations with lean manufacturing and other things that we've done just didn't show to the bottom line because it was massed by our problem with orthopedic.

We expect another \$0.20 to \$0.22 of productivity coming from this business across Electrochem, across Greatbatch Medical, across our corporate and staffing operations, a whole host of things that we can do to drive productivity and deliver somewhere between \$0.20 and \$0.22 through productivity for the (inaudible).

We also anticipate a slightly lower spin on our medical device initiatives in 2013 compared to 2012. Most of that will be in the second half of the year. The first half of the year spend on design, verification testing and Algostim would be pretty much at the same run rate it was towards the second half of 2012 but as that comes down, we have other things in the pipeline, just not at the same place that we were spending money in 2012.

In 2012, because of the performance of the business, we paid out roughly variance between 60% to 70% of our variable performance budget. This plan reflects it going back to a targeted payout amount. So you see the impact of performance based compensation, which again as demonstrated by 2012, is paid if we delivered.

We start missing on this. We'll bring it down. If we can bring it up, we have a swap ratio that we share. A portion of it with our shareholders and a little bit for us but it is variable. It was performance based. We have and we will continue to invest in ourselves and marketing organization. We feel this is an enabler of the organic growth.

I started this out by saying that profitable growth is an attitude. It's a culture, it's a way of thinking but it doesn't happen because you don't do something. It has to be followed with strategy and execution. Part of that strategy and execution is saying we will hire sales people with the DNA of sales people to go out and actually find a way to take this opportunity that we have identified and actually turned it into revenue, and you have to bring into organization people who know how to do that.

As a finance guy, it's very simple for me to say this or you are right, take this percent here we will get this much money and (inaudible) margin, but someone has to find them, find sales people, give them value proposition, motivate them, make sure that they deliver, manage that whole process, we have to make investment in terms of tools, processes, procedures to make that happen, we will continue to do that.

We have a strong cash flow, if you take the \$84 million, \$90 million we can continue to generate cash from this business and part of the messages that if we can generate that cash that gives us the capability of going back into the business and doing the acquisitions and doing the funding for the medical device initiatives now we can grow that pipeline again with intellectual properties and with innovation that we can hand to our sales people to take to the market to go sell something, that's what we do.

So we also watch very carefully to make sure that we have efficient processes and procedures to make sure we have generated the appropriate cash flow for the earnings that we have for the business. And cash flow has allowed us to bring our debt position down, our EBITDA performance up which really puts us in a great position even on that current facility to have plenty of dry powder to (inaudible) \$4 million dollars of dry powder to execute what we think we should execute on.

And as time indicated, as we look at acquisitions and we looked at capital expenditures, as we look at adding the sales person, all of those type things were very disciplined to make sure that they are going to drive possible growth for the business and we are not going to spend \$374 million income if it can (inaudible) available to us, we are going to spend it if and only if we have ways to ensure that is going to be profitable growth for Greatbatch, that is the core business.

Some of the upside that we have talked about was our medical device opportunities and how we take was Scott and [Dan] have done and turned that into upside for Greatbatch and how we make that happen. We have been doing that in the past and we have been predominantly doing that on the Greatbatch's P&L, so Algostim is something that we funded from small investment from others, third-party investments, so its not like we haven't done any, but we funded that, we have done some balance sheet investments and we have minority equity positions in some start up companies, and we like their technologies and access to it in the some point in time, parting with them, buying them or whatever the case maybe that may help us with the initiatives.

We have on an ongoing basis (inaudible) for our customers what we call NEARLY. You saw us give reimbursements in the fourth quarter both our overall R&D spend down because we are working with our existing partners on components and they are using our engineering services and capabilities to help them create something new that ultimately we will produce.

And we have this market driven medical device initiatives which Algostim is the first one and there are others that are coming behind we talked about CARDIOMONIX and I am sure we will get some questions on CARDIOMONIX during the Q&A session and what it is and what we have plan there, now let the technology people answer that question.

