REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q2 2021 AtriCure Inc Earnings Call

EVENT DATE/TIME: AUGUST 04, 2021 / 8:30PM GMT

CORPORATE PARTICIPANTS

Angela L. Wirick *AtriCure, Inc. - CFO*
Michael H. Carrel *AtriCure, Inc. - CEO, President & Director*

CONFERENCE CALL PARTICIPANTS

Danielle Joy Antalffy *SVB Leerink LLC, Research Division - MD of Medical Supplies and Devices & Senior Analyst*
Frederick Allen Wise *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*
K. Gong *JPMorgan Chase & Co, Research Division - Analyst*
Marie Yoko Thibault *BTIG, LLC, Research Division - Director & Digital Health Analyst*
Matthew Oliver O'Brien *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*
Michael Stephen Matson *Needham & Company, LLC, Research Division - Senior Analyst*
Suraj Kalia *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*
William John Plovanic *Canaccord Genuity Corp., Research Division - Analyst*
Lynn Pieper Lewis *Gilmartin Group LLC - Founder & CEO*

PRESENTATION

Operator

Good afternoon, and welcome to AtriCure's Second Quarter 2021 Earnings Conference Call.

(Operator Instructions)

As a reminder, this call is being recorded for replay purposes. I would now like to turn the call over to Lynn Lewis from the Gilmartin Group for a few introductory comments.

Lynn Pieper Lewis ***Gilmartin Group LLC - Founder & CEO***

By now you should have received a copy of the earnings press release. If you have not received a copy, please call (513) 755-4136 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 guidance, expectations regarding the timing of FDA reviews and expectations for product approvals, expectations regarding the potential market opportunity for CONVERGE and the adoption of the CONVERGE procedure. 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 revenue reported on a constant currency basis, 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. With that, I'd like to turn the call over to Mike Carrel, President and Chief Executive Officer. Mike?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Thanks, Lynn. Good afternoon, everyone, and thank you for joining us. We hope that you're doing well. As you saw in this afternoon's press release, we are continuing the strong momentum from the first quarter with over $71 million in total revenue for the second quarter of this year.

This represents 75% growth compared to the second quarter of 2020 and 20% sequential growth over the first quarter of 2021. Our strong top line performance was driven primarily by the recovery of procedure volumes in major markets with some small portion due to patient backlog.

More encouragingly, against a backdrop of stabilizing patient flow, we experienced robust growth in each of our franchises with many new sites and increasing penetration in existing facilities. The desire among patients and physicians to have access to these critical treatments continues to rise.

To that end, we saw accelerating growth throughout the quarter across all platforms in the U.S., complemented by a solid rebounding of activity in Europe and Asia. As we begin the third quarter, energy remains positive across our business, and July started strong.

While we have seen -- while we have started to see some slowdown in procedures in areas where COVID is surging, we continue to expect a strong back half of the year. Now we will start with an update on the aMAZE clinical trial. As a reminder, we finished enrollment in the trial shortly after the August '19 acquisition of SentreHEART, then began the PMA modular submissions in late 2020 and completed final patient follow-up this past April.

More recently, we were unblinded to the aMAZE clinical trial data. While we are not sharing details of the results today, in summary, despite achieving the primary safety goal, the primary efficacy endpoint of the aMAZE trial was not met.

We are still learning more as we evaluate the trial data and engage in discussions with our Medical Advisory Board and the FDA. However, the pathway for PMA submission is uncertain at this time. Although we hope for a different outcome from the aMAZE trial, we are encouraged by the safety results and believe there is an underpinning of value from the investment in SentreHEART that we will continue to leverage going forward.

This includes an experienced team with unique technical and clinical knowledge in the EP space, relationships we have since built with an EP lab setting and community and a robust portfolio of IP that complements our core technologies. As we move forward, our conviction for innovation supported by clinical science across all of our businesses remains unchanged. Therefore, we will continue building a differentiated portfolio of products, expanding treatment options for the vast and growing population of Afib patients.

Let's now turn -- let's turn now to the many advancements in our key growth initiatives. The second quarter was transformative for AtriCure with PMA approval of the EPi-Sense system for treatment of patients with long-standing persistent Afib. This approval resulted from the groundbreaking CONVERGE trial, which demonstrated superiority of the hybrid AF therapy using the EPi-Sense device to endocardial catheter ablation alone.

Patients with long-standing persistent Afib, the most advanced and difficult-to-treat form of the disease, represent nearly half of the more than 33 million patients affected by Afib worldwide. The EPi-Sense system is the first and only to receive FDA approval for stand-alone treatment of these patients, providing critical and sustainable differentiation in the market.

Our opportunity is clear and this achievement marks a pivotal moment in our company. The approval provides us the ability to help educate and train physicians on the benefits of hybrid AF therapy with the EPi-Sense system to improve the lives of millions of underserved patients.

