AtriCure Inc

AtriCure Inc presentation delivered at the 39th Annual J.P. Morgan Healthcare Conference on Monday, January 11, 2021 at 7:30 AM

[music]

Robbie Marcus: Good morning, everyone. My name's Robbie Marcus. I'm the medical device analyst at J.P. Morgan. I'm very happy to kick off the 2021 virtual J.P. Morgan conference. It's an honor to have for our first session today AtriCure. We've got CEO Mike Carrel.

Couple logistics. It's a little different than having you all live in San Francisco at the Westin. I'm going to encourage everyone, if you go to the conference web book, to submit a question for the Q&A session.

Feel free to also email me or Bloomberg chat me. Hopefully, we can try and make it as participatory as possible. With that, I'm going to turn it over to Mike. I'll join you for Q&A after. Mike.

Mike Carrel: Great. Hey, Robbie, thank you. Thank you to J.P. Morgan for allowing us to kick off today. We're honored to be one of the first, if not the first, company to kick off the conference this year in this unusual setting on the virtual that we've all gotten used to over the last year or so. Again, thank you, J.P. Morgan, for having us today. Thank you all for joining us early on.

I'm going to start on slide three of the presentation -- you can all move to slide three -- to begin to talk about it after the forward-looking statements, to talk a little bit about AtriCure and just give you a perspective about who we are as a business. Then, obviously, Robbie's got some questions afterwards.

What we at AtriCure are all about is really we are focused on reducing the AFib epidemic and healing the lives of those that are affected by AFib. AFib is a terrible disease, which I'll get to in a moment. In addition to that, we've also expanded our business recently to get into the pain management space, specifically for post-op pain management. That's been a fast-growing business of ours.

I think what you'll learn from us today is that we are really set up. We've got a strong core business that has been core and strong for a long time, with 29 straight quarters of double-digit revenue growth over the last 29 or so straight quarters.

In addition to that -- that's obviously prior to the pandemic -- what you'll see is that we've got a strong, extremely differentiated growth portfolio that is going to accelerate our growth rate over the historical averages with this catalyst-rich year that we've got ahead of us.

I'll start with the large market. The large market that we talk about here is AFib. AFib's got over 33 million people globally that have AFib. That number's growing, by the end of the decade, to probably 50 million or so people around the globe that'll have this disease. It is a multibillion dollar market opportunity.

The current standard of care for the most complex patients -- I'm talking about the sickest of sick patients -- these are the ones that we're focused on at AtriCure.

That really creates extreme differentiation for us because we're the only ones in the world that are really focused on that part of the patient population. It represents nearly half of all AFib patients. It's a very large market opportunity.

Over the last five years, we've done several key acquisitions and also brought out new products in order to enable us to have this catalyst-rich year in front of us. Those acquisitions include an acquisition in 2015 to bring on the Convergent procedure and an acquisition in late 2019 to bring on the aMAZE trial and the LARIAT product portfolio for left atrial appendage management.

In addition to that, we've had over 10 new products that we've brought to market over the last five years. This really has been what's been driving our strong double-digit growth. In addition to that, what it's done is it's given us an incredibly bright future and differentiation.

If you think about the next five years of our life cycle here at AtriCure, you're going to see a lot of catalysts that are going to be coming down the pipeline. Many of those are going to be from clinical data coming out because we are the only company in the world that is really dedicated to this most complex patient population, which is the long-standing, persistent AFib.

I'll walk through that in a second. Why is AFib bad? I'm moving on to slide four. It's a serious problem. AFib is an absolutely serious problem affecting, as I mentioned, 33 million people worldwide. About 1.2 million new diagnoses are happening just in the US every year.

If you have AFib, there are three things to think about really quickly. One is you've got a five times greater chance of having a stroke, five times greater chance. In addition to that, it is a greater than 5X chance of having and risking heart failure.

All cause mortality goes up by 46 percent. Those are some big numbers. We need to get this treated. We need to do it now. That's what AtriCure is absolutely focused on as a business.

I'm going to talk about the unique opportunity. I mentioned it earlier. I'm moving on to slide six here. I'm sorry. Slide five. The unique opportunity that is in front of us is that we are focused on these most complex patients. When you think about the patient profile and what you see in front of you right now is really the three franchises that we're going after.

I talked about pain management. I'll get to that last. In the middle, you have concomitant, which is when you are undergoing cardiac surgery and you have AFib. We are the number-one player in the world in this.

