Q3 2026 AtriCure, Inc. Earnings Conference Call
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Corporate Speakers

- Marissa Bych; Gilmartin Group; Investor Relations
- Michael Carrel; AtriCure; Chief Executive Officer, President
- Angie Wirick; AtriCure; Chief Financial Officer

Participants

- Matthew O'Brien; Piper Sandler; Analyst
- Jon Young; Canaccord; Analyst
- Marie Thibault; BTIG; Analyst
- Lilly Lozada; J.P. Morgan; Analyst
- Joseph Conway; Needham; Analyst
- Danny Stauder; Citizens; Analyst
- Keith Hinton; Freedom Capital Markets; Analyst
- Suraj Kalia; Oppenheimer; Analyst

PRESENTATION

Operator^ Good afternoon. And welcome to AtriCure's Third Quarter 2026 Earnings Conference Call. (Operator Instructions). I would now like to turn the call over to Marissa Bych from the Gilmartin Group for a few introductory comments. Please go ahead.

Marissa Bych^ 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 under the Private Securities Litigation Reform Act safe harbor. 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 most recent Form 10-K and Form 10-Q reports.

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 launches, approvals and clearances, competition, reimbursement and clinical trial enrollment readouts and outcomes. AtriCure's results may differ materially from those projected.

AtriCure undertakes no obligation to publicly update any forward-looking statements except as required by law. Additionally, we refer to non-GAAP financial measures, specifically constant currency revenue growth, adjusted EBITDA and adjusted earnings or 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 Michael Carrel, President and Chief Executive Officer.

Michael Carrel^ Great. Good afternoon everyone. And thank you for joining us today. AtriCure delivered another strong quarter, generating worldwide revenue of $154.5 million, an increase of 15% year-over-year.

Growth in the third quarter was led by our U.S. business which increased 17%, driven by broader adoption across several key products including cryoSPHERE MAX and cryoXT probes, AtriClip FLEX-Mini and PRO-Mini, and the EnCompass Clamp. Our top line strength again converted to expanded profitability with $4 million in net income and $27 million in adjusted EBITDA for the quarter.

As we enter the final months of the year, progress across our strategic priorities, improving financial performance and the breadth of our business reinforces our confidence in our momentum and the opportunities ahead.

Before turning to third quarter performance, I'd like to provide an update on our BoxX-NoAF clinical trial which is evaluating the benefits of ablation and LAA management in cardiac surgery procedures for patients without a history of atrial fibrillation.

We have now enrolled over 880 patients and have less than 100 patients to reach full enrollment in this trial. We remain on track to complete enrollment before the end of the year, followed by the readout of clinical data for the first primary endpoint in the spring of 2027.

We believe the pace of enrollment and robust site engagement underscore the importance that cardiac surgeons place on addressing the most common complication of cardiac surgery, highlighting the significant opportunity ahead.

Studies have shown early postoperative AFib is associated with an increased risk of short-term stroke and hospitalization and extended recoveries. And longer term, it is associated with clinical AFib recurrence and higher rates of stroke and mortality.

In the United States alone, healthcare spending associated with postoperative atrial fibrillation is estimated to exceed $2 billion annually. BoxX-NoAF is designed to evaluate both the short- and long-term benefits of ablation and LAA management for cardiac surgery patients without preoperative AFib, helping address the significant unmet clinical need for both patients and physicians.

Alongside our progress with BoxX-NoAF, we continue to follow the more than 6,500 patients enrolled in LeAAPS, our clinical trial evaluating the stroke reduction benefit of LAA management in cardiac surgery patients without AFib.

Together, these complementary trials represent meaningful growth catalysts in the cardiac surgery market with the potential to address most cardiac surgery patients with therapies designed to reduce the rate of complications before they occur.

Over the past several months, I've had the privilege of meeting with many investigators at sites participating in the BoxX-NoAF and LeAAPS trials. Our conversations about these clinical trials, our ablation and LAA management technologies and their impact on patients have been highly encouraging and reinforces our conviction in these opportunities. Together, these trials could meaningfully advance clinical practice and improve outcomes for cardiac surgery patients around the world.

