



Atricure Inc

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Lily Lozada: Hi, everyone. Thanks for joining. I'm Lily Lozada. I'm on the MedTech team here at J.P. Morgan. Very happy to have the AtriCure team with us here today. CEO, Mike Carrel is going to do a presentation for us, and then we'll jump into some Q&A.

Michael Carrel: Great. Thank you, everyone. I'm Mike Carrel, president and CEO of AtriCure. Thank you to J.P. Morgan once again, and as always for inviting us and having us as a part of this day, the event of JP Morgan in San Francisco.

I'm going to talk about AtriCure. This is...It's not going forward. I was just...Let's see if...

Tech: Press a little harder.

Michael: There we go. Gotta work out with my thumb a little bit more. [laughs]

My goal today is to hopefully give you a good overview of the opportunity that we have at AtriCure. Our dedication and focus is to patients at the end of the day. It's dedicated to reducing the burden of AFib globally, and pain after surgery. Hopefully, at the end of today, what you're going to feel is that this is a large market opportunity.

We're talking about \$10 billion worth of possible annual opportunity that sits within the portfolio that we have today. You'll see how large that is.

In addition to that, how strong our portfolio of products are, to deliver towards that, with a combination of technology, and the products that we have in the pipeline, and also the clinical evidence that we've already generated, but also that we're leading to generate over the course of the next two, three, four, five years.

Another thing to note about AtriCure is that we are already a global company, serving in 58 countries around the world. By being global, we're also manufacturing 100 percent of our

products right here in the United States, right just outside of Cincinnati, Ohio. We're proud to be manufacturing that at a very low-cost price. It's very efficient.

It's not because of all the tariffs and everything that have gone on that we manufacture and do that. We do that because our quality system is incredibly strong, having a combination of R&D working very closely with the manufacturing floor on a regular basis, but obviously it does give you benefit when it comes to tariffs, when that kind of happened earlier on this year.

One of the areas that you'll hear me talk about, you'll hear me use the word, standard of care. How are we changing, creating, and bringing evidence with our products to truly create new standards that help these patients out? I'm going to focus on that in core areas that we have as a business.

As I've learned, I've got to go a little bit. Clearly, I'm not working out enough with my thumb. There we go. I think it's sensitive in certain areas there.

The first part of the conversation is around atrial fibrillation. There are almost 60 million patients around the globe that have AFib. When I started with the company 13 years ago, and we were looking at that number, that number was 30 million.

That number is growing fast for all the dynamics that you might imagine in our society around the number of people, but it's also because people are living longer, and AFib effectively is a disease of the aged. As you get older, you're eventually going to get it.

One of the physicians once told me, it's like gray hair. Eventually, if you live long enough, you're either going to lose your hair or have gray hair. If you live long enough, you're probably going to get AFib at some point in time in your lifetime.

What we're focused on is the most complicated portion of that disease, which are the patients that have been in AFib for more than one year. Why that's important is because AFib is a lot like cancer. It's a progressive disease.

The longer you have it, the more difficult it is to treat like in cancer. When you have a cancer patient, if you're in stage one, you think one way. If you're in stage three, you have to throw more at that patient. Same thing is happening with AFib. We are the end of that part of that disease state. We deal with those more complicated to treat patients.

You'll hear from a lot of the big companies that are here presenting in various different platforms they have, they're typically dealing with the earlier-stage atrial fibrillation patient, and we're dealing again with the sickest of sick patients out there. You think there aren't that many patients in that.

In fact, that represents 45 percent of all AFib patients that are out there. It is a very large market opportunity that exists. AFib is bad. If you haven't heard it, you haven't seen all the commercials that you see on the TV, but AFib is a bad disease. You've got a five to six more likely chance of having strokes.

You've got a five times more likely chance of leading to heart failure. It also, in more recent studies, has shown that those that get AFib at an earlier age have a more likely chance of having dementia. AFib is bad. You want to get rid of it. You want to get yourself back into sinus rhythm.

