# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, DC 20549**

## FORM 8-K

## CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**March 6, 2018**
**Date of Report (date of earliest event reported)**

# TransEnterix, Inc.
**(Exact name of Registrant as specified in its charter)**

| **Delaware** | **0-19437** | **11-2962080** |
|---|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(Commission File Number)** | **(I.R.S. Employer Identification Number)** |

**635 Davis Drive, Suite 300**
**Morrisville, North Carolina**
**(Address of principal executive offices)**

**919-765-8400**
**(Registrant's telephone number, including area code)**

**Not Applicable**
**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 2.02 Results of Operations and Financial Condition**

On March 6, 2018, TransEnterix, Inc., a Delaware corporation (the "Company"), issued a press release announcing its financial results for the fourth quarter and full year ended December 31, 2017. A copy of the press release is furnished herewith as Exhibit 99.1.

Also on March 6, 2018, following the issuance of the press release referred to above, the Company conducted a conference call to discuss the reported operating and financial results for the fourth quarter and full year ended December 31, 2017. The Company had issued a press release on February 20, 2018 to announce the scheduling of the conference call. A copy of the transcript of the conference call is furnished herewith as Exhibit 99.2.

The information included herein and in Exhibit 99.1 and Exhibit 99.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits.

99.1 Press Release, dated March 6, 2018

99.2 March 6, 2018 conference call script

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TransEnterix, Inc.**

Date: March 12, 2018

/s/ Joseph P. Slattery
Joseph P. Slattery
EVP and Chief Financial Officer

**Exhibit 99.1**

**March 6, 2018**

**TransEnterix, Inc. Reports Operating Results for the Fourth Quarter and Full Year 2017**

RESEARCH TRIANGLE PARK, N.C.—(BUSINESS WIRE)— TransEnterix, Inc. (NYSE American:TRXC), a medical device company that is digitizing the interface between the surgeon and the patient to improve minimally invasive surgery, today announced its operating and financial results for the fourth quarter and full year 2017.

**Recent Highlights**

- Thus far in the quarter ending March 31, 2018, the Company has sold two Senhance Systems
- In January of 2018, the Company filed a FDA 510(k) submission to expand the indications for use of the Senhance System, potentially doubling the Senhance System's total addressable procedures
- During the quarter ended December 31, 2017, the Company sold two Senhance Systems, including its first in the U.S.
- As of December 31, 2017, the Company had cash and restricted cash of approximately $97.6 million
- On December 18, 2017, the Company announced the sale of its SurgiBot assets, providing the Company with proceeds of at least $29 million as well as the option to commercialize the SurgiBot outside of China.
- On October 13, 2017, the Company received U.S. FDA 510(k) clearance for the Senhance System for use in colorectal and gynecologic laparoscopic surgery

"We made incredible progress during 2017, including the receipt of 510(k) clearance for the Senhance, the establishment of a global sales infrastructure, generating commercial momentum, and solidifying our balance sheet, " said Todd M. Pope, President and CEO at TransEnterix. "As we look to 2018, our focus is driving the commercial adoption of Senhance globally by leveraging our sales infrastructure, expanding our instrument offerings, broadening Senhance's indications for use, and obtaining additional regulatory approvals in key geographies."

**Commercial and Clinical Update**

Thus far in the quarter ending March 31, 2018, the Company has sold two Senhance Systems. Both of these sales have come from sales to end user hospitals by distributors in the Company's EMEA (Europe, Middle East, and Africa) region.

In January of 2018, the Company filed a 510(k) submission with the FDA to expand the indication for use of the Senhance System to include laparoscopic hernia and gallbladder surgery. The Senhance System is currently cleared for use in the U.S. for laparoscopic colorectal and laparoscopic gynecologic surgery, accounting for approximately 1.5 million procedures in the U.S. annually. Upon clearance, we anticipate these additional indications would bring the Senhance System's total addressable procedures in the U.S. to approximately 3 million.

During the quarter ended December 31, 2017, the Company sold two Senhance Systems for total revenue of approximately $3.4 million.

The Company's U.S. sales team currently includes 17 professionals.

On December 18, 2017, the Company announced that it had entered into an agreement to advance the SurgiBot System towards global commercialization. The agreement provides the Company with proceeds of at least $29 million, of which $7.5 million was received in December of 2017. This agreement transfers ownership of the SurgiBot System assets, while the Company retains the option to distribute or co-distribute the SurgiBot system outside of China.

**Fourth Quarter Financial Highlights**

For the three months ended December 31, 2017, the Company reported revenue of $3.4 million, primarily related to the sale of two Senhance Systems during the quarter, as compared to revenue of $53 thousand in the three months ended December 31, 2016.

For the three months ended December 31, 2017, total operating expenses were $17.8 million, as compared to $14.4 million in the three months ended December 31, 2016.

For the three months ended December 31, 2017, net loss was $76.2 million, or $0.40 per share, as compared to a net loss of $14.0 million, or $0.12 per share, in the three months ended December 31, 2016.

For the three months ended December 31, 2017, adjusted net loss was $14.1 million, or $0.08 per share, as compared to an adjusted net loss of $13.6 million, or $0.12 per share in the three months ended December 31, 2016, after adjusting for non-cash charges related to amortization of intangible assets, change in fair value of contingent consideration, change in fair value of warrant liabilities, and restructuring and other charges.

**Full Year Financial Highlights**

For the full year ended December 31, 2017, the Company reported revenue of $7.1 million, primarily related to revenue recognized on the sale of four Senhance Systems.

For the full year ended December 31, 2017, total operating expenses were $62.3 million, as compared to $124.1 million for the full year ended December 31, 2016.

For the full year ended December 31, 2017, net loss was $144.8 million, or $0.97 per share, as compared to a net loss of $120.0 million, or $1.07 per share, for the full year ended December 31, 2016.

For the full year ended December 31, 2017, adjusted net loss was $51.2 million, or $0.35 per share, as compared to $45.1 million, or $0.41 per share in the full year ended December 31, 2016, after adjusting for non-cash charges related to amortization of intangible assets, change in fair value of contingent consideration, change in fair value of warrant liabilities, inventory write-down related to restructuring, restructuring and other charges, and goodwill impairment.

The Company had cash and restricted cash of approximately $97.6 million as of December 31, 2017.

