AtriCure (Q4 2025 Earnings)

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Corporate Speakers:

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

Participants:

- William Plovanic; Canaccord Genuity; Analyst
- Anna Runci; Piper Sandler; Analyst
- Michael Matson; Needham & Company; Analyst
- Marie Thibault; BTIG; Analyst
- Lilia-Celine Lozada; JPMorgan; Analyst
- Daniel Stauder; Citizens JMP; Analyst
- John McAulay; Stifel; Analyst
- Jayna Francis; UBS; Analyst
- Suraj Kalia; Oppenheimer; Analyst

PRESENTATION

Operator^ Good afternoon. And welcome to AtriCure's Fourth Quarter and Full Year 2025 Earnings Conference Call. This call is being recorded for replay purposes. (Operator Instructions) I would now like to turn the call over to Marissa Bych from the Gilmartin Group for a few introductory comments.

Marissa Bych^ Great. Thank you. By now you should have received a copy of the earnings press release. If you have not received a copy, please call (513) 644-4484 to have one e-mailed to you. Before we begin today, let me remind you that the company's remarks include forward-looking statements.

Forward-looking statements are subject to numerous risks and uncertainties many of which are beyond AtriCure's control including risks and uncertainties described from time to time in AtriCure's SEC filings.

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

AtriCure's results may differ materially from those projected. AtriCure undertakes no obligation to publicly update any forward-looking statements. Additionally, we refer to non-GAAP financial measures specifically constant currency revenue, adjusted EBITDA, adjusted EBITDA margin and adjusted loss per share.

A reconciliation of these non-GAAP financial measures with the most directly comparable GAAP measures is included in our press release which is available on our website. And with that, I would like to turn the call over to Mike Carrel, President and CEO.

Michael Carrel^ Thank you. And good afternoon everyone. And thank you for joining us. 2025 was an exceptional year at AtriCure with achievements across our business.

We closed the year with total revenue of $534 million, reflecting 15% growth over 2024 and made substantial improvements to profitability and cash generation with nearly $62 million in adjusted EBITDA and $45 million in cash generated in 2025. More importantly, 2025 demonstrated the power of our innovation engine.

We accelerated worldwide revenue growth in three of our four franchises, driven by newer product launches such as our cryoSPHERE MAX probe and AtriClip FLEX-Mini device, continued adoption of our therapies, notably with the EnCompass Clamp and launched two new products during the year, our AtriClip PRO Mini and cryoXT probe, as a result of our strong operational execution and meaningful progress across these strategic priorities, we are well positioned for the year ahead and reaffirm our guidance for 2026 revenue growth of 12% to 14% growth.

It is now almost one year since we hosted our March 2025 Analyst and Investor Day, where we featured several catalysts for our business and established long-term financial targets.

We committed to sustained double-digit revenue growth, expanding profitability and meaningful cash generation, and we have delivered on all three, simply put, we are outpacing the plan.

We generated revenue growth of 15% for the year, and the operating leverage in our business is becoming increasingly visible. R&D spend is leveling off with the completion of the enrollment in LeAAPS.

Our commercial team is driving efficiency gains in SG&A and our new product launches are contributing to gross margin improvement. In addition to our financial progress, we have advanced key strategic initiatives outlined at our Investor Day.

First, our groundbreaking LeAAPS clinical trial completed enrollment of more than 6,500 patients last July, well ahead of expectations. This trial is evaluating the benefit of our AtriClip devices on non-AF patients undergoing cardiac surgery representing a global opportunity of nearly 1.4 million patients each year.

Interest and participation from our trial investigators was outstanding, with more than 500 surgeons across 137 different sites who enrolled in the LeAAPS trial.

During the years ahead, we will continue to follow LeAAPS patients as we await the results of the trial. Following LeAAPS enrollment, we initiated our BoxX-NoAF clinical trial, a 960 patient randomized controlled trial aimed at reducing the onset of postoperative Afib in cardiac surgery patients who do not have preexisting Afib.

Up to 50% of cardiac surgery patients without Afib will develop postoperative Afib, making it the most common complication in cardiac surgery. The stark reality is that these patients tend to see worse acute and long-term clinical outcomes.

Postoperative Afib is also associated with higher health -- higher health care cost burden, with estimates exceeding $2 billion annually in the United States alone. Using our EnCompass Clamp and AtriClip devices, we believe this trial will demonstrate the benefits of ablation for non-AF patients during cardiac surgery.

We are pleased with our progress on the site initiation and enrollment today and look forward to updating you throughout the year. In addition to these landmark clinical trials, we are also advancing development efforts on our dual energy EnCompass Clamp.

Our goal for this program is centered around shortening RF ablation times and introducing PFA as a complementary energy source. On its own, our innovative EnCompass Clamp technology was a significant step in streamlining cardiac surgery ablation procedures, leading to increasing adoption.

Now by pairing advanced RFA with PFA in our EnCompass device, we will deliver unprecedented speed and flexibility for surgeons. During 2025, we reached two milestones with our development partner and completed first-in-human treatments in December with excellent results.

In the year ahead, we expect to finish device and generate development in preparation of the initiation of a clinical trial, marking another key milestone in our product development pipeline.

At our Investor Day, we shared our strategy for building upon the greenfield opportunity in surgical pain management including expansion into amputation procedures.

We launched our cryoXT device for pain management and amputation procedures in the third quarter of 2025 and continue to receive overwhelmingly positive surgeon feedback. Patients are recovering faster than ever, experiencing less acute postoperative pain and in many cases, with reduced phantom limb pain as well.