This is you're undergoing valve surgery or you're undergoing coronary bypass. Then on top of that, you also have AFib. One-third of all patients -- yes, one-third of all patients -- undergoing cardiac surgery have AFib.

Of those patients, which are about 300,000, undergo cardiac surgery in the US and about 90,000 have AFib, still less than 30,000, less than one-third of those patients, are getting treated. Yet, all the guidelines say that you should.

The good news is that that number is up dramatically from 10 years ago when we were the first and only company to get a label for persistent and long-standing persistent AFib, the treatment concomitant to that surgery.

We've made great progress through education and training, but we need to do two things to change the game and move that from a 30 percent or so adoption and penetration up to 50 and 70 percent over the next decade. We can do it.

We can do it with a couple of things. First, you have to make the procedure easier for those that need to do it. This year, we have a catalyst in a new product coming out called the EnCompass clamp. That clamp will help address the technological and make it easier for the surgeons to treat these patients.

Number two is you need to continue to improve reimbursement. We're making great progress on the DRG to move that needle along. We've already got the guidelines to change over the last three or four years. On top of that, you're starting to see all the societies get behind this. Next, we've got to get CMS increased at reimbursement.

The good news, they don't lose money on it, but they're not making enough money to have the incentive to spend the extra time. We believe that when you combine this technology with the reimbursement changes and quality objectives for them, you're going to see dramatic moves over the next decade, which give us another decade of growth.

On top of that, within that part of our business, it's not just about the ablation. Our fastest growing franchise if our AtriClip. The AtriClip is a product that you put on the left atrial appendage to close off that appendage during the procedure and when you're treating the AFib.

We believe that is a large market opportunity. We also are looking at; how do you deal with those other 210,000 patients and prophylactically manage that appendage? We'll be starting a trial likely in 2022 for another catalyst for us long-term.

You can see we're investing heavily in our core franchise. That's enabled us to have that strong double-digit growth.

On top of that, the other patient profile to look at is the patient that's the lone AFib. All they have is AFib. They break down into three major categories. You've got the early-stage, or paroxysmal. You've got mid-stage, which is persistent. Then, you've got long-standing persistent which is you've had AFib for more than 12 months.

There's only one company in the world focused on that very difficult to treat patient population. That is AtriCure. Just that patient population alone represents 45 percent of all AFib patients in the world. 45 percent. In the US, that's 3.6 million patients.

To give you some context on those numbers, and you can see it here, it's $2 billion plus market opportunity for us, but why? Because in the US alone today, just to give you some numbers to think about...Of those 3.6 million, only 25,000 are getting treated with the catheters today. We just proved in our trial, the CONVERGE trial, that those patients are not treated appropriately.

You need to add our product, the EPi-Sense, with that catheter. You will get dramatically better

results. We showed that in that long-standing patient population. I'll talk about some of the details here.

If we can just capture those 25,000, and that number's going to 45,000 by 2025, that is a huge business for us, that alone. On top of that, you get the AtriClip to manage it and to manage that appendage at the same time. That continues to be a fast-growing part of our business for us, to manage the appendage along with doing the ablation.

On top of that, you start to see investments in other parts of our business with the LARIAT and other products. You can see this is a very large, huge TAM in differentiated markets that nobody else has products in.

Then, the kicker on top of it is that we got involved in the pain management space because we believed that by managing the pain, you would improve the ability to adopt the surgical procedures here.

What we learned was it didn't really impact what was happening on the AFib spot, but what we did see was that there are very large market opportunities within pain management in an area we know well, which is we understand how to create new markets and we understand ablation.

The cryoablation applied in intercostal nerves is about a $350 million additional market. We've created a sales force over the last several years to build that out and build a new product. We've gotten the clinical data so much so that you saw recently just last week, we got an adolescent label on top of it.

There are over 140,000 thoracic patients annually in the Unites States that go through a lot of pain. We can reduce their hospital stays and improve the quality of care that they have. That's another big market opportunity and catalyst for us over the course of next year. I'll get in a little bit more detail in a moment.

That market is also global, so I was just talking about the US marketing being that large. When you actually combine them, you're talking about over five billion dollar, very addressable market, for AtriCure to go after.

We're building off some success. If you looked at our business over the last five years prior to the pandemic, we had a cumulative average growth rate of up to 15 percent. We were a consistent double-digit revenue growth company.