**Conference Call**

TransEnterix, Inc. will host a conference call on Tuesday, March 6, 2018 at 4:30 PM ET to discuss its fourth quarter and full year 2017 operating and financial results. To listen to the conference call on your telephone, please dial (844) 804-5261 for domestic callers or (612) 979-9885 for international callers and reference conference ID 7694988 approximately ten minutes prior to the start time. To access the live audio webcast or archived recording, use the following link http://ir.transenterix.com/events.cfm. The replay will be available on the Company's website.

**About TransEnterix**

TransEnterix is a medical device company that is digitizing the interface between the surgeon and the patient to improve minimally invasive surgery by addressing the clinical and economic challenges associated with current laparoscopic and robotic options in today's value-based healthcare environment. The Company is focused on the commercialization of the Senhance™ Surgical System, which digitizes laparoscopic minimally invasive surgery. The system allows for robotic precision, haptic feedback, surgeon camera control via eye sensing and improved ergonomics while offering responsible economics. The Senhance Surgical System is available for sale in the US, the EU and select other countries. For more information, visit www.transenterix.com.

**Non-GAAP Measures**

The Adjusted Net Loss and Adjusted Net Loss per Share presented in this press release are non-GAAP measures. The adjustments relate to amortization of intangible assets, change in fair value of contingent consideration, change in fair value of warrant liabilities, inventory write-down related to restructuring, restructuring and other charges, and goodwill impairment. These financial measures are presented on a basis other than in accordance with U.S. generally accepted accounting principles ("Non-GAAP Measures"). In the tables that follow under "Reconciliation of Non-GAAP Measures," we present Adjusted Net Loss and Adjusted Net Loss per Share, reconciled to their comparable GAAP measures. These items are adjusted because they are not operational or because these charges are non-cash or non-recurring and management believes these adjustments are meaningful to understanding the Company's performance during the periods presented. These Non-GAAP Measures should be considered a supplement to, not a substitute for, or superior to, the corresponding financial measures calculated in accordance with GAAP.

**Forward-Looking Statements**

This press release includes statements relating to the Senhance Surgical System and our retained rights following the sale of the SurgiBot assets and our current regulatory and commercialization plans for the Senhance System. These statements and other statements regarding our future plans and goals constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that are often difficult to predict, are beyond our control and which may cause results to differ materially from expectations and include whether the expansion of the indications for use of the Senhance System will be approved, and whether upon clearance the Senhance System's total addressable procedures in the U.S. will more than double to approximately three million procedures, and whether we will be able to achieve our objectives of driving commercial adoption of Senhance globally by leveraging our sales infrastructure, expanding our instrument offerings, broadening the Senhance System's indications for use and obtaining incremental regulatory approvals in key geographies. For a discussion of the risks and uncertainties associated with TransEnterix's business, please review our filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on March 6, 2017 and our other filings we make with the SEC, including the Form 10-K for the year ended December 31, 2017 expected to be filed in March 2018. You are cautioned not to place undue reliance on these forward looking statements, which are based on our expectations as of the date of this press release and speak only as of the origination date of this press release. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**TransEnterix, Inc.**
**Consolidated Statements of Operations and Comprehensive Loss**
**(in thousands except per share amounts)**
**(Unaudited)**

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Revenue | $ 3,398 | $ 53 | $ 7,111 | $ 1,519 |
| Cost of revenue | 3,500 | 38 | 6,727 | 1,069 |
| Gross (loss) profit | (102) | 15 | 384 | 450 |
| Operating Expenses | | | | |
| Research and development | 5,175 | 7,513 | 21,989 | 29,273 |
| Sales and marketing | 5,536 | 3,588 | 17,536 | 9,151 |
| General and administrative | 3,587 | 2,886 | 12,275 | 10,813 |
| Amortization of intangible assets | 2,714 | 1,655 | 7,858 | 6,967 |
| Change in fair value of contingent consideration | 800 | (1,218) | 2,026 | 482 |
| Issuance costs for warrants | — | — | 627 | — |
| Inventory write-down related to restructuring | — | — | — | 2,565 |
| Restructuring and other charges | — | (21) | — | 3,064 |
| Goodwill impairment | — | — | — | 61,784 |
| Total Operating Expenses | 17,812 | 14,403 | 62,311 | 124,099 |
| Operating Loss | (17,914) | (14,388) | (61,927) | (123,649) |
| Other Expense | | | | |
| Change in fair value of warrant liabilities | (58,521) | — | (83,734) | — |
| Interest expense, net | (678) | (390) | (2,135) | (1,889) |
| Other (expense) income | (6) | (30) | (300) | 35 |
| Total Other Expense, net | (59,205) | (420) | (86,169) | (1,854) |
| Loss before income taxes | $ (77,119) | $ (14,808) | $(148,096) | $(125,503) |
| Income tax benefit | 963 | 816 | 3,300 | 5,523 |
| Net loss | $ (76,156) | $ (13,992) | $(144,796) | $(119,980) |
| Other comprehensive loss | | | | |
| Foreign currency translation gain (loss) | 1,282 | (4,802) | 10,797 | (2,603) |
| Comprehensive loss | $ (74,874) | $ (18,794) | $(133,999) | $(122,583) |
| Net loss per share – basic and diluted | $ (0.40) | $ (0.12) | $ (0.97) | $ (1.07) |
| Weighted average common shares outstanding – basic and diluted | 190,648 | 115,151 | 148,744 | 112,185 |