We are being deliberate in our rollout with each Cryo Nerve Block at focusing on one account at a time to ensure adoption is sticky before expanding our user base.

As we cultivate this opportunity, we expect cryoXT to contribute more meaningfully to revenue in the back half of 2026. Taking a step back, each strategic initiative coupled

with continuous product innovation that is the hallmark of AtriCure supports our vision to create standards of care across all of our markets.

BoxX-NoAF and LeAAPS also share an objective that is truly transformational for our company, moving standards of care in cardiac surgery towards preventative treatment of Afib and related complications.

Both trials enable AtriCure and AtriCure alone to unlock massive market expansion opportunities and future growth acceleration. Now on operational highlights from each of our franchises from the fourth quarter and full year 2025. Starting with pain management.

In the fourth quarter of 2025, we achieved 24% growth, driven by continued increasing adoption of our cryoSPHERE MAX device. The time savings offered by this device compared to our legacy probes have been compelling to surgeons, particularly there was in thoracic surgery.

For the year, worldwide revenue grew 33% in 2025 and marking an acceleration for 2024 growth. We ended the year with roughly 500 accounts in the U.S., choosing our cryoSPHERE MAX device and saw growth in accounts utilizing Cryo Nerve Block worldwide.

In addition, during 2025, we reached over 100,000 patients treated with our cryoSPHERE probes, framing the tremendous growth and patient impact of this franchise since launching in 2019. Turning now to appendage management.

We delivered fourth quarter growth of 15% globally, with open left atrial appendage growth well outpacing our MIS left atrial appendage devices.

We are pleased with the consistent momentum of our open appendage management business which powered full year worldwide revenue growth for our left atrial appendage franchise of 19% and again, marking an acceleration over 2024.

AtriClip FLEX-Mini and AtriClip PRO Mini largely drove this acceleration in growth with the surgeons drawn to the low profile of our mini AtriClip devices. Much of our growth is volume driven, though we also benefit from a favorable price mix as surgeons convert from legacy devices.

We exited 2025 with over 300 active accounts purchasing FLEX-Mini and saw FLEX-Mini contribute 18% of our worldwide left atrial appendage management revenue in 2025, leading to increased market share in the United States.

We believe our innovation along with our robust clinical evidence and superior product performance has and will continue to differentiate our AtriClip devices from the competition.

Within our Afib ablation franchises, open ablation growth came in over 17% for both fourth quarter and full year 2025 with the EnCompass Clamp being the primary contributor. The durability of EnCompass growth since launch in 2022 exemplifies the staying power of AtriCure innovation.

As I mentioned earlier, EnCompass dramatically reduced procedure times and simplified open-heart ablation enabling a deeper penetration in treating Afib concomitant to cardiac surgery. Our EnCompass Clamp is now present in over 830 accounts worldwide, reflecting a mid-teens increase over 2024.

In the U.S., our EnCompass utilization is further along we are seeing adoption largely improve in penetration of CABG procedures. That said, the treatment of pre-op Afib patients undergoing cardiac surgery remains vastly underpenetrated. At the most recent Society of Thoracic Surgeons, STS conference last month, we were excited to learn that concomitant Afib treatment is no longer optional.

It will be a quality metric in which hospitals will be evaluated and graded by their adoption of this metric. By early next year, it will be included in star ratings which patients and physicians use to determine who provides the best care.

This is only the second time in the past 25 years, where a therapeutic treatment has become a quality metric in cardiac surgery, and we want to recognize the contributions of our physician partners to this effort.

They have put a stake in the ground related to the treatment of Afib which will benefit tens of thousands of patients moving forward. This change builds upon existing societal guidelines that recommend treatment, and AtriCure's specific technology which makes it feasible to treat, placing a spotlight on the opportunity for continued growth in open heart procedures.

And finally, in minimally invasive Afib treatment, our hybrid Afib therapy continued to feel the pressure of PFA adoption in the U.S. in 2025. This was a tough headwind for our business, with full year worldwide revenues declining 26% for 2024.

We believe there's a compelling clinical value for Hybrid AF therapy in patients with long-standing persistent Afib. However it is undeniable that PFA catheters are dominating the stand-alone Afib treatment right now.

As we exited the year, we saw an encouraging sign with sequential revenue improvement in the U.S. from the third quarter to the fourth quarter and added accounts performing the conversion procedure.

While these signals are positive, we are looking for evidence for further stabilization of a Hybrid franchise which reflects broad-based and repeatable trends across our customers.

We remain prudent in our outlook and are assuming continued pressure in our U.S. Hybrid business in 2026, although we are anticipating a lower rate of decline than in 2025.

We remain committed to this market in the millions of patients with advanced Afib who can benefit from our approach. And our team and infrastructure remain ready to scale as the market recognizes the value of Hybrid AF therapy.

In closing, 2025 was a year of substantial growth and remarkable execution for AtriCure. Our progress is a testament to the dedication of our talent of the extended team who remain committed to advancing our mission and our goals.

We are delivering better than promised growth, financial and strategic initiatives and are excited for our momentum to continue in 2026. And we will work to transform standard of care in each one of our markets for many years to come. And with that, I will turn the call over to Angie Wirick, our Chief Financial Officer. Angie?

Angela Wirick^ Thanks, Mike. For the fourth quarter 2025, worldwide revenue reached $140.5 million, representing growth of 13.1% on a reported basis and 12.1% on a constant currency basis when compared to the fourth quarter of 2024.