As I mentioned earlier, 29 straight quarters of double-digit revenue growth. Very consistent and we understood and understand our business extremely well from that standpoint. Then you can see how well we've grown.

We've also been expanding our margins. Back 2015, we are just about 71 percent. We're now approaching 74 percent gross margins. It was affected slightly in the COVID time, and we'll be bouncing back here in the 2021 as well into getting ourselves on that path to 75 percent gross margins as we look to '22 and beyond.

In addition to that, this past year, we raised about $189 million to put our balance sheet in a very strong position of $250 million in cash and investments. We managed our bottom line very effectively throughout the pandemic as well.

You saw that we actually had a positive EBITDA in the third quarter of this past year. Our Q4 results demonstrate, from a revenue standpoint, that we were able to grow sequentially from Q3 to Q4 and manage our bottom line effectively as well. You saw five percent sequential growth over that quarter.

I'd be remiss if during the COVID times that we did not talk a little bit about COVID. From the beginning of COVID, we've made an effort to really focus on our employees, the health and safety of our team.

They are healthcare workers as well. They're out there. They're essential workers. Taking care of our teams both on the field standpoint and also on the production side to make sure we can bring product for the sick patients that we help treat to market.

As a result of that, we basically made sure that we've secured our supply line. We've got more than enough inventory in hand to handle whatever demand comes back, when that demand does come back.

As I mentioned earlier, managing the bottom line effectively that we've basically been able to achieve the same bottom line that we had pre-pandemic thought that we would have. We feel very good about the strength of our business and the way that we've approached the COVID and the COVID response as we move forward.

We all know that COVID is coming back, and that there is a resurgence. We are in a very good

position to be able to deal with that. As I'll talk about here on the next slide, we've got a lot of catalysts coming up in 2021 in spite of that.

As you think about 2021, while COVID's going to be here for the beginning part of the year. I think we all know that; you're going to hear about it from a lot of other medical device companies today.

It's going to be an amazing year and, in my mind, an epic year for AtriCure. Why? Because of the catalyst that we've invested in over the last five plus years to put us in a position to really kick-start our growth over the next decade.

As I mentioned before, we do anticipate that as we look to 2022 and beyond, we are going to be accelerating that growth rate over previous growth that we have seen before. We had already seen strong double-digit revenue growth pre-pandemic.

What is driving that? First and foremost is our CONVERGE PMA approval and launch. We are at the very cusp of getting that approval. I'm going to talk in detail a little bit about some of those numbers here in a moment.

We are going to begin to re-engage those sites. Our team is ready, our team has been trained. Once we get that approval, we are going to be ready to come off of that. Obviously, COVID will have some impact in the short term, but in the long term, that is going to be here for the next decade. We are going to create a new standard of care for these long-standing persistent patients, of which there are over 3.6 million in the United States alone.

On the heels of that, we're going to be seeing data that's going to come out this year from aMAZE, which is our percutaneous in the hands of EP product. That aMAZE clinical trial we will see at HRS. We will be getting that data out likely by AHA, excuse me, at the end of the year.

We will have our last patient in March time frame. From there, we will basically submit to the FDA in the fall time frame and then have that data available in the November time frame. You can see CONVERGE and then followed up with aMAZE by the end of the year.

I mentioned EnCompass earlier coming to market to be able to attack that open market for us and that should be cleared and launched in the beginning part of this year as well.

On the pain management side, we've proven. We've got about 15 or so people out on the team today. We are going to more than double the size of that team over the course of the next 18 months. We believe that market is ready to grow. It's one of our fastest growing areas.

Throughout the pandemic, this continued to grow every quarter sequentially.

About CONVERGE, just to give some background and data about it, we completed that trial in December of last year, submitted to the FDA in the December time frame. During that time, the FDA came back to us in April and we've had interactive conversations with them.

We've had over four meetings with them in Zoom, as I like to call them. On top of that, we've also had about 20 or so other interactions, all positive, to really talk about that data and submitted it finally in the beginning part of November.

We should be hearing very shortly from the FDA about whether we are going to panel or whether we are getting that approval. We anticipate that we'll have to go to panel, but we're hopeful obviously that that would not be the case because the data is so compelling.

Let me tell you a little bit about that data. The CONVERGE trial primary effectiveness was extremely differentiated. This is the whole patient population where you saw a 17 to 18 percent differential or about a 35 percent improvement.

