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Wright Medical Group, Inc. F4Q08 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Taylor Harris from J.P. Morgan.

Taylor Harris – J.P. Morgan

On the earnings reduction for '09 guidance, how much of that would be related to the sales reduction and how much is related to this increased spending on compliance?

John Bakewell

There is \$0.03 associated with the additional compliance related spending. The remainder is all the contribution margin effect of the reduced revenue outlook.

Taylor Harris – J.P. Morgan

Okay and related to the compliance, did something specific happen that triggered, either with your discussions with the DOJ or otherwise, that triggered your thoughts around increasing spending there and in what way did some of the changes you're putting in place affect the way you relate to physicians?

John Bakewell

Well consistent with what I've said all along in questions about our investigation and our compliance efforts, we have continued to monitor what is taking place in the public domain, what we can glean from press releases, DPAs, those kinds of things, conferences that are held for AdvaMed and other organizations. So, we have been trying to stay ahead of the compliance game all the way. We are continuing to do that and we see that it requires more global resources and we're putting those in place. Our goal is to be the most compliant company we can be in our industry sector and we're going to do that.

Taylor Harris – J.P. Morgan

So what are you spending more money on, is it more people? And, what happens with physician relationships? Is there a change in that or is this simply spending more to ensure that you're acting with physicians properly?

John Bakewell

It is people. It is software systems. It is consultant. I mean it is a variety of things and again, it is on a global basis, but these are all prudent things to do based upon what we gleaned from the public domain and what the big five are doing and what the government is asking us to do. We are trying to do this ahead, voluntarily, and with our stated goal of being a very compliant company.

Taylor Harris – J.P. Morgan

Okay and Gary just shifting to the way you guys have given guidance for '09 for revenue growth, I feel like I'm hearing on the one hand that you're not seeing any slow down in your markets like what the big five are talking about. On the other hand, you're constant currency guidance for the first quarter is lower than for the full year. So what exactly are you seeing in the first quarter and why should we expect that growth increases through the balance of the year?

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