In fact, some recent reports that we saw, it's actually when you look at it relative to cancer. When you diagnose AFib, your chances of survival at five years in that diagnosis is worse than about two-thirds of the cancers that you have out there. Think about that. You hear cancer and you're thinking that's a death sentence.

Two-thirds of those cancers are not as bad as getting AFib and the diagnosis that you're going to have with AFib because of the items that you see on this page. That's our first business, and I'm going to walk you through that in a moment.

The second part -- my thumb worked at that time, that's awesome -- is another persistent problem is pain after surgery. Obviously, everybody in all the med tech companies are trying to figure out how do you make things less invasive, make it easier on the patient, get them home and out of the hospital more quickly with less invasive technologies to treat whatever element they have.

However, there are some elements you have to do invasive surgery, and it's a lot. There are millions and millions of patients that undergo various surgeries, thoracotomies, sternotomies, amputations. When you have pain after that surgery, your recovery is much slower.

Imagine you've got lung cancer, and they're taking out one of your lung nodules, and they've got to go through your ribcage. Your ribcage is there to protect your lungs. You've got nerves there. When they go and they extract that out of your body, it's incredibly painful after surgery.

What do you have to do? You want to breathe and recover. Your body wants to naturally have that

breathing mechanism to it. If it hurts to breathe, you're not going to recover as quickly as an example. That's one case study that you can look at.

When you use cryoanalgesia, you can reduce that pain, and you can reduce the amount of opioids one takes. How do they deal with that today? If any of you have had a parent or a loved one who's gone to the hospital and had surgery, they send you home with opioids. That's how they get you out of the hospital.

With cryo nerve block, it will last for anywhere as short as six weeks up to three months where you will be pain-free, which allows your body the time to recover, reduce the amount of opioids, recover more quickly. What does that do not only for the patient, but there are more and more studies now that we've demonstrated that you can reduce the health care cost overall.

In fact, a recent study we did on thoracotomy showed that you can save between 8 and 15 thousand dollars in the after recovery, where those patients aren't going back into urgent care, going back and calling in and taking additional drugs they've got to take as a result of that, or they just can't recover quickly enough. That doesn't include lost time at work and all those other items to the economy and things like that.

Our two main businesses are reducing the epidemic of AFib, and two, reducing pain after surgery. Yes, it's a problem, but is it a big market? I started with the company back in 2012. This is 2020. The market opportunity at the time we were thinking about was about a billion dollar, and we were excited.

We were a 50, 100 hundred million company, and we were thinking that is a really big market opportunity. As we've gotten deeper and focused like a lot of companies, the more focused that you get, you find additional opportunities.

Today, we can go after about \$10 billion. It's about \$5 billion today. With the trials that I'm going to talk about here in a moment, it expands to well over \$10 billion worth of real revenue, patients being treated market opportunity on an annual basis.

You do that with additional innovation and new products, evidence that shows that this works in a broad base of patients, and then establishing awareness and clinical education so that they can actually implement it.

I'm going to walk you through those markets here in a moment. The first one is cardiac surgery.

Cardiac surgery is our largest market. Our goal here is that every patient that undergoes cardiac surgery has an ablation and a clip, our AtriClip.

Today, we are less than 10 percent penetrated in that overall global market opportunity. What do I mean by cardiac surgery? It's very simple. Think of you're having valvular disease and you need your valve replaced, or you've got to get your coronaries replaced or repaired. Pretty simple. That makes up 95 percent of all cardiac surgery that is out there today, all fits within that category.

We historically have talked about this that a third of those patients had AFib. If you had AFib, we want to treat those patients with AFib. What we've learned recently over the last five years is that when you undergo cardiac surgery, you've got about a 35 to 40 percent chance of going into something called postoperative AFib.

That expands the market opportunity so that we want to have every patient that hits that operating table get out of AFib, whether it's postoperatively in that first 30 days, or for their long-term care to get out of AFib. You saw the reasons why. Reduce your stroke rates, get them out of the hospital and faster recovery.