I can go beyond the fact that goes in the body that's how technical I am and it's supposed to help people go. The key though is this; we used to at Greatbatch work from the concept to the regulatory approval in terms of trying to figure out and learning it through our P&L that's what we did with Algostim. What we want to do going forward is to add a more significant amount of third party funding so that as we go from a concept to the regulatory approval and we are ready to take that product out to the marketplace and commercialize it; we have already found a partner and we've already found a way to work with that partner that we get an appropriate ROI for helping them bring something to the marketplace that they want to commercialize. And I'm sure there will be an interesting conversation between us and the potential partner by how much of that ROI they get and how much of that ROI we get, but what think is adequate, etcetera. But that's what we are trying to do. So that the Algostim, the products that follow behind Algostim will have a much higher percent of third party funding than what we had currently in the Algostim product which was funded predominantly by Greatbatch with some investments from the key opinion leaders that help bring us the idea.

But the end gain of what we are trying to do is to create a manufacturing revenue stream that has enhanced margins, because we believe if we can get into the design process early, we can have a better margin performance for a full system design than we can on individual components where they came to us, reimburse some research we've done, then give us a purchase order to produce. Now we've done okay on that because I showed you the core business at 15% to 16% types of margins, 16% to 17% types of margin. So we do okay on that, but we think we have an opportunity on the system design side to do even better, because when we design it we know we know how to manufacture it, we know we have the supply agreements with the people to go get the products that we need to supply, and if we could enter into long term agreements we know that we can buy the equipment and configure our plant with greater certainty than we would if we are in short term agreement. And we then can also turn around and enter into longer term agreements with our suppliers than if we say here's a supply agreement, we are going to give it to you for six to seven years, we can negotiate better deals there. All of that gives us an opportunity not a guarantee, but an opportunity to really have an enhanced margin on these medical system devices that we partner with to bring to market by starting way back at that starting point at the concept and work with them through this entire process.

We also know that as we have these things in the pipeline, we want to have a bigger pipeline. When we talk to you about one or two things; we would like to have a lot more than that. Our balance sheet and income statement can't fund a lot more than that, but using third party resources we can put more of those in the pipeline. Over time if you think about the short term aspect of the effective sales force going out and doing deals, combine that with the NRE projects that we have done and will continue to do, they will get commercialized in the future, combine that with the medical device opportunities that we put into the portfolio, combine that with M&A opportunities that we add to that, that is our pipeline. That is what we constantly watch and say can we do that and that between a combination of those things, we hope that we can be a higher than 5% organic growth business going forward.

As we do that, we do believe that our medical device spend will come down, because as you noticed, the green aspect for that chart is getting bigger. So we funded most of the things that we've done over the last few years through our own pocket, but we want to fund more that through third-party partners going forward. We're not ready to commit to a spin level for 2014. We will do that at the appropriate time, late this year, early next year when we come out with the 2014 guidance, but what we're saying is that if we can execute on bringing the appropriate partners to the table, we believe that spend amount will come down and but it's still creates the manufacturing pipeline opportunities that we talked about earlier.

With that, Tom's going to come up and make a few closing remarks. We will then follow that with Q&A and also remember that there is the Algostim demonstration at the end. That will give you a lot more details about how Algostim works.

Thomas Hook - President & CEO

Thanks, Mike. In closing, I want to bring you back to beginning where we started the presentation. So I can reiterate what I wanted you to see us going through today, which is the strength of our foundation as a company, how we're going to grow that foundation; how we are enhancing it through the commercialization of the medical device initiatives; and providing a lot more technical information today by Scott Drees on what is Algostim in terms of a company and a platform and then Mike walk through the driving a profitable growth. So when you look at that we've got a strong franchise and a strong foundation of business that we are very confident. Thinking of decade to bring ourselves to a level of operational excellence, but satisfied with, but we are still going to push that performance harder as we grow as company. We have got great long term partnerships with customer that we have leverage-off of and we continue to expand the breadth and depth of those partnerships going forward.