Our U.S. sales team is now executing on our commercial launch, engaging both new and existing sites and driving awareness within EP and cardiology communities. In late June, we hosted our first hybrid AF training therapy event, where expert faculty-guided peer-to-peer discussions and addressed clinical questions. Leading to a rich dialogue on hybrid AF therapy and emphasizing the patient benefit that results from close collaboration between the specialties. This inaugural training event was just one of many activities throughout the quarter following FDA approval in late April. Our goal is for the hybrid AF therapy utilizing the EPi-Sense device to become the standard of care for the millions of patients with long-standing persistent Afib.

Moving to our open franchise, we are pleased to announce that we've got a 510(k)clearance for the EnCompass Clamp. This device is an innovative addition to our open ablation platform, where we are the market leader in cardiac surgery procedures for the treatment of Afib.

The EnCompass Clamp provides a simpler and faster approach to ablating the heart in open procedures. And we expect the device will have broad appeal to high-volume cardiac surgeons, deepening our penetration in the cardiac surgery market over the next decade.

We have begun a limited launch at a small number of centers and expect to move to full commercial launch later this year. It was nearly

a decade ago that AtriCure's isolator synergy system was approved by the FDA for the concomitant surgical treatment of persistent and long-standing persistent Afib. With the recent approval of EPi-Sense system for hybrid AF therapy, AtriCure has the only 2 devices in the world with FDA approval for the treatment of long-standing persistent Afib, providing a clear advantage for our open and minimally invasive ablation platforms.

So let me pause here to reiterate a message from our first quarter. The collective opportunity and addressable market for our ablation platforms is well into the billions of dollars, representing hundreds of thousands of patients annually. And while the ablation opportunity alone is meaningful, it is further boosted by the steady rise in left atrial appendage management procedures.

Worldwide, our left atrial appendage management franchise delivered 23% sequential growth over the first quarter. We continue to be excited by increasing awareness of the need for left atrial appendage management and the growing body of clinical evidence, including a recent independent LAA occlusion study that was published in the New England Journal of Medicine and presented as a late breaker in May at the American College of Cardiology Annual Meeting.

This was the first randomized controlled study to demonstrate that surgical LAA management for Afib patients undergoing cardiac surgery with surgical approaches or AtriClip significantly reduces ischemic stroke and systemic embolism.

Over 4,700 patients were part of the study at 105 different centers in 27 countries. Surgical left atrial appendage management occlusion was found to reduce ischemic stroke by 33% overall and by 42% after the first 30 perioperative days. Importantly, there were no significant safety issues identified in the study. Additionally, we welcome positive reimbursement news for surgical left atrial appendage management with the proposal by the CMS for the new current procedural terminology, or CPT codes.

We believe this change reflects a groundswell of support from key societies and positions, creating another tailwind for the AtriClip franchise when the proposed rates take effect in 2022. And finally, touching on the cryoSPHERE probe, our dedicated device for managing postoperative pain in thoracic patients. Our unique technology uses a differentiated freezing method to block nerves from transmitting pain signals after cardiothoracic surgery, providing a long-lasting form of pain relief for patients.

Cryo Nerve Block, which is included in our open franchise revenue is one of our fastest-growing therapies and now represents approximately 7% of worldwide revenue year-to-date. Nearly 400 facilities in the U.S. are changing their standard of care to incorporate this unique approach to pain management. We are pleased with the traction we are seeing in the existing accounts and the ongoing expansion to new customers.

Yes, this is great progress, but we believe the market for Cryo Nerve Block therapy still remains widely underpenetrated. As a result, we are continuing to increase our investments in our dedicated commercial and education teams as we drive therapy awareness and adoption.

In closing, we are truly excited by our broadening portfolio and bright future ahead. While we continue on a pathway toward recovery, we remain confident in the underlying strength of our business the resiliency of our team and our many catalysts to accelerate growth in 2022 and beyond. I will now turn the call over to Angie Wirick, our Chief Financial Officer, to discuss more detailed results of the quarter.

Angela L. Wirick ***AtriCure, Inc. - CFO***

Thanks, Mike. Our second quarter 2021 worldwide revenue of $71.4 million increased 75% on a reported basis and 74% on a constant currency basis when compared to the second quarter of 2020.

As a reminder, we experienced the most severe impact from COVID-19 during the second quarter of 2020 when our revenues declined 31% from the second quarter of 2019. On a sequential basis, this quarter, we experienced growth of 20% in our worldwide revenue from the first quarter. The sequential increase was seen in all of our major markets as procedure volumes stabilize.

In the second quarter 2021, U.S. revenue was $60.1 million, a 78% increase from the second quarter of 2020, reflecting robust activity across product lines and promising growth trends. U.S. sales of appendage management products were $25.2 million, up 93% over the

second quarter of 2020.

