AtriCure

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Patrick Wood: Welcome. Thanks, everyone. It's Patrick Wood on the UBS Medtech team. I appreciate everyone for joining us. A big thank you, Angie, CFO of AtriCure for agreeing to do this and spend a bit of time with us today.

Angela Wirick: Thank you for having us.

Patrick Wood: I really appreciate it. I mean -- maybe we could start a little bit big picture with the evolution of AtriCure. I mean, obviously, people can think about it primarily as surgical Afib business, but you actually span quite a bit more than that today. Maybe just the level set people in the room, how much the business has evolved from that to where we are today?

Angela Wirick: Yes. So the company was founded really focused on treating patients who are undergoing cardiac surgery, treating their Afib. So you're going into cardiac surgery and you already have preexisting Afib diagnosis. That's about 1/3 of the patients globally who go into a cardiac surgery procedure, and they have Afib. And we said, look, there's something we can do for those patients with an ablation, with managing their appendage that will help reduce their Afib burden. Since then, I'd say the company has looked at minimally invasive therapies. So you would never open a patient's chest just to treat the Afib to think about stand-alone Afib therapies. That also is what led us into pain management.

So you think an Afib company, how do you get into pain management, it was in most thoracic procedures that's incredibly painful. When you're accessing the thoracic cavity by spreading the ribs, incredibly painful procedure, we developed the device to reduce that pain that you feel in a thoracic procedure. And we thought it was going to grow our Afib business. We thought this will be beneficial to our stand-alone Afib therapy business. I mean, it took off like gangbusters just for broad-based cardiothoracic surgeons who said, look, there are a lot of other procedures where patients are feeling that pain and this shows a benefit there. So I think what's interesting today started in Afib that kind of led us to pain management our cardiac surgery market now is entering kind of a revitalization, I would say, because you're looking at not just doing something for Afib patients, but also those patients going into cardiac surgery who ultimately have a higher likelihood of developing postoperative Afib or clinical Afib long term as a result of having that procedure done.

Patrick Wood: Yes. I mean, to your perspective, do you view a lot more splenectomies, thoracotomy and things like that going on just because of we're doing a lot more surgical interventions, driving a lot more Afib. How material is that for you for your growth? Because you guys are also disrupting other parts of the market, and that's a big part of your growth. How much is the base market to the idiosyncrasies of AtriCure?

Angela Wirick: Yes. I think the base market has fantastic opportunity. I mean you are talking -- if our management team were sitting up here 10 years ago, we would have talked about a $1 billion market opportunity where we sit today, we are eyeing $10 billion-plus. And I think still have designs on how we can expand and use kind of our power strengths, which are our ablation technologies and also being finding unique markets where our tools benefit a patient and starting to really cultivate and develop those markets.

Patrick Wood: So you guys are growing mid-teens, which is definitely the upper end of our coverage universe. How much is that is- I know EnCompass something with petering well, but how much of that is that product side and penetration within the market overall?

Angela Wirick: Yes. So within our cardiac surgery business, you see a strong growth between ablation and our appendage management technology. In the U.S. in this past quarter, encompasses a big driver behind our open ablation growing 21%. That's a fantastic number for our franchise. Our appendage management franchise kind of in the mid-teens area. So both of those areas are -- and these are still primarily focused in on AFib patients. So we see great potential once you start talking about opening the market up to the other 2/3 of patients who could benefit from the technology. Clearly the biggest growth driver in our company today, and you've seen that all year long and a bit last year too, is our pain management business.

Patrick Wood: We definitely want to touch on that, shortly. Obviously, the Afib treated patient pool has been in the U.S., especially growing very torridly and very quickly. For those who may be less familiar, could you touch on why you think that is between better upstream diagnostics of patients relative to lifestyle changes that whole construct?

Angela Wirick: Yes. I think Afib is an aging disease. So that's been proven time and again. So it's interesting when you go to one of our training courses, the surgeons presenting would say, if we all lived past 100 years old, every one of us in this room would develop Afib. It's part of the aging process. I think diagnostics are better, which says patients who are going into surgery have a better chance of being treated. I think what has been a game changer for treatment is the EnCompass clamp. So to treat a patient with Afib, if you use the original AtriCure technology, you're talking about a pretty robust procedure, worked incredibly well, which you were adding on 45, 50 minutes in a pretty technically difficult procedure to do.