Now that fundamentally along with the sales and marketing investments are going to allow us to able to grow mid single-digit organically and lever that 2x to the bottom-line through our operational efficiency. I am sure we are going to get more questions in details around the technology of Algostim; we are going to get a lot of questions with regards to regulatory patent that commercialization patent, many of those we'll answer and some of those we'll defer to later in 2013 as we reach the milestones to talk in more detail about them. We are certainly excited to share with you all the technology that we have invested in at the systems level. It has great promise for us not only to defeat our core component business but enhance our ability to drive revenues in the future through the sale of complete medical devices. And finally I think you can see that as we do this and leverage and capacity we have, it's going to continue to drive the profitable growth that we have experienced in a much more impactful way, we will leverage our balance sheet and our cash flows more effectively and potentially supplement that with some targeted acquisitions of either technologies or product lines.

So with that I am going to do is, I am going to allow a few other executives to come up in addition to Mike and Scott and we will broke a little question-and-answer session for those of you that are registered and asking more targeted questions. So Susan, Dan, Mike. So there is a microphone circulating in the room, I know this enabling online questions as well, so if you have a question just raise your hand and either Lynn or Sarah will find you and get you a microphone and then, I will be happy to answer your questions, or let one of the other executives answer as well, question.

Question-and-Answer Session

Unidentified Analyst

I have a question about your orthopedic business, can you just tell us some more about what the problems were when these developed, what you have done to change this and kind of what the mix of business has been and where it's likely to be in the future in terms of instruments, implants and wherever as you produce in that product line there?

Thomas Hook - President & CEO

Little history to reiterate as we enter orthopedic business we have two acquisitions in 2008 timeframe on its implants instruments as well as delivery systems. That business of us has a predominantly Europe operating base when we started a large percentage of that product is exported from Europe in to other markets around the world. We knew and we acquired the business it needed to be consolidated. We had four Swiss facilities at the time, a French facility and then several US facilities. We made the decision strategically to build the capabilities within our North American operating base to consolidate that business, and we obviously had a very timely death of the executive running that business that really put us behind by about a year in time in the 2010 timeframe and '11 timeframe.

And we worked through those consolidation plans and merged it into Greatbatch Medical into Mauricio Arellano's leadership and to run the business. We made and we struggled through 2012 with operating issues fundamentally in our Swiss facilities. We had a hard time delivering the customer orders because the capabilities of the facilities were below what we needed to meet customer delivery and reliability requirements.

We were late in consolidating into a stronger operating environment and that presented the challenges for us which is why we lost about 8% of our revenues out of those Swiss facilities from the business standpoint. So now that we've moved the product lines into the North American operating base, we have much improved the reliability and quality as well as product capabilities.

Our performance has dramatically improved for customer delivery and we are projecting that to get back on the growth trajectory of double-digit growth trajectory for 2013. So fundamentally the heart of it is we had core timeliness and performance metrics for our customers that hurt us relative to the competition.

Going forward, the intention is to take the capabilities that operational excellence we've invested in now, we are allowing the sales and marketing resources under Andrew Holman's leadership to go out and reengage the customers which has been very successful here and we are going to do that at implants, instruments as well as the delivery systems themselves.

We are finished in delivery systems. We've done a very good job on the implant side. We have yet as you know from the slide here to finish the qualification of all the North American facilities with customers for instruments. My projection would be is right now that business is approximately a little over half implants and approximately half delivery systems and instruments and we expect both sides of that business to grow but we acknowledge that implants would be more in line with the clinical market volumes, implants and delivery systems will modulate up and down based on system launches that the OEMs, various OEMs do from year-to-year. So hopefully that answers your question.

Unidentified Analyst

(Question Inaudible)?

Thomas Hook - President & CEO

Yeah a great question, the question was is that are you talking about total implants in general in orthopedics through reconstructive market opportunities, we are talking about manufacturing the total implant from raw materials all the way through taking the product through sterilization and packaging for the customers. So it's a full product offering, that's correct, even through the coding of those implants with other materials like hydroxyapatite coatings, etcetera. So it's pretty comprehensive service offering for customers.