U.S. revenue grew 12.6% to $114.3 million from the fourth quarter of 2024, supported by robust contribution from newer product launches in pain management and open appendage management, specifically our cryoSPHERE MAX and AtriClip FLEX-Mini devices, along with continued adoption of our EnCompass Clamp in open ablation.

International revenue totaled $26.2 million, up 15.3% on a reported basis and 9.9% on a constant currency basis as compared to the fourth quarter of 2024.

While our international markets delivered solid growth overall, our fourth quarter results were impacted by a decline in sales in the U.K. due to ongoing funding and reimbursement uncertainty with the National Health Service.

The U.K. has been our fastest-growing European market in 2023 and 2024, so this created a meaningful impact in the fourth quarter. Sequentially, worldwide sales grew $6.2 million or 4.6% over the third quarter of 2025.

Gross margin for the fourth quarter of 2025 was 75%, an increase of 45 basis points from 2024, driven primarily by favorable product mix. Research and development expenses decreased $10.5 million on a reported basis, largely due to the upfront payment of $12 million for our exclusive licensing and co-development agreement for PSA Technology in the fourth quarter of 2024 and offset by a $1 million milestone payment in the fourth quarter of 2025.

Excluding these charges, R&D was approximately 2% higher in the fourth quarter of 2025 compared to the prior period, with a decrease in LeAAPS clinical trial costs offset partially by enrollment activity in our BoxX-NoAF clinical trial.

SG&A expenses increased $6.2 million or 8.5% over the fourth quarter of 2024, showing continued leverage when compared with 13% revenue growth. In the fourth quarter, we also continued to build on our momentum on the bottom line, delivering both positive adjusted EBITDA and net income.

We drove positive adjusted EBITDA of $19.9 million for the fourth quarter 2025 compared to $12.7 million in 2024. And net income of $1.8 million versus a $15.6 million net loss in 2024. Earnings per share in the fourth quarter of 2025 was $0.04 and adjusted earnings per share was $0.06, representing a significant improvement over fourth quarter of 2024 which reported a loss per share of $0.33 and an adjusted loss per share of $0.08.

Now to review full year 2025 results. Worldwide revenue was $534.5 million, an increase of 14.9% on a reported basis and 14.4% on a constant currency basis, well ahead of our initial 2025 guidance range of 11% to 13% growth.

U.S. sales increased 13.7% to $435.4 million, international sales increased 20.2% on a reported basis and 17.5% on a constant currency basis to $99.2 million. U.S. open ablation sales increased to $143.8 million or 16.3% growth over 2024, driven by continued strength from EnCompass Clamp sales which ended the year contributing over 60% of our U.S. open ablation revenue.

Our U.S. pain management franchise grew 32.5% to $81.9 million propelled by rapid adoption of the cryoSPHERE MAX probe in both new and existing centers. U.S. appendage management sales reached $178.1 million, a 17.5% increase over 2024, with approximately 24% growth in open appendage management devices offset by a 6% decline in MIS appendage management devices. The primary driver of open appendage management growth in 2025 was the adoption of our AtriClip FLEX-Mini device.

And finally, U.S. MIS revenue was $31.5 million, reflecting a 31.2% decline over 2024 as customers prioritize PFA catheters over our devices. Our Hybrid business was a strong headwind throughout 2025, with a $16 million total decline in our U.S. MIS ablation and MIS appendage management devices.

However taking a step back, the combined strength of our U.S. open ablation, open appendage management and pain management franchises grew U.S. revenue by nearly $69 million or 22% in 2025, more than offsetting the pressure from Hybrid.

International revenue saw robust growth across major geographic regions of franchises, except for pressures in the U.K., as mentioned previously.

We were pleased to see continued strength in our appendage management devices across international markets in 2025, and the acceleration of our open ablation franchise growth, partially due to the launch of our EnCompass Clamp in Europe. Gross margin for the year ended at 75%, an increase of 29 basis points from 2024, driven primarily by more favorable product mix as well as the continued production efficiencies as we scale.

Turning to operating expenses. Full year 2025 operating expenses increased 5.9% to $410.2 million, up from $387.5 million in 2024. Research and development costs as reported expanded by $3 million or 3.2%.

Research and development costs include the upfront payment associated with our PFA partnership agreement in ‘24 as well as the milestone payments in 2025. Excluding these charges, 2025 research and development expenses grew approximately 11%, driven by LeAAPS and BoxX-NoAF trial costs and a modest increase in head count and related spend.

SG&A expenses increased $19.7 million or 6.7%, primarily on increased head count and demonstrating improving leverage. Going forward, we remain committed to funding key R&D initiatives that support innovation and growth while expanding our total operating leverage across the business. Full year 2025 adjusted EBITDA was $61.8 million compared to $31.1 million in 2024, an improvement of $30.6 million.

Our loss per share was $0.24 in 2025 compared to a loss per share of $0.95 in 2024, and adjusted loss per share was $0.11 and $0.67, respectively. We ended 2025 with $167.4 million in cash and investments, reflecting full year cash generation of approximately $45 million.

With these results, we continue to bolster our balance sheet, showing efficient capital management and ensuring financial flexibility to support future growth. And finally, turning to our outlook for 2026.

Consistent with our guidance in early January, we expect to achieve between $600 million and $610 million in revenue for the year, translating to growth of 12% to 14% over the full year 2025 results. From a franchise standpoint, we anticipate pain management will lead growth again in 2026, followed by open appendage management and open ablation growth more closely aligned to the overall guidance range.