So that was, if you're thinking about, I'm a cardiac surgeon. I'm doing a valve or a bypass procedure. This is secondary to that. So I want to extend the time, do I want to take the risk, it's a technically difficult procedure? Is there something else that could be doing to benefit that patient? EnCompass kind of took away that pushback, made it incredibly easy to be able to do an ablation. And with our AtriClip devices, I think they've always been the best technology on the market, super-easy to use. But the EnCompass clamp, I think, ultimately, has driven the kind of more steady and increased penetration you see more recently.

Patrick Wood: I had an old colleague who had very young guys like 27, had idiopathic Afib and they wanted to ablate them, but they didn't know what was wrong with them. So it was just like I think I'll stick with the beta blockers. -- but he was so young.

I mean the other part of the Afib market that we've all been talking about in general is obviously PFA and how that fits in. And how do you see that intersecting with your business and how patients are treated?

Angela Wirick: Yes. I think our hope with it -- when you think about stand-alone treatment of Afib, I think our hope with the CONVERGE trial was that it could become a first-line therapy for the sickest of sick Afib patients. You've been in Afib for a long time. You've got long-standing persistent Afib. You may have failed other catheter ablations with the dawn of PFA technology, it has been a pressure point for that area of our business. I think realistically, we look at it today and say, it's still a fantastic option for those really sick patients who have failed multiple catheter ablations. So it's

relevant clinically in the market. It does provide a difference to patients. It probably just isn't a first-line therapy at this point.

Patrick Wood: But if we're capturing more patients upstream, Afib in a way is a quasi-progressive condition because you get older, right? If we're capturing them so great, we're doing a single shot for the paroxysmal first timers. But presumably, eventually, those are going to come back in some capacity, some of them at least.

Angela Wirick: And we believe that I think you just have to have the EP community willing to refer on to a more robust procedure and one that involves a surgeon.

Patrick Wood: From the EP's perspective, how do the economics stack up of the relative different modalities for you guys as well?

Angela Wirick: Yes. A similar thing we converge it's interesting about the converge procedure. It never contemplated getting rid of or eliminating the EP portion of the procedure. It basically just said, EP, you should really focus on the parts of the heart, where you get great access and can do that minimally invasively, right? You do that the surgeon is going to come in and do the bulk of the work on the posterior wall harder for you to access. And when you think about the technologies that EPs are using, you can get a great set of ablation lines through minimally invasive surgery and it basically tells the EP focus on your area, which makes it easier. It makes them more -- so from an economics perspective, this was never disruptive to kind of their overall flow.

Patrick Wood: And so you're talking about first line of things like that. Have you guys noticed from what you can tell from your procedure pool, have you moved more into some of the more like persistent complex cases? Is it being used more frequently rather than just that kind of very vanilla de novos?

Angela Wirick: Yes. Typical patient for a CONVERGE procedure has failed multiple catheter ablations. This is not a -- and they are a patient who has had Afib for quite a while.

Patrick Wood: Yes. Maybe we could switch to pain management just because it's such a -- it's a big part for you and open-ended question for you. How large do you think CryoSPHERE can become ultimately?

Angela Wirick: I think it could be huge. I think back to when we initially started this area of the business and thinking about what it could be, we were very focused just on the thoracic cavity and saying, “Look, in thoracic procedures, there's a benefit there. What we have progressively seen over time is the experimentation surgeons saying, look, there's another procedure where I think it could benefit. You go back to our core Afib surgeons, which led us to sternotomy. Sure, you're opening up a patient's chest and they're having heart surgery, they're going to experience pain, but the benefits are similar to what you see in a thoracic procedure, so that led on to the addition of another market, which is thoracic plus the sternotomy cases.

Through the use of the device, I'd say, in a couple of key centers, they also said wait a minute, another procedure that I'm doing is amputation. I am -- it's a surgical procedure where you're exposed to large nerves. You're interrupting that nerve. This might work there. And I'd say the experimentation led to the idea behind the Cryo XT device, which we launched last year, specifically designed for amputation procedures. And I think about that and say, progressively, we've continued to add and expand market opportunity. What other procedures are out there. This is what we're looking at today, where could you benefit the surgical procedure where large nerves are exposed or interrupted, I think that's where we have an incredibly sweet spot.

