AtriCure (Q1 2026 Earnings)
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Corporate Speakers

- Marissa Bych; Gilmartin Group; Managing Director
- Michael Carrel; AtriCure, Inc.; President and Chief Executive Officer
- Angela Wirick; AtriCure, Inc.; Chief Financial Officer

Participants

- Zachary Day; Canaccord Genuity Corp.; Analyst
- Matthew O'Brien; Piper Sandler & Co.; Analyst
- Marie Thibault; BTIG; Analyst
- Unidentified Participant; JPMorgan;
- Joseph Conway; Needham & Company; Analyst
- John McAulay; Stifel, Nicolaus & Company, Incorporated; Analyst
- Daniel Stauder; Citizens JMP Securities; Analyst
- Keith Hinton; Freedom Capital Markets; Analyst

PRESENTATION

Operator^ Good afternoon. And welcome to AtriCure's First Quarter 2026 Earnings Conference Call. This call is being recorded for replay purposes. (Operator Instructions)

I would now like to turn the call over to Marissa Bych from the Gilmartin Group for a few introductory comments.

Marissa Bych^ Great. Thank you.

By now you should have received a copy of the earnings press release. If you have not received a copy, please call 513-644-4484 to have one e-mailed to you.

Before we begin today, let me remind you that the company's remarks include forward-looking statements. Forward-looking statements are subject to numerous risks and uncertainties, many of which are beyond AtriCure's control including risks and uncertainties described from time to time in AtriCure's SEC filings.

These statements include but are not limited to financial expectations and guidance, expectations regarding the potential market opportunity for AtriCure's franchises and growth initiatives, future product approvals and clearances, competition, reimbursement and clinical trial enrollment and outcomes.

AtriCure's results may differ materially from those projected. AtriCure undertakes no obligation to publicly update any forward-looking statements.

Additionally, we refer to non-GAAP financial measures, specifically constant currency revenue, adjusted EBITDA and adjusted loss per share. A reconciliation of these non-GAAP financial measures with the most directly comparable GAAP measures is included in our press release which is available on our website.

And with that, I would like to turn the call over to Mike Carrel, President and Chief Executive Officer.

Michael Carrel^ Great. Good afternoon everyone. And welcome to our call.

AtriCure is off to a strong start in 2026 with worldwide revenue of $141 million in the first quarter, reflecting 14% growth year-over-year.

We are building on the momentum we established in 2025 from new product launches with this quarter marking an acceleration in our worldwide growth rate from the preceding quarter and comparable quarter last year.

Fueling this acceleration is our U.S. business which drove approximately 15% in the quarter from expanding adoption of AtriClip FLEX-Mini and PRO-Mini devices, cryoSPHERE MAX probe and continued strength from our EnCompass clamp.

In addition, we generated $17 million in adjusted EBITDA, nearly double the first quarter of last year. Our results this quarter once again demonstrate our ability to deliver durable, double-digit revenue growth and expand profitability. Beyond our financial results, we have made exceptional progress in our BoxX-NoAF clinical trial.

Since initiating trial enrollment in the fourth quarter of last year, we have enrolled approximately 300 total patients. To date in this 960-patient randomized controlled trial, we are tracking well ahead of our original timeline and now expect to complete enrollment around the end of this year, nearly one year ahead of plan. The pace of enrollment in this trial reflects an extremely high level of engagement from surgeons who experienced firsthand the impact postoperative Afib has on their patients.

As a reminder, up to half of cardiac surgery patients without pre-existing Afib will develop postoperative Afib which is the most common complication of cardiac surgery.

Because there is no established treatment today, postoperative Afib is a substantial burden on the health care spending, with estimates exceeding $2 billion annually in the U.S. alone.

We are confident that our BoxX-NoAF clinical trial utilizing our EnCompass clamp and AtriClip device has the potential to meaningfully change treatment outcomes for this patient population and address the significant unmet clinical need. BoxX-NoAF is also highly complementary to our LeAAPS clinical trial, studying stroke reduction benefit of left atrial appendage management in cardiac surgery patients without atrial fibrillation.