To every investigator and trial site team supporting this work, thank you for your partnership and commitment to patients. Turning now to our third quarter performance. Worldwide revenue in our open ablation franchise grew 17%, accelerating from the first half of 2026. This acceleration was driven by continued strong adoption of the EnCompass Clamp in the United States.

EnCompass is generating growth across both new and existing accounts and now represents more than 70% of our U.S. open ablation revenue. We believe this quarter shows the strength of our innovation and its ability to make cardiac surgery ablation much easier to adopt. Equally important, the growing body of evidence supporting the EnCompass Clamp and our AtriClip devices is remarkable.

Data from our TRAC-AF registry recently presented at the European Association for Cardio-Thoracic Surgery meeting in Barcelona included more than 1,700 patients and demonstrated 91% freedom from AFib at one year and 86% at two years following the epicardial ablation with the EnCompass Clamp.

We believe these compelling outcomes, together with the innovative design of the EnCompass Clamp are growing adoption. We are also encouraged by the outcomes in the LAACS-2 trial showing the benefit of left atrial appendage management using AtriClip devices in high-risk patients. Additionally, the new STS quality metric for concomitant AFib treatment represents another important catalyst for the treatment of AFib.

As mentioned on our second quarter call quality metrics have historically been powerful drivers of adoption in cardiac surgery, and we expect this change will support broader use of both surgical AFib ablation and left atrial appendage management for years to come.

Our Appendage Management business grew more than 12% worldwide in the third quarter, led by open appendage management and continued adoption of AtriClip FLEX-Mini in the United States. Nearly 50% of our U.S. appendage management revenue this quarter came from sales of our AtriClip FLEX and PRO-Mini devices.

Surgeon feedback on the AtriClip MINI devices remains extremely positive, in particular, regarding the improved visibility provided by the smallest profile surgical left atrial appendage management device available, combined with the proven product and clinical performance of the AtriClip platform.

Building on this momentum, we recently received FDA 510(k) clearance for a 30-millimeter AtriClip FLEX-Mini device, further differentiating the AtriClip platform. We expect to launch a 30-millimeter device in December and remain focused on advancing development of our

AtriClip FLEX-Mini V in anticipation of a late 2027 launch. Our commitment to continued innovation, supported by robust clinical data, demonstrating the safety and performance of AtriClip devices, positions AtriCure to defend our leadership in cardiac surgery left atrial appendage management.

While our cardiac surgery business remains healthy, minimally invasive ablation again faced pressure as the market for stand-alone AFib treatment continues to focus on PFA catheter therapy.

We remain committed to the hybrid AFib therapy and believe that it offers an important treatment option for patients with long-standing atrial fibrillation. And finally, pain management delivered another outstanding quarter with worldwide revenue growing 33%, led by continued adoption of cryoSPHERE MAX.

We continue to add new accounts at a steady pace, deepen penetration in thoracic surgery and gain traction in sternotomy procedures. We are also encouraged by the progress of cryoXT, our newest pain management innovation for use in amputation procedures. Early feedback has been consistent.

Clinicians and care teams are seeing reduced postsurgical pain and a better recovery experience. Even fundamental activities such as changing surgical dressing can be incredibly painful and doing so without severe pain can meaningfully improve recovery after surgery.

We have now surpassed 1,000 cryoXT devices sold to date, an early milestone as we build awareness and adoption of this therapy. We remain confident in the long-term potential of cryoXT in amputation procedures and in the continued growth of our pain management franchise.

In summary, we delivered another strong quarter with 15% revenue growth and expanding profitability. Disciplined execution and meaningful progress against our strategic initiatives are positioning AtriCure for the next phase of growth, expanding markets we can serve for many, many years to come. And with that, I'll turn the call over to our CFO, Angie Wirick.

Angela Wirick^ Thank you, Mike. Third quarter worldwide revenue was $154.5 million, increasing 15% on a reported basis and 15.1% in constant currency compared with the third quarter of 2025. This strong performance was powered by growth across our pain management, open ablation and appendage management franchises.

Sequential revenue increased 0.6% as robust U.S. demand in both pain management and open ablation offset normal seasonality. Third quarter 2026 U.S. revenue was $128 million, an increase of 17.1% year-over-year.