Patrick Wood: Do you think there's more of a focus as well on pain management after we had all the opioid-related issues and just willingness to engage with other forms of pain management?

Angela Wirick: Yes, I think that is very top of mind. That's where a lot of surgeons will start. When they try the device, they're looking at patients who had a past dependency and say, look, this could benefit to

the patient long term. Our best surgeons though, the ones that treat say, "I'm going on just that patient profile because I think that there is a benefit to a broader set of patients.

Patrick Wood: And if you're the surgeon, obviously, for -- if you're going to have a stenotomy, you always needed to have a stenotomy. But maybe there are some less extreme procedures where maybe the patient is deferring having the procedure because they're worried about pain. Is this a tool that ultimately could allow the surgeon to pull forward a little bit of procedures where maybe the patient was onshore because they were anxious about pain and this is giving them some reassurance or mismatching.

Angela Wirick: It's a great example. One of the areas where we have probably the highest market capture of a specific procedure is called the Nuss procedure. It's done in children where they have a sunken chest. The procedure itself is pretty barbaric. You're putting in bars, iron bars to pop out the chest and what we heard is there are patients who said, look, we want to defer the procedure. You're looking for a specific time frame where a kid is off at school, they could have the procedure, not interrupting their lives or they hear the procedure and say, I'm just not sure that, that's for me. Maybe I'll wait it out here.

Today, we are 90-plus percent penetrated in that area, that particular surgical procedure. And now what we hear is Nuss there's no longer a Nuss season. It's not, okay, you're going to start when it's right out of school, finishes here. In the United States, it's at any point in time because the patient. The amount of time it takes out in terms of their recovery and their ability to get back to their lives. I think that's a great example.

Patrick Wood: So interesting. And as you're thinking of the success that Cryosphere has had so far, how would you delineate it between a few surgeons who are using it very deeply versus very wide. I mean is the incremental growth coming from spreading horizontally or down, if that makes any sense?

Angela Wirick: No, it does. It's a bit of both. So in any one quarter, we're asked this question often kind of a same-store sales concept, right? In any one quarter, I'd say new accounts are a very small component of the overall revenue. The majority of the revenue increase is being driven by existing accounts. And one thing that we're looking for is do account kind of follow that continuum start small, right? I'm looking for a specific profile of the patient, but do I continue to add on and continue to grow. And the trajectory within this franchise has been incredible from that perspective.

Patrick Wood: It might be a naive question, but for some of these procedures, once a clinician has won over CryoSPHERE, why wouldn't they use it in -- is it a question of the dependency patients? Or is it like why wouldn't they just use it in all of the patients that procedure?

Angela Wirick: Yes. But every surgeon has their own kind of point of view of how they manage pain and that the benefits of the device. I think that there are some surgeons who tend to be selective. I think it's a certain profile of a patient. There are others who see it and say it's broad and use it pretty broadly, and they see the broad-based usage. Probably the biggest pushback that we get is relative to the cost of the device. No specific reimbursement. So inherently, you're thinking, okay, where does it make sense? Where can I fight for the benefit relative to the cost of the device?

Patrick Wood: The purchasing decision, where do you think that sits? Is that really the surgeon? Or does this go through VAC in any way or...

Angela Wirick: It did initially. So it did initially. And I would say our best advocate is a surgeon and the care team who've experienced it in procedure.

Patrick Wood: And presumably, like for the patients then, I don't know, length of stay, maybe a touch lower or those kind of things.

Angela Wirick: In some procedures, you can prove length of stay reduction, not every procedure, which is why you've got to think about kind of what the benefits are for a patient, but in many of them, you can.

Patrick Wood: And when we think of the opportunity that you're saying around amputation, things like that, you guys -- you have the relationship established already on the cardiac side, essentially, whereas presumably, you have less of that beside. So how are you thinking about the go-to-market of reaching the surgeon.

Angela Wirick: Yes. So when you think about amputations, majority are done by vascular surgeons, which has not been a call point for us. As we launched the device, we said start each one of our Cryo Nerve Block reps. Start with an account that already kind of believes in Cryo Nerve Block. So the concept is within the hospital and you've got a champion within that hospital system. Then you identify the surgeon who is doing the amputation procedure. And this is an interesting technology that we have and that you can give a device and say, try it on a patient and tell us the result you see it has been the best kind of thing for us in terms of launching the therapy because you get an immediate feedback loop. They're going to see in the recovery process as they're monitoring their patient, they will see a difference and a benefit to that patient.