This market opportunity alone, if you take that two million patients, you do some discounting on it on our prices and everything else, you get to an over seven billion dollar annual opportunity. I'm going to walk you through the trials that are going to get there.

What's great about AtriCure is we've already got the products. We've got a simple, easy-to-use innovation that we've done over the last 15 years. Our new EnCompass clamp made it really easy to go after that.

In addition to that, guidelines have changed in the market, and we've got clinical evidence coming down the pipeline over the next back half of this decade that is going to make this a true standard of care wherever a patient's getting treated.

The second area is our pain management franchise that I just talked about the why. Our goal here is to make it a standard of care, so that if you're undergoing any kind of invasive surgery in which your large nerves, are getting stretched or cut, that we can significantly reduce that pain and the amount of opioids that you need to take.

This market opportunity alone, just in the areas that we're in today, which is a thoracotomy, a sternotomy, or amputations, is an over two-billion-dollar market opportunity, just in that area. It's

the fastest growing part of our business. Again, the good news here, we have product. We have a platform in place.

We're in almost every hospital in the United States, in many hospitals throughout Europe and Asia, and the economics show this works, and they see an immediate benefit of pain reduction. Big opportunities to go after. I'm going to go into a little bit more detail.

Then our hybrid therapy area is when all you have is AFib. It's for the complex AFib when the catheters don't work. We all hear about the world out there of PFA, which is exceptional technology, and it works really, really well. However, many of those patients, even after multiple catheter ablations, still do fail and don't respond.

We're not trying to compete in that early-stage portion of it. It's when you've had two or three catheter ablations, and now, that long-standing persistent patient is in need of some help because the catheters just don't work. That's when we come in. We are the only one in the world in that area. In every one of these categories, we are number one in the world.

We are the leading edge area in terms of pushing the innovation and pushing the clinical evidence with it. Specifically, on cardiac surgery and making it standard of care, I talked about the technology, and I wanted to show a picture here, because I thought it was important.

These two innovations are new innovations that we've brought out over the last three or four years. The EnCompass clamp is on top. Why that's important is that we were trying to get adoption over the last decade and a half, and people asked, why isn't it getting adopted?

You have to look at, is it easy to use? Can every cardiac surgeon do this procedure on every one of their patients? The answer to that six or seven years ago was no. We had technology. We had technology that would enable you to get a really good result, but it was technically challenging to do.

We invented the EnCompass clamp to make it super simple, so that we could address the full two million patient population. What have you seen, and what have we seen during that period of time? An acceleration in our growth rate in our open ablation business. We used to be a mid-single-digit grower in that area.

That has typically been in the high teens, if not more, over the last five years since this has come onto the market. I believe that that's going to continue to expand. We've made it really easy to

use.

In addition to that, we've continued to innovate on our AtriClip platform, which is to manage the left atrial appendage. That's what you see down below. It's called the FLEX-Mini. That FLEX-Mini device is the smallest profile and best device on the market by far. It's our best product, it's our most recent innovation.

Why is it so good? Very simply, by being smaller, you get much better visualization. You can get down to the base of the appendage, and you can manage it more acutely and easily. Once people use this technology, they don't want to ever go back. We continue to innovate in this area, and this is how we can do it.

Now, the other way that you get adoption is you get clinical guidelines and evidence. What you're seeing here is that, by investing in clinical evidence, in science, you hear us talk about the ongoing trials that we do with our technology, we've been able to see a shift in guidelines where today it is a level one guideline for majority of the items that we do in open cardiac surgery.

When I talk about our next trial to go after the post-op AFib trial, that's why we're doing a trial of that size, is to then go change guidelines. Guidelines have changed adoption, but guidelines alone with easy technology don't do it. You need a third portion of it, which is to have reimbursement.