Charles Croson - Sidoti & Company

So Charles Croson of Sidoti & Company, just wanted to touch up on some of the sales force comments you had. It sounds like you are trying to get a little bit more focus there and bringing higher caliber reps or something, so can you kind of just add a little bit more color into that?

Scott Drees - President Algostim LLC

I certainly will and you know I want you to actually see that these are actually live people. So I'm going to come over here and have Andrew Holman and Greg Webster stand up and answer that question about what they are doing because they are the brains trust here that is taking the operational excellence and the innovation we have as a company and in Greatbatch Medical and Electrochem deploying it to drive the performance going forward.

So that is, why don't you provide a little bit of perspective, come on up on the stage even though you are still taller than me when you are standing off the stage and give a little flavor to Charles on where you are going with the sales and marketing investments.

Andrew Holman

So I think first of all, we've a very, very high focus on talent and trying to aggregate talent that has a combination of two skill sets. Number one, a pedigree in selling with a combination and this by the way is in Greatbatch Medical but with a combination of business-to-business experience as well as medical technology experience.

We don't a 100% get medical technology but we absolutely get the enterprise selling expertise. Why that's important is because as we've been engaged with our customers, their math organizationally was very various cross functional roles and matrices and we need to know how to approach them effectively.

Having medical technology experience or the technology also allows us to then describe the end market. The other piece of that's critical is that we're doubling down in our strategic marketing organization to ensure that we are getting proper insights of the market and much to where you heard Scott talk about and identifying unmet needs, that's one dimension.

The other dimension that's very important to our OEM partners are things that affect our supply chain. They are on acquisition cost on, cost to goods sold as well as just a distribution of the products to their channels and what we're endeavoring to do is not only understand implications of the core technologies that we can help our customers understand but then understand how we can help map opportunities for supply chain wins or efficiencies on supply chain because of our operational excellence and we think that the research that we do actually helps, not only look at the lens of the clinical but all the way through the value stream.

If (inaudible) sellers know how to go and have very thoughtful conversations with our partners about those different dimensions, we have a hypothesis that will be in much more portfolio discussions and we will get [specked] in earlier in designs and we will have a larger sample of discussions that if you just think about close rates, we should close more business. I am just going to take some time to do that but the selling people have to get to able to deliver that style of enterprise selling in addition to just one-on-one selling.

Scott Drees - President Algostim LLC

I don't know if I have a whole bunch more to other than saying expanding our footprint within our customer targets is a key focus for us, as we are putting more people out on the field like Andrew described that are used to selling business-to-business with technical sales capabilities that is key and making sure that we are staying in front of our customers' requirements.

So adding a technical piece of our sales team is something that we continue to leverage and that's been a successful model for us, so we will continue to do that just with more targets in the emerging market that we are going after.

Charles Haff - Craig-Hallum

Hi, Charles Haff with Craig Hallum. Is it better now? I had a question regarding clinical and regulatory around Algostim, investors that we speak with are a little bit sceptical about the literature based PMA pathway and I know you gave a little bit of insight there and you have had some pre-IDE meetings, obviously the FDA has changed quite a bit, since the other sponsors used the literature based PMA in spinal cord stimulation. I wonder if you just kind of give us some more insight into the pre-IDE meetings, when you think you may file an IDE and just some additional color there, it would be helpful.

Thomas Hook - President & CEO

We are kind of do in three parts, I will save a little preamp on Dan and Scott speak with regard to this in general. We have decided for Investor Day today, we are going to focus really hard in the technology of Algostim which is never been shared before with the investment community, so everybody can understand what the technology is.

We have provided abbreviated view of the regulatory path that Scott had shared, but for making the decision as we move forward is to not share exactly the plans on commercialization or the regulatory approve process unto clip those milestones, but the information have share, we are happy to provide a little bit of more information with regard so that from Dan and Scott perspective, but we are not going to have a full explanation of the whole process moving forward on a regulatory approval side.