Open Ablation sales grew 20.8% to $43 million, led by the continued strength of our EnCompass Clamp. U.S. Appendage Management sales increased 13.5% to $51.6 million compared with the third quarter of 2025, supported by rapid adoption of AtriClip FLEX-Mini and AtriClip PRO-Mini devices.

Open LAA growth exceeded 15% for the quarter, outpacing MIS LAA growth. U.S. Pain Management delivered an exceptional quarter with sales increasing 34.6% to $28.1 million, reflecting growing use of cryoSPHERE MAX and steady adoption of our cryoXT probes.

Minimally Invasive Ablation sales declined to $5.4 million for the quarter. Our international revenue totaled $26.4 million, increasing 5.8% on a reported basis and 6.1% in constant currency compared with the third quarter of 2025.

European sales grew 5% to $15.9 million, while sales in Asia Pacific and other international markets increased 6.9% to $10.5 million from the third quarter of 2025. Gross margin was 77.3%, improving 180 basis points from the third quarter of 2025. Gross margin was stronger

than anticipated as highly favorable product and geographic mix more than offset incremental costs associated with our new manufacturing facility.

Operating expenses for the quarter totaled $115 million, an increase of $13.9 million or 13.7% for the third quarter of 2025. Reported operating expense included a $4.5 million milestone payment under the PFA co-development agreement. Excluding this payment, total operating expenses increased $9.4 million or 9.3%.

Research and Development expenses increased 20.6%, excluding the PFA milestone payment, reflecting a substantial increase in clinical investment from our BoxX-NoAF trial as we anticipate completing enrollment in the fourth quarter as well as incremental investment in new product development.

SG&A expenses increased 5.9%, significantly below revenue growth, demonstrating our continued focus on operating leverage. Our strong top line growth and disciplined execution drove third quarter net income of $4.1 million compared to a net loss of $0.3 million in the prior year. Adjusted EBITDA was $26.8 million, an increase of 50.6% from $17.8 million for the third quarter of 2025.

Earnings per share were $0.08 and adjusted earnings per share were $0.18 compared with a loss per share and adjusted loss per share of $0.01 in the third quarter of 2025. Our balance sheet strengthened further as we ended the third quarter with $187 million in cash and investments and generated $19.2 million of cash during the quarter.

We remain well positioned and expect to generate cash in the fourth quarter, building on our solid capital foundation. Now turning to our outlook for the remainder of the year.

We now expect full year 2026 revenue of approximately $606 million to $610 million, representing annual growth of approximately 13.4% to 14.1% compared with 2025. We are confident in the long-term growth opportunities across the large underpenetrated markets we serve globally while remaining mindful of sustained headwinds in certain international markets and our U.S. hybrid ablation business through the remainder of the year.

Year-to-date, gross margin is running more than 200 basis points above 2025, reflecting favorable geographic and product mix. We now expect full year 2026 gross margin to be in the upper 76% range, while recognizing that geographic and product mix may create variability from quarter-to-quarter. And as we continue investing in clinical science and innovation to build a catalyst-rich pipeline, we are also delivering meaningful profitability expansion.

We are reiterating our expectation of full year net income and are raising our 2026 adjusted EBITDA outlook to approximately $91 million to $94 million. Finally, we expect full year earnings per share of approximately $0.21 to $0.27 and adjusted earnings per share of approximately $0.40 to $0.46.

In closing, our third quarter performance was very strong, and we remain on track to finish 2026 ahead of our initial guidance for the year. Our business continues to outpace the long-range targets we introduced in early 2025, reinforcing our confidence in the strength of our growth and earnings momentum as we look into 2027.

With significant opportunities ahead, we are better positioned than ever to capitalize on our expanding markets and deliver sustained profitable growth for years to come. With that, I'll hand the call back to Mike for his closing remarks.

Michael Carrel^ Thanks, Angie. Our third quarter results reflect the breadth and strength of our business as well as the dedication of our entire team. Our momentum demonstrates what is possible when a meaningful mission is matched with consistent execution.

As we expand our impact on patients around the world, we are building a stronger, more durable business for the future. To the entire AtriCure team, thank you for the focus, energy and commitment behind these results. Together, we are advancing our mission and creating a bright future ahead. And with that, I'll turn it over to the operator.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions). Our first question comes from Matthew O'Brien with Piper Sandler.