U.S. sales of open ablation products, which include our Cryo Nerve Block business, were $24.8 million, up 60% over 2020. And minimally invasive ablation sales in the U.S. were $9.7 million, up 104% from 2020 as elective procedures resumed year-over-year, and we saw some early momentum from the EPi-Sense launch.

International revenue was $11.3 million, up 58% on a reported basis and up 50% on a constant currency basis as compared to the second quarter of 2020. Similar to our U.S. results, we experienced rebounding activity in our major international markets and across our franchises. Let's turn to key metrics for the second quarter, beginning with gross margin.

Our gross margin was 75.8%, up more than 800 basis points from the second quarter of 2020. In the second quarter of 2021, gross margin benefited from both increased revenue as well as strong production volume as compared to the fixed cost burden to 2020 due to a temporary reduction in production activity.

Additionally, we continue to see beneficial geographic and product mix this year with our U.S. business accounting for 84% of our worldwide sales in the second quarter of 2021 compared to a range of 80% to 82% historically.

Specific products contributing to a more favorable gross margin include heavier EPi-Sense, AtriClip Flex V and PRO V device sales. We are pleased with the improvement to our gross margin in 2021 and continue to look for durability in our results regardless of mix.

As we begin the second half of 2021, we are making incremental investments to expand production capacity in support of our long-term growth and remain focused on key partnerships throughout the supply chain. Now moving to operating expenses for the quarter.

For comparability, I will exclude recurring effects of noncash adjustments to the contingent consideration liability from my comments. Total operating expenses increased $24.2 million or 57% from $42.4 million in the second quarter of 2020 to $66.6 million in the second quarter of 2021.

While operating expenses rose significantly, this increase is in light of top line revenue growth of 75% over the same period. The change results mainly from personnel costs, driven by increasing headcount and variable compensation programs, travel spend returning to normal and expanding training activities as we launch our hybrid AF therapy and continued awareness across our platforms, with the combination of mobile cadaver labs and training courses.

We had an adjusted EBITDA loss of $2.7 million compared to an adjusted EBITDA loss of $6.1 million for the second quarter of 2020. Our loss per share was $0.36 in the second quarter of 2021 compared to $0.20 loss per share in the second quarter of 2020 and while the adjusted loss per share each period was $0.30 and $0.38, respectively.

Our balance sheet position remains solid, and we ended the second quarter with approximately $230 million in cash and investments.

So finally, turning to our outlook for 2021. With stronger-than-expected second quarter results, we are raising our revenue guidance for the full year and now expect to achieve approximately $270 million to $275 million in revenue.

We anticipate returning to historic growth patterns, which we see a seasonal impact on procedure volumes during the third quarter. Therefore, we expect third quarter 2021 revenue to be down slightly from our strong second quarter results, followed by an acceleration in the fourth quarter.

As Mike detailed earlier in the call, tailwinds for growth across our franchises are clear. However, we remain cautious of the potential impact from a resurgence of the pandemic and its continued burden on the health care system globally.

Touching briefly on the potential financial impact of the aMAZE trial outcome. While it's too early to determine the full effect in our financial results because our review of the trial data is ongoing and the path forward is uncertain, we anticipate that during the second

half of 2021, we may recognize material noncash adjustments to the related intangible assets and the contingent consideration liability, which represents success-based milestone payments.

These potential adjustments will be excluded from both adjusted EBITDA and adjusted loss per share metrics. We continue to expect adjusted EBITDA to be a loss of approximately $10 million for the full year 2021 as we invest in strategic growth drivers across the business, expand the AtriCure team and continue our focus on education, innovation and clinical science. With the rise in share-based compensation expense for the year, we now expect an adjusted loss per share for 2021 to be approximately $1.20. At this point, I will turn the call back to Mike for closing comments.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Thank you, Angie. We want to end by recognizing our health care workers and our scientific community. Thank you for your unwavering commitment to patients and the resolve to help us all recover from the COVID-19 pandemic. Stay well, everyone, and thank you again for joining us today. With that, we will open it up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from Rick Wise of Stifel.

Frederick Allen Wise ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Maybe -- I guess I'm just going to do that. I hate to start off with aMAZE there's so much good news this quarter, but let me just go ahead and ask the question. I mean, I've heard Angie talk about some of the financial potential adjustments ahead. Maybe you could frame it, Angie, how big that might be. But what are -- just not asking what next steps will be, Mike, but what could they be? What are the possibilities as you look ahead and think about this? And how would you have us think about it?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes. I mean, I think the best way to think about it is that the technology had great safety profile but did not meet the efficacy endpoints -- the primary efficacy endpoints. And so it's really uncertain, quite frankly, in terms of what the path forward is to -- with the technology from that standpoint, from a PMA, et cetera.

So from our standpoint, obviously, we're going to talk to the FDA. We're also going to talk to our Medical Advisory Board. But I think as investors, I mean, this is something that everybody we should just consider. We did not meet the primary efficacy endpoint. I think that's what should be in everybody's head.