So that has been kind of the initial starting point. We did also look at specific amputation focused reps. So think about one complementary rep, one resource kind of a therapy development person within each of the areas of the country that we operate and saying, your job is to work with the area, the reps within this area and really start to find ways to accelerate the business. And I think you started to see that within the third quarter.

Patrick Wood: I'd love to pivot, AtriClip. There's obviously a massive franchise for you guys I think grew again, mid-teens pretty much last quarter. How much runway is there remaining for patients who have diagnosed AF and undergoing cardiac surgery?

Angela Wirick: Yes. If we talk of the U.S., it's the most penetrated market that we operate in. So you're close to 70% penetration. Afib patients undergoing cardiac surgery who have their appendage managed. This is part of the importance behind both the BoxX and the LEAPS trials. This is expanding. We'll show the benefit of managing the appendage and in BoxX also with ablation for a broader patient set. If you were to go to any other country outside of the U.S., you're talking about penetration rates that are significantly lower. So my summary answer would be we still think there's a pretty long runway for appendage management.

Patrick Wood: Presumably for BoxX, there's a hope that, that will then change clinical guidelines and practices, is that something that you think needs to be in that readout specifically but as a threshold to enable that to happen, or-?

Angela Wirick: Yes. I think the -- for BoxX trial, it's powered to show a 10% absolute differential. We obviously need to hit that endpoint. We're having the discussion with an investor earlier today. Obviously, the bigger differential that you can show, I think, would impact your adoption rate in the acceleration and velocity at which we see that. So I think you want to see clinical differentiation for the devices.

Patrick Wood: If the trial was successful, I'm aware of that statement is a nebulous one, you know what I mean. Nebulously if it's successful, how would you think of the market opportunity and the speed of the expansion within the existing?

Angela Wirick: We already have quite a few customers, surgeon customers who manage the appendage already today prophylactically. So don't have an Afib diagnosis. I think the benefit will be in growing the EnCompass clamp. So you would see starting to see continued adoption. And to state the obvious, that's one of our higher-priced devices. So I think that the momentum that we may get out of that is incredible. We're pretty excited about the trials.

Patrick Wood: It's always -- I mean, it's always interesting with health care companies because there's an unknown and quantum to the trials. How do you think about when to pull the trigger on investing ahead of a trial, if you know what I mean, when does that happen?

Angela Wirick: Yes, I think the -- that's interesting specific to these two trials, it was confidence in the ability to win so that the company can make the investment. And AtriCure for a very long time was not a profitable company. So timing that right I think we kind of hit the sweet spot in terms of turning towards profitability, and we're able to fund both of these big trials and big investments here and that all very organically, with our business.

Patrick Wood: I'd love to switch to Encompass for just a little bit. You guys are taking a lot of share there. How much is there left? To what degree do you feel like that's a durable? Can you defend your position there?

Angela Wirick: Yes. I think in EnCompass, we are pretty much the cardiac surgery ablation technology on the market today. Medtronic has a small portion of procedures, and there are others that are interested in getting into the market what EnCompass did -- I touched on this earlier, EnCompass made a procedure that was difficult to do and made it fairly easy to do. You're talking about most surgeons can do an ablation, 8 to 10 minutes, and you're done end-to-end on the procedure you've taken the guess work out of all of the dissection and everything that you needed to do previously.

So we look at EnCompass and say, incredibly long runway. You've made something very easy to do. So you've democratized treatment in this area. And we also are making investments within our EnCompass device platform, dual energy, adding the best of both worlds. You know that you've got exceptional outcomes with RF, incredibly safe. PFA may bring some speed to the equation, too. So we're pretty bullish on long term, the ability to continue to penetrate this market and remain the leader.

Patrick Wood: The one thing that's been fascinating to watch is, going from -- you remember early days, everyone to 100% of everything with PFA convert before realizing RF is critical in some instances like deep lesions and narrow lesions and things like that?