We expect both of our landmark clinical trials to generate robust clinical evidence in support of preventative treatment for cardiac surgery patients, unlocking a massive global market opportunity for AtriCure while establishing new standards of care in cardiac surgery.

We at AtriCure are well positioned to realize these significant catalysts for our business in the coming years.

Now on to updates covering franchise performance in the first quarter. Pain management once again led our portfolio growth, increasing 28% year-over-year. The cryoSPHERE MAX probe continues to be the primary driver of growth, contributing roughly 70% of our pain management sales this quarter.

Surgeons across both new and existing accounts recognize the significant time savings and clinical effectiveness it provides, leading to more patients having their postoperative pain managed effectively.

Building on our legacy of innovation, we are also pleased that our cryoXT probe for amputation procedures is beginning to gain traction. We continue to receive outstanding feedback from each new surgeon that uses this device and through our registries are capturing clinical outcomes for this therapy.

We are still in the early innings for the cryoXT therapy development and adoption. However we remain confident in cryoXT contributing more meaningfully as we move to the back half of 2026.

Within our cardiac ablation franchises, worldwide open ablation revenue grew 15% in the first quarter, led by steady adoption of EnCompass clamp in the United States and Europe. EnCompass is delivering growth from both new and existing accounts even as we approach the four-year anniversary of our U.S. full market launch.

As mentioned in our fourth quarter earnings call our efforts to drive treatment of Afib in cardiac surgery patients was validated with a recent announcement from the Society of Thoracic Surgeons' Annual Meeting including concomitant Afib treatment as a quality metric. There is strong precedent for the impact of quality metrics in cardiac surgery, and we believe this change will support increased adoption for surgical Afib ablation and appendage management, serving as a durable tailwind for growth for years ahead.

Our minimally invasive ablation franchise continued to face headwinds in the first quarter. We believe there is a role for hybrid therapy in the current and future treatment landscape and remain committed to providing a solution for the unmet need for patients with long-standing persistent Afib.

Finally, turning to our appendage management franchise which saw 16% growth worldwide, driven by both our open and minimally invasive appendage management products.

Our open left atrial appendage management business benefited from strong adoption of AtriClip FLEX-Mini in the United States, where we exited the quarter with FLEX-Mini contributing approximately 40% of our open appendage management revenue. More importantly, we believe our FLEX-Mini device has been impactful in driving share gains in this market.

Surgeons using our trialing competitive devices are impressed by the small form factor of AtriClip FLEX-Mini, along with robust clinical evidence and superior product performance of our AtriClip devices.

In minimally invasive procedures, AtriClip PRO-Mini is building upon that adoption in the U.S., providing a pricing uplift that offsets pressure of our hybrid AF therapy procedure volumes.

It remains clear that differentiated innovation plays an important role in maintaining our position as the leader in appendage management in cardiac surgery, and we continue to prioritize investments in this platform.

In our international markets, we are growing adoption across our legacy left atrial appendage management devices. Following the first quarter, we received CE Mark under EU MDR in Europe for both AtriClip FLEX-Mini and PRO-Mini devices and expect to launch both products in Europe later this year. New product launches in Europe, the United States, China and Japan, coupled with the future of LeAAPS clinical trial outcomes, provide a long runway for growth in our appendage management franchise.

In closing, the performance we delivered this quarter underscores the power of our innovation and focus on execution. While the rapid progress in our BoxX-NoAF clinical trial reinforces the significant opportunity ahead at AtriCure. We remain committed to advancing standards of care, scaling responsibly and delivering durable growth with improving profitability for our shareholders.

And with that, I'll turn the call over to Angie Wirick, our Chief Financial Officer. Angie?

Angela Wirick^ Thanks, Mike. Worldwide revenue for the first quarter of 2026 was $141.2 million, up 14.3% on a reported basis and 12.8% on a constant currency basis versus the first quarter of 2025.

Our performance reflects substantial growth driven by the continued adoption of key new products in the United States and many regions throughout the world.

On a sequential basis, worldwide revenue increased approximately 1% compared to the fourth quarter 2025.

First quarter 2026 U.S. revenue was $116.2 million, a 14.9% increase from the first quarter of 2025.