And from that standpoint, anything that we get out of it is really the things we're getting out of it today and the leverage we're getting. Number one is that we got a great IP portfolio; number two, the team we brought over is just spectacular. They understand the EP space. We've learned a lot about cardiology. We've learned a lot about the catheter-based technologies. We've learned a lot about manufacturing in that area. So we've got a lot of great learnings that have come from that. And in terms of building relationships with the EPs and the advisory board we have and also the help that we had with our CONVERGE and kind of confluence of kind of bringing 2 specialties together, I believe that we will -- it will be viewed positively from that standpoint.

Obviously, we're disappointed with the results, like I mentioned on the call, we were hopeful that they would be much better. But we structured the deal in a way that it was a success-based outcome on the back end of it. And unfortunately, the primary endpoints did not hit where they were supposed to hit.

Frederick Allen Wise ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Got you. And just as a separate follow-up. I was really intrigued, Mike, with your comments about you opened many new sites, you're penetrating deeper in existing, I think, you said existing accounts or facilities. When I think about the incredible portfolio of technologies

you have, recent launch, et cetera, maybe help us understand, is it everything together that's driving this greater penetration, this new account opportunity. Can you quantify that at all in any way, the key drivers that are sort of tipping people over the edge, maybe talk through that, if you would.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Sure. Pretty much every one of our franchises had really different but great growth trajectories to them. So if you kind of break down the different areas that we have, let's start with kind of CONVERGE, which is the most top of mind, that's the one where we have the most upside in terms of number of net new accounts and penetration in accounts. It's obviously a much larger market opportunity for us.

And the team was ready to go better than I expected, even though you kind of know you're ready, they are ready. They are talking to customers. We had a great HRS last week. There is a tremendous amount of buzz out there and a long-standing persistent label has really differentiated us in a way even better than I had expected, and really opening up conversations that -- with pretty much any site -- even the greatest skeptic that's out there.

So it's been a wonderful opening of new sites and the backlog of those sites kind of coming online are things that we're focused on right now is to how do we make sure we've got the right resources and adding those resources and bringing them on and making sure they're really well trained, so they do the procedure right.

Again, we're in a really good spot from that standpoint. On the flip side of things, we continue to see great growth. You saw a 23% kind of sequential growth in that part of our business. And that's in both Open and MIS. Both teams are just doing a wonderful job of really bringing that technology to pretty much every facility in the United States and even more so globally as well. And so we're starting to see some opening up there with people just recognizing that managing the appendage is really important and that the clip is just an outstanding technology that works incredibly well and is very safe and has been implanted in over 300,000 patients in totality.

So it's really impressive to kind of see how that just continues to build upon itself. And then on the open side of the business, you're starting to see a little bit of a rebound. We're in most sites in the U.S., but what you're starting to see is more people talk about treating.

More people getting their cardiologist telling them you must treat. The data is just continuing to kind of build up over and over again, and that's allowing us to get to more surgeons within those sites who are now saying, I really do need to treat, and they're actually thinking about that. So I'd say that those are some of the things that I could share with you.

And then the Cryo Nerve Block, which -- there's just a lot to talk about that's positive, like you said. On the Cryo Nerve Block side, you heard that we're at -- we're in almost 400 sites now. I mean, think about this, this was a nothing -- not -- we didn't have anything really about 3 years ago, and now we're in almost 400 sites around the country. We've got over 30 people out in the field today, either salespeople or supporting those cases.

And so we're really expanding that group and we'll continue to invest to make sure we've got coverage.

Operator

And our next question is from Robbie Marcus of JPMorgan.

K. Gong ***JPMorgan Chase & Co, Research Division - Analyst***

This is Allen on for Robbie. I just wanted to say first congratulations on a great quarter. I'll just get both of my questions out of the way here. But to start off, your guidance range for the year looks really healthy. coming off of a very strong quarter. So I guess what really gets you to the top of that range? And how much of that is benefit from the CONVERGE approval?

And then second, diving deeper into CONVERGE, what has been the physician feedback that you've been hearing so far?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Sure. I'm going to start with the second question because I think physician feedback has been -- I mean it's been incredibly positive. I mean first, most of the conversations now, the new sites aren't seeing results yet because they're just getting trained. And so it's not like we're selling a lot of net new product. What we're doing is we're getting them up and running doing their first couple of cases, training them, proctoring them, et cetera.

So that part has actually gone reasonably well. But the real physician feedback has been around the data. It's been presented. It's been presented over and over again at HRS at other different conferences, at different scientific sessions over the last several months.

And the more people digest the data, the more they get excited about it and they start really talking about and it really drives a really good discussion around how epicardial and endocardial combined has tremendous benefits for the patient and for the long-term effects on Afib for them. So that conversation, I mean, it just -- it continues to spawn throughout the country, and it's been really an exciting time to be part of those discussions.