Angela Wirick: Yes, the risks that you have in a catheter-based technology with RF very different in open heart surgery. It's been proven incredibly durable, incredibly effective and most importantly, very, very safe. just don't have kind of the safety outcomes that you're worried about when you're working inside of the heart. So I think that the benefit of PFA may be a little less obvious, I'd say, in open heart surgery, but if you can speed things up. Again, if you're working on a secondary procedure, primary reason the patient is on the table with their chest open is to do something to help their structural heart problem. If you can make it easier, quicker for a surgeon to be able to do the Afib treatment or avoiding postoperative AFib treatment, I think that that's an important factor.

Patrick Wood: The- if we think of the continuation of growth from EnCompass how much of that is bringing more surgeons on? Or how much of it is more eligible like concomitant procedures, like what's the mix there?

Angela Wirick: Yes, I'd say at this point, you're talking about surgeons treating more as opposed to we do add accounts, but we are pretty close to hitting almost all of the cardiac surgery centers in the U.S. So I'd say at this point, it is surgeons who are doing more, they're looking at each one of their AFib patients and now encompasses made it easier for them to make that decision to treat.

Patrick Wood: What are you- big picture, what are you hearing from the customers and the hospitals on that side. It's a question we've been asking everybody because you remember through the year, have been anxious about ACA reform and all those sort of things. These are all the patients disproportionately Medicare base anyway. But how of the hospital, health of the customer, just big picture question, I'm curious if you're hearing anything?

Angela Wirick: Yes, because our procedures are attached to something that is emerging, I think we're fairly insulated from the pressures that you may be hearing otherwise.

Patrick Wood: And the reimbursement codes are generally pretty generous.

Angela Wirick: Very generous in cardiac surgery.

Patrick Wood: Do you have a worry about that the codes are fairly high and the margins they're making up pretty good? Or is it just a tricky procedure?

Angela Wirick: I think it's a tricky procedure. I think anytime you're doing particularly an open chest procedure, I think it warrants the level of reimbursement that's there today. Good news for AtriCure is we were successful before there was even any kind of reimbursement for our technology. So I think you're talking about the ability to show a differentiation for a patient, show a benefit for a patient, and you benefit from an overall reimbursement landscape that's helpful because you can tuck that technology into it.

Patrick Wood: Obviously, the U.S. has been the vast focus for very good reasons. How are you thinking more about the international markets and the opportunities there?

Angela Wirick: Yes. The international market opportunities are sizable. I think in every one of the countries that we operate in today, you were talking about penetration rates that are less than 30%. So wide opportunity across the landscape. Reimbursement is trickier. So, thinking about the technology and kind of the resistance on pricing is a bit trickier. Outside of the U.S., but we look at this and say, most of the guidelines follow or are similar to the U.S. So there isn't a question of whether or not you should be doing the therapy for the patient. I think it's just making sure that we're entering each market and thinking about the pricing and how we can grow and expand in the right ways.

Patrick Wood: Yes. I grew up in the U.K., familiar with the fewer options available. How do you think about like the reps on that side of things on the sales force and the investment both in the U.S. and OUS?

Angela Wirick: Yes, I'll start with the U.S. market. So we've got three primary teams: the cardiac surgery team, very focused hybrid team. They have relationships with EPs and then our pain management team. Don't need to add to the hybrid team today. They're really focused on what they're doing and are really focused on, okay, when PFA doesn't become an option for your patient anymore. We're really relevant with our Convergent procedure. Pain management continue to add reps. They tend to become proficient fairly quickly. So it's an easy one to lean into. And then on cardiac surgery, we've got a great cardiac surgery team, a sizable force. We're in almost every account in the United States as we think about Boxx and LeAAPS we are taking a step back to say in areas where you may have done a territory split that you would have held off with the opportunity that you're going to have, the incremental patients. We're starting to look at kind of rightsizing territories and we'll start to make some of those investments in 2027 in anticipation of a PMA in 2028.

Patrick Wood: Right-sizing in the sense of you don't want too few reps covering a broad area because -- yes, so much to do.

Angela Wirick: To be so much more of their opportunity is effectively doubling and tripling with the box and leaps so that they've got the ability to treat an even wider set of patients and being very present with that surgeon customer, I think, helps drive that adoption. Outside of the U.S., we've made quite a few investments in the direct countries that we operate in with our sales team more so a cardiac-focused team with a limited number of select reps for hybrid and Cryo Nerve Block. Looking at that, we'll continue to make investments where it makes sense.