[Dan Kaiser](#) - VP & CTO

Charles, just to try to address your question, but probably we won't answer the pre-IDE discussions have been very positive, the FDA has given us very constructive feedback as always as a case and like Scott mentioned earlier, its always open to the end of the day what our ultimate submissions is going to require but at this point everything is indicating that we are going to go forward with the literature based PMA submission as we previously communicated in the timelines.

[Unidentified Company Representative](#)

If you have anything add to that Scott, would you like to explain on from your slides?

[Scott Drees](#) - President Algostim LLC

No, I think Tom and Dan pretty much answered it. I don't have much to add. We had good dialogue with FDA, we appreciate their inputs. In the end you know they will guide us as to what is required, and we will comply what we are asking for is a fair shake nothing more and nothing less and what they have ask the other companies to do, in the last decade. So again SCS is a little bit different than other active implantables and the history around it. We didn't create that history. But we have analyzed the regulatory path carefully and we are going to work hard with FDA to do the right thing and make sure the product is ready for the marketplace and the path that we are currently on appears to us to be the path that we will conclude with. And that is at the FDA's discretion of change.

[Unidentified Analyst](#)

So you've received some affirmation from them at some point along the way to make you feel confident that you are on the right path, right.

[Thomas Hook](#) - President & CEO

We can confirm that we are not confirming is the challenge is that we don't want to get ahead of ourselves. It's been a great deal of comfort factor primarily based on the level of intellectual property filings to share what we are sharing with the investment community today on the system technology. We've taken a very diligent approach to the commercialization process now engaging JPMorgan. We've taken a very diligent approach to the regulatory process, but we are not going to get ahead of ourselves by talking about that yet. We promise just like we said a few years ago at an investor day that we would share the technology, we are doing that today. I promise that as we move forward over the next year we will share more commercialization milestone progress and more regulatory milestone progress from Dan and Scott's perspective. We just are not reached those milestones today to really give a deep dive into it, but we recognize there's a lot of questions on it, a lot of opinions on it, both in terms of what should or should not happen but we are using really the FDA to be our guide on this one and they've been pretty effective.

[Unidentified Analyst](#)

I was rather impressed and didn't realize that in your Algostim work that you actually have information flows back and forth to the degree that you do; and of course it's for much smaller information feedbacks. But it seems to me that it's possible to expand that software information flow process as well into I'll call it larger devices or the west help fund and \$100 million fund is totally dedicated to this kind of thing. Is there any thought of expanding into that area because that's less capital intensive and probably higher margins. So it's a software communications element of your total business not just Algostim.

Thomas Hook - President & CEO

A very interesting question just bioinformatics in general in terms of market opportunity is do we think there's opportunities to expand more into that the simple answer is yes. Will we share more information with regards to that today, no? But you will see when the product demonstration that Norbert will conduct that this is an element of technology that's never been resident in Greatbatch historically. We think that there's several features and capabilities that will be demonstrated in the Algostim platform that aren't resident in the industry today that you will enjoy seeing the demonstrations on. We do the things that all of the underlying technologies here of applicability beyond spinal cord stimulation, and we will if you remember the slide that Scott had provided on future new cos. as Dan and Scott reach the milestones of talking about those additional projects beyond Algostim and Cardiomonix they will share how we are deploying under the bioinformatics side our capabilities in terms of new projects.

Unidentified Analyst

One more on the FDA, with regard to following and doing a literature based PMA, does that impede your ability to differentiate the product or put differently, how many of the features of the products stay laden in Generation 1?

Thomas Hook - President & CEO

So I will let Dan and Scott reply to that. Just in general, in terms of the literature based PMA. I think you are referring to our ability to make claims specifically with regard to the product but Dan and Scott, you can handle that one.

Dan Kaiser - VP & CTO

So the answer to the latent feature set versus the submission, I think when Scott walk through some of the market needs and what technology we built in to Gen 1, we went at it just like that. We said what are the market needs, what are the feature sets that we can build in and continue down the path of the literature based PMA. So it's a dance between how much truly different from what's been submitted in the past versus what's going to address the market need, and we think we follow that line fairly close to continue on that path as we've communicated today, and therefore it opens up the Gen 2 clearly its going to have mortgage revolutionary feature sets that is going to be open to discussions with the FDA as to what they will require incrementally for submissions as oppose to supplement.