That clinical evidence I talked about is what drives a lot of that. When you look at the clinical evidence here, the clinical evidence we generated in the 2000s generated significant increases. Let me just repeat that. Significant increases that CMS gave because they believe it's better for the patient and better for the economics of CMS to pay upfront to treat that patient at the time of cardiac surgery.

So much so that they're willing to pay over \$10,000 when you're on a CABG, when you have a double-valve procedure, almost \$24,000 additional, and they're willing to give the physician an additional payment. This is all what leads to faster adoption and faster growth rates on that.

Let's talk about that's what's happened in the AFib side. The original AFib. You come into the operating room with AFib. We've got two definitive standard of care changing trials. The first one is called LeAAPS. It is the largest trial ever done in cardiac surgery. It is a randomized controlled trial.

Half the patients in the trial get an AtriClip, half of them don't. These patients that come in do not have AFib. It's the other two thirds of the patient population. We believe we are going to see a significant reduction in their stroke rates when we look at them over a five-year period.

We enrolled this trial two years ahead of plan. We are now waiting for the events to accrue. Once those events accrue, we look at the data, and then we'll go for approval with the FDA. We've got a five-year look that we think, we are seeing events come in faster, so it's probably going to be faster than the five years.

I can't give specific times on that, but I can tell you it's going to be probably earlier than that five years that we're going to be able to see that data. Once that gets approved, you saw on the slides, standards of care will change, it will become quality metrics, every patient in the globe will be getting an AtriClip at the time of cardiac surgery.

Everybody can start to do the math on what that looks like in a P&L as you go forward. The other exciting part about this trial and the next one is that we don't have to go invest in a new sales force. We have the call points. We're in all these sites today.

We're already in all these procedures, and we have all these relationships. This is an absolute market expansion that allows us to not only get top line to grow faster, but also will drive down to the bottom line as well, and you've seen that we've had some great progress there recently.

The next trial is another standards changing trial for that same patient that goes in without AFib. It's already guidelines level one to treat the AFib. Now, it's going after that next patient population, because we can reduce, and we've seen in studies that you can take that 35-40 percent post-op AFib, and you can bring that down to less than 10 percent.

Many studies have demonstrated that over the course of the last five years, which is why we kicked off this trial in the fourth quarter of this year. We're already well ahead of plan in terms of enrollment. We're allowed to enroll up at 75 sites. It's 960 patients randomized.

Half the patients get an EnCompass clamp and the clip that I showed you, the other half of the patients get nothing, which is the standard of care today.

When we combine these two trials, LeAAPS to show stroke reduction, this one to show a reduction in AFib, both short term and long term, we think that every patient undergoing cardiac surgery, is going have an ablation plus a clip placed on them. Massive market opportunity.

On the Cryo Nerve Block side, I just thought it was important to show you what those products look like and what innovation looks like. We continue to innovate in this market. That innovation drives growth and drives adoption.

The top one there is that when you were doing some of the ablations to freeze the nerves, it took two minutes per nerve that you would freeze. You would think, "That doesn't sound like a lot of time." That's a lot of time for someone to be holding on and to stay there.

To reduce that in half to 60 seconds, you saw our growth rate accelerate by bringing out our cryoSPHERE MAX last year. Innovation is driving adoption, making it easier for them to do that procedure.

Then below that, you look at, and you're seeing our new device that we just rolled out called our cryoXT for extremities. This is for amputations. I'm going to go through some more details on the next slide.

For amputations, there are about 180,000 amputations in the United States. Of those, our first initial target is 100,000 of those patients that have below the knee amputation. These are primarily diabetic patients. You need to get rid of that limb in order to survive.

However, as you can imagine, when you take that limb off, you've got several nerves there that are incredibly sensitive that you're cutting. When you freeze that nerve using our unique technology, It's very simple to do.

These patients go home post op day one, instead of having to stay in the hospital for four or five days, allows them to recover, get their prosthetic faster, walk more quickly, and have no pain. Significantly reduces the amount of opioids they take.