Open ablation product sales grew 17.3% to $39.1 million, fueled by the strong and sustained adoption of our EnCompass clamp across new and existing accounts. U.S. sales of appendage

management products were $48.4 million, up 14.9% over the first quarter of 2025, driven primarily by increasing adoption of our AtriClip FLEX-Mini and PRO-Mini devices.

U.S. MIS ablation sales were $6.4 million, a decline of approximately 25% over the first quarter of 2025. And finally, U.S. pain management sales were $22.4 million, up 29.5% over the first quarter of 2025, led by the cryoSPHERE MAX probe which contributed approximately 70% of pain Management sales in the quarter, driving increased adoption in both thoracic and sternotomy procedures.

International revenue totaled $25 million for the first quarter of 2026, up 11.5% on a reported basis and up 3.3% on a constant currency basis as compared to the first quarter of 2025. European sales were $16.1 million, up 13.2% and Asia Pacific and other international market sales were $8.9 million, up 8.4%.

International growth was tempered by continued uncertainty in the U.K. as well as lower distributor sales in Asia. Offsetting these headwinds, we saw significant growth across franchises in other major geographies, largely driven by our direct markets.

Gross margin for the first quarter of 2026 was 77.4%, up 246 basis points from the first quarter of 2025. The increase was driven primarily by favorable product and geographic mix with strong U.S. performance propelled by our new product launches and adoption.

Transitioning to operating expenses for the quarter, total operating expenses increased $10.2 million or 10.3% from $98.6 million in the first quarter of 2025 to $108.8 million in the first quarter of 2026. Rapid enrollment in our BoxX-NoAF clinical trial which offsets a decrease in LeAAPS clinical trial costs, along with increased headcount focused on product development initiatives, resulted in a 7.6% increase in research and development expense from the first quarter of 2025.

SG&A expense increased 11.2% from the first quarter of 2025 as we continue to support growth while driving leverage across the organization.

Completing the P&L, first quarter 2026 adjusted EBITDA was $17.1 million compared to $8.8 million for the first quarter of 2025, representing a 95% increase.

We recorded net income of approximately $100,000 compared to a net loss of $6.7 million in the first quarter of 2025.

Earnings per share and adjusted earnings per share were both breakeven at $0.00 compared to a loss per share and adjusted loss per share of $0.14 in the first quarter of 2025.

Our results reflect a balanced approach to allocating capital towards area we believe will sustain and accelerate growth, all while continuing to improve profitability.

Now turning to our balance sheet.

We ended the first quarter with approximately $146 million in cash and investments. Cash burn for the quarter was slightly improved from the first quarter of 2025 and reflects our normal pattern of cash usage, driven by share vesting, variable compensation and operational needs.

As we move through the remainder of the year, we expect positive cash flow, resulting in full year cash generation that is moderately higher than 2025.

Our balance sheet remains healthy and supports both current operations and our investment in strategic initiatives that we believe will drive long-term value creation.

And now on to our outlook for 2026.

We are reiterating our expectations for full year revenue of $600 million to $610 million, reflecting growth of approximately 12% to 14% over full year 2025 results. Consistent with our first quarter results, we expect performance over the remainder of the year to be driven by our pain management, appendage management and open ablation franchises and partially offset by continuation of headwinds from our MIS ablation franchise, along with certain international markets.

For the second quarter, we anticipate typical seasonality translating to mid-single-digit sequential growth.

On gross margin, while our first quarter 2026 results were exceptional as a result of extremely favorable mix. We continue to expect modest improvement in full year 2026 gross margin over full year 2025. Product and geographic mix are expected to be favorable in the near term. However we will bring our expanded manufacturing facilities online in the second half of 2026 which will increase manufacturing cost burden, moderating the full year gross margin outlook.

Turning to operating expenses.

As Mike mentioned, the accelerated timing for full enrollment in our BoxX-NoAF clinical trial has placed us significantly ahead of schedule, and we now expect full enrollment of the trial around the end of this year. As a result, over the next three quarters, we expect additional R&D investment.

While the cost of BoxX-NoAF acceleration is incremental to our plan, we continue to drive strong gross margins and operating leverage, reflecting discipline across our business.