So we acknowledge upfront certain feature set that would keep us within line with this strategy communicated today, but also knew that the market would want Next Gen capabilities like MRI conditional sets, thin film lead technology, potentially high frequency stim, opening up the capabilities for the IPG and approach the whole development path in that regard. And I will let Scott comment.

Scott Drees - President Algostim LLC

Good answer, I don't have much to add there. It's a balancing act to determine what's Gen 1, and what's Gen 2. I can tell you that everything on the Gen 2 list would require clinicals, based on our discussion with the FDA and our understanding of what the other companies are doing in the space. So by default they fall to Gen 2, the other piece of the puzzle is if we have been very thoughtful about what I call modularization about Gen 1 and if the FDA had a particular issue with some piece of this system, and we had a choice between having to do exhaustive clinical or to

make that Gen 2 feature and work towards later. We would do the latter. So we have been doing this dance and we think it's a prudent way to move the platform forward. So Dan good answer.

Unidentified Analyst

One follow-up there. I understand it's early in the process, but if your plan come to fruition and the product skates right in that mind is this something that you anticipate will sell the premium or a par with the market?

Thomas Hook - President & CEO

It's an obviously an interesting question. I think for us just is as part of the commercial process so I identifying a partner and working with them, that's up to us to work with the commercial partner for how they want to do the go to market strategy which would be a determination to sell it as a premium product or is it a broad offering with broader capabilities without premium pricing. So that's yet to come in terms of the overall commercial strategy that we deploy, but as we move forward and identify that partner working with JP Morgan to do that we'll share that type of view point on that how we will position in the market place today and also how we are going to go market with that, other question. We get some online questions too, I try to work the online questions and at the same time to be respectful people that are online.

Unidentified Analyst

Just a quick one then here on last one on Algostim playing on the other two. Can you kind of go over and I know you don't want to talk too much about commercialization. But can you kind of go over maybe some of that risks that are out there with getting a commercial OEM on board, what might be submissions that you guys have to work through?

Thomas Hook - President & CEO

You are just not going to let this go Charles.

Unidentified Analyst

I figure the three of us might --.

Thomas Hook - President & CEO

You show some whip marks on this. Well, you can imagine that some of the commercial partners that are sitting in this room, that have an interest in any industry today and they see the ability that they have used in Greatbatch medical on a discreet component level to enhance that at the systems level. There's an appeal to put that into their product lines. You can naturally figure out in your head that they have existing legacy product lines and adding a new product line present unique application for them because they are in the industry today. It's really logical and they have to make a termination of how deploy a newer technology that hasn't been approved yet.

And I think you have to compare that against, for a lack of a better explanation a fourth party entrant that isn't in the industry today, that has desires that would have to look at what they were need to invest to gain access to the market place, where they have to invest in today to be prepared for the PNA approval that would come in the future to allow them to go the market and sell that product. It would be distinctly different and enhance the models they would use could be distinctly different to partner with us.

What we focused on is being flexible, we have asked Dan and Scott to develop the system leveraging Greatbatch Medical and Electrochem's technologies to put system capabilities on the table that are an evolution in the marketplace that allow enhancement of the capabilities in spinal cord stimulation.

We have it purposely defined how the commercial partner will use those in commercializing the product. So that they have flexibility to avoid potential conflicts internally or barriers they see in the market to overcome them and not dictate the terms of that. That's also why we are not sharing much about the commercialization process right now that literally just started with in the past several weeks that these initial discussions are occurring because there's as you can tell the amount of detail technically in this presentation has a huge effect with how the go-to-market strategy will work with various companies.

So lots still yet to be determined. There's a lot of features and functionality that are highly appealing but how they are monetized, that's a work in process that we still have to deliver against to feel that there's reward. Now I'm going to remind you before I showed up here today when I look at the value of Greatbatch everybody thinks that Algostim is a mystery that they are focused on, the overall amalgamation of the core business in Algostim together and our financial performance is really what guides investors in terms of understanding the value of this company.