And our teams are really well trained to have those conversations as well. And so all the prep that was happening in advance enabled them to really kind of have deep and rich discussions to kind of get those sites up and running. In terms of our guidance and as we kind of think about the back half of the year, nothing's really changed per se in terms of the revenue coming from CONVERGE.

We're starting to get net new sites but as we've talked about before, it's really important to get them trained, get them doing the procedure right, understanding what the workflow is in their hospital and then building upon that. And so as we kind of look to the back half of the year, there obviously is some CONVERGE, but it's really de minimis.

Overall, all of our franchises are just performing incredibly well. And we've talked about this before. We've got multiple catalytic drivers to this business. Yes, CONVERGE is a great foundational piece for us -- But we've got so many other different things coming down the pipeline and that are already there, whether it's -- you're starting to see the benefits of the innovation we did on clip 2 or 3 years ago. And people are really shifting over to our V clip product and technology.

And as they use that more and more, and they see the benefits of that as an example. So what's going to help us get to the top end of that range really just continued outperformance relative to what we're doing right now. I don't want to get too far ahead of ourselves.

Because we did increase guidance quite a bit. Obviously, it's more than just the $10 million beat. We increased it by almost $8 million to $10 million on top of that. And so you're -- like you said, it's a healthy guidance from that standpoint, and we feel good about it.

Operator

And our next question is from Matthew O'Brien of Piper Sandler.

Matthew Oliver O'Brien ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

So Mike, you're kind of touching on a few things here that are quite compelling. But what I'm curious about is, if I look at your numbers for domestic clip and domestic MIS, they are 2 of the better quarters you've had when you adjust for COVID over the last couple of years. And that is before the real impact of the CONVERGE approval and that's really before the (inaudible) data earlier this year as well. So what I'm wondering is, I think you're just seeing the impact of the data from last year on the MIS business and then still seeing some newer products on the clip side. Are we going to get another wave here into '22 and '23 from the CONVERGE approval and then from the (inaudible) data for those businesses? Is that the momentum you're talking about specifically?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes, Matt, I think it -- start with the CONVERGE, yes, I mean I think when you look at '22, '23, '24, and we're just at the beginning of this. I like to say -- we always likes to use kind of baseball analogies and they say, "What inning are you in?" Quite frankly, we're really kind of in the pregame warm up at this point in time from my standpoint. We're just beginning to kind of get this. We're really underpenetrated.

And there are a tremendous number of patients that are out there that we can treat. And we've got to make sure that we do it right and that we warm up properly to kind of go back to that analogy. So that we're ready for game time. And even though we've got the approval, we've got to get these sites up and running in a good place.

So yes, I do think that's the case. I'd like to also look at -- when you look at TAVR, I use this as an example a lot to our team, which is: It's taken TAVR to get to the point that they are today, where it's 65,000, 75,000 procedures and patients that benefit from the technology every year in the U.S. Well, 10 years ago, that was 0. And it didn't happen overnight. It happened over a decade, and it kind of builds upon itself to kind of build that kind of momentum. They got the first centers done right. They got good results and good performance and they kept building on top of that.

CONVERGE, I think, is going to be the same. There is a -- and there are more long-standing persistent patients than they are patients with aortic stenosis. So we're pretty excited about that being a growth driver for many, many years to come and really building that foundation and that standard of care of practice into the future. On top of that, you mentioned kind of the clip data that continues to come out.

It's -- there's a lot of clip data that is out there. And the more and more data that gets published, obviously, the (inaudible) data that I referred to here is incredibly positive towards treating the appendage and the benefits of it worldwide. It was a large study. And I'd say that I'm sure it's having a benefit and an impact. But I think it's really the -- you actually said, well, it's a series of data that's come out over the course of the last 4 to 5 years that have built on each other that people just now believe managing the appendage is the right thing to do.

Matthew Oliver O'Brien ***Piper Sandler & Co., Research Division - MD & Senior Research Analyst***

Got it. And then as a follow-up, lots of really good updates here, but I think people are going to focus on aMAZE as well. And obviously, that's disappointing. I'm sure you're disappointed. How do you balance the impact of that versus all of these other drivers that you have in terms of investors think about AtriCure, is it a massive potential headwind 2 or 3 years from now? Because aMAZE it's going to really help you with the EP patient population -- or sorry, clinician community. Just help us kind of frame up the impact of this being a negative outcome on the efficacy side.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes. I mean I think as I mentioned in my comments, we are hopeful this is going to have great results, but we structured the deal to be a success-based deal on purpose because we didn't obviously know it -- know what the end game was going to be on the results there. We were hopeful like everybody else, and we really wanted there to be great results there. from that standpoint.