With that in mind, we are reiterating our expectations for full year 2026 adjusted EBITDA of $80 million to $82 million and full year net income, translating to earnings per share of approximately $0.00 to $0.04 and adjusted earnings per share of approximately $0.09 to $0.15.

Consistent with our 2025 performance, our quarterly outlook for adjusted EBITDA is largely informed by normal top line cadence and the timing of R&D spend.

As a reminder, 2025 R&D spending included LeAAPS enrollment costs for the first half of 2025 only. Therefore we expect a slightly higher increase in R&D spending in the second half of 2026.

In conclusion, our first quarter results highlight the durability of AtriCure innovation and continued improvement in our financial profile while funding investments in growth catalysts for the future.

We remain energized by the opportunities in front of us and the exceptional AtriCure team who will make 2026 a success.

With that, I will turn the call back to Mike.

Michael Carrel^ Thanks, Angie. 2026 is off to a good start, and our team is fully committed to our patients, our partners and our shareholders.

As we look ahead, we are confident in our ability to execute with discipline, sustain operational excellence and build on the momentum that we've created, delivering meaningful progress throughout 2026 and well beyond.

And with that, I'll turn it over to the operator for any questions. Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And our first question comes from Bill Plovanic with Canaccord Genuity.

Zachary Day^ This is Zachary. Can you talk about the progress you're making on PFA integration? Any milestones that we should be on the lookout for this year? And then can you talk quickly about the RF enhancements you're making to come with the next-generation catheter?

Michael Carrel^ Sure. I'll take that on. I appreciate the question.

On the PFA, we're making great progress on that. We've done our first in-human over in Australia so far. We're now starting first in human in Europe as well.

It's not really first in-human anymore, but we're going to be doing an additional 30 to 40 patients in Europe. And so that will obviously lead for our submission for the trial that we expect to start running sometime next year. And so we're on pace, doing great.

No additional commentary at this point in time but we're really pleased with the results that we've seen so far and feel like there aren't any specific milestones other than really submission to the FDA later on this year, acceptance of the IDE and then beginning to enroll as we kind of look into 2027 at some point in time. So we'll give more details as we kind of get forward on that.

We really want to focus today's effort on, obviously the great progress we've made on the BoxX-NoAF clinical trial because we're so far ahead of plan that we wanted to make sure that we got that out there. 300 patients in a very short period of time put us well over a year ahead of plan, and we thought that was just a big, big milestone for us as we kind of close out this year being able to finish up enrollment around the end of the year. That's something we're super excited about.

As for the RF advancements, they are embedded in there. We've got both the RF and also the dual energy combined in some of those first-in-human playbooks, and that will all be indicated and looking forward to kind of seeing that in trials sometime next year.

Operator^ Our next question comes from Matthew O'Brien with Piper Sandler.

Matthew O'Brien^ The first one, Mike, I know you can't grow this pain management business 30% every quarter but just talk about what you saw in the quarter from a growth perspective in terms of new accounts, existing accounts with cryoSPHERE MAX? And then also on the ortho side of things, just maybe the contributions that you got from those different buckets and how do we think about the growth trajectory for that business? And then I do have a follow-up.

Michael Carrel^ Yes. I'll start and just say that the cryo business, the pain business, is as we talked about our Analyst Day about a year ago, this is something that's got -- it's multiple billions of dollars of opportunity.

Obviously thoracic is an area that we've been established in for a long period of time. We're now starting to see some traction on the sternotomy side, and we're just starting on this, obviously below-the-knee amputation area.

We're just scratching the surface in my mind in all the areas that people undergo surgery and have a lot of pain afterwards, both from other parts of the body and other types of surgeries to looking into and researching the impact that you can have on actually phantom limb pain which affects over 3 million people.

I mean these are big, big numbers when you look at it. So we've got decades worth of growth in my mind here. Whether or not we can grow 30% for decades, obviously the numbers get bigger and that becomes more difficult.

But the good news is we've got multiple places to actually grow this market for many, many years to come.

And with that, I'll turn it over to Angie to give you some of the specifics on the numbers.