Matthew O'Brien^ Maybe, Mike, just for starters on the Open business, very, very strong this quarter, up meaningfully sequentially. Are you starting to see clinicians coming in proactively to get trained on your technologies in front of the STS quality metric requirements next year? Or is there anything else specifically to call out there in that business? And then I do have a follow-up.

Michael Carrel^ Yes. I don't know that we're necessarily getting more people to be trained because we're in almost 100% of the sites in the United States already. Most people are trained on that technology to use that technology, in particular in the U.S. So I don't know that I would say that it's an increase in training aspects of that.

I just think what you're seeing is there's more and more buzz around how easy it is to get a really good result and that the results are coming out and getting even better. As I mentioned, there's more publications coming out.

One of the publications that was just presented at EACTS showed great results with it. I mean for the first several years with this product, there were no clinical evidence and results. Now we're seeing really good evidence with over 1,700 patients presented at EACTS this year.

I think things like that are really what's contributing to it, and it's just a lot easier to use and to do. Now that being said, maybe not getting trained in advance of the quality metrics, but I think maybe people are saying to themselves, I better start treating because the quality metrics are coming. So therefore I want to start doing it.

Matthew O'Brien^ Okay. Appreciate that. And then on the guidance, very strong Q3 again, but the guide I think you beat by about $3 million in the quarter. The guide went up about $2 million at the midpoint. Is there something specific that you're calling out here on Q4?

And again, the sequential bump Q3 to Q4 is the lowest we've seen at the midpoint of the range. Again, I know Q3 was strong. But is there something specific to call out? I don't know if there's any kind of softness in the cardio market, the international business, something else

like that, to specifically call out as far as in terms of why the guide for the full year didn't go up by a little bit more than the beat in the quarter.

Angela Wirick^ Yes, Matt, what we're seeing in the cardiovascular market in the United States is very strong. I'd say some pockets of weakness outside of the U.S. We're hearing in certain countries in Europe, maybe a little bit of challenge from a funding perspective.

But when we think about the guide for the remainder of the year for the fourth quarter, we're exiting the third quarter with really strong performance, but we want to remain prudent with our guide.

So the two areas, I'd say that we continue to watch that have been headwinds for us throughout the year have been our U.S. hybrid ablation business and then also the international markets which we're anticipating don't see a big recovery for the rest of the year.

Our approach is always to set ranges that we're confident in not only just delivering, but also there being a pathway to a beat and just remain overall very confident in the trajectory of our business as we close out this year and head into 2027.

Operator^ Our next question comes from Jon Young with Canaccord.

Jon Young^ Pain management franchise grew solidly again this quarter. How much of the revenue this quarter came from new accounts versus deeper use in existing accounts? And has sternotomy or cryoXT reached a meaningful share of revenue yet?

Angela Wirick^ John, I'd say majority of the revenue continues to come from existing accounts. We think that, that's a kind of a bright sign for us when we look at the growth in accounts, pretty steady incremental accounts in this area of the business each quarter.

In any one quarter when we are adopting a new account onboarding a new account, it's a pretty small contribution. I think a couple of percent of the overall revenue in the quarter attributed to that specific account.

So from an account basis, Cryo Nerve Block was up 6% year-over-year in the third quarter. And you can see with north of 30% growth for the quarter, majority of that is coming from existing accounts.

Now to tease out on the product side, this is our first quarter where cryoXT contributed more than $1 million in revenue. We ended the quarter just shy of $1.5 million. So again, majority of the revenue growth volume-based and coming from cryoSPHERE MAX adoption within our existing accounts.

Jon Young^ Got it. And then, Mike, too, you called out the recent 510(k) for the 30-millimeter FLEX-Mini in the prepared remarks. Just can you walk us through how that differentiates from the existing platform and any competition that exists today?

Michael Carrel^ Yes. Great. I appreciate the question. The 30-millimeter FLEX-Mini is the first product to be that small in the marketplace. Today all products from us and competition is 35, 40, 45 and 50.

We've heard resounding feedback on the FLEX-Mini, as I talked about, positively about making things smaller. And then we got other feedback to say, it would be great to have a 30-millimeter clip leave even less behind.