In addition to that, there are indications that you might actually reduce something called phantom limb pain, which is an excruciating pain that many of these patients have and live with for the rest of their lives because when they cut the nerve initially, their body trick themselves and still think you've got that leg, so it's still trying to connect to something.

When you freeze it, you're tricking the brain back, and therefore, you're reducing that phantom limb pain that anybody is actually feeling, which is phenomenal because a lot of these patients, interestingly enough, you can imagine that pain is so great. They commit suicide. They don't want

to go on with their lives. They can't get themselves back to work because they're constantly in pain.

Reducing both the acute pain and the longer-term pain is critical. What does that lead to? At our Analyst Day in March of this past year, we put out guidance. It was our first time putting out long-term guidance. We are already well ahead of the plan that we put out last March.

If you look at the performance in 2025 and the guidance that we're giving for this year, you can see that we're already ahead of plan in this area. We said by the end of the decade, we would be a billion-dollar company, generating 20 percent operating margin on an EBITDA basis and converting that to cash. Already ahead of our plan.

If you look at comparable companies that are doing this, you would look at our multiple and you would realize, AtriCure is undervalued today. I'm stating fact. Go look at those. I know that people get up and say, their company is undervalued, go look at the relative multiples on it. How are we going to do that? I mentioned some of it.

To summarize, in 2024, you can see the innovation engine that we have. New products like PRO-Mini Our cryoXT probe that just came out, our LeAAPS got fully enrolled ahead of plan, we initiated our BoxX-NoAF trial, which is the trial that I was referring to on reducing postoperative AFib.

As we look at this year, launching cryoXT, we should see some increase in the revenue growth by the end of the year in that area. We will not get through complete enrollment in BoxX-NoAF. We said it was going to be about a two-year enrollment period, but again, we are already ahead of plan on that.

We've got new platforms on our cryo business. We're going to initiate an EnCompass PFA IDE trial, either by the end of this year or the early part of sometime probably in mid-2027. We're not going to stop innovating on our AtriClip platform where everybody asks us questions about competitive threats coming into the market, which we've always viewed as a positive.

In addition to that, we don't rest on our laurels, we continue to out-innovate so that they're going to be chasing something of our old technology versus what we're coming out with next, and we'll come out with a new clip in mid next year. Then we're going to continue to look at that LeAAPS follow-up.

Then, as you look at the back half of the decade, all that data is going to come through, and you're going to see an acceleration in that growth rate. You can see it this year. We had a great year this year. In summary, 15 percent overall growth. 86 percent increase in the positive EBITDA. You saw the guidance that we gave.

We started the year at 40 to 42 million of adjusted EBITDA guidance. We ended the year saying in our most recent press release earlier this week, 57 to 59 million dollars of adjusted EBITDA, generating \$44 million worth of cash this year.

The business is incredibly healthy and in a really good place. In addition to many of the milestones I talked about earlier, you can see the growth rates. I want to highlight our guidance for a moment.

For this year, we're guiding to 12 to 14 percent. As a reminder, last year, when we guided, we guided to 11 to 13 percent and finished at 15 percent. You can understand the philosophy of the company relative to that.

We also raised our guidance well above consensus to \$80 to \$82 million, which is very close to that 14 percent target that we talked about getting to in 2028, we'll be almost there in 2026. We will generate cash for the full year, and we also put there that we are going to generate net income for the first time in 2026.

In summary, AtriCure is the leader in every one of our markets. These are large markets that we're going after. We're investing heavily in research and development that will enable us to not only grow our bottom line, but our top line and accelerate through the end of the decade.

With that, I'll bring Lily back up to ask me some more questions. Thank you.

Lily: Maybe we can start with the preannouncement. You announced fourth quarter revenue as a step ahead of the Street. Can you talk through what your takeaways were from the quarter? What surprised you? Any commentary on how things performed by segment?