Angela Wirick^ Yes. Matt, from an account perspective, we are about 70% of our pain management accounts have adopted cryoSPHERE MAX, and we continue to see every quarter since we've launched, we continue to see nice uptake.

It was about 10% growth in the cryoSPHERE MAX accounts within the quarter. So this is clearly becoming the dominant device that's being used.

I think surgeons are very compelled by the quick freeze times that they're seeing and just exceptional outcomes for their patients.

Matthew O'Brien^ Got it. That's great to hear.

On BoxX-NoAF, in my experience, Mike or Angie, when these things enroll faster, it's because doctors are seeing good outcomes. That's why they're doing more of these cases. Can you just talk about any kind of anecdotal feedback you're getting from the clinicians as far as outcomes here?

And then kind of what's expected from these outcomes? And then given the timeline for finishing enrollment, could we see -- because I think the follow-up is pretty short. Could we see data at ACC or HRS next year?

Michael Carrel^ Yes. Great question.

I think you're right that, that is kind of what you said. We don't have any specific information because it's obviously a blinded trial. I don't know exactly what's happening within the trial relative to the individual patients or the randomization on that front.

That being said, we do know sites that have utilized this technology for their postoperative pain. We've seen it in all the preliminary work that went into going into the trial. And what we saw was significant reductions as a result of that. So much in fact that we have several sites and even more.

We've got five plus sites or so that have decided to adopt this and will not come into the trial because they're seeing such good results relative to using the EnCompass clamp plus the AtriClip to see significant reductions in that.

If you look at the STS database, what you see is it's about 35% to 40% of all patients that undergo cardiac surgery go into postop Afib, sometimes you'll see up to 50% in some studies where you'll see it as high as that. And we're seeing in the trials in different areas that it's less than 10%.

We don't need that to win the trial, though, and to have a meaningful clinical impact on it. So we feel really confident and really good about where this is going and the results that we'll wind up seeing.

In terms of timing of results, you're correct. We think it's going to be around the end of the year based on the pace of enrollment we're seeing right now.

I said around because it could be sometime at the end of December or early January timeframe that we might have full enrollment in place. Then you're right, we've got about 30 days of follow-up from that last patient. And then we'll have to obviously adjudicate all of that data.

So if you start to do the math, as you just described, probably not HRS, more likely a surgical congress that we would do some sort of late breaker. The surgical congress that is out that late is AATS next year.

If we got the data earlier, STS is in the January, February timeframe. Obviously that is highly unlikely to make it that quickly, but we're hopeful that we can conclude the trial, get those initial results and get some data out there as a late breaker sometime at the AATS which is around the same time as HRS next year.

Operator^ Our next question comes from Marie Thibault with BTIG.

Marie Thibault^ I wanted to spend a minute here on your international business. I think you called out some uncertainty on the U.K. side which I know isn't brand new and also some lower distributor sales from APAC. So can you tell us a little bit more about what's going on behind the scenes there? And any visibility on when things might start to improve?

And then it sounds like the direct markets, OUS have been healthy. So just any more color on those markets as well.

Angela Wirick^ Yes. Marie, you called out the two kind of headwinds that we're facing within our international business. The U.K. within Europe, we had anticipated that being a drag and talked I think, at length within our guidance that we've baked in a run rate that looks very similar to how we exited 2025. That held true for the first quarter of 2026 as we started the year.

And then just with our larger distributors in Asia, inherently, distributor orders can be lumpy.

We expect that pressure to be transient as we think about the rest of 2026. You mentioned it, but I'll remind everybody.

I'd say outside the headwinds, we saw really good growth in our franchises in our direct markets in Europe, Australia and Canada. We continue to be excited about bringing new products into each of those markets and seeing the progress that the teams are making there and continue to focus on the NHS and making sure that our pain management device.

And then kind of any other budgetary pressures, what we can control that we are addressing quickly to get this market to a rebound. So guidance does not assume any kind of recovery in the U.K. and then strong business in other areas within Europe and the distributors in Asia that that's expected to be transient again.

Marie Thibault^ Okay. Great detail. And then maybe my follow-up on the Convergent procedure side, just wanted to understand kind of how your view of that market has been evolving.