If you looked at it on burden reduction, you saw about a 23.2 percent differential and about a 40 percent improvement. When you look at that on long-standing persistent only, which is what we applied for, I talked about this on our third quarter call. This is where you start to see really extreme differentiation and the curves begin to split. What do I mean by that? At 12 months, it was a 29 percent differential. At 18 months, it was a 34.6 percent absolute differential for 110 percent improvement. That is extreme differentiation.

We're talking about 61 percent success in the CONVERGE arm and 26 percent success in the catheter-only arm. Remember, the CONVERGE arm includes a catheter. It's a catheter plus our technology. You get that differentiation there to really help that long-standing persistent patient. This is our focus. We will be the only ones in the world with this type of differentiation and with this type of labeling.

To give you that context, this slide here on slide 12 begins to show you what that differential is between what I talked about earlier, paroxysmal persistent and long-standing persistent patients.

You can see all those trials that focus on that long-standing persistent all the way over to the right in that red box. Those three trials there, that's AtriCure. That's what we're focused on, and we've already seen the results in the blue box for CONVERGE, where we are extremely differentiated.

There are other great products with the catheters that are going after paroxysmal and even some of the early-stage persistent population, and we build on top of that for the more complex pieces.

We are not trying to compete against the catheters. We are complementary to the catheters. We are complementary to all those products and all those companies to help them improve the results and help those patients out long term.

You can see our number one catalyst for the year in this very large market opportunity is this CONVERGE, and that'll be number one. The next one, as I mentioned earlier, was the aMaze trial of 600 or so patients, which is a randomized controlled trial. The control arm was PVI only against PVI plus the Lariat fully enrolled in that trial.

We've got less than 25 patients left to follow up on. Last patient will be followed up on at the end of March of this year. We will submit in the fall, as I mentioned, and again, we will get data out at AHA later on in the year, so a second catalyst for us for managing the appendage.

That is very complementary to the CONVERGE as well, because the CONVERGE does not include managing the appendage by itself in the trial, but you can see that obviously we believe that that's an incredibly important way to continue to manage the AFib.

In addition to those two key catalysts, you can see that we've had an innovative and expanding portfolio over the last five years in both the ablation side and the appendage management.

We continue to roll out new products every year. As I mentioned earlier, 10-plus products just over the last five years or so, and the most recent being the cryoSPHERE cryoablation. We've also had less and less invasive tools that we've come out with specifically for the appendage, as you can see on the bottom line there.

I mentioned briefly the cryo nerve block and pain management. Some of the best stories that we hear out in the field are ways that we're improving pain for many of these patients. They're great stories about how patients are going home from the hospital faster with absolutely no pain.

The new labeling that we just got for the adolescent patient is very important for many patients. It's a large patient population, and it also shows and demonstrates the safety of this procedure, which we believe will also carry over into the adult patient population as well. Extremely excited about this, and this is another catalyst for us for growth for the future.

When you sum it all up, and you look at where we are, you can see over the next five years, we've got many catalysts for growth, and many of them are just going to come in this year alone, that are going to drive exceptional growth over the next decade. Yes, the next decade, not just the next one year, but over the next decade. We're prepared, and we are ready for it.

What do I mean by being prepared? We have got a commercial team that is robust. We've got over 150 just in the US alone, and when you add in the international team, we've got over 200 people out in the field calling on these physicians to be able to serve these patients.

We're excited about our double-digit growth we've had in the past, and we're going to be accelerated on top of that. Thank you, J.P. Morgan, for having us here today, and I'll open up to questions at this time.

Robbie: All right. Well, great. Thanks, Mike. Everyone, once again a reminder, feel free to use the Submit a Question button within the conference planner online, or you can always just email me or chat me on Bloomberg. Happy to share questions, if possible.

I'll start it off, Mike. You pre-announced fourth-quarter results, say, right in line with where the street was, right in line with the guidance. You talked about of 80, even 90 percent of pre-COVID levels.

Everybody is happy to see the number. It was at least as good as expected, but what's really on everyone's mind is, what was the progress throughout the quarter, and what does that mean for going into first quarter?

I realize you didn't give guidance for 2021. Given all the uncertainty, it sounds like we'll get that on the fourth-quarter earnings call, but maybe if you could just lay out how it progressed from October through December, and what you saw the exit transit is especially.