Michael: We felt good about the quarter overall. As you mentioned, we beat on both top and bottom line against consensus and against all the analysts that were out there.

Our top line was driven by the things that have been driving our growth for pretty much throughout the year. Our cryo nerve block had exceptional, exceptional growth for the quarter. Not

much contribution from XT yet, but we did see good growth overall in that area.

Our open ablation and our open clip also saw excellent growth. I'd say, our open ablation was exceptional growth for the quarter, continue to see adoption of the EnCompass Clamp and the growth in that area. Our open AtriClip had solid growth for the quarter as well.

The only pressure point we saw in the quarter, we've had some analysts say, "Well, we wanted to be a little bit more." I think you might even have noted that in yours, Lily. When we looked at that, we understand that.

We understand everybody probably had an expectation of a million beat, maybe a two or three million dollar beat. That was mostly the pressure that we saw from the international side very specific to the UK.

The UK is under a lot of budget crisis right now. I'll call it, the back four months of the year, we saw a lot of pressure from the UK basically canceling procedures or pushing procedures off as they get their budget in check and very acutely to cryo nerve block because it had grown so fast in the UK over two years that they basically said we need to go evaluate the benefit of that.

We definitely saw a big drop in the fourth quarter relative to specifically the UK on that. In our guidance, we've anticipated that and looked at that for this coming year, assuming that doesn't come back in the UK. Our 12 to 14 percent for 2026 already includes that pressure point that we saw in the fourth quarter.

Overall, top line feel solid with that one soft spot, I would say. In addition to that, on our bottom line, as you saw, we actually raised our guidance, and we'll hopefully obviously update more specific later on, but we feel good about the overall number on that front.

Lily: You talked about pain, open ablation, open clip all being really good. You didn't mention MIS. How should we think about what that look like in fourth quarter? In the US, it was around 30 percent declines each quarter year-to-date. What did fourth quarter look like relative to that?

Michael: Relatively similar. I didn't mean to avoid it. Yes, we saw the same kind of pressure that we've been seeing throughout the year within our hybrid business. You can't declare victory, but it is the first quarter that we've seen in a long time where from Q3 to Q4, we saw a sequential uptick in both revenue. We had three more accounts ordered from us in Q4 than we had in Q3.

That's the first time we've seen that in the last couple of years. Hopefully, that doesn't say that we're at the bottom. We don't want to declare victory, but there was still pressure in the quarter. We anticipate pressure in this year. It'll just be less than what the pressure was from last year. We did see some highlights from that standpoint.

Lily: That's definitely encouraging. You talked about guiding to 12 to 14 percent for this year. We can dive into all the different products and segments deeper in a few minutes. At a high level, anything you'd call out in terms of cadence that we should be thinking about for the year?

I know you have a lot of new products rolling out that will probably pick up steam as we progress through 2026. How should we be thinking about the progression and growth by segment this year?

Michael: I'll start with the progression. Obviously, with the XT launch and with FLEX-Mini and other accounts going to continue to build up steam as the year goes on. You anticipate the back half of the year might be a little bit stronger relative to that, especially on the XT side with the cryo nerve block and as we get into more accounts on the FLEX-Mini side of things.

I'd say that natural little bit of a progression towards the end of the year and an acceleration in that area. By segment, on the open ablation side and the AtriClip side, pretty more normal. It's really more the cryo that will have more of the ramp as you go through the year. I'd say lower end of the guide in the early part of the year and higher end of the guide in the back half.

Lily: Following up on that, let's dig into pain a little bit. Growth in this segment has been accelerating pretty consistently year over year throughout 2025. You have XT still in the early stages. Is there any reason we can't continue to see that in 2026?

Michael: See what?

Lily: See an acceleration in growth in cryo.

Michael: I don't know that you'll see an acceleration. That will be our highest growth rate products in 2026. There's no question about that. To say it's going to be an acceleration per se, I don't know that I would jump quite that far yet.