Obviously the PFA landscape has evolved quickly. So would just love an update on what you're seeing there on the ground.

Michael Carrel^ Yes. On the ground, we kind of talked about it very briefly during my remarks. There's definitely a continued headwind in that area.

What we're seeing is the data is still incredibly strong and these patients benefit from using the Convergent platform. That being said, they're getting multiple PFA catheters first. They're trying one than another. Some are going up to three. That's obviously delaying that pipeline and those patients coming through. That's why it becomes tough to predict exact timing for us on that.

That being said, if you talk to most people that are actually using it, they actually do believe in it. They're just seeing fewer patients or they're trying to catheter out one more time before they actually send that patient on. So that's the reality that we're dealing with right now. That's why we've set the expectations as we have.

But we really feel like those that are utilizing technology are getting incredible benefit, and we're having lots of -- we continue to have lots of good conversations with the EPs. And we do think that it's a solution that matters, and we have to continue to support.

Operator^ Our next question comes from Lily Lozada with JPMorgan.

Unidentified Participant^ This is Henry on for Lily. I just wanted to pivot a little bit to talk about the guidance. You were able to beat on the top line but you reiterated the revenue guide. Can you talk a little bit more about why that's not flowing through into the full year guide? And are there any headwinds in particular you'd like to call out for the remainder of 2026?

Angela Wirick^ Yes. I think on the top line guide, we came in ahead of our expectations, both top and bottom line, a positive start to the year, but it is still early in the year and want to see continued outperformance before we revisit the guidance.

I think that's very much in line with our philosophy and track and impact years. We are guiding to numbers that we feel very confident that we can achieve and look to beat and raise throughout the year.

The headwinds we just touched on is primarily within our international business and then in our hybrid ablation business in the U.S. and in the areas of outperformance, very similar to what you saw in the first quarter results. Expecting continued really strong growth within our pain management franchise, our open ablation franchise and appendage management as well.

Operator^ Our next question comes from Mike Matson with Needham.

Joseph Conway^ This is Joseph on for Mike. Maybe just one on international first, China and Japan. I was wondering if you guys could just maybe give a broad overview on where you are now with the portfolio in terms of approvals or launches and maybe where that portfolio could sit in China and Japan by the end of this year?

Angela Wirick^ Yes. Pretty comparable between both our China and Japan markets. You have the basic RF ablation devices. Neither market has EnCompass at this point in time.

We just recently put China -- put our AtriClip in China. So that's a newer product launch in that market. And then within Japan, we've had different versions of our AtriClip on market and got expanded clearances for the mini devices more recently there and are working on other product launches.

I think with any market that you enter into, you're looking at the product set and what the market can absorb given economic considerations, so on and so forth. But it is a subset of the overall products that we've got launched and are selling within the U.S. market.

Joseph Conway^ Okay. Great. Makes sense. And then one on appendage management.

So obviously a very strong year in 2025 and with new products, it's looking good as well.

But with the increased competition, it's just, I guess, trying to get a handle on basically where they are, where your competitors are with trialing and incentives. Has that kind of steadied off? Are you seeing increased incentives for them to trial the product from your customers? Just trying to understand how these new entrants are affecting your sales or not affecting.

Michael Carrel^ Yes. And just right now there's only one entrant in the market that's Medtronic. They do have a product that we compete with today. And as I mentioned in my comments, what we saw was they kind of peaked in market share back in the kind of summer timeframe, late summer, early fall timeframe. And we've seen with FLEX-Mini gaining more and more adoption at more and more sites that we're actually gaining some of that share back. We still have the predominant market share in the United States.

We feel like the innovation that we put out there with FLEX-Mini, with PRO-Mini with obviously clinical evidence that we'll generate that will be very specific to our product that we're going to be in a very good place both in terms of who we're competing with right now and also if Edwards does come into the market.

Obviously they've mentioned that they're going to be coming into the market later on this year, and we will be ready for that. Again, the way that we know how to compete is to build the best products that are what the market really wants to meet those needs. We continue to innovate.