So our next innovation was to bring that down to a 30-millimeter clip. I think what it demonstrates is just we're listening to customers. We know what they want. They want smaller with the same efficacy and safety profile that the original clip and all the clips have. And the 30-millimeter does that for us, and people are really excited about it.

We're already hearing a lot of great feedback from those that have seen the device, and we'll be rolling it out effectively in December, as I talked about. But it's just a smaller device to go over smaller appendages and to leave less behind. And so it continues to show the innovation that AtriCure has.

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

Marie Thibault^ I wanted to ask a follow-up here on the STS quality metric going live January one and perhaps eventually becoming a star rating. I wanted to think about how you're expecting that adoption ramp to go.

There's a potential to be able to use the open ablation or they could use clip and/or the CABG procedures are obviously lower penetration versus val. So just a little more detail on how you're thinking that might roll out over the next year or two.

Michael Carrel^ Yes. It's a great question. And I think you kind of hit it right. You hit on all the different categories there, Marie. I'd say, first and foremost, the feedback we've gotten from STS and all the conversations we've had has been this is going to be a phased rollout where it's starting out at, I'll call it, a relatively low rate. They were very open about the fact they want 70% of patients to be treated with either a left atrial appendage device or an ablation.

I think long term, hopefully, that will go away or will become an and. But in the first year or two, I think you're going to see that as they try to test out what that adoption looks like and put that into the hands of the physicians.

So what you're seeing now is a great awareness. The quality metrics coming, so people are starting to treat more. They're starting to think about it more. It's created a great awareness out there on that front.

And you're also correct in the sense that a lot of this is geared towards that CABG surgeon, the patient -- because most mitral valve patients that have AFib are already getting treated, a vast majority of them.

And so this is really geared towards that aortic and CABG patient that may not get treated right now because the surgeon just wasn't comfortable with it. And I think that you'll start to see some increased adoption, especially on the ablation side in that category.

So I think it's going to be a phased approach over several years. You'll get a little bit of a boost just from the awareness, I think, in the first couple of years. And then eventually, I think the plan is they want everybody to be treated.

The data shows everybody should be treated. STS believes that. It's a matter of progressively getting there over time. So they're not coming in with a hammer on every surgeon day one, and they're allowing them to kind of train and get to that point over a several year period.

Marie Thibault^ Okay. That's very helpful. Okay. And as a follow-up, I wanted just a quick check in. You have a new competitor in the market here over the last couple of months. Would love to hear a little bit about what you're seeing in the field. It's clearly not harming your revenue outperformances at all, but would love to hear in the appendage management space, what that competitive dynamic has looked like lately.

Michael Carrel^ Sure. I think that we've talked about this on the call before. I'd first say -- and obviously I think coming out with a 30-millimeter clip, this quarter and talking about our FLEX-Mini V coming out next quarter and the FLEX-Mini right now already being the smallest product on the market even with the new competition shows you that and demonstrates we're really confident we've got superior technology, the best technology and continue to spend time and energy to make our technology even better as we look forward.

So we've got the best today. I think we're going to have the best going forward, and we're going to be the only ones with a lot of clinical evidence that exists. As I mentioned, in that LAACS-2 trial, that trial was using AtriClip product only.

So there'll be more and more data like that, that comes out that demonstrates that the AtriClip is actually what works and works every single time. Relative to the competition coming into the market, I've also mentioned on this call that I do think that when competitors come into the market, that creates awareness, that creates talking points.

It gives us an opportunity to, quite frankly, talk about the strength of our products why our products work, why they are so safe and why they are so effective. And so it really gives us an opportunity on that front. We respect, obviously the competition that is out there. But again, I would say that we do believe that our products are far superior to anything else on the market today.

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

Lilia-Celine Lozada^ To start off on profitability, that was obviously really strong again in the quarter. But I think adjusted and EPS guidance now point to a step down sequentially in the fourth quarter. So what's driving that? Is that just conservatism? Or was there anything onetime to keep in mind for the third quarter?

Angela Wirick^ No, Lily, I'd say conservatism, our overarching philosophy relative to our guidance. We want to make sure that we're, again, putting out guidance that we feel like not only can we meet, but there's a pathway to a beat.