**TransEnterix, Inc.**
**Consolidated Balance Sheets**
**(in thousands, except share amounts)**
**(Unaudited)**

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | $ 91,217 | $ 24,165 |
| Accounts receivable, net | 1,536 | 621 |
| Inventories | 10,817 | 7,883 |
| Interest receivable | 80 | 12 |
| Other current assets | 9,344 | 5,335 |
| Total Current Assets | 112,994 | 38,016 |
| Restricted cash | 6,389 | 10,425 |
| Accounts receivable, net of current portion | — | 266 |
| Property and equipment, net | 6,670 | 5,772 |
| Intellectual property, net | 52,638 | 37,090 |
| In-process research and development | — | 15,920 |
| Goodwill | 71,368 | 68,697 |
| Other long term assets | 192 | 63 |
| Total Assets | $ 250,251 | $ 176,249 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Accounts payable | $ 3,771 | $ 3,984 |
| Accrued expenses | 10,974 | 8,206 |
| Deferred revenue | 1,088 | — |
| Deferred gain on sale of SurgiBot assets | 7,500 | — |
| Contingent consideration – current portion | 719 | 10,502 |
| Notes payable—current portion, net of debt discount | 4,788 | 7,997 |
| Total Current Liabilities | 28,840 | 30,689 |
| Long Term Liabilities | | |
| Contingent consideration – less current portion | 11,699 | 12,298 |
| Notes payable—less current portion, net of debt discount | 8,385 | 4,995 |
| Warrant liabilities | 14,090 | — |
| Net deferred tax liabilities | 8,389 | 10,397 |
| Total Liabilities | 71,403 | 58,379 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Common stock $0.001 par value, 750,000,000 shares authorized at December 31, 2017 and 2016, respectively; 199,282,003 and 115,781,030 shares issued at December 31, 2017 and 2016, respectively; and 199,282,003 and 115,687,351 shares outstanding at December 31, 2017 and 2016, respectively | 199 | 115 |
| Additional paid-in capital | 621,261 | 426,609 |
| Accumulated deficit | (447,640) | (302,844) |
| Treasury stock at cost, 0 and 93,679 shares at December 31, 2017 and 2016, respectively | — | (241) |
| Accumulated other comprehensive income (loss) | 5,028 | (5,769) |
| Total Stockholders' Equity | 178,848 | 117,870 |
| Total Liabilities and Stockholders' Equity | $ 250,251 | $ 176,249 |

**TransEnterix, Inc.**
**Consolidated Statements of Cash Flows**
**(in thousands)**
**(Unaudited)**

| | Twelve Months Ended December 31, | |
|---|---|---|
| | **2017** | **2016** |
| Operating Activities | | |
| Net loss | $(144,796) | $(119,980) |
| Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities: | | |
| Depreciation | 2,486 | 1,942 |
| Amortization of intangible assets | 7,858 | 6,967 |
| Amortization of debt discount and debt issuance costs | 510 | 177 |
| Stock-based compensation | 7,078 | 5,033 |
| Non-employee warrant awards | 838 | — |
| Common stock issued for services | — | 116 |
| Inventory write-down related to restructuring | — | 2,565 |
| Non-cash restructuring and other charges | — | 2,556 |
| Goodwill impairment | — | 61,784 |
| Deferred tax benefit | (3,300) | (5,562) |
| Loss on extinguishment of debt | 308 | — |
| Change in fair value of warrant liabilities | 83,734 | — |
| Change in fair value of contingent consideration | 2,026 | 482 |
| Changes in operating assets and liabilities, net of effect of acquisition: | | |
| Accounts receivable | (381) | (1,041) |
| Interest receivable | 23 | (6) |
| Inventories | (2,981) | (6,647) |
| Other current and long term assets | (3,348) | (1,528) |
| Accounts payable | (531) | (356) |
| Accrued expenses | 2,093 | 1,112 |
| Deferred revenue | 1,088 | — |
| Deferred gain on sale of SurgiBot assets | 7,500 | — |
| Net cash and cash equivalents used in operating activities | (39,795) | (52,386) |
| Investing Activities | | |
| Purchase of property and equipment | (1,566) | (1,361) |
| Purchase of intellectual property | (425) | — |
| Net cash and cash equivalents used in investing activities | (1,991) | (1,361) |
| Financing Activities | | |
| Payment of debt | (13,343) | (6,902) |
| Proceeds from issuance of debt and warrants, net of issuance costs | 13,005 | — |
| Payment of contingent consideration | (7,181) | (1,182) |
| Proceeds from issuance of common stock and warrants, net of issuance costs | 77,579 | 58,029 |
| Taxes paid related to net share settlement of vesting of restricted stock units | (168) | (168) |
| Proceeds from exercise of stock options and warrants | 34,479 | 166 |
| Net cash and cash equivalents provided by financing activities | 104,371 | 49,943 |
| Effect of exchange rate changes on cash and cash equivalents | 431 | (55) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 63,016 | (3,859) |
| Cash, cash equivalents and restricted cash, beginning of period | 34,590 | 38,449 |
| Cash, cash equivalents and restricted cash, end of period | $ 97,606 | $ 34,590 |
| Supplemental Disclosure for Cash Flow Information | | |
| Interest paid | $ 899 | $ 1,289 |
| Supplemental Schedule of Noncash Investing and Financing Activities | | |
| Transfer of inventory to property and equipment | $ 1,258 | $ 3,198 |
| Issuance of common stock as contingent consideration | $ 5,227 | $ — |
| Relative fair value of warrants issued with debt | $ 300 | $ — |
| Reclass of warrant liability to common stock and additional paid in capital | $ 78,359 | $ — |
| Transfer of in-process research and development to intellectual property | $ 17,913 | $ — |
| Cashless exercise of warrants | $ 149 | $ — |

**TransEnterix, Inc.**
**Reconciliation of Non-GAAP Measures**
**Adjusted Net Loss and Net Loss per Share**
**(in thousands except per share amounts)**
**(Unaudited)**

| (Unaudited, U.S. Dollars, in thousands) | Three months ended December 31, 2017 | Three months ended December 31, 2016 | Twelve months ended December 31, 2017 | Twelve months ended December 31, 2016 |
|---|---|---|---|---|
| **Net loss** | $(76,156) | $(13,992) | $(144,796) | $(119,980) |
| **Adjustments** | | | | |
| Amortization of intangible assets | 2,714 | 1,655 | 7,858 | 6,967 |
| Change in fair value of contingent consideration | 800 | (1,218) | 2,026 | 482 |
| Change in fair value of warrant liabilities | 58,521 | — | 83,734 | — |
| Inventory write-down related to restructuring | — | — | — | 2,565 |
| Restructuring and other charges | — | (21) | — | 3,064 |
| Goodwill impairment | — | — | — | 61,784 |
| **Adjusted net loss** | $(14,121) | $(13,576) | $ (51,178) | $ (45,118) |

| (Unaudited, per diluted share) | Three months ended December 31, 2017 | Three months ended December 31, 2016 | Twelve months ended December 31, 2017 | Twelve months ended December 31, 2016 |
|---|---|---|---|---|
| **Net loss per share** | $ (0.40) | $ (0.12) | $ (0.97) | $ (1.07) |
| **Adjustments** | | | | |
| Amortization of intangible assets | 0.01 | 0.01 | 0.05 | 0.06 |
| Change in FV – Contingent Consideration | (0.00) | (0.01) | 0.01 | 0.00 |
| Change in fair value of warrant liabilities | 0.31 | — | 0.56 | — |
| Inventory write-down related to restructuring | — | — | — | 0.02 |
| Restructuring and other charges | — | (0.00) | — | 0.03 |
| Goodwill impairment | — | — | — | 0.55 |
| **Adjusted net loss per share** | $ (0.08) | $ (0.12) | $ (0.35) | $ (0.41) |