On top of that, we've invested heavily in clinical evidence that's very specific to our product, both in the LeAAPS and in the BoxX trial which both include the appendage, looking for the benefits that we can get for stroke reduction on that, that will be very specific to our product and our product only. And putting that level of evidence is something that none of the competition has actually started a trial down that pathway, and these are long trials. So it gives us a great deal of confidence in terms of the future for that.

So continue with the innovation, continue with the clinical evidence gives us confidence that when competition comes in, whether it's the ones that are out there, the ones that are talking about coming into the market and there may be more in the future that we are going to be incredibly well positioned.

We also believe, as I've mentioned on this call before that competition coming into the market means it's a big market. It means that it is a multibillion-dollar market that can take on competition like this. All great markets in medical devices typically have several players in there, and we believe that, that's actually a really good sign that this is a big and robust market on the international scale.

Operator^ Our next question comes from John McAulay with Stifel.

John McAulay^ Just want to put a finer point on the 2026 guidance commentary you gave. So reiterating the top line range and adjusted EBITDA range. I just want to understand the intention there as you beat on both. Would you expect that we let numbers for the rest of the year sort of stay where they are to reflect the strength in the quarter or the hybrid and international headwinds you called out, you expect that those sort of offset the $2 million of upside as we look ahead to the rest of '26?

Angela Wirick^ John, no different from our philosophy on guiding. We are putting out numbers that we believe we cannot only meet, but that we've got a pathway to beat.

I think with one quarter in, you're still early in the year. And specific to the top line, felt like the right and prudent thing to do at this point in the year was just to hold the guide and expect that we've got the ability to outperform no different than when we started the first quarter.

On the bottom line, I'd say more of a shift in we are -- with the pace of enrollment on BoxX-NoAF, those costs are incremental, pulling enrollment in by a year into 2026, that is incremental to our plan in 2026 for the full year.

We had a very strong margin -- gross margin in the first quarter, expect for there to be improvement over 2025.

But that being said, some of the favorability on the margin side is transient, again, with the mix of the international business primarily. You take that kind of whole calculus and the diligence that we're seeing across the business to see improvement in leverage that positioned us really well to be able to absorb the additional trial costs and hold the bottom line guide where it's at. And again, no different are putting numbers out there, we expect not only to meet but to beat.

John McAulay^ That's helpful. And just to make sure I'm understanding the dynamics OUS. So in the quarter, you highlighted 3.3% constant currency growth. Is that what we should be expecting for the year ahead? Or what are the drivers of acceleration or reacceleration we should be looking at in that business?

Angela Wirick^ Yes. Good question.

I'd say the -- we are expecting our international business to grow on a reported basis closer in line to the overall company guide.

So that would be kind of double-digit growth for our international business. You saw more favorability from a currency in the first quarter, expect for that to lean a bit as we think about the rest of the year.

Strength in our direct markets in Europe, we expect for that to be a continued driver there. You've got newer product launches in that market. EnCompass is a big driver in our European market and then a bit of a rebound in our Asia distributors. Again, I think ordering patterns can be kind of lumpy there.

So expecting that to rebound as well. And that's the calculus to get to kind of that mid-double-digit growth expectation for the year.

Operator^ Our next question comes from Danny Stauder with Citizens.

Daniel Stauder^ Just first one on pain management. Great to see the strong quarter. You noted improved market penetration in thoracic and sternotomy. But just on the latter of the two, it's nice to hear you're starting to see traction. But I was just curious what was driving this of late. We've talked about sternotomy and that opportunity for a bit now. So I just wanted to see if there was any newer developments that's leading to this?

Michael Carrel^ Yes. Great question.

I think what you're seeing here, Danny, is that you're seeing it works in sternotomy. It just takes a little bit longer to get there. With the MAX product that has reduced the time in half that really has improved adoption and the willingness of somebody to even try it. And then once they try it, they see really good results pretty quickly, and then it becomes a lot more sticky at that point in time.

So I'd say that's really what you're seeing. It's not something that you'll ever get a hockey stick curve off of, I don't believe, but I think that you're going to continue to see nice robust growth within this area as we add more and more accounts.