As Mike mentioned in his remarks, while we remain cautiously optimistic about minimally invasive ablation and MIS appendage management, we do expect a decline in revenue in 2026, although at a moderated rate.

Geographically, we anticipate both the U.S. and international businesses to deliver growth at rates that are more closely aligned during the year, as our outlook contemplates ongoing uncertainty in the U.K. for the duration of 2026.

Finally, in terms of quarterly cadence, we expect typical seasonality to broadly shape the year on a sequential basis, with first quarter revenue tracking roughly in line to down slightly with the fourth quarter of 2025. From a margin perspective, we anticipate that we will see modest gross margin expansion in 2026 and from the benefit of product and geographic mix as well as cost savings initiatives.

Additionally, as we've shown in 2025, we would anticipate some variability each quarter based on product and geographic mix. Looking at operating expenses, we will continue to exercise disciplined capital allocation, focusing our investments on the next generation of growth drivers for AtriCure.

We project research and development expenses to moderate slightly, growing in low teens on an organic basis and mid-teens on factoring in PFA milestone payments in 2025 and 2026.

Additionally, we expect SG&A spending to continue to grow below top line growth rates, supporting further improvements in overall profitability. On the bottom line, we are excited to reaffirm our 2026 expectation for adjusted EBITDA range of $80 million to $82 million and full year net income.

With the expected cadence on top line and normal first quarter activities, our adjusted EBITDA margin will step down from the fourth quarter 2025 exit rate and gradually build during the year.

Our adjusted EBITDA guidance corresponds to full year earnings per share of approximately $0 to $0.04 and adjusted earnings per share of $0.09 to $0.15. We also anticipate another year of positive cash generation.

As a reminder, we typically experience higher cash outflows within the first quarter of the year due to annual variable compensation payments, share vesting and operational investments. And with that, we anticipate a net cash burn in first quarter of 2026, followed by positive cash generation for the remainder of the year and full year 2026.

Overall, we delivered strong results in 2025 and the outlook for our business demonstrates our commitment to expanding profitability while also enabling key strategic growth initiatives.

We will continue the trajectory from 2025 to exceed our long-range financial targets discussed at our Analyst and Investor Day last March, driving double-digit revenue growth towards our $1 billion revenue goal in 2030 and while improving profitability over 20% adjusted EBITDA margin and all with a focus on creating long-term value for our shareholders. With that, I'll hand the call over to Mike.

Michael Carrel^ Thanks, Angie. In closing, I want to recognize our team for an outstanding year. You remain focused on patients, executed with discipline and never lost sight of the standards of care we are trying to build.

We are well positioned to raise the bar again in 2026, and I am confident in our ability to continue delivering operational excellence across the business. And with that, we'll turn it over to questions. Thank you.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from William Plovanic with Canaccord Genuity.

William Plovanic^ Great. Just first off, obviously some news from a competitor a week or so ago had a pretty significant impact on your stock.

I was just wondering if you would like to just comment on your thoughts on them entering the market and what that might do competitively to your position? And then secondly, just on the LeAAPS trial, you continue to enroll. I mean -- I'm sorry, you continue to do follow-up.

I know you've talked about we'll see data, I think, at 50% and 75% of the event rate. Just wondering if there's been any change in when we'd expect to see some of that data, if it might grow faster than expected or if it's on the timelines?

Michael Carrel^ Thank you and I appreciate that. And obviously we're very cognizant of the competitive entry into the market. From our perspective, as I've mentioned on this call before we kind of take it in a really positive way that it validates our market. It tells you that you've got two major top five medical device companies that have decided that cardiac surgery is a market that matters.

It's a market that is a growth market that people are coming after and coming into, and we've established a leadership position in this market, and we're pretty proud of that. And so we welcome that competition. Like we saw with the previous competitor that came into the space, it grew our revenue growth rate.

If you just look at 2025, we grew 24% on the open left atrial appendage management business that is up from the growth from 2024 from 2024 to 2025. So we're really seeing this impact on our business in a positive way. more people are in conversations.

They're talking about managing the appendage, you now see it in the quality metrics, they're recognizing a trend we saw 10 years ago, if not more, that this is a very large underpenetrated big market opportunity.

And on top of that, I think we are well positioned for the competitive landscape when it comes in because we've made the investments over that 10- to 15-year period to make sure that we did not stop innovating. We're on the 10th generation of the product. We've got minimally invasive products.

We've got open chest products, we are established globally as a leader in this space with over 750,000 implants with an incredible safety rate of 0.07 to demonstrate this product works safely every single time.

It is an incredible product from that standpoint and the efficacy we know is excellent. And we've continued to innovate, as you've seen with our FLEX-Mini product that has established and accelerated growth as well the PRO Mini product we rolled out last year. And as we've mentioned, we've got another new product coming out in 2027.

So we're not going to stop innovating or investing in clinical evidence. And you're seeing that clinical evidence, as Bill, you talked about the LeAAPS trial, 6,573 patients were enrolled in that trial. That trial includes the AtriClip only in the trial.

So half the patients got an AtriClip, half the patients got nothing. The idea there is to demonstrate stroke reduction in patients that are undergoing cardiac surgery who do not have pre-op Afib, we believe that will create even more differentiation on top of the fact that we've already studied over 21,000 patients in over 100 peer-reviewed and published articles over the last 10 years.

So we feel like we are in a great position on that front. To your question, Bill, specifically around when LeAAPS data will come out?

We're not going to release data on when we hit the 50%. What we get is a thumbs-up continue. And so we've already passed 5% to 50% in terms of the number of events thumbs up, continue the trial is ongoing and in a good place. We actually don't see the data.