The non-GAAP financial measures for the three and twelve months ended December 31, 2017 provide management with additional insight into its results of operations and are calculated using the following adjustments:

a) Intangible assets that are amortized consist of developed technology and purchased patent rights recorded at cost and amortized over 5 to 10 years.

b) Contingent consideration in connection with the acquisition of the Senhance System in 2016 is recorded as a liability and is the estimate of the fair value of potential milestone payments related to business acquisitions. Contingent consideration is measured at fair value using a discounted cash flow model utilizing significant unobservable inputs including the probability of achieving each of the potential milestones and an estimated discount rate associated with the risks of the expected cash flows attributable to the various milestones. Significant increases or decreases in any of the probabilities of success or changes in expected timelines for achievement of any of these milestones would result in a significantly higher or lower fair value of these milestones, respectively, and commensurate changes to the associated liability. The contingent consideration is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss.

c) The Company's Series A Warrants and Series B Warrants are measured at fair value using a simulation model which takes into account, as of the valuation date, factors including the current exercise price, the expected life of the warrant, the current price of the underlying stock, its expected volatility, holding cost and the risk-free interest rate for the term of the warrant. The warrant liability is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss

d) The inventory write-down was related to restructuring as a result of the Company's decision to reprioritize its efforts to focus on commercialization and regulatory clearance of the Senhance System. The Company implemented a restructuring plan in the 2016 second quarter.

e) The restructuring and other charges were a result of the Company's decision to reprioritize its efforts to focus on commercialization and regulatory clearance of the Senhance System.

f) The goodwill impairment was due to the negative FDA response on the SurgiBot System in April 2016 which obligated the Company to conduct an impairment analysis of the goodwill during the 2016 second quarter. A significant input to this analysis was that the Company's market value fell below its book value during the 2016 second quarter.

For TransEnterix, Inc.
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**Exhibit 99.2**

Company: TRANSENTERIX, INC.
Conference Title: Q4 2017 TransEnterix Inc. Earnings Call
Moderator: Mark Klausner
Date: March 6, 2018

PRESENTATION

**Operator**

Welcome to the TransEnterix's Fourth Quarter and Fiscal Year 2017 Financial and Operating Results Conference Call.

As a reminder, this conference call is being webcast live and recorded.

It is now my pleasure to introduce your host, Mr. Mark Klausner of Westwicke Partners. Please go ahead, sir.

**Mark Klausner –** *Westwicke Partners, LLC – Managing Partner*

Good afternoon, and thank you for joining us for the TransEnterix's Fourth Quarter and Full Year 2017 Conference Call. Joining us on today's call is TransEnterix's President and Chief Executive Officer, Todd Pope; and its Executive Vice President and Chief Financial Officer, Joe Slattery.

I would like to remind you that this call is being webcast live and recorded. A replay of the event will be available following the call on our website. To access the webcast, please visit the Events section in the IR section of our website, transenterix.com.

Before we begin, I would like to caution listeners that certain information discussed by management during this conference call are forward-looking statements covered under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those stated or implied by our forward-looking statements due to risks and uncertainties associated with the Company's business.

The Company undertakes no obligation to update the information provided on this call. For a discussion of risks and uncertainties associated with TransEnterix business, I encourage you to review the Company's filings with the Securities and Exchange Commission, including the Form 10-K for the year ended December 31, 2017, which is expected to be filed in March 2018.

With that, it's my pleasure to turn the call over to TransEnterix's President and Chief Executive Officer, Todd Pope.

**Todd Pope –** *TransEnterix, Inc. – CEO, President and Director*

Thank you, Mark, and welcome to our fourth quarter and full year 2017 conference call. On today's call, I will start by discussing our accomplishments during the past year, then turn the call over to Joe for a financial update. I'll then provide an update on what lies ahead for 2018, including our key goals for the year, before opening the line up for questions.

At this time last year, we outlined our key goals for 2017, which were – continue to demonstrate clinical success across a growing number of specialties and procedures; continue to commercialize Senhance in geographies outside the United States; obtain 510(k) clearance for Senhance; and finally, prepare for the Senhance U.S. commercial launch. Through the diligence and hard work of everyone here at TransEnterix, we are able to achieve each of these 2017 goals, while at the same time putting ourselves into a strong position to execute in 2018 and beyond.

Let me provide you some additional color on our accomplishments for the year. One of our goals for 2017 was to continue to expand the clinical utilization of Senhance across a greater number of specialties and procedures. A key to driving commercial adoption is being able to demonstrate Senhance's capabilities through an in-person case observation to prospective surgeons and hospital administrators.

At the beginning of 2017, we had two active clinical sites in one country with a limited number of surgeons utilizing the Senhance. By the end of the year, we had expanded to six active clinical sites with over 25 trained surgeons. By expanding our active base throughout the year, we made it easier for potential customers to observe live cases, a fact that led to a growth in the quality and the size of our commercial pipeline as the year progressed.

This expansion also resulted in a significant increase in the volume and breadth of cases performed during the year, as approximately 400 cases were performed across 30 different surgical procedures. The fact that we were able to quickly demonstrate the broad procedure applicability of the system in such a short time is unique to Senhance. This versatility is one of the attributes that surgeons like best about the system.

As a result of this broad utilization, we have collected a large, diverse set of human clinical data from high-quality hospitals. We will leverage this invaluable field experience to support our future growth, including in the U.S., where we have positioned ourselves well to pursue expanded indications during 2018, which I will discuss later in the call.