We try to purposely do through Mike's presentation is show those pieces separately. Here's the core business performance where we are growing revenue, we are growing profitability at a 2X rate. We are trying to grow this components business and we are trying to split out Algostim separately to say here's the design, its done we have commercialization, we have a regulatory approval process, we have to go through still but it stands separate we are leveraging our capabilities to review this investment.

So we are trying to get transparency to view these two investments as a company separately that underscore our performance and we think by doing that we are not trying to tell you what the value of Algostim is, we definitely don't think its negative. We will let future communications define what that valuation is as we go forward in the regulatory commercialization process.

We are just trying to highlight the value of that core business right now so you see the strength net cash flow capability, its revenue and profit generation capability and then we are investing intentionally in ourselves to develop that device. We will let the commercialization partner determine what the value is working with JPMorgan to identify that.

Online questions [Rubin].

[Unidentified Company Representative](#)

Yes, we have a webcast question. What are the growth drivers and what is long-term growth rate expected to be for portable medical?

[Thomas Hook](#) - President & CEO

I'm going to allow that question to get answered by the President of Electrochem, Susan Bratton.

[Susan Bratton](#) - President, Electrochem

Thank you. So growth drivers are really the ageing population and the demographics around that as well as the shift from tethered and hospital environment to home environment. As far as the growth rate they were in the presentation 15% to 20% is what the 2013 guidance is around growth rate.

[Thomas Hook](#) - President & CEO

In the room questions or online questions.

[Unidentified Analyst](#)

The patents that you got on the Algostim side, can you talk briefly about where they fit in within the product?

[Thomas Hook](#) - President & CEO

Certainly I'll let Dan and also Scott kind of handle this. I don't know if you want to...

[Dan Kaiser](#) - VP & CTO

I'll talk about just the core Greatbatch patents and how we brought them down to facilitate the development activities for Algostim and then I'll let Scott talk about some of the partner in the latest system IP. So in the Greatbatch core business which is a large portion of the IP that contributes to our technology, we have all the foundational components like batteries, feedthroughs, some of the lead connector and header connector and [can] [ph] technology. All that we looked at is capable to enable some of the new features sets that the market was asking for.

So when we looked at the development opportunity, we wanted to bring some of the most novel IP into play. So that it opened up our development activity. So when it comes to just the Greatbatch core IP, there is a substantial set as we described on that one slide of over 100 patents that are resident in the Algostim system. I will let Scott talk more about the other IP.

[Scott Drees](#) - President Algostim LLC

I kind of skipped over on IP slide which is probably my fault or omission. There was a nice chart when you see that slide in the investor deck that shows you leads, IPGs, programmers and software. There is a nice chart on that IP and how that resides. So it kind of resides on those 85 filed patent applications right now across all areas.

Most of the physician inputs were around leads and the whole lead and lead migration question and or problem. Most of our software, intellectual property came internally from our research and technology group at Denver. A lot of the connection, interconnect technology and the coil-in-coil body compliant lead technology all came from our internal engineering team and with help from all the different groups around Greatbatch. So it was an amalgamation of contribution from everywhere and we're not done, it's just there is only so much time to do so much and we still have a long way to go.

[Thomas Hook](#) - President & CEO

I think Charles you had a question.

[Charles Haff](#) - Craig-Hallum

Thanks. Charles Haff, Craig-Hallum. I had another for Susan as well. So in portable medical, it's been about 15 months since you have done the MicroPower acquisition. I am wondering if you can kind of talk about what that MicroPower business looks like today versus what it did 15 months ago and what capabilities do you think Greatbatch has brought to the table that Micro Power wasn't able to do on their own?

[Susan Bratton](#) - President, Electrochem

Yeah, thank you for the question. Well it's been an interesting acquisition because what MicroPower brought was sales talent, solid engineering programs, but we have clearly leveraged capabilities around supply chain in certainly investments that the Micro Power organization didn't have the capabilities for, I think also the fact that we are fundamentally a medical company and we have battery technology has played a big part in our go-to-market strategy and giving us more opportunity to leverage capabilities in the marketplace. They've positioned us better as a portable medical market leader.