I'd say with the progress that we've also made this year relative to the bottom line, we're looking at our R&D pipeline and saying where can we accelerate investments. You saw a bit of that, not only the kind of clinical trial cost contribution in the quarter from BoxX, but also new product development in different areas. So we continue to look for opportunities to fund growth-related investments, and you're seeing that a bit in 2026 as we exit.

Lilia-Celine Lozada^ Great. And then just to dig a little deeper into gross margin specifically, what's the trajectory of that from here? Can it continue to move up or stay around this level despite the manufacturing dynamics? Or do you expect that to normalize at some point as you have been expecting prior once geographic mix normalizes?

Angela Wirick^ Yes. So geographic mix can be a big driver and influence on gross margin. I think what you saw in the third quarter was despite some of the new facility costs in the quarter, probably the highest percentage U.S. revenue contribution that we've seen in several quarters, several years. 83% of revenue came from the U.S. business with also a mix of very highly favorable products.

So saying that, I'd say looking into the third quarter, or fourth quarter, a full quarter of costs from the new manufacturing facility, we do expect to take a bit of a step down. I think it's only a matter of time as we continue to grow revenue from products that have a favorable gross margin that we can talk about sustaining 77% gross margins longer term.

Operator^ Our next question comes from Joseph Conway with Needham.

Joseph Conway^ Maybe just around international growth. Obviously it seems some slowdown in 2026, but curious if you could maybe talk about your expectations for 2027. And then if possible, maybe just dig in a little deeper into some of the challenges internationally. Is it more regulatory reimbursement friction? Is it just overall slower surgeon adoption? If you could maybe just provide a little bit more color on that, that would be helpful.

Angela Wirick^ Yes. I appreciate the question on 2027, but we're not going to get into specifics on the guide or outlook for 2027 at this point. I think given the trajectory of our international business, clearly would expect the near term for the U.S. business to outpace the growth in our international markets.

That being said, we do think that the international markets, there is still quite a bit of underpenetrated opportunity for us. And we've spent quite a bit of time making sure that the latest products are available in certain of our markets, particularly in Europe.

I think what you're seeing, we talked a bit about this on the previous call execution. We're working with a bit of a newer team in some of the markets in Europe. So continue to focus on their onboarding and getting more kind of proficient at our procedures and driving revenue there.

In the U.K., it's a very localized headwind that we were facing coming into this year with the reimbursement from our cryoSPHERE device. So the pain management device have been pulled. So we're more optimistic now as we sit here today is the NHS coverage for the EnCompass Clamp which was launched in Europe this past year, and we're starting to see some good traction there.

So I think the balance of new products that we're putting in market and a more developed team, hopeful that longer term, we can return to the growth rates that we've enjoyed in the international business previously.

Joseph Conway^ Okay. Great. Yes. That's super helpful. And then maybe just a quick one just on appendage management. Obviously one competitor in the market, potentially another in

the future. Obviously AtriCure has that product depth, that clinical experience and hospital relationships.

But I guess just in terms of the sales force or number of personnel that can be in the field or be present during a procedure, is that a potential disadvantage that you guys could foresee up against some of the larger competitors? And if so, is sales force addition something that's being targeted during this time of increased competition?

Michael Carrel^ It's a very fair question. But fortunately, for us, I think we're actually in a position where we may have the largest cardiac surgery sales force in the market today. We've got -- when you combine all the touch points that we have with sales and clinicals, it's probably around 350 or so people out in the market today.

So we have great coverage. We're in every hospital around the United States. We tend to be in a lot of the procedures in terms of adding a lot of value to how do you do the ablation and what happens on that front and kind of coaching them how to use our products appropriately.

So we're looked to as a value-added partner for most of them. We have great relationships. That doesn't mean that our competitors don't have good relationships on the valve side. They absolutely do.

But we feel like we are really well respected. If you talk to surgeons, APPs, nurses, hospital administrators, I think they would give very high marks to the AtriCure team in terms of both the size and scale, the support that they get, the way that we support them, the knowledge base they have clinically about the procedures is really second to no one out in the market.