Another goal for 2017 was to commercialize Senhance in geographies outside the United States. We sold three Senhance systems outside the United States for which we recognized revenue during the year. We sold a fourth system to a Taiwanese hospital and will recognize the associated revenue when we obtain regulatory approval and begin clinical activity, which we expect later this year.

We started our sales efforts in earnest about a year ago in Europe. We hired a General Manager in the first quarter of 2017 and subsequently started building out direct capabilities in Germany, France and some of the Benelux countries. At the same time, we worked to sign on distributors in certain regions of Europe and in other key geographies outside of the continent.

This past year was a great learning experience for us, as we sought to build a foundational sales infrastructure that was both effective and efficient, while working through the challenges and nuances that existed in the wide variety of countries and regions into which we were seeking to enter. We have seen a recent acceleration in sales outside the U.S., including three sales in the last 90 days, and we feel good about the momentum we have generated as we look forward to 2018.

Another key goal for 2017 was to obtain Senhance FDA clearance. We obtained 510(k) clearance for Senhance in October of 2017. The 510(k) process is rigorous, particularly for robotics, which combines hardware, software, visualization and instrumentation into a system that's being utilized to perform precise tasks in and around vessels and vital organs.

Our submission also included a substantial amount of clinical data, which we obtained from sites enabled under our CE Mark. This was an incredible achievement for the Company, having obtained clearance in six months and ahead of our expectations, and a milestone for the industry, as this clearance marked the first new entrant into surgical robotics in the abdominal space in nearly two decades.

Our final goal for 2017 was the development of a U.S. infrastructure to support the launch of Senhance. We began 2017 expecting FDA clearance close to the end of the year, and thus, were judicious in the first half of the year investing in commercial resources ahead of the clearance.

At the beginning of 2017, we had a market development team of five people. These resources were invaluable through the FDA testing. And this experience helped these early team members develop a strong knowledge of the platform in advance of the launch. As we began to realize that the submission could be obtained two to three months ahead of schedule, we ramped up our investment in the direct sales team, particularly in the third quarter. At the time of clearance in October, we had a team of nine, and we currently have a team of 17 – including 15 direct sales reps covering the majority of the 20 largest MSAs in the country.

Having spent a significant amount of my career building and managing sales teams, I'm pleased with the speed at which we were able to assemble this team and the quality of professionals we were able to recruit. Each week, these sales professionals host surgeons for evaluations through our mobile programs, as well as our customer experience programs conducted at the Florida Hospital Orlando campus and at our headquarters in Research Triangle Park, North Carolina. These efforts, in addition to our account targeting, training and positioning have resulted in a pipeline that is exactly where we had hoped it would be at this stage of commercialization.

Beyond the goals I just discussed, we also took two additional steps, which have positioned us well for 2018 and beyond. In mid-December, we announced an agreement with GBIL to advance the SurgiBot System toward global commercialization. As a reminder, in 2016, we made a strategic decision to prioritize our development efforts on Senhance, driving its commercial adoption in CE Mark countries and obtaining 510(k) clearance in the U.S. Although our focus was on Senhance, we continued to work to identify a strong partner with the manufacturing expertise and a commitment to invest in infrastructure and scale up activities to further the development of SurgiBot.

The transaction included both upfront cash, along with future royalties, and we maintain broad SurgiBot commercialization rights. This agreement was the culmination of years of effort. The agreement solely relates to the SurgiBot System and transfers ownership of these assets, while we retain the option to distribute or co-distribute the SurgiBot System outside of China. GBIL will have the system manufactured in China and obtain Chinese regulatory clearance from the Chinese Food and Drug Administration, while entering into a nationwide distribution agreement for the Chinese market with China National Scientific and Instruments and Materials Company (CSIMC). Being the largest medical device distribution company in China, CSIMC will help GBIL maximize the commercial potential of the SurgiBot System in this market and optimize post-sale services to Chinese hospitals.

This agreement provides the Company with proceeds of at least $29 million, of which $7.5 million was received in December. An additional $7.5 million is expected to be received by March 31, 2018. The remaining $14 million represents minimum royalties that will be paid out upon the successful completion of milestones.

Lastly, in 2017, we were able to solidify our balance sheet. The Senhance 510(k) clearance provided us with a catalyst to fortify our balance sheet during the fourth quarter of last year. With the proceeds from equity sales and the initial payment from the SurgiBot transaction, we were able to finish the year with approximately $97 million on the balance sheet, providing us with runway through 2019.

I'd now like to turn the call over to Joe for a financial review.

**Joe Slattery** - *TransEnterix, Inc. – CFO, Principal Accounting Officer and EVP*

Thanks, Todd. For the three months ended December 31, 2017, we reported revenue of $3.4 million, primarily related to the sale of two Senhance systems. R&D expenses in the quarter decreased to approximately $5.2 million as compared to the prior-year period at $7.5 million, primarily due to heavy investments in the prior-year period associated with preparation of the Senhance FDA submission.

Sales and marketing expenses in the quarter increased to $5.5 million from $3.6 million in the prior-year period primarily due to growth in our commercial efforts in Europe, as well as the buildout of our U.S. commercial team. General and administrative expenses in the quarter increased to approximately $3.6 million from approximately $2.9 million in the prior-year period, primarily due to increased investment to support the Company's growth and costs related to the SurgiBot transaction.

GAAP net loss for the quarter was $76.2 million, or $0.40 per share, compared to a GAAP net loss of $14 million, or $0.12 per share, in the prior-year period. GAAP net loss includes noncash charges related to amortization of intangible assets, change in fair value of contingent consideration, change in fair value of warrant liabilities and restructuring and other charges, which totaled $62 million in the quarter, compared to approximately $400,000 in the prior-year period.

Adjusted net loss for the quarter ended December 31, 2017 was $14.1 million, or $0.08 per share, compared to adjusted net loss of $13.6 million, or $0.12 per share, in the prior-year period after adjusting for these noncash charges.

In the fourth quarter of 2017, we received net proceeds from the issuance of common stock of over $75 million, received $7.5 million in upfront cash related to the SurgiBot agreement and used approximately $6.8 million to pay down contingent consideration related to the Senhance acquisition.