We just get a positive thumbs up from the committee from the DSMB at that point in time. That will happen again at 75%. And then obviously results will be finalized at 100% of all the events.

So if there was any kind of confusion on that front, what we get is a positive thumbs-up and not specific data that we're going to be able to release necessarily early on that front. But it is a really positive sign that the DSMB basically came back with a big thumbs up and gave us all the encouragement to continue to go forward.

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

Anna Runci^ This is Anna on for Matt. So maybe to start for the guide for the year, I appreciate you reiterated the metrics you provided earlier this year which is really good to see. I guess just with this new competitive entry in the Clip business, any color you can provide on how that might be contemplated into the guidance that you've set out today?

Angela Wirick^ Anna, it's Angie. I think as we started to form our guidance range for 2026, we were expecting this kind of news to come out. I think it was discussed pretty widely with the investment community last year.

So not a big surprise here as we look through the year, have factored in with any of our franchises kind of a range of outcomes there that goes into the overall guide and feel very confident we're reaffirming the guide today, the 12% to 14%. And we have factored in some very, very mild competitive pressures as we think about the back half of the year.

I think we're focused on within our business controlling what we can which is continuing to spread the adoption of the FLEX-Mini Clip.

It is an excellent product and want to make sure that as many customers as possible, have their hands on this prior to the competitive entry. And ultimately, we think by doing that and continuing to focus on our markets, both Afib and non-Afib patients that will ultimately square up for a really good year from a growth perspective.

Anna Runci^ Got it. Super helpful. And then, I guess, a little bit more on the Clip business. It came in a little bit softer than we were modeling this quarter, particularly in the U.S. So just any more color you can provide on the dynamics there and how you're thinking about that business going forward?

Angela Wirick^ Yes. The softness that we saw, particularly in the U.S. came in are minimally invasive Clip, we were down about 6%.

We had a nice quarter in the third quarter, I think, with a lot of accounts choosing to adopt the PRO Mini product, the new product that we launched in 2025 kind of middle of the year and saw a bit of softness there.

I think until our Hybrid ablation business sees kind of growth in procedures year-over-year. And on a repeat basis would expect some variability on that end.

I think, if you take a step back and open appendage management, we were high teens growth in that area of the business for the fourth quarter. Mike talked about in his prepared remarks, open appendage management growth for the year. And I think that's showing the testament of the innovation with our FLEX-Mini Clip and growing awareness and interest in treating appendages during cardiac surgery.

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

Michael Matson^ So I have one, just on LeAAPS. Since the enrollment stopped, I was wondering if that had any impact on your AtriClip business. I guess, can you remind me, were you getting paid for the clips that were used in that? Or were you guys covering the cost of those?

Angela Wirick^ Mike, we were -- we do get paid for the devices that were used in the trial. As Mike mentioned, the LeAAPS clinical trial was randomized 1:1. So half of those devices ultimately would have been revenue generating for us as a business.

I think when you take a step back and look at the volume of open appendage management devices that we do, it's a minimal contribution in any one quarter that we were doing enrollment.

Would also say, and I think we've talked about this quite a bit with investors, there were a number of surgeons who were enrolling in the trial who believe in prophylactic treatment. So by them enrolling in the trial, they were forced to randomize their patients 1:1.

So I think there are probably some areas where we were losing revenue, so to speak, offset by other surgeons who were enrolled in the trial and weren't necessarily prophylactically treating. The overall message here is, yes, revenue contributing, but I'd say on the volume that we were doing, not significant to any one quarter.

Michael Matson^ Okay. That's helpful. Just trying to figure out what it means. I know it was kind of last summer, but -- okay. And then just on EnCompass, I mean obviously this has been a home run product for AtriCure and you're working on the dual energy version, but that's going to require some trials and probably take a couple of years.

So do you have any kind of new versions or enhancements planned kind of in the interim to maybe continue to drive the price mix and just increased penetration into CABG.

Michael Carrel^ Yes. We don't necessarily have a new product iteration coming out. If you recall we first released something the long version of it. And then last year, we released the short version which obviously was a needed acceleration into the market from that standpoint.

The penetration is low in CABG, and we're going to continue to kind of market talk to those customers, get them trained up and do the work associated with that.

In addition to that, we're obviously running the BoxX-NoAF trial which is exclusively using the EnCompass Clamp with the AtriClip. So there is -- that gives us an opportunity to talk to more and more sites that are becoming involved in that trial.

Some of them were not EnCompass users before. And so that's obviously an area of getting kind of exposure to some surgeons that want to be a part of that trial at major academic institutions, et cetera.

It's really important to kind of get them to be part of it. So we will definitely get traction from a variety of different angles with the EnCompass Clamp, but no net new innovation at this point in time nor do we think that it's necessary.

Right now that product is actually showing that we can get the times down to less than 10 minutes of total procedure time. So it's quite remarkable how we're able to get an incredible ablation in that really short period of time.

We're getting more and more articles published. We recently actually had one that was a peer-reviewed article published, it was almost 90% success at one year coming from that in over 150 patients.

So this is something that we're seeing really, really good results with, and we just need to kind of continue to be out there talking about it and talking about the benefits of getting a full ablation in.

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

Marie Thibault^ I wanted to see -- maybe it's a little too in the weeds, but I wanted to see if you could help us size the part of your U.S. appendage management business that might be directly in competition with the new entrants.