Patrick Wood: Presumably for you guys because you are quite fast growing, you have a good opportunity to hire great reps in general. But it's also quite a competitive category and everyone is also trying to get in that way. How -- where do you find you guys are sourcing people from? Are they shifting over the competitors? Or like how are you finding the environment to hire in?

Angela Wirick: Yes. I think it's a competitive hiring environment, I'll say that. I would agree with that. I think you find people who have a love for cardiac surgery. They tend to be very clinically-oriented. This is less about selling a widget. They really like spending time in an OR. They like the interaction with our surgeon customers, and they tend to be folks who want to go very, very deep clinically. So

that's the profile of a person that we tend to hire and it can be from competitors. It can be people who are former PAs, former nurses. We've got some success in converting folks over who say, look, I feel like I just -- I love the therapy, I love this area, and want to, kind of, dedicate my life to it.

Patrick Wood: I have to ask some dorky finance questions.

Angela Wirick: I love dorky finance question.

Patrick Wood: I have to. Gross margins are going to be more than 77% now and EBITDA is growing very fast on the top line. Has that been is that leverage? Is that product mix? Is that -- can you break us down for that, how you guys are managing that?

Angela Wirick: Yes. So the -- I'd say with gross margin, biggest benefits, more contribution from U.S. sales and with our newer product launches, which tend to come with a higher gross margin, you're seeing as those continue to take off, driving gross margin north. So I think that, that mix benefit is incredibly apparent in our results so far this year, we will take a bit of a step back with the new manufacturing facility, but remind everyone the reason why we're doing this new facility because we've got eyes on significant continued growth and have to be able to support that. So I think it's only a matter of time before we're back talking about 77% plus margins for our business, gross margin.

On the leverage side, it's interesting. I think one of the hardest things to judge is how effective your sales team can be and how much you can kind of stretch your resources and where you start to see leverage. If you go back several years, AtriCure invested pretty heavily, SG&A was an area of growth that paced with or above top line right? As we sit here today, we're starting to see the leverage of having made those investments in the team. And even with some expansion as a result of the trial in anticipation of the trial, I would continue to see us driving leverage through SG&A it puts us in an enviable spot. You asked a question about funding the two clinical trials. It puts us in an enviable spot that whole equation to say we can fund big clinical trials and also be profitable and expand profitability.

Patrick Wood: Cash flow positive as well. So you -- presumably you're kind of done with funding needs in a big way, at least unless you're planning to do something larger, which is helpful. I mean how are you having those discussions internally around like resource allocation because you obviously -- you have a lot of different high-growth babies. It's not a phrase, but I'm going to roll with it. Is there a big debate, like internally on how much each gets?

Angela Wirick: It's less of a debate now given where we're at than it was 5 or 10 years ago because there's only so far you could -- so manu mouths to feed and only so much food on the table, so to speak. I think where we're at now, we are in an enviable position to be more progressive with the investments, particularly as you think about product development, the pace of product development, the ability to fund big clinical trials. That's been our recipe for success, not just developing devices, but then putting clinical -- really robust clinical data behind it to drive adoption and then complemented by a third area, which is physician education is a foundation for AtriCure. You want to make sure that your physician customers, APPs, everyone who is surrounding the patient has the right kind of information about both the therapies, the disease state and that we're there to support them.

Patrick Wood: And presumably, the investment in narrowing the territories down get stronger relationships with the clinicians defensive position as well?

Angela Wirick: Correct. Yes.

Patrick Wood: Out of interest, how does it work practically internally for the forecasting side? Is it the reps who are giving numbers in internally and expectations and then finance is cashing them? I came from industry-

Angela Wirick: No, I'd say we do both bottoms-up and top-down build. So a bit of -- the one thing about our business is you don't have a long runway to know when procedures are going to happen. So you're really looking at your account and saying, what kind of life cycle are they in? Are they very early adopter? Where are they at on the adoption curve? What could adoption look like? So I'd say it's kind of a mix of both, not one is more dominant than the other.

Patrick Wood: Presume you take some of the bottom up and then you just cut it anyway because you've got to give yourself a margin-

Angela Wirick: Right. Right.