That being said, we've built the business to be incredibly robust with a lot of catalysts, and we are going to lean into our future and continue to be innovative across every one of our platforms. And sometimes we're going to take shots and they're not going to come to complete fruition for us. We're going to take a lot of shots on goal, but we're going to be smart about those. We're going to be smart about how we take those shots and be efficient with it, which I think we've been in the things that we've done. But if you look at many of the shots we've done, whether it's Cryo Nerve Block or CONVERGE, or the new EnCompass Clamp that just got clearance, I mean, these are things that I think are going to drive meaningful growth for us into the next decade.

And sometimes the things we think aren't going to come to complete fruition and we've got to recognize it, learn from it and kind of continue to move forward and continue to innovate and find ways to help patients out. We really weren't counting on any revenue from this in the, call it, the midterm over the next 2 to 3 years until we got the approval on it. So it doesn't have any meaningful effect on that.

As you look beyond that, I think we're going to continue to think creatively about other innovative things we're going to bring to the table to make sure that we can continue to hit high growth that we expect and that you come to expect from us.

Operator

Our next question is from Mike Matson of Needham & Company.

Michael Stephen Matson ***Needham & Company, LLC, Research Division - Senior Analyst***

I guess I wanted to ask 1 about EnCompass. So obviously, it sounds like it makes the procedures easier to do, but is this also going to be something where you're going to be able to get a price premium over the other types of ablation products you're selling?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

It's a really good question. The answer is, over the clamp? Yes. So if somebody is using a single clamp in a procedure, it's going to be more than that. However, depending upon what an individual surgeon, if they start using a clamp, plus Cryo, plus a pen to test and other products on top of that, it's probably relatively equivalent.

So the good news is you're not going to see -- I mean you might see some small upside in some cases, over time, like those that might use it if it's somebody who's replacing what they were doing before or mostly and really the focus is going to be on net new physicians that are going to be using it. And so those net new physicians are the ones that we're really focused on long term, and those are the ones that are going to drive really more penetration.

So while it might affect a little bit on the existing physicians, it's really going to have a much bigger effect on penetration. So long term, it's just going to help us get from 25% to 50% penetration, if not more, in the cardiac surgery market.

Michael Stephen Matson ***Needham & Company, LLC, Research Division - Senior Analyst***

Okay. Got it. And then I just want to ask about AtriClip attachment rate to the EPi-Sense Convergent procedures. What are you -- I know it's early days since it was approved, but what are you seeing there in terms of the use of AtriClip with that procedure?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

We're continuing to see the same numbers that we've seen really for the last 18 months or so, which is kind of in the 60%, 70% range on attachment in any given week or month or quarter. That's really been fairly consistent. The new sites that are coming on board, they have an interest in AtriClip, but we're really first and foremost focused on, we're really -- we want them to do a really good job on using EPi-Sense and getting that down first, getting the workflow with that first, and then they can add the clip after they get really good at that.

And so we're not seeing much attachment to the net new sites at first. Eventually, that is likely probably going to happen because people, a lot of who want to use the clip with it, but were being very diligent and disciplined about making sure they don't do it, especially in their first 5 to 10 cases because we really want to make sure they're getting the Convergent part down. They understand the maps. They understand how to work collaboratively with the EP.

Operator

Our next question is from Bill Plovanic of Canaccord.

William John Plovanic ***Canaccord Genuity Corp., Research Division - Analyst***

Yes. Great. So I'm going to ask 1 on guidance and the other on the Cryo business. And I'll start with the Cryo business. Given it was 7% of revenues this quarter, 6% last quarter. I mean, you have -- it's such a massive quarter. The math tells me that business almost doubled sequentially, and that's a pretty big bump from kind of the run rate it was going at. I just wanted to get your thoughts on that first.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

So it's a good question, Bill. And my comments in the script may have been a little misleading. It's 7% for the year-to-date. So actually, it's, I think, around 10%, 11% for the year -- I'm sorry, for the second quarter. So it's even a bigger jump from Q1 to Q2 than you were talking about.

William John Plovanic ***Canaccord Genuity Corp., Research Division - Analyst***

Okay. That's helpful. And then as we -- for Angie, on guidance as we think about the Q3 summer seasonality, I think, consensus now is about $65 million. That's about 10% down from where you were in Q2. And as I think of the $8 million to $10 million incrementally, should we think about sprinkling some of that into Q3 and then the balance in Q4? Or is that kind of all Q4?

I mean, we've heard from other companies heightened vacations as we go into August. And I just want to get kind of your thoughts on that.

Angela L. Wirick ***AtriCure, Inc. - CFO***

Sure. We are definitely conscious with what we're hearing about vacations and more than anything with just a really strong second quarter, we do expect some of the seasonality to resume. And I'll reiterate what I said in my comments, Bill, which is we would expect a step down from what we did in the second quarter, less than the $71 million and then an increase in the fourth quarter, a 10% drop from the second to third quarter historically for AtriCure is not normal for us.