Moving on to the balance sheet, we finished the fourth quarter with cash of approximately $97.6 million, of which $6.4 million was restricted cash. We also expect to receive another $7.5 million from the SurgiBot agreement by the end of this month.

Todd?

**Todd Pope**

Thank you, Joe. Before walking you through our 2018 priorities, I would like to discuss an evolution in our positioning of Senhance within the context of surgical robotics.

The Senhance System builds on the foundation of laparoscopy and is powered by new robotics features like haptic feedback and eye tracking camera control, making the transition to robotically-assisted surgery easier for laparoscopic surgeons and more financially viable for hospitals.

Based on the feedback we have received from surgeons, we felt that the broad definition of "robotics" does not fully capture the value that Senhance brings to the market. We believe Senhance is ushering in a new era of minimally-invasive surgery, which we refer to as "Digital Laparoscopy."

Recently, we launched a print media campaign that reinforces this Senhance positioning in General Surgery News and Becker's Hospital Review, with a combined total circulation of 60,000, including 16,000 general surgeons and 20,000 hospital executives, and are working on integrating this positioning into a new website to be launched in the coming months.

With the Senhance, we are digitizing the laparoscopic interface between the surgeon and the patient, delivering the benefits of surgical robotics without requiring trade-offs in time, resources, familiarity of motion, surgeon preferences and per-procedure cost. We believe that digital laparoscopy enabled by Senhance uniquely positions us to help surgeons and hospitals confront the many challenges facing surgery today.

As we move into 2018, our focus is driving the commercial adoption of Senhance on a global scale. In order to achieve this, our key goals for 2018 are as follows: maximizing the effectiveness of our commercial sales infrastructure; expanding the portfolio of instruments available for use with Senhance; expanding the indications for use with Senhance; and continue to expand regulatory clearances in key geographies.

I'll now walk through each one of these goals in a little more detail. As we become more geographically diverse in terms of personnel, partnerships, installed base and target markets, the way we think about geographic regions have evolved also. Going forward, to be more in line with how we manage the business, we will discuss our commercial and clinical activities within the context of three distinct regions: the Americas, which includes both North and South America; EMEA, Europe, the Middle East and Africa; and Asia Pacific.

In the Americas, having just recently received FDA clearance, we're in the early days of building our pipeline. Now that we have assembled our team of direct sales reps, our top focus in the U.S. is to engage target surgeons and hospitals and allow them to interact with Senhance in person. We continue to believe that the capital of sales cycle in the U.S. will be four to six quarters and our pipeline is progressing nicely and is exactly where we would hope to it be at this point in our commercialization efforts.

In the EMEA region, we remain focused on being efficient with our commercial investments by utilizing a mix of direct reps and distributors throughout various geographies. We've undertaken a moderate shift in our distribution plans and intend to utilize more third-party resources via distributors. By shifting to a higher percentage of third-party sales resources, we are putting Senhance in the hands of distributors who are well-versed in the nuances of local culture, language, selling process and regulatory landscape. We will maintain our direct presence in high-value markets in the region and will grow the team size in line with the overall growth.

Lastly, in the Asia Pacific region, we will leverage our existing placements to help build a pipeline and opportunistically pursue deals. We view Asia Pacific as a significant opportunity for TransEnterix in the future, both due to the relative large population size as well as the fact that many countries in this region tend to be early adopters of medical technology, specifically robotics. As I will discuss shortly, we are pursuing a number of regulatory approvals in key countries, which will open these markets for future growth.

An additional goal for 2018 is the expansion of our portfolio. With the current instrument sets, we offer 45 instruments in CE Mark countries and 28 instruments in the U.S. While these offerings enable surgeons to perform a multitude of surgeries, there are several incremental opportunities that are attractive to both surgeons and patients.

The first of our three initiatives within portfolio expansion is the progression of our 3-millimeter instrument sets. Our open-architecture strategy allows us to quickly expand our offerings to take advantage of technology as acceptance grows. While most laparoscopic procedures are done today using 5-millimeter instruments, we are seeing increased use of 3-millimeter instruments as surgeons continue to push the boundaries of minimally-invasive surgery.

Surgeons typically do not need to close 3-millimeter incisions. As a result, these tiny incisions make for virtually scarless surgery. We currently have CE Mark clearance for 3-millimeter instruments. These have been favorably received by surgeons, and we have actually seen hospitals begin to market 3-millimeter Senhance surgery as “scarless surgical robotics.” We believe 3-millimeter will be an important platform expansion in the U.S., especially low in the pelvis, with GYN and hernia. We expect to file a 510(k) for our 3-millimeter instruments by mid-year and anticipate clearance by the end of 2018.

Our second portfolio expansion initiative is to offer an advanced energy instrument. We think advanced energy is important for many surgical procedures, particularly general surgery. We plan to launch our ultrasonic energy platform later this year in Europe. In the U.S., we will be submitting for 510(k) clearance by the end of the year.

Our last portfolio expansion initiative for 2018 is to launch 5-millimeter articulating instruments. We are excited about the launch of these instruments and anticipate receiving CE Mark and filing for 510(k) clearance by the end of 2018.

An additional goal for 2018 is broadening the total available market for Senhance through indication expansion. In February, we filed a 510(k) application to expand our indications to include inguinal hernia and gallbladder. These are two of the higher volume procedures with over 1.5 million procedures performed annually in the U.S.

Based on Senhance’s foundation in laparoscopy and favorable per-procedure economics, these procedures can now be done effectively and cost-efficiently utilizing Senhance. Making the system applicable to a broader range of high volume procedures will increase the number of surgeons for whom Senhance would be beneficial. We expect to receive clearance for hernia and gallbladder by mid-year 2018.

Our final goal for 2018 is obtaining additional regulatory clearances in key geographies. In the near term, those clearances are focused primarily in the Asia-Pacific region. The ones we are most actively pursuing are in the areas where we currently have made sales, but do not have regulatory approvals; Taiwan and Japan. We expect regulatory clearance in Taiwan in the fourth quarter of 2018. We are concurrently working to file in Japan and could achieve regulatory clearance as early as 2019. Combined, these represent a large market opportunity for Senhance and obtaining these regulatory clearances would significantly expand our ability to meaningfully penetrate these markets.