The MAX has been a great product. It's taken off a lot faster than we ever expected. It's now enabling us to get into sternotomy. We're definitely seeing people do repeat sternotomy and

expand into that market opportunity for us.

The back half of the year, you'll see maybe some acceleration as XT gains fold. The beginning part of the year, we don't expect much coming from XT, but the back half of the year, you might get some acceleration relative to that.

Lily: Let's dig a little bit deeper into XT. What has early feedback and utilization been like? Where do you think you stand in the rollout during '26?

Michael: It's a great question. The way that we do our rollouts, in particular this one, it's a brand-new market opportunity for us. It's a new surgeon base. We only gave our reps one site they can go after. We purposely put a limiter on it to make sure that they get it right and to see what feedback we might get, and to get through VAC committees and those things.

The feedback we've gotten so far is that it absolutely works. Almost every one of those sites are now repeating and using it on their cases. That's a good sign that those sites now were starting to open it up. We just have to get through the VAC committee in that piece of it.

The feedback from the sites that have been utilizing it has been excellent. I haven't heard one negative piece coming out of it. It's very fast to use. It's easy to use. They're getting great results. Patients are going home faster. I love the stories that you hear about patients getting home in a day afterwards without any opioids. Those are great stories to hear.

Lily: Shifting gears to open, it's been several years now that we've been all pleasantly surprised with how well you've been able to sustain this level of growth since launching EnCompass. I assume a lot of the mix tailwinds are behind us at this point.

What do you think it is that's allowed you to sustain this level of elevated growth for so long? Is this just the go forward growth rate we should be using for open for the foreseeable future?

Michael: It's not going to necessarily accelerate right now. It will accelerate after BoxX-NoAF. I want be really clear. As you look out in the back half of the decade, once that data is positive, you will see an acceleration because it's the same product, as I was mentioning earlier.

In the near term, a reason we can continue to grow is because it's a super easy product to use. We're still under penetrated in AFib patients. There's still a large pool of patients that we can grow into. It's an easy-to-use product. The guidelines have changed. The guidelines are there, and

reimbursement is now in place.

I do think we're going to continue to go after and get after that space market. In particular, the growth that we're seeing there is in coronary bypass or CABG patients because that's where we see the least penetration overall in the market. We feel like there's a huge opportunity there because there's so many patients.

Lily: Where do you stand in terms of penetration across both CABG and valve procedures?

Michael: Valve procedures -- if you mix the two together -- were over 50 percent, and CABG is around 20 percent, give or take. CABG has got a larger opportunity because there's just more patients overall.

Lily: Shifting gears to appendage management, this has seen a nice acceleration in growth recently with the rollout of FLEX-Mini. Should we think about the uptick that we've seen in growth as more of a one-time increase from price? Do you think this can continue as we lap the initial launch?

Michael: Most of that's not going to be price, it's going to be volume. We're seeing good volume growth relative to the AtriClip device. We anticipate we'll see good volume growth this year.

We're still in only a third of the accounts. We have a lot of accounts to get into. There is some shifting of that, but it's also getting net new users to be using the product. We do anticipate a little bit of mix of both, but we still have a lot of sites to open up.

Interestingly enough, when we look back at the data, we rolled out FLEX-V which before we had FLEX-Mini and is the product that the competition tried to copy, we went from to 80 percent over about a seven-year period. We have made a lot faster progress in terms of number of sites and percent of what FLEX-Mini is representing right now in just one year.

We're probably about a year and a half ahead of what we did with the V product which obviously was a huge homerun product for us.

Lily: It's been some time that you've had competition on the market, but it doesn't seem like they've made a meaningful dent in your momentum at all. Any change in what you've seen on the competitive landscape in recent months? What do you think it is that's allowed you to maintain your share presence despite having a large competitor on the market?

Michael: A couple of things. Interestingly enough, I think people forget that we've been competing against Medtronic since I started 13 years ago and well before that. They have ablation products. They have tools that have been in the space for a very long period of time.