It's typically a couple of percentage points without giving kind of specific numbers of how you should think about the second half guidance increase. But that's what I would expect, a step down in the third quarter and then an increase in fourth.

William John Plovanic ***Canaccord Genuity Corp., Research Division - Analyst***

Great. And then if I could sneak 1 more in just on LARIAT. I know you've been -- had some kind of ongoing residual revenues from that product line. Would you expect that to go away and discontinue sales of that product with the U.S. data? Or would you believe you'd continue to sell it?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

I don't expect to discontinue sales of that product. As I said, the safety profile was excellent. We'll continue to sell in Europe. We'll continue to sell it in the U.S. We've got many physicians that use it and really like the product and get great benefit from it and feel like they're helping their patients out in many different ways. And so we'll continue to sell it. Obviously, it's a very small portion of our revenue, but we'll continue to sell it and support it, at least for the foreseeable future. We don't have any plans at this point in time to change that.

Operator

Our next question is from Marie Thibault of BTIG.

Marie Yoko Thibault ***BTIG, LLC, Research Division - Director & Digital Health Analyst***

Congrats on a good quarter. I wanted to dig a little bit more on your comments in the prepared script about some regions that are getting hit a little harder by some of the variants -- the COVID variants. So I would like to hear a little more detail on that. I know that you do have volume that comes from places like Texas and Florida.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes, I'd say that it's what you would expect. You're starting to see, and you probably heard this from many other companies, is that kind of the northern part of Florida, starting with Jacksonville and now moving into kind of Southern Georgia, Alabama and the State of Mississippi, they're basically pushing off as much as possible elective procedures.

Now they're typically giving kind of a 2-week kind of moratorium on them as they kind of digest the COVID patients that have come in and kind of think through about the ICU beds. This is all about ICU beds at the end of the day. That's why they shut them down as they don't have enough room in the hospital for those elective procedures.

Right now, it's mostly -- and everything we're seeing is in that region of the country, where they tend to be the most hot spots for us. We're hopeful that it gets contained there, like everybody else, I think. But of course, none of us know for sure what that spread is going to look like. So I'll just put my plug in to make sure everybody gets vaccinated.

Marie Yoko Thibault ***BTIG, LLC, Research Division - Director & Digital Health Analyst***

That's very helpful, Mike. Then I guess my follow-up here on CONVERGE. I realize we're quite early in the launch, but I would like to hear your plans on how you plan to go after the referral network and make sure that cardiologists and doctors up the chain are aware of CONVERGE and also make sure that patients are hearing about the option.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes, it's a really insightful and good question, Marie. Like, as we look at longer term, I'd say our first goal is to get those sites that the EP and the surgeon and get them working together and get them doing the procedure really, really well and get enough sites that we've got critical mass across the country on that front.

And we're starting to work with them on helping them understand what the cardiologists think about these patients and why they're not referring them to date. I'd say we're piloting and learning on that front. That's probably going to be the case for the next 6 to 12 months.

Then we'll build upon that once we have many more centers and we've learned from what is that referral community looking like and how many patients have they been holding back from the little that we've done so far in that area. What we're starting to see is that there are a lot of patients that are still being held by internists and cardiologists because they were not getting good results when they were referring on the long-standing persistent side.

And so our plans would really be learn now, make sure we got centers that can do this procedure really well. And then as we look to maybe the back half of next year into the year after that, we'll start to look at more aggressively getting after and educating kind of the cardiology community in a more aggressive way at that point.

Operator

Our next question is from Suraj Kalia of Oppenheimer & Company.

Suraj Kalia ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Mike, Angie, congrats on the quarter. Can you hear me all right?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes, we hear you great. Thanks, Suraj.

Suraj Kalia ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Perfect. So Mike, I have to ask the obvious question and forgive me for belaboring this. So on aMAZE, was the issue just a confounding impact of including atrial flutter stroke or systemic embolism? I guess I'm trying to at least just see, was there a residual effect of ligation with LARIAT? And the curve has eventually overlapped over time?

Just since you all have seen the data, do we have any sense of where the primary efficacy endpoint went off the rails?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes. So a couple of things. Again, I'll try to reiterate that. Maybe I'll first define the trial, so everybody just has a good -- the trial was PVI in 1 arm and PVI plus the LARIAT in the other arm. And the endpoint of it was a reduction in Afib and that one was going to have a greater reduction of Afib in that patient population. And so it was meant to be -- it was designed to be a superiority trial. So it had to hit a net benefit, it was a very high bar for that to hit much like CONVERGE where the superiority trials, it hit a really high bar in differential to win the trial at the end in superiority.

So given that, when with the primary safety endpoint, we did incredibly well with, all good. And so that was actually something that we were very pleased with. It showed that the team at LARIAT and SentreHEART, the team that when we bought the company, had done an incredible job of training the physicians to make sure that this is a very safe procedure and done well, it can be done safely. And then on the primary efficacy, we didn't quite meet the superiority endpoint. And so it's -- and it's across the board. There's no one signal on that. It's just we did not meet the primary endpoint.