So we've got many accounts that are actually doing this now. It's no longer just a handful across the country. People are talking to each other. They're talking about the results, whether it's at trade shows or other places like that or peer-to-peer conversations, and that's really what's driving it.

Daniel Stauder^ Okay. Great. And then just one follow-up on the STS quality metric update. Could you give us a little more color on this? First when will it start? And should we be thinking of this more as a longer tail growth over the next few years versus more near-term uptick? Just any more information on how we should think about this in terms of incremental adoption or just frame the potential revenue opportunity here would be really helpful.

Michael Carrel^ Sure. I'll start by saying just a reminder to everybody that in the U.S., about 35% of all patients that have Afib that undergo cardiac surgery actually get an ablation. And so that is obviously a very low number. You still have 65% left to go. The quality metric is meant to address that.

It's meant to say that -- and what they put out there was that there'd be 70% of the patients actually get treated. That number will likely grow. That was the commentary that was at STS back in January of this year. They anticipate that they'll put some teeth into it. They wanted to roll out that this is becoming a quality metric.

And that quality metric will go into effect sometime in 2027, at which point in time there will be some teeth in it in terms of they'll be measured on it. It will be recorded in the STS database.

How that's all -- the specifics behind that are still not disclosed yet by STS, but that is coming out. To give you some perspective, I mentioned in the call that previously the last time they did any kind of therapeutic view like this, it was the Lima to the LAD. And when they made it a quality metric, it went from about 10% adoption up to 99.8% adoption or so today.

So quality metrics matter. They make a difference.

People look at them, hospitals look at them, they affect their ratings. And so we do anticipate that on the Afib side of things, we should see some uplift relative to the Afib side in 2027 as they're kind of rolling this out. And obviously that will continue into '28 and beyond.

So we think that's going to be a big boon and positive for us on the ablation side to improve that penetration from 35% in the U.S. to hopefully obviously getting it closer to 80%, 90% or so at some point over the next three to five years.

So we've got a lot of room for growth. This is a little bit of -- I don't know you can call it carrot or stick depending on how you want to look at it, but it's an incentive either way for people to do the treatment.

On top of that, obviously we're going to have data that comes out on the non-Afib patients. And we believe you combine that with the quality metrics and the fact that the EnCompass clamp is so easy to use that we will start to see some really nice adoption overall over the next three to five years in a big way.

Operator^ Our next question comes from Keith Hinton with Freedom Capital Markets.

Keith Hinton^ I just have a quick one on AtriClip. Can you just talk a little bit -- and I apologize if I missed this, I'm jumping around a little bit. But can you talk a little bit about the use of FLEX-Mini versus the prior generations in open appendage? And then more broadly, can you just talk about the current ASP for AtriClip in the U.S. and how we should think about those dynamics going forward as uptake continues for FLEX and PRO-Mini?

Angela Wirick^ Yes. I'll take this one. The AtriClip FLEX-Mini, what we are seeing is a prettysteady conversion from our last-generation AtriClip device, the AtriClip FLEX fee, less so from the original AtriClip device which is still on the market.

But between the three products, you've got different price points, and you've also got the ability for a surgeon to choose depending on the approach that they want to take for managing the appendage.

Exiting the first quarter 2026, we were up to about 40% of the revenue in the U.S. in open appendage management in the FLEX-Mini clip. We exited last year a little over 35%.

So we continue to see steady share gains by that new product launch. And from an ASP perspective, we're well positioned by offering a range here as low as $1,100 with the original AtriClip device for accounts where pricing is a sensitivity and the FLEX-Mini clip up to $2,250.

Operator^ Our next question comes from Suraj Kalia with Oppenheimer & Co.

Suraj, your lines is open, please unmute your button.

I am showing no further questions at this time. I would now like to turn it back to Mike Carrel for closing remarks.

Michael Carrel^ Great. Well I just wanted to thank everybody for joining for the call today after an exciting Q1 and what's starting to be a great 2026 overall.

So thank you for joining. We appreciate it. We look forward to talking to you again in July. Talk to you soon.

Operator^ This concludes the question and answer session. This concludes today's conference call as well. Thank you for participating. You may now disconnect.