One way I was thinking about it as maybe thinking about those open clips that are used in concomitant valve surgeries. And I wondered if you were able to size that for us against sort of the 2025 U.S. revenue you did in appendage management.

Michael Carrel^ We haven't given really specific guidance on those particular areas. As we know that the overall market in this space is there's about 300,000-or-so patients that undergo cardiac surgery.

With the combination of the LeAAPS trial and the Afib patients overall, we believe that, that's obviously a very large market opportunity. About 170,000 to 180,000 of those patients are coronary bypass patients.

So you've got the breakdown that, that is obviously a market that we will be in and is not obviously connected to the valvular space.

I think you guys can see the numbers that it's what, 35,000 to 40,000 or so mitral valves and something similar along those lines, maybe a little bit higher on the aortic valve side, depending on which reports that you look at overall. And then there's obviously other surgeries that kind of happen to kind of make up the total number overall.

When you break down that particular market, when you look at it that way, we're obviously very strong in the valvular market today. That is where a great deal of penetration is, but we also have great advantages in that market, in the sense that usually when people are treating in the mitral valve space, they're also doing an ablation at the same time.

That ablation is critical to the success of that surgery to the recovery of those patients. Penetration is much higher in the mitral valve space in that area, something around 60% to 70% of patients with Afib are actually getting treated, with something whether it's an EnCompass Clamp or our PRO devices or other RF devices combined with AtriClip at the same time.

It's part of the Cox-Maze procedure that is there. And so we feel like we've got a built-in advantage in the sense that we've got over 300 people out in the field that understand how Afib is treated, how you need to treat it properly in the combination of the AtriClip with the ablation devices is a critical understanding that we have that others don't necessarily have from that standpoint.

As we look at the CABG market, obviously that is a greenfield approach, and we're the only ones really in that space exclusively from that standpoint.

Marie Thibault^ Yes. That's great detail, Mike. A quick follow-up for Angie. I heard your discussion of modest gross margin expansion which we're excited to see. On the OpEx leverage, we're seeing SG&A leverage. Could we get a little bit of R&D leverage as well this year as you kind of switch out the trial cost that you're going on?

Angela Wirick^ I think you nailed it, Marie, I'd say on all angles expect modest gross margin improvement. We are seeing the newer product launches, particularly with the strength and uptake in the U.S. markets contributing to an improvement in our gross margin.

Our operations team has also been very focused on some of our highest selling products like the EnCompass Clamp. I can't necessarily call it a new product launch because it's been in the market for a couple of years now in the U.S., but streamlining those costs there.

So you're seeing the benefit of that. You saw that more in earnest as we exited 2025 and expect for that to continue into 2026. Expect SG&A growth to be below top line growth. That was an area of leverage for our business significantly in 2025 should be an area of leverage in 2026.

And the last point on the R&D costs with the conclusion of enrollment in LeAAPS, we are seeing a step down in those clinical trial costs. We still follow patients, so there is still spend in the P&L.

We are expecting a pretty strong year from BoxX-NoAF enrollment perspective. but the mix, the different trial design and size of both of those trials says you're going to start to see some pretty natural leverage coming through within R&D. What we said in our prepared remarks is expect on an organic basis kind of low teens growth in that area.

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

Lilia-Celine Lozada^ Great. Maybe I'll start with one, on profitability. You already hit the 14% adjusted EBITDA guidance that you pointed to at your Investor Day this current quarter. And you still have a few years to go before getting to the end of the LRP.

So is the 14% just conservatism? And if not, what other dynamics will we be keeping in mind as it relates to the progression of adjusted EBITDA moving forward?

Angela Wirick^ Good question, Lilly, the 14%, super happy with the performance, obviously in the fourth quarter on the bottom line, a big milestone for our company, not only the 14% adjusted EBITDA, but pulling in positive net income for the quarter. As we think about going forward, I would expect there to be a step down.

So 2026, the full year shouldn't look like full 14% but we are significantly ahead of our LRP estimates when it comes to the bottom line movement there as well as our top line growth rate.

So I think the dynamics to focus on when we say we're kind of ahead on the bottom line, we've been talking about driving efficiency within the P&L and in our business for a very long time.

I think you're seeing the benefit of size and scale and previous investments ultimately driving us to this point here.

As we look forward, our main priorities are continuing to invest in kind of game-changing clinical trials, LeAAPS and BoxX-NoAF are both those and also making sure that our product portfolio and platforms continue to meet market needs. Each one of our markets is significantly underpenetrated even still today. So we see a lot of opportunity and internal development efforts are a clear priority for us.

So we're pleased with the progress on the bottom line would expect to well exceed kind of the '28 goal here in the near term from an adjusted EBITDA perspective and look forward to continuing to charge towards the 20% EBITDA margin towards the end of the decade.

Lilia-Celine Lozada^ Great. That's helpful. And then just as a follow-up, open with EnCompass has continued to be really strong.

Can you talk through how many patients you've treated with EnCompass in 2025 and where penetration for the product stands relative to the total opportunity? And can you help quantify how meaningful of an opportunity you think the inclusion in the star rating is.

Michael Carrel^ Yes, maybe I'll hit on it. If you look at globally, there's 2 million patients that undergo cardiac surgery. And in 2025, we treated about 50,000. So we're still obviously very underpenetrated in that market. both the LeAAPS and the BoxX-NoAF trial are international trials.

So the idea is not just to get a label in the U.S., but to also get additional reimbursement and market expansion opportunities in countries throughout the world. By including them in the trial, I think that makes it a lot easier and smoother to kind of get that for a trial of that size and scale to go after those markets.