There's not a lot more data that we can share at this time relative to that. But it did not hit the same, again, high bar that it needed to hit in order to kind of get statistical significance of benefit there.

Suraj Kalia ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Yes, Mike, in terms of the appendage business overall, right? You guys have been on a really good cliff sequentially, year-over-year, however you want to look at it. And one of the things that we -- and you and I have talked about this, that we consistently picked up in the field was the incremental AF burden reduction thesis has seeped into the field, which was driving a number of AtriClip pull-throughs.

Given -- do you expect any collateral issues with aMAZE seeping into the AtriClip business moving forward? Or you think -- just kind of walk us through how at least for the next few quarters, you're thinking about any collateral impact and/or mitigating that impact.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

It's a really fair question. But the AtriClip and LARIAT are actually very different devices. They're both put on epicardially, but they're actually very different in terms of both the closure mechanism. I mean the AtriClip is put on during cardiac surgery, so it's obviously a much larger device. The closure rates are near 100% at complete closure on it. And so it's a different device than the LARIAT from that standpoint.

Again, the LARIAT is a wonderful device. It just didn't get to the same net benefit on the Afib reduction. That doesn't -- I'm not suggesting that it didn't have good closure or anything like that. It just didn't get to the same benefit on the Afib reduction from that standpoint. But I will say that AtriClip is an excellent device. It's proven to actually -- we've actually tested it out, and we're seeing great benefit with that device. And so I don't see any collateral damage in any way.

Suraj Kalia ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Got it. And Angie, forgive me if this was mentioned, just hopping a bit in the calls. What was the incremental contribution of CONVERGE in the quarter?

Angela L. Wirick ***AtriCure, Inc. - CFO***

Thanks, Suraj. I know everyone is interested in specifics on CONVERGE and that franchise revenue. We're not giving that information at this time. I think just as a reminder of our MIS business, it's a combination of both the CONVERGE business and the DEEP procedure. And we've talked about the DEEP procedure in that particular business line in the past. And while it's have some small growth. It's not the same expectations as we would see out of CONVERGE. So majority of the growth in the quarter would come from CONVERGE, but not giving specifics on the revenue dollars for the quarter.

Operator

Our next question is from Danielle Antalffy of SVB Leerink.

Danielle Joy Antalffy ***SVB Leerink LLC, Research Division - MD of Medical Supplies and Devices & Senior Analyst***

Congrats on a really strong quarter. Mike, I know you alluded to this in your prepared remarks. But as it relates to CONVERGE, I'm curious what you're seeing. Obviously, that launch is gaining momentum. I know you're not breaking that number out. It feels like maybe a little bit more than we thought. But just curious about what you're seeing at the centers that are adopting CONVERGE.

Are you seeing any uplift in your open ablation and clip products and sort of how -- based on what you're seeing, is there any change in your view of how that could play out going forward?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Yes, I'd say from a clip standpoint, yes, we continue to see people wanting to manage the appendage. We're anticipating getting it from that standpoint. From the open business, I would -- I couldn't correlate kind of what's happening on CONVERGE to a benefit that we're seeing on the open side of our business. I'd say maybe that's something longer term, maybe you get people that are more interested in treating Afib. I think it's a really good question and possibility, but I wouldn't say it's too early to tell whether or not that's going to happen since we've really kind of only been approved since late April.

Danielle Joy Antalffy ***SVB Leerink LLC, Research Division - MD of Medical Supplies and Devices & Senior Analyst***

Yes. Okay. That's fair. And then I guess my next question is, again, aMAZE is disappointing, but likely, you have so many shots on goal and you're in a new product cycle now. But aMAZE was another product targeting the EP physician population. I mean, do you think this is going to impact the footprint you have at the EP? Or no, you think you have enough of their mind share with CONVERGE?

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

I think that -- obviously, we wanted to have products that we will put in the hands of the EPs. We'll continue to, I think -- and we still have the product. And as I mentioned, it's an excellent product on many different fronts. That being said, the CONVERGE itself with the differentiation and the collaboration that's going on there. We've got great growth drivers in that area for many years to come, and we're building great relationships with EPs in that area.

So I feel really good about the work that we're doing in CONVERGE and then kind of ancillary products that may be built around it that the EPs might be able to kind of leverage or use in that collaboration.

Operator

There are no further questions at this time. I will turn the call over back to Mike Carrel, President and Chief Executive Officer, for his closing remarks.

Michael H. Carrel ***AtriCure, Inc. - CEO, President & Director***

Great. Well, again, everyone, thank you. Please stay safe and stay well. Appreciate your interest in AtriCure and look forward to a wonderful future together. Have a wonderful evening. Bye now.

Operator

And this concludes today's conference call. Thank you for participating. You may now disconnect.