So we feel very good about that. That being said, we are continuing to expand our sales team. I wouldn't say it's because of the competitors on the LAA side. It has more to do with getting ready for a BoxX and being able to cover even more cases as we start to see acceleration in that in 2028 is really kind of the goal.

So we will definitely add more territories as we look in 2027. That's been planned for a very long time and it has much more to do with getting ready for the clinical evidence that's going to come out in the PMA approval that we expect in 2028.

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

Daniel Stauder^ So just wanted to follow up on cryoXT. I appreciate the incremental color that you gave in one of your responses, but I just wanted to ask just thus far in the ramp, has anything surprised you?

And how is it compared to some of your more recent pain management launches just given the different market opportunity? Has it gone better than expected? Has there been any areas that have been more challenging or any that have surprised you to the positive? Just any more color there would be great.

Michael Carrel^ Danny, I appreciate the question. And it's gone exactly as expected at this point in time. We feel really good about the adoption we're seeing, the feedback we're getting from it.

We're getting a lot of reorders from the existing accounts. Like most of our launches, especially for new products and new areas and new procedures that we're going after, we tend to take that first kind of 12 to 18 months to really focus on kind of the clinical workflow, learning from that workflow so that we can make sure that as we go to mass adoption that you're going to -- that we actually have that completely worked out and we've got all the training work out.

So we are very targeted only going after one or two sites at a time per area in the country, and that's very deliberate in terms of the way that we do the rollout. And that's kind of how this year has gone.

I think it's gone out in a really smooth way. And all those sites are actually doing reorders because they're seeing great benefit. And what's nice about Cryo Nerve Block is that you see the immediate benefit right away, like literally a couple of hours later, patient wakes up and they actually see the great results of it.

I gave one example during my script, but there are many examples of how they recover more quickly. They're able to kind of get on to their feet, able to walk around, get the prosthetic there, get the dressings in place. All of that is much easier when they do it and they see it immediately.

So that's all going as planned from that standpoint. So what we will see and what we anticipate is that you start to see a bit of an acceleration in '27 and a real acceleration in 2028 for this particular franchise, much like what we saw for the original Cryo adoption early on.

As the kind of word of mouth gets out there and how you see this developing, you're going to start to see that adoption pick up. But right now it's going exactly as planned. We feel really good about it.

Daniel Stauder^ That's great. I appreciate the color there. And just one quick follow-up, staying with pain management, but on the sternotomy market, I think in the past, you said that thoracic is about 20% penetrated.

Can you remind us where sternotomy is today? I think you may have said it's in the low percentages. But as you think about that market as a whole, what do you think is an achievable level there in terms of penetration over the next few years?

Angela Wirick^ Yes, Danny, for the sternotomy market, we think that we're kind of the mid-single-digit penetration at this point. What we tend to see in Cryo Nerve Block use in sternotomy is surgeons who like it and can see the benefit for their patients, they adopt fairly quickly and use it very consistently across their patient subset.

I don't think that, that will be the majority of the market in the near term. I think this is one over time we'll continue to build evidence and continue to show the value proposition. Clearly, devices like the cryoSPHERE MAX, where we're able to reduce the freeze time in a procedure have helped with that adoption. But I'd say near term, very steady and continued penetration in this market just won't look exactly like what we've seen in the thoracic market.

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

Keith Hinton^ Great. Just a couple of questions on the pipeline here. Starting off with BoxX-NoAF. It sounds like enrollment is on target. So should we still be thinking AATS in May is likely to first look at that data and assuming that the data is positive and published around that time. Would you expect the approval and guideline updates to happen kind of simultaneously in 2028? Or could guideline updates take a little bit longer? And then I have a follow-up.

Michael Carrel^ Sure. I think you're hitting on the timeline. So we anticipate spring 2027 at AATS, as you mentioned, is when we will have the data that would get revealed. Typical 12- to 14-month timeline from there.

We will be submitting to the FDA pretty much upon that. We're ready to do all the submission, obviously gathering all that information. So likely in mid-2028 is when we get approval.

I do not anticipate that you'd have the guideline change that quickly. If you look at the way that happened in cardiac on the just AFib ablation, it took many years and a lot of data happened.