We took the share of the market over the last decade. We're at about 50-50 and now we're at about 95 percent market share on the ablation side before the AtriClip came out. Why? We repeated that even when they came in with a product to compete with us with their device.

The reason for that is that we make exceptional products. Our products, I believe, are superior to anything else that's on the market today. We're constantly innovating and challenging ourselves even without that competition to come out with the next generation of that product to push that product line.

You see it with the FLEX-Mini. We'll have another new generation product coming out in 2027. We're also investing heavily in clinical evidence that changes the game relative to that. We know our product works every single time.

On top of that, we've got a field team that understands atrial fibrillation, understands the market well, so we're covered pretty much every single hospital in the United States. If you look at the size of our cardiac surgery sales force, we're in 1,000 of the hospitals that are out there performing this. We've got good relationships, good coverage, and our team knows their stuff.

If they're looking for someone to add value to them in the operating room around AFib or managing the appendage, they're looking to us, because this is all we do. This is all they're trained on, and so they know it better than anybody else in the world. Many times, they know better than the surgeon themselves.

All those components together make it not easy, but it allows us to be able to defend ourselves against competition. In addition to that, competition's good. When you're the only one in the market, that tells you the market's not that big.

When you have big players coming into your market or saying, "I want to get into that market," that means that market opportunity is a multi-billion-dollar market opportunity. We're not a multi-billion-dollar company yet.

What that tells you is that they see the value of the under-penetration that's still there. By creating

more awareness, that's going to raise the bar for everybody. We've got lots of examples of this happening, whether it was in the TAVR world at the beginning. I know it's a slower market now, but 15 years ago, when you had two big players going after it, it raised the bar for everybody.

Same thing happened in the left atrial appendage market. You see that competition happening in PFA right now. When competition comes in, guess what? It raises the bar, more patients get treated.

Lily: Is there anything you'd highlight from a IP perspective that you think protects your moat?

Michael: We do have IP. I'm very confident in the IP that we have. However, my philosophy is a little bit different. I'm going to win by having the best products in the market, the best clinical evidence, and making sure I've got a field force that can support those.

IP we will have, we will generate, and we'll make sure that we can win on that front if we need to utilize it. We want to be thinking ahead and not fighting behind. That's how we view IP. We've got the IP if we need to utilize it.

Lily: Maybe shifting gears a little bit in the few minutes we have left. The big positive surprise from the pre-announcement was the profitability that you guided to for next year. EBITDA came in pretty well ahead. You have your first year of net income profitability. What's driving that incremental leverage that people didn't have in their models?

Michael: Slightly on the gross margin line, I'd say that's very slight, but you're just getting leverage across the P&L. In particular, on the R&D side, what you're seeing a little bit of leverage is we don't have LeAAPS involved in there anymore. LeAAPS was a massive trial that was obviously enrolling incredibly fast.

BoxX-NoAF is a large trial, but not quite as large, so you're not going have that same mass. You have a little bit of leverage coming out from that standpoint.

Then, just purely around good financial management on the SG&A side of the business, getting leverage off of the team that we've trained out in the field has been really important to us. We anticipate that that's going to continue to expand. As you saw in our long-term numbers, we'll continue to expand that bottom line.

Lily: You're starting to generate cash. How should we be thinking about where those dollars are

going as you begin to be cash flow positive in a more meaningful way?

Michael: Right now, what I would think about is we're going to continue to strengthen our balance sheet. We're on a super solid position. We don't need to go out and raise any money, but we do think we need to shore up an avenue of stronger balance sheet, and we think that generating cash will put that for now.

We're a growth company, and we're investing in all the right things, and so we're going to keep putting it on the balance sheet for right now.

Lily: With that, we're almost out of time, so maybe we can wrap it up there. Thanks so much, Mike, for presenting.

Michael: Thanks you for having us.

Lily: Thank you, everyone, for joining.

Michael: Awesome, thanks.

[applause]



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