Mike: When we were in the third-quarter conference call, Robbie, we had talked about how we expected there to be a resurgence in the back half of the fourth quarter and in the beginning part of this year, and that's exactly what we saw.

After an incredibly strong October, you do begin to see, as a resurgence came back and after the holidays, a little bit of a slowdown or a little more bumpy, as people were pushing out or canceling some of the elective procedures. Nowhere near what you saw back in the April timeframe.

Hospitals are much better prepared. Even though you're seeing a lot more patients that are having to go into the hospital, you are seeing the benefit that they do know how to manage these patients a lot more effectively right now.

You did see a slight slowdown near the end of the quarter, like we talked about in the Q3 call, that we expected that. We do expect that in the beginning part of this year.

Obviously, while we didn't give specific guidance, we did talk in the Q3 call, that we anticipated that COVID would be with us for the beginning part of the year, and that we would see obviously growth coming from COVID, but also from the many great catalysts that we've got in the back half of this year.

Robbie: As we think about exiting 2020 and into '21, what are you seeing today in terms of shutdowns? We hear stories about Europe was in a more stricter lockdown, and that procedures were down throughout 2020. Has that continued into '21?

Maybe in the US, we hear pretty bad situations going on in California, and other regionalized things. How can you compare the trends you're seeing in any shutdowns in fourth quarter today versus maybe what we saw in second quarter, to get a sense of perspective?

Mike: In Europe, I'd say it's more similar to your point. You definitely saw a little bit more of a lockdown right after or around that November, December timeframe, but it's stabilized, I would say, and you're starting to see some countries begin to come back.

We actually had a really positive piece that was outside of COVID, which is additional reimbursement in Germany through one of our products, for the CONVERGE and for the standalone. That's a positive, as we look forward even to the beginning part of this year.

When you're talking about COVID in particular, I'd say that they definitely were hit a little bit harder earlier in the quarter, and then it has stabilized. We anticipate that happening, as we look forward into this year.

As you look at the US, it's a little bit different than it was back in April. Quite a bit different, because they're managing it, and it's much more spread out throughout the country, instead of being super concentrated in just one area.

Yes, there's geographical differences, like you mentioned Southern California, but I'd say it's much more spread out throughout the United States. That allows us to have a balance and, I'd say, a bouncing off point and a lower point from that standpoint. As sites shut down, they begin to come back fairly quickly.

Robbie: Last question here, before we move on to some of the numerous catalysts you have on tap for 2021. Can you say if you ended the quarter at a higher note, lower note, or pretty similar to what you saw in the rest of the quarter?

I guess what everybody is trying to get a sense of is the December spike in COVID cases, and what should be a pretty terrible next few weeks in terms of the hospital admissions. Has that impacted the business to a significant degree exiting fourth quarter?

Mike: Well, significant is a strong word. Like we talked about on the November call. We anticipated softness in that December timeframe and into the beginning part of this year, and we did see that, yes. Just to be really clear, we did see that.

That is what we had expected and we had predicted back in the November timeframe, and so it's playing out as we thought that it would. As you mentioned in your beginning comments, it's sticking in that 80 to 90 percent level. It's not dipping below that per se, and that's why we're bouncing between there right now, in terms of overall procedure points.

Robbie: CONVERGE is at the top of everyone's minds. I'm sure yours as well. A couple of things I want to walk through here. Maybe let's start with the shift from persistent to long-standing persistent, because this caught people off guard.

It took a little bit of processing when it was disclosed on the third-quarter earnings call. I had a lot of investors thinking, "Well, isn't this just narrowing the applicable patient population?" Maybe run through why is having long-standing persistent, in your view, a much better indication for AtriCure than just the persistent label.

Mike: This is one of those areas where the FDA and us agree quite dramatically on this, because there's a huge unmet need. These patients, these long-standing persistent patients, do not have options today, and our trial prove that out.

We showed that at 18 months with catheter alone, it's only 26 percent successful. With ours, it was 61 percent, when you add in that EPi-Sense. Let alone adding on a clip on top of that, which

hopefully, we'll see at some point in time as well.

What you're seeing there is that that differentiation; that's extreme. You don't see that in clinical trials, typically, that level of differentiation, and that is 45 percent of all patients. Why that's a big deal for us is that it allows us to go to market to really go into that space.

Think about what happened in TAVR, where they went after the high-risk patient first, and then they've proven that out, and that market has grown tremendously over the last 10 years. I view this the same way. Long-standing persistent is the market to go after at first.