So on a global basis, we are very under-penetrated overall in the market, not just on EnCompass, but on cryoRF, et cetera, because there some there are obviously a lot of surgeons that continue to use some of the original technology that we have that work incredibly well and treat patients today. EnCompass obviously is a big growth driver. You can see there's just lots of opportunity for us.

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

Daniel Stauder^ Yes. Great. So just first one for me. On international sales, you called out the U.K. budget issues. Did that have a more notable impact to any specific segment it looked like international pain management was down slightly?

So maybe it's there. And then how much was that in terms of headwind to total sales as well as maybe on a segment basis during the quarter? And how should we think about this going forward in 2026?

Angela Wirick^ Yes. Danny, when you break down the different franchises in the U.K., the two areas where we saw the most impact was our pain management device for which the NHS pulled reimbursement and said they felt like it was should be covered under different codes.

So we saw a significant reduction in the procedures there. The other area that we saw was in stand-alone treatment of AFib. So our minimally invasive ablation business. That's an elective procedure.

So saw a bit of weakness there as they're prioritizing the more emergent procedures. A little bit less of an impact when you think about our open cardiac procedures. Those tend to be emergent need to be done. But those are the areas that were impacted broadly across the U.K.

We talked about this as one of our fastest-growing markets in Europe over the past couple of years. We were on about a $4 million run rate per quarter. and saw that drop down a little over $1 million in the fourth quarter which is really when we saw the big impact for 2025.

Daniel Stauder^ Got it. No. That's helpful. And just one follow-up for me on cryoXT. You mentioned you were being more deliberate with your rollout. This might be because it's a little bit different of a sales point.

So I was curious if there are any more substantial training with surgeons compared to your prior launches? Or any more nuance on this cryoXT launch as we think about our model and as it ramps up?

Michael Carrel^ Yes. I think it's a great question, and it's kind of the way that we approach new product areas that we're getting into with cryoXT, in particular, very

similar to when we went with EnCompass and felt like we had a really big CABG opportunity there, and we wanted to make sure we took our time.

If you recall this is exactly how we did the rollout with EnCompass. The first six to 12 months, we really were holding back a little bit as we made sure that we learned about the procedure, understood kind of how it worked in this particular surgeons or physicians' hands.

Got feedback on that enabled our training, educated us as we kind of went forward to better train surgeons as we got forward. And -- that's once we did that, we opened up the box really kind of go after everybody. Same thing with XT. This is a very new area.

We're talking to vascular surgeons though, orthopedic surgeons. These are not surgeons that we had -- typically have relationships with, we want to make sure that we get it right, that we get feedback from them that we learn from them as we kind of roll it out to additional sites and go forward.

We're in that learning phase right now. But by the end of this year, we do anticipate or middle of this year, we do anticipate that we're going to open that up quite a bit.

But we're getting great feedback. All of the XT has been positive, but you do learn as you roll that out, especially as you're going into a new therapeutic area like this with new surgeons that you've not worked before.

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

John McAulay^ First one on the PFA program. I was hoping for an update there. A couple of dynamics. I noticed one versus our model, and we might have been mismodeling it, but costs that you paid in the quarter was lower than we were expecting to your PSA partner.

And could you just clarify if that was, again, mismodeling our part or the charge was pushed out? And then just any potential impact on timing there and when we can expect our next update and for a trial to get going?

Angela Wirick^ Yes, John, I don't think it's mismodeling. We had said kind of a range of potential milestones that we would thought could be met within 2025, the third milestone roughly, call it, $4 million pushing into 2026. Everything is on progress.

I think the big news coming out of this particular work is that we had first-in-human use to really good results as we thought -- work through the back end of 2025.

Michael Carrel^ And it doesn't change the timeline to add to that. I think the second part of your question was as we look forward and get ourselves ready for a clinical trial design on that front, we will be ready in the same kind of timeframe we talked about at the Analyst Day.

John McAulay^ That's helpful. And I think it was last month, you made some comments about CONVERGE and some improvements in a few accounts, so I understand the dynamics are still fluid.

You're still expecting declines this year, albeit at a lower rate. Just wanted to get an update about one month on just the state of the field for CONVERGE, what you're seeing on the ground and particularly post the Afib symposium, just any meetings of customers there. And how the dynamics are looking now versus either a month ago or a year ago, however, do you think you'd optimally frame it?

Michael Carrel^ I think that we continue to feel like there is optimism and light. We're seeing many sites that had previously done, CONVERGE went away from it as they got in the PFA are now starting to do -- but it's just not enough cases to feel confident to come out with a number that says, okay.

I've got confidence that consistently every single quarter, we're going to be at a point that we can grow that.

But you are seeing those sites come back. They want to get retrained or they want to kind of look at their workflow again. And so the good news is that we've got a lot of new sites kind of coming on board from that standpoint, just not enough to move the number at this point in time.

So it's a positive outlook but not ready to kind of commit to anything relative to numbers as we look out throughout this year. But it is moving in the right direction as we saw in Q4, and we do feel like we're in a good place, and we're having a lot of good conversations with customers right now.

Operator^ Our next question comes from Danielle Antalffy with UBS.

Jayna Francis^ It's Jayna on for Danielle. I know we're in the early innings of pain management expansion. And I know that you said reps are staying in one account until it's sticky. But I was just wondering, those reps that have successfully been executing. How long are they in the accounts before they're pivoting to the next account?