So I think the combination of their core competencies as well as those that are resident across Greatbatch and then core Electrochem, put us in a better position in the marketplace.

[Charles Haff](#) - Craig-Hallum

Thanks. And then so if I think about the timing of MicroPower was done, almost a year and a half ago, imagining your sales cycle is pretty long there, you have talked about increased investment that you have put into that business that they were unable to do on their own. And you are projecting 15% to 20% growth for 2013, could it be that we could expect a higher rate of growth from the MicroPower part of the business as those investments start to kick in the out years?

[Susan Bratton](#) - President, Electrochem

Yeah, again, I will go to the guidance that was in the presentation that double digit 15% to 20% as the presentation indicate that the sales cycle, the development cycle, the design cycle helps us to determine where we will be in the future which is back to that double-digit guidance; that said where \$80 million and a \$1 billion market there is clearly market share opportunities as well as the market growth. So I think our guidance of 15% to 20% is accurate with (inaudible) that we have.

[Thomas Hook](#) - President & CEO

Charles, you notice the discipline in that answer, to not answer your question; are you trying to trick her, she is too disciplined for that.

[Unidentified Analyst](#)

Hey, thanks for taking my question. (inaudible) from Goldman Sachs. I was hoping you guys can talk a little bit about your end markets on the cardio side of the business. It looks like based on results from the big three companies Medtronic, Boston and St. Jude that the US market has largely improved in the back half of 2012 albeit off somewhat easier comps as we head into the beginning of '13, that picture starts to become little bit tougher but from an underlying perspective, I was hoping you guys could give any commentary on change in trends or lack thereof that you have seen so far?

[Thomas Hook](#) - President & CEO

That's excellent question. I think the first and foremost that's important to understand is while we are linked to the end clinical markets, we sell to the OEMs as a supplier of technologies and so our marketplace is the five OEMs in the cardiac rhythm management market place and approximately that many in neurostimulation market place. So definitely we're linked to the clinical trends as volumes are going up and down in the end markets whether they are international or in the US, our business is linked to that.

Our mix is slightly different by OEM in terms of the product lines we make for components and the sub-assemblies that we do for them. I'd say just in general it's clear we look at the same information that you do in the end markets of curing, they are stabilizing and we are getting a little bit easier comparables, we view it obviously as not a very robust growth market, how we are managing that is really twofold.

Number one, we feel we are very underpenetrated in neuromodulation today. So we are making considerable investment and using the sales resources to go out and identify neurostimulation accounts where we've just never worked to get designed in before to expand our business.

And the second thing is that historically we've been doubling down and partnering with our current customers but not expanding into a better customer mix across all of our product lines. We've largely just waited to "phone to ring" and we've done a very ineffective job at expanding those opportunities even though the market growth maybe slightly negative.

Those opportunities to apply the technologies we already have developed to new customers and new applications in neuromodulation are going to make this is a mild growth opportunity for us albeit low-single digits. It's still a very large \$300 million business for us.

We will still be able to push out growth using that sales force effectiveness to deploy the current technologies we have and so even though that end market we are little bearish on as we've been for multiple years. We still are bullish on our prospects for it to partner more deeply with our OEMs and drive value for them.

[Unidentified Analyst](#)

Thanks

[Thomas Hook](#) - President & CEO

Other questions in the room or online, I know Rubin has been signaling that there's online questions but I want to.

I can take - I think we are going to have to cut off the questions and answers because we promised a prompt 4:00 PM wrap-up. So I would like to thank everybody for participating today in The Investor Day presentation.

If you have specific questions you certainly can contact Mike Dinkins who is our Chief Financial Officer here today we are going to open up the product showcase again as well as have some refreshments and Dr. Kaula will be demonstrating the Algostim clinical software and the clinician programmer as well as some of the portable medical features of the device as well. Thank you very much. Have a great day.