We're only doing 1,500 procedures today. There are 25,000 procedures, think about that. We're only doing 1,500. 25,000 procedures that are getting catheter by themselves, and we just proved that adding in the EPi-Sense will add benefit to that group.

Every site in the United States, it allows us to go in there and say, "Look, the data proves it out. We've got the clinical data. We're the only ones that have it. It was a randomized controlled trial." That is a great foot in the door, those 1,000 sites just in the United States alone. I can tell you, it gets people really excited, because there's nothing really to argue about at that point.

For us, to have that extreme differentiation is, in my mind, a win for patients, a win for us, and an ability to get us into that market in a very large patient population. There will be patients that get treated with persistent. The failed persistent population, those exist.

Medtronic and Biosense and Abbott, all of the wonderful technologies that can address some of the early-stage pieces, and we're not trying to compete against them on that. When they fail there, they can obviously always move into ours at that point as well.

Robbie: Are you in labeling discussions now with the FDA on CONVERGE? Is that the status of the negotiations?

Mike: Well, we were in labeling discussions with them really in the...they started before we submitted in November. That's really how we got to the point of doing the long-standing persistent. That was directed really by the conversation we're having with the FDA.

We had to do a lot of additional work to get not only the data from the trial, but also we looked at all the real-world evidence, which to add to that compelling story, the real world evidence mirrored the evidence that we saw in the trial. They had us look at all that, so that we could submit all that

with everything back in the early-November timeframe.

Robbie: Is the way to basically think about this is you're never going to be a frontline or even very first, second-line therapy for these patients? Persistent was treated off-label for such a long time with good reimbursement that this gives you a differentiated option to go market and train and teach all these doctors for something that has fantastic clinical benefit to patients and if somebody wants to use it a little earlier line off-label, that it most likely will still be acceptable and paid for? Is that the right way to think about it?

Mike: I think about it, we're going to become frontline for long-standing persistent. That's a huge patient population. That's not existed before. We will be the only ones in the world with long-standing persistent label which represents almost 50 percent. That market alone is a multi-billion dollar market. That's the first way to think about it.

To your point, yes, I do believe that we're never going to be frontline on the persistent side like the early persistent, the less than 12 months. Never going to be frontline on that front, but catheters would be the first line on that. We will be used, I'm sure, kind of as a follow-on to some of those as well.

Robbie: Maybe with CONVERGE, one more question here is everybody asks, and this has been your base case consistently since the beginning is that the FDA will host the panel. Why will the FDA need a panel for something that has such a clear, clinical, and safety benefit to patients? Is there something on the calendar yet? I haven't seen anything. Should we expect something in the near term to get on the FDA's calendar?

Mike: Yeah, there's nothing on the calendar yet. I respect the FDA's processes. They go through and look at all the information. I've always said that I believe it'll go to panel just from a process standpoint as you mentioned, Robbie. I'm hopeful. I agree with you that the data is incredibly compelling. It is safe. It is effective from our standpoint. That's obviously what we submitted.

I'm hopeful that it wouldn't have to go to panel, but I need to wait for the FDA to work through their process. I believe based on their historical way they've gone through this process, that we'll likely have to go to panel. Hopefully, we'll hear soon about that and be able to announce a data that that panel is going to be hosted.

Robbie: Maybe shifting gears a bit is AMAZE. You talked about how you'll have last patient in shortly. We should get data at AHA this fall. A lot of people, I think, were caught off guard when

you did the deal awhile back. We didn't know the answer to CONVERGE, so some people viewed it as a hedge.

It now looks like a highly complementary acquisition that builds out access to EPs and gives you another shot on goal with going after the LAA exclusion. Maybe one, help investors understand what's the benefit of having a second LAA product? What exactly did the acquisition of the LARIAT product bring to AtriCure at a time where you were going to build out in EP?

Mike: It's a great question. I'll start with that last part. Already, we've seen the benefit from the acquisition in terms of our relationships with EPs. It brought us a whole new sales force. We're now over 40 people that are focused on the EP space that we didn't have before. They brought over 10 people to that team on the commercial side, understand those relationships.

It's also built credibility within that community. We're now viewed as an EP company in many ways as well as the cardiac surgery side that we've traditionally been in. It's already added tremendous benefit. We're working with KOLs. They had about 60 or so sites that were already using the product effectively. Those relationships have come over, and the integration's gone incredibly well from that standpoint.