Michael Carrel^ It's not about time that's about getting the number of cases down with them and making sure that they've got -- they're doing it properly. They've got a protocol right, not just with the surgeon, but also with the kind of after intensive care unit once they kind of have a step-down units in those areas and how they care of these patients.

We do believe that, that -- takes, let's say, it's a 3-month or so process, but it really means they've got to get 10 to 15 cases underneath their belt to really feel really comfortable before we're ready to move on and get that consistency going that we can learn from them on that front.

But we're seeing good progress in a lot of different accounts. And almost every one of our reps has an account that is actually using the product today. So they're already down that pathway, and we've got a pretty good size field team out there.

Jayna Francis^ That's great to hear. And then on open ablation, specifically, how much runway is left from a CABG perspective? And then also, I know you're talking about getting more implanting physicians from the new trials like BoxX-NoAF. I was just curious if you could comment on the percent penetration on that perspective as well.

Michael Carrel^ Specifically to CABG, if you look at Afib patients alone, it's around 20% of the patients that undergo carditis have Afib and they're undergoing it for coronary bypass, about 20% of those patients get it.

But if you look at it in totality, when you start to think about BoxX-NoAF and the expansion opportunity that exists there, that number is obviously much less than 10%, and when you add in the non-Afib patients. So big market opportunities still sitting in front of us.

Operator^ And our final question comes from Suraj Kalia with Oppenheimer.

Suraj Kalia^ Mike, Andy, can you hear me all right?

Michael Carrel^ Yes.

Angela Wirick^ We can.

Suraj Kalia^ Perfect. So Angie, one question, and forgive me if it's a little long. Just wanted to follow up on an earlier question. So Angie, if you look at the U.S. AtriClip, right, for the last three quarters of 2025 being roughly flattish. Is -- can you help us reconcile some of the dynamics here -- so your comment about MIS drop-off picked up by open, fair enough.

Can you give us some idea about how much was LeAAPS contribution? And at the same time obviously there is new product introduction. So what was the ASP lift. Just too many moving parts here and trying to get our bearings right.

And Mike, quickly for you, if I could, what is preventing let's say, (inaudible) is launched next year, right, Q1, Q2 of '27. What is preventing (inaudible) to be used prophylactically post any cardiac surgery because there is a time gap to LeAAPS data comes online.

Angela Wirick^ All right. I'll start, Suraj with your questions. I'd say the dynamic when you're seeing some of the variability on our appendage management line item franchise, it is primarily within our MIS clipping. So we talked about in the third quarter, we had a stronger quarter with adoption of the PRO V or PRO Mini product, I should say.

If we've seen MIS appendage management devices throughout the year, see quite a bit of variability for that to grow in earnest, we need to see growth within our hybrid ablation franchise which obviously was on a downward trajectory throughout 2025.

When I take a step back, we've seen strong growth within our open appendage management devices throughout 2025. When I take a step back in any one quarter, it is a couple of points for our open appendage management products as AtriClip FLEX-Mini takes hold. That is the difference between volume and overall reported revenue growth.

It's a couple of points that is pricing related. We are seeing a lot of customers switch over to our FLEX-Mini device. They like the lower profile that, that device provides, and it comes with the track record and strength of our previous AtriClip platform.

Michael Carrel^ Sure. And to answer your question about whether or not -- or what is the preventative measure that is out there kind of upon a launch? I mean as I described earlier, and you look at the advantages that we have in the market today, both with exceptional products on the safety and the efficacy side of things, we feel like we've got incredible products and new product launches coming out.

We've got our own next-generation product coming out the middle of next year. We believe our products are going to be superior to all products that are on the market.

We've got over 21,000 patients that have been studied using our product today showing exceptional closure. Again, I'm rementioning the 100 peer-reviewed articles that have been out there on top of the fact that we've got an implementation of safety rates that is quite exceptional on that front.

So I think our products alone demonstrate that, and our customers understand that. They also understand that we're the ones investing in the data that is coming out. Every cardiac surgery program, both in the U.S. and around the globe understand there's only one company that is making the investments that we're making in clinical evidence. That's (inaudible).

We're doing big randomized controlled data trials underneath this. And you've seen this in other areas, those that invest in the data, those that invest in proving it out that way wind up winning in the long run. The combination of having the best products with the best clinical evidence today and coming usually wins in the market long term.

You can look at -- you've seen it in the left atrial appendage market already and when you look at the occlusion market. And I would say that you're going to probably see it in this market as well.

That doesn't mean that we're not getting ourselves ready for competitive competitors coming in, trying to ride our totals on the things that we put out there and the trials that we've run and helping out with guidelines and those types of things, we understand that,

and we're very well aware that they're very good competitors. And that the -- and we respect them from that.

We've got to earn the business of our customers every single day, and we're going to do that through one innovation, to clinical evidence. And the third piece is our team that is in the field is second to none in the world. That is across both our field team, our clinicals and our education team that are out there and understanding how does that appendage work?

How does the Afib work and how do you manage that every single day. So I've got a great deal of confidence in our team. Again, that doesn't mean that they're not going to come in and make some noise. This is also why markets grow.

I mean I think that when you look at in big markets, when WATCHMAN came to market, then you have Amulet to market. The market actually grew when big competitors come into their space. And so we believe that the market overall is going to grow, and we are going to get our fair share given all the positives that I just talked about relative to our products and our team.

Operator^ This concludes the question and answer session. I would now like to turn it back to Mike Carrel for closing remarks.

Michael Carrel^ Great. Everyone, thank you for joining us on the call today. We look forward to a great Q1 and talking to you again in the April/May timeframe. Have a great night. Bye now.

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