Patrick Wood: Yes. Yes, that's what we did. I appreciate that. And so if you're -- it's an impossible question, but because the business is growing so far has been changing so much. Where do you think a sort of ultimate margin structure for the business looks like from an operating, like even just a range conceptually.

Angela Wirick: Yes. So we did an Investor -- Analyst and Investor Day early in 2025 and said we gave targets for 2028 and then 2030. So if we think about the longer-term target, it said AtriCure continues to be a double-digit revenue grower that we've got gross margin expansion and that we were -- we believe very strongly that we would be an adjusted EBITDA margin north of 20%. And where we sit here today, we have overpromised or over-delivered on those promises. We are pacing ahead of our LRP.

And I think that, that tells you with that kind of recipe that top line growth along with our gross margin and the leverage that we're seeing in the business that we're going to be able to achieve those and could rival the best medtech companies when it comes to our margins.

Patrick Wood: Your starting point of high gross margins is incredibly helpful. But what are you seeing on the cost inflation? I mean, the reps, presumably there's competition and so that's going up, but then there's obviously all the other various inputs. What are you guys seeing in general.

Angela Wirick: Yes, I'd say we'd see typical inflation. So I think people cost is a major area of investment for us, and we're seeing it there. I'd say we see a bit on the supply chain side, but that seems to have settled down in the last year or so, but cost pressure is there. I think, for every company, AtriCure is not excluded from that.

Patrick Wood: That makes sense. And in your mind, how should we think about price mix as it relates to that?

Angela Wirick: Yes. So the -- this is a question we get asked all the time, depending on the franchise, there is some pricing contribution. The most apparent one is in our appendage management franchise for the more recent device launches, the Flex Mini Clip and the Pro Mini Clip come with a pretty sizable ASP premium. Behind all of that, though, I would tell you, each one of our franchises is growing pretty strongly. Volume wins the day. Volume is the majority of the growth today. If you look at the third quarter, 15% company growth overall, it's less than 2 points on pricing overall. So that's telling you very strong volume demand and growth within each of our markets.

Patrick Wood: It's always a better way to be. Obviously cash flow positive. You have some cash on the balance sheet. What's the thoughts around capital allocation? Are there little tech bolt-ons that you would think about doing? Obviously, you've got a lot of different things going on at once, but you have a great access to a very valuable call point already. any thoughts around that kind of thing?

Angela Wirick: I think we have so much going on internally. Organic R&D is our primary focus at this point in time on those initiatives and continue to look at ways using our call points, using our technology in which we can win. That being said, we do look at companies that are out there, look at the landscape, what's emerging technology, things that may be very highly complementary. Just I think the appetite and the need, I would say, to do something today is very small. So we'll continue

to be super-disciplined as we think about M&A. But we're in an enviable position where what you've got going on internally looks a lot better than what's out there externally.

Patrick Wood: And to a great EnCompass [inaudible]

Angela Wirick: And that too, yes.

Patrick Wood: Last one. The -- you do a lot of these events, you get all the analyst calls, all this stuff and interface a lot with the buy side. If you- is there something that gets a lot of external focus that doesn't get a lot of internal focus? Or alternatively, is there- like how you spend your time and your focus and your energy internally that doesn't get asked about or appreciated, if you like, externally as much because there's usually a bit of a disconnect.

Angela Wirick: Yes. I'd say the one area, maybe a little bit more in there are some peaks. Converge and then Clip competition are the 2 areas where I would say, of course, the company was very focused on it, but it wasn't the headline, the text of the story and kind of the footnote, too. I think that this is one where we are looking. We've got a broad-based business. I think that's the thing that's been most misunderstood about AtriCure, a very broad-based business, a lot of opportunities to win in markets that are untapped. We've got a long runway in each one of our markets, which says you aren't -- as a management team, you aren't just solely focused on one of the areas. Of course, you're thinking about competition. Of course, we spend quite a bit of time on that. And if you have a franchise that's under pressure like our hybrid business, of course, you're looking at that. It just doesn't take over your entire kind of focus.

Patrick Wood: You know, what the market is like. It likes to drill into one thing obsessively.

Angela Wirick: I get that, and we understand that.

Patrick Wood: I totally get it. Angie, thank you so much for spending the time with us. Really appreciate it.

Angela Wirick: Thanks. So we appreciate being here today.

Patrick Wood: Thank you.