Plus, we didn't pay a lot up front for a lot of upside on the back end. That's what the other piece that was actually kind of really effective is the way that we paid for it. One, if it's successful, which we believe it's going to be, then we'll be able to pay on PMA, etc.

We're really excited about the relationships that we've built, the way that we've gone to market, the way that it's helped us as we think about our portfolio going forward. We also wanted to bring something...The world's going less and less invasive. We need to have something that was the least invasive process to this.

The LARIAT is really the only product that is this less invasive or minimally invasive relative to the Clip. The Clip is a great product. It works incredibly well, but it is cardiac surgery. Sometimes people don't want to do that. We wanted to have something we could put into the EPs' hands to give them a chance to make a decision based on what they thought was in the best interest of that patient.

It gives us a much broader portfolio to go after it. That's why we did it.

Robbie: Can this bring cross-selling benefits to AtriCure? How big will the sales force be here

versus on the outside of the heart ablation? How much synergy is there between the two procedures to sell one versus the other?

Mike: Tremendous. It's the same patient. At the end of the day, you're talking about a patient that has complex advanced AFib, and you want to manage the appendage. Now, you can manage the appendage with a clip. You can manage the appendage with the LARIAT. We believe that both those products work incredibly well at closing off the appendage.

That is going to be synergistic, for sure, as we go to market, and as we get the approval for the LARIAT product eventually.

Robbie: Maybe moving to a bigger picture question. I think you guys do one of the best jobs in your marketing deck putting all the slides out of the market opportunities, the shots on goal, where the penetration is today, and what's left for the company. When I look at AtriCure, it's still such an underpenetrated, total addressable market versus where it could be.

As you think about, let's say longer term picture next three to five years, what do you see as the biggest drivers for future growth for AtriCure? Are there any that the Street isn't really picking up on that we should be?

Mike: Yeah, that's a great question. I look over the next three to five years and then over the next decade. I feel like we've got a product portfolio now, with the acquisitions and the things that we've done organically with CONVERGE coming to market, to create a standard of care there over the next three to five years. That is going to be a really big deal and going to really accelerate our growth rate.

On top of that, you're going to have aMAZE coming down after that, and getting the approval that's going to drive growth within that area. I think that'll drive growth, not just for the LARIAT, but also complimentary to our clip. I think people are going to want to manage the appendage from the epicardium.

Then on top of that, you've got on our open franchise another one which is to really improve that penetration rate I talked about with the EnCompass Clamp. Combined with hopefully some additional DRG payments over the next three to five years to really take it from 25-30 percent up to 50 to 70 percent penetration at the back half of that.

Then on top of that, you've got finally our cryo nerve block and pain management. We've got a lot

of catalysts for growth in major markets. What AtriCure does really well is that we go after unmet needs. We are in areas that other people are not. We are creating these markets. We've now got really four different categories that we're going after that can accelerate our growth for the next decade.

Robbie: It's not just volume growth, right? In some of these products, you get a really nice mixed benefit over time. There's a potential at some point we could see AtriCure's sales growth grow well above volume as you have a big mixed shift, correct?

Mike: Correct. Yes, absolutely.

Robbie: Maybe along those lines, how do we think about your march towards profitability? I think it was pretty close. Then the SentreHEART acquisition pushed it off a bit but for good reason. Where do you stand now in terms of the march towards profitability? How are you balancing the potential acceleration in growth with CONVERGE and LARIAT approval over the coming years versus the need to drive profitability?

Mike: Think about all those investments that I just talked about. It's not just investments in new technology. We've made major investments in our sales force that I talked about on that last slide, which is we've got over 200 people total across the world that are focused on this. That major investment puts us into a place to get leverage as we go forward. We're really close to profitability right now.

As you saw in Q3, we're actually very profitable on an EBITDA basis. We're capable of getting there. We are going to probably have a slight, and we're not going to give the specific guidance right now, but we will march towards profitability over the next couple of years.

Robbie: All right. Great. Mike, I appreciate all the time this morning. Unfortunately, we are out of time. It was great to see you, first presentation of 2021 here. Congrats on a good end to 2020. I look forward to a lot better things in 2021.

Mike: Thanks, Robbie. We appreciate it. We appreciate your support. Have a great day.

Robbie: Thanks. Thanks, everyone.

Mike: Yup.

[music]