We first got our initial approval on that product in 2011, and the guidelines didn't change until 2017. So I don't know that the guidelines will change. That being said, I think getting the PMA approval will allow us to market, obviously aggressively at that point in time. And so that's when we tend to think that there'll be some acceleration kind of in the mid-2028.

Keith Hinton^ Great. Yes. And then next question on the pipeline. Obviously with BoxX-NoAF full enrollment, and I think most of the costs there tend to be at the front end. But just in terms of R&D next year, should we be thinking about kind of flat to down on a dollar basis? Or are there other pipeline assets like maybe an indication build-out for Cryo or something like that, that can kind of step in and we'll still continue to see R&D up year-over-year?

Angela Wirick^ Yes. The primary focus when you think about R&D spending next year would be to continue to develop our dual-energy platform using the EnCompass device. So combining the best of both worlds of RF and PFA into that device.

It would require a clinical trial, IDE level evidence. So that would be an area where new trial initiated in 2027. In each franchise, I'd say the objective in R&D may be a little different. Clearly, in Cryo Nerve Block, we want to continue to look at therapy areas where devices could be beneficial to the patient, but then also developing the data.

So continued focus on registry and investigator study data for that particular franchise. We'll also still have the continuation of follow-up, I'd say in cardiac surgery of two things, both BoxX and LeAAPS. BoxX has a secondary -- another primary endpoint of a three-year follow-up.

So looking at clinical AFib three years down the line. So continue to follow those patients along with the patients that were enrolled in the LeAAPS study. I think what we're describing here is continued investment in growth drivers within R&D in 2027.

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

Suraj Kalia^ So Mike, a couple of questions. I'll ask both of them upfront. First, AtriClip usage across all franchises or segments, what percent would you characterize are "high-risk patients?" Just trying to understand, if any, impact of LAACS-2 for AtriClip.

So that's one question. And my second question, I would say, if you look at the -- you and I have talked about this many times, you look at the totality of evidence on endovascular left atrial appendage devices, they have RCTs, long-term data and the evidence is, I think, just safe to say, quite mixed.

And things are slowing down there pretty rapidly from what we can see. The same level of evidence and RCT is missing on the surgical side. So what do you think helps continued AtriClip growth?

Michael Carrel^ Yes. Well I mean you know I love to talk clinical evidence. So let me go at it for you here, Suraj. So on LAACS-2, the high-risk patients are CHA2DS2-VASc of three or greater. It represents likely probably around 75% to 80% of all cardiac surgery patients, if not more.

If you look at that trial and you saw a 56% reduction in stroke in the LAACS-2 trial specifically, obviously that would be a big win for our LeAAPS trial. The LeAAPS, that is the exact same patient population that is in the LeAAPS trial. And the only device or only method of closing the appendage was with the AtriClip in that trial.

So it is very applicable to the LeAAPS trial. It kind of gives us a look at what that could look like. It's about 1,000 patients in that trial. They were randomized 1:1. It's excellent evidence in that high-risk patient population. Again, you're talking about 70% plus, if not more, that are kind of qualified in that area. And again, it's the exact same patient population using only AtriClip in that trial.

On top of that, you talked about the evidence. And you're right. I mean on the endovascular side, I think the evidence is mixed. The evidence is not mixed in cardiac surgery. In particular, obviously you just saw the LAACS-2 data.

We've got LeAAPS data that will be 6,573 patients. That will obviously produce more evidence than has ever been produced in a randomized type trial on that front. And prior to all of these trials was something called the LAAOS III trial that was 4,800 patients that were randomized as well to not having an appendage managed. And in that case, the only device used in the trial was the AtriClip.

There were cut and sews. It was a global trial. That demonstrated at 3.8 years, a 33% reduction in stroke. Again, that would be another win. And that's actually what has led to the guideline changes and led to the quality metrics that we just talked about earlier in other questions.

So you're asking great questions. In cardiac surgery, there is excellent evidence, and there are trials out there with LAACS-2 with our product and also with LeAAPS to kind of cover almost all of cardiac surgery patients out there.

Operator^ I'm showing no further questions at this time. I would now like to turn it back to Michael Carrel for closing remarks.

Michael Carrel^ Again, thank you, everybody. Great quarter for AtriCure. We're excited about the future and look forward to talking to you at the beginning of the year. Have a great one. Bye now.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.