To conclude, we have spent the last two years working diligently to put ourselves in the position to take advantage of the large, global opportunity that exists for Senhance. We have key regulatory clearances behind us, a commercial infrastructure in place and capital to support our strategy going forward.

And with that, I would like to open up the line for questions.

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) And our first question comes from the line of Rick Wise, from Stifel. Your line is now open.

**Frederick Allen Wise** - *Stifel, Nicolaus & Company, Incorporated, Research Division – MD & Senior Equity Research Analyst*

Good afternoon, Todd, Joe. Maybe just to start off with a general question: Todd, you said a couple times that the pipeline in the U.S. is exactly where you'd hoped, and clearly, you're making progress generally on broad fronts. But, maybe specifically focusing on the U.S. for a minute, can you give us a little more detail about how the U.S. is tracking, matching your expectations? And maybe just give us a little more color on the pipeline itself – what is, I know you're not going to say, "We have three systems," but can you help us appreciate where are you at? And talk about surgeon and administration engagement levels and some of the early learning about how you're selling and positioning Senhance for both existing and new robotics customers, if you understand where I'm getting at? Any detail or color would be helpful.

**Todd Pope**

Yeah, thanks for your question, Rick. We really are feeling great about where we are with the pipeline. Keep in mind, this first quarter is our first full quarter out in the U.S. with an approved robotic system, the Senhance, so we're out talking to customers in each one of our 15 territories.

I think, as far as a little more color, we get asked a lot where we're focused on. We're certainly focused on IDNs that are looking to integrate a new robotic system like Senhance into their system. We're focused on community-based hospitals. We certainly look to folks that have the high volumes of general and GYN surgeries, and we get a lot of interest from teaching hospitals.

I think the fact that Senhance is based on laparoscopic motion, some of these teaching hospitals are excited to be able to offer Senhance, not only to get up the speed with Senhance, but to continue to give them their numbers in repetition with laparoscopic cases. They look at that as one and the same.

And to your question, some of our customers or prospects that are moving through the pipeline have robotics, some have multiple robotics. So when you're kind of known in your community as a destination for robotics, whether it's for patients that are looking for robotics or they're recruiting surgeons to go work there – they want to make sure they're aware of the first robotic system, Senhance, in the last 20 years. So these hospitals that are known for robotics have been quite interested. And certainly, we have some of our pipeline that's starting to mature –hospitals that have not elected to purchase a robot up to this time. They may be a smaller, more community-based. They really didn't see the need for robotics as they had currently existed the last 20 years, but with Senhance, they see a lot of the trade-offs that could be removed with Senhance.

So that's a little bit of a color on what we're seeing in the pipeline. I think we have the advantage in the U.S. to be able to lean on what we've done in Europe. We've got a diverse case series in Europe across multiple countries and multiple specialties. So when we do engage with surgeons, we can give them some comfort on how the system is being used in a wide variety of procedures in Europe.

**Rick Wise**

On the instrument side, you're highlighting the 3-millimeter instruments, that energy, the articulating device, to what extent is the absence of these products slowing you down or making people hesitate? Or, and how critical is it for you to have these approvals in hand before we can really see a more significant inflection in adoption?

**Todd Pope**

It's a good question, Rick. Let's take – you can't talk about them en masse, you have to look at them individually. So with 3-millimeter, this is not holding us back, because the majority of robotic offerings up to this point have been 8-millimeter. That's actually kept some laparoscopic or minimally-invasive surgeons a little away from moving over to robotics. So they've been excited about our 5-millimeter basic platform. Launching 3-millimeter is really taking advantage of one of the trends in laparoscopic surgery. So this is actually generating an incredible amount of interest and excitement for us, and we're starting to get some good cases done over in Europe with 3-millimeter. Look forward to bringing it to the U.S.

As far as the other products, advanced energy and articulation, these are instruments that will always be welcomed as you build out your portfolio. But I got a question the other day at a conference of, it seems like we have a very diverse and broad, you know, clinical experience over in Europe, and I won't mention all the cases, but as I mentioned, you know, we've already had a nice series of 30 different types of procedures.

If you think about those in buckets, Rick, we're doing hernia repair, both inguinal and ventral. We do a lot of lap choles. We do Nissen fundoplication, stomach wrap for, you know, GERD. We've done appendectomies. We've done celiac artery compression or Dunbar syndrome cases, which are pretty complex. We've done total duodenopancreatectomy, which is for tumors in the head of the pancreas. We've done bariatric procedures – sleeve gastrectomies, which is one of the fastest-growing procedures in the world. We've done a whole litany of bowel resections, right, left, total. We've done rectal disease with lower anterior resections, radical hysterectomy with pelvic lymphadenectomy.

I could go on and on, but what I'm telling you is the system as it is today is having a lot of success in both basic and complex cases, is not holding us back. We think as we add products, it will continue to bring more people into the fold of interest, but we have a lot of success with our current platform and feel great about our opportunities as the product sits today.

**Rick Wise**

Last for me for the moment – I know that guidance is challenging, a lot of moving pieces, timing uncertain. But again, I feel like it's also just as clear that the Senhance, you continue to build value in the system and the pipeline is full, suggesting a lot more value to be added going forward. You're highlighting a lot of the excellent capabilities today, clearly more coming. A couple thoughts: Would you be disappointed, just in terms of framing 2018, would you be disappointed if you didn't see, at a minimum, quarterly system sales in '18 that weren't at least similar to what we saw in fourth quarter? And you know, again, at a minimum two a quarter from whatever geography. And, just given the comment about four to six quarters to sell and with all these good things happening in terms of enhancing Senhance, you know, couldn't we see some acceleration from that level, as you got to the fourth quarter of the year? And yes, I'm looking for some guidance.

**Todd Pope**

Yes, that was a cleverly crafted question, Rick, and I think it's a good question. Currently, we're not providing specific guidance, but I think we want to continue to provide color on key geographies as we continue to mature. We mentioned in the call that we'd hired a General Manager just about 13 months ago, in the first quarter of last year. And I think, as you see with some of our, you know, acceleration in activity and sales that we're starting to get some momentum over in Europe, four quarters into his tenure, and I think we'll see that continuing. I think we're set up for a good year in Europe.

In the US, it is early. We do think from all of our history in this market that four to six quarters is a fair number for timeline. But, you know, we do have some people that are quite interested, I think, we will get some sales that don't take the traditional four to six quarters. We will, but I think, as we go quarter-to-quarter, we build a little more consistency in the time frame of letting these people work through the pipeline. We'll have a better and better idea of how to give you color.

I think, each quarterly call, we're going to be working through more and more folks. We are bringing just about daily people in our pipeline either down to Florida or here to Research Triangle Park, our headquarters, in North Carolina. You have to remember, we were not out pre-promoting prior to October 13, 2017. We just couldn't do that. Now that we have an approval, we have a good solid sales force out there – they're introducing themselves, introducing TransEnterix, certainly introducing Senhance.

We mentioned just this month, you know, we've run a front cover ad on General Surgery News – that's going to get to 40,000 people. We're already seeing a strong uptick in inbound interest. Not everyone knows about us yet. So I do know the desire to get more and more granularity on the pipeline. We want to give you that. And as we work through each quarter, I think, we're going to be able to give you better and better feedback on that.

But we are really encouraged. Robotics is a hot area. People are excited about a system that offers some different features and different per procedure economics than they've had in the past and that's generated a lot of interest.

**Rick Wise**

Thank you, Todd.

**Todd Pope**

Thank you.

**Operator**

And our next question is from the line of Jeffrey Cohen, from Ladenburg. Your line is now open.

**Jeffrey Scott Cohen** - *Ladenburg Thalmann & Co. Inc., Research Division – MD of Equity Research*

Hi Todd, Joe, how are you?

**Todd Pope –** *TransEnterix, Inc. – CEO, President and Director*

Hi Jeff.

**Jeffrey Cohen**

Hey, just a couple questions come to mind I wanted to talk about. So first, you made a reference to a mobile program, and I'm assuming it's in addition to your current program in Research Triangle as well as Orlando. Could you talk about that a little bit?

**Todd Pope**

Sure. When we go to certain geographies, you pick a large city, we're not only working with a handful of surgeons that are interested or even a hospital, we are working with the whole geography. So oftentimes, we will take the system, we'll set it up in a centralized location in a larger city and we might involve four or five different hospitals anywhere from 25 to 40 surgeons that are interested, and oftentimes they'll bring administrators.

We might be there for three or four days, and we'll be able to bring people in, so they can really sit down on the system, really interact with it, ask questions, really get a feel of haptics. People are fascinated by haptics in a robotic system, they want to go and see what it feels like. They're very interested in how they can actually control three robotic arms at once – it's not able to be done today, and they like being able to demonstrate that. They love seeing, you know, the smaller instrumentation. So these mobile events, we're able to take the system on the road and get a really good exposure to a much larger set of interested surgeons, staff and administrators, versus flying everyone to either North Carolina or Florida.

**Jeffrey Cohen**

Okay, got it. And then secondly, can you talk about manufacturing as far as scaling both for Senhance as well as instrumentation? And where is that being done? How is it going? How are you finding that, as far as a procedure-specific instrumentation? Also, I guess, coupled with that, Joe, as far as revenues, it sounds like you'll be breaking out by three regions. Will that also include instrumentation in addition to Senhance, or Senhance alone for the time being?

**Joe Slattery**

Sure, Jeff. On the breakout of revenue, the first thing I'd say is, the instruments are sold together with the system on the upfront PO. So typically, it makes the most sense for us to provide that, you know, collectively.

As you know, our instruments, the vast majority of them are reusable, so the tail of instrument revenue tends to come, you know, more towards a year after the installation, it starts to become a routine flow. We also have a service component. We include a warranty, so we defer the first year of service as part of that initial PO and then recognize that over the year of the first warranty. And then we charge for service after the first year.

So at the scale we're at today, we don't see a lot of value in breaking out the revenue in our financials. But as the complexity grows and the scale grows, then we'll make that change.

With respect to manufacturing, the Senhance is manufactured with a strong partner of ours in Italy. They've been, along the way, throughout the development of the program, they have an intimate knowledge of the platform. They're a very good partner for us. You know with respect to instruments, most of our instruments are provided by world-class medical instrument manufacturers that make the same or similar instruments for other large-cap, med-tech device companies. So, we actually feel like we have a very strong supply chain to be able to deliver on whatever we need.

**Jeffrey Cohen**

Okay, perfect. Then finally, could you give us a little bit of additional color as far as hernia and gallbladder? I know obviously it's not approved here for indications yet, but how are you finding that, that may in the future, kind of dovetail into your sales cycle as far hospitals and their surgeons? As far as departments and types of surgeons?

**Todd Pope**

Sure Jeff, a good question. We continue to bear the fruits of all of our labor last year with good clinical data coming out of our experience in Europe. We felt really good about our inguinal hernia and gallbladder data, and we filed that in the first quarter, and we're excited about that.

What that does is, it puts, we say over 1.5 million procedures in our total available market when that's approved. It's almost close to two million. And what that does is, it allows some of these higher volume procedures to be done with the Senhance. What we're seeing in Europe is, there's been a reluctance on some people's part to use a quote-unquote "robot" for some of these higher volume cases – they want to save them for the more complicated cases that may be carrying higher reimbursement.

But with gallbladder and hernia, there's a lot of those done. When you can get your per-procedure economics with Senhance down close to laparoscopy, you're not taking any more time in the OR; you're not adding any more invasiveness to the procedure. You're offering 5-, if not 3-millimeter instruments with Senhance. These procedures, which traditionally haven't been thought of as robotic, are really starting to gain some attraction in Europe.

So we think as we learn from that, having that indication expansion here in the U.S. is going to give us a unique offering to go after some of these high volume cases that almost every hospital with busy ORs do on a week-in and week-out basis. So we're really excited about it. I think it's a nice addition when we get that approval.

**Jeffrey Cohen**

Okay, got it, perfect. Thanks for taking my questions.

**Todd Pope**

Thanks, Jeff.

**Operator**

Thank you, and that concludes our Q&A session for today. I would now like to turn the call back to Mr. Pope for closing remarks.

**Todd Pope**

Thank you, Operator, and thanks, again, for all of you for joining us today. We certainly look forward to updating you on our next quarterly call. Good day.

**Operator**

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may all disconnect. Everyone, have a great day.