UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____to_____

Commission File Number 000-51470

AtriCure, Inc.

(Exact name of Registrant as specified in its charter)

Delaware	**34-1940305**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

7555 Innovation Way
Mason, OH 45040
(Address of principal executive offices)

(513) 755-4100
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.001 par value	ATRC	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐	Emerging growth company	☐
Non-Accelerated Filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act: ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES ☐ NO ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at October 28, 2024**
Common Stock, $.001 par value	48,753,251

Table of Contents

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Condensed Consolidated Financial Statements (Unaudited)	3
	Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023	3
	Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three and Nine Months Ended September 30, 2024 and 2023	4
	Condensed Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended September 30, 2024 and 2023	5
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	22
Item 4.	Controls and Procedures	23
PART II. OTHER INFORMATION		23
Item 1.	Legal Proceedings	23
Item 1A.	Risk Factors	23
Item 5.	Other Information	23
Item 6.	Exhibits	24
Signatures		25

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

ATRICURE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Amounts)
(Unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 130,335	$ 84,310
Short-term investments	—	52,975
Accounts receivable, less allowance for credit losses of $400 and $500	54,909	52,501
Inventories	76,546	67,897
Prepaid and other current assets	7,496	8,563
Total current assets	269,286	266,246
Property and equipment, net	43,537	42,435
Operating lease right-of-use assets	6,100	4,324
Intangible assets, net	58,352	63,986
Goodwill	234,781	234,781
Other noncurrent assets	3,012	2,160
Total Assets	$ 615,068	$ 613,932
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 31,736	$ 27,354
Accrued liabilities	39,980	44,682
Current lease liabilities	2,715	2,533
Total current liabilities	74,431	74,569
Long-term debt	61,865	60,593
Finance and operating lease liabilities	12,548	11,368
Other noncurrent liabilities	1,203	1,234
Total Liabilities	150,047	147,764
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Common stock, $0.001 par value, 90,000 shares authorized and 48,748 and 47,526 issued and outstanding	49	48
Additional paid-in capital	851,306	824,170
Accumulated other comprehensive loss	(147)	(993)
Accumulated deficit	(386,187)	(357,057)
Total Stockholders' Equity	465,021	466,168
Total Liabilities and Stockholders' Equity	$ 615,068	$ 613,932

See accompanying notes to condensed consolidated financial statements.

ATRICURE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	$ 115,910	$ 98,290	$ 341,030	$ 292,702
Cost of revenue	29,117	24,421	86,125	72,147
Gross profit	86,793	73,869	254,905	220,555
Operating expenses:				
Research and development expenses	20,960	20,354	61,221	53,119
Selling, general and administrative expenses	73,238	61,604	219,174	185,451
Total operating expenses	94,198	81,958	280,395	238,570
Loss from operations	(7,405)	(8,089)	(25,490)	(18,015)
Other income (expense):				
Interest expense	(1,667)	(1,772)	(4,956)	(5,127)
Interest income	1,281	915	3,230	2,751
Loss on debt extinguishment	—	—	(1,362)	—
Other income (expense)	260	(62)	206	(40)
Loss before income tax expense	(7,531)	(9,008)	(28,372)	(20,431)
Income tax expense	322	47	758	218
Net loss	$ (7,853)	$ (9,055)	$ (29,130)	$ (20,649)
Basic and diluted net loss per share	$ (0.17)	$ (0.20)	$ (0.62)	$ (0.45)
Weighted average shares outstanding—basic and diluted	47,105	46,411	46,912	46,262
Comprehensive income (loss):				
Unrealized gain on investments	$ 15	$ 701	$ 800	$ 2,169
Foreign currency translation adjustment	407	(276)	46	(257)
Other comprehensive income	422	425	846	1,912
Net loss	(7,853)	(9,055)	(29,130)	(20,649)
Comprehensive loss, net of tax	$ (7,431)	$ (8,630)	$ (28,284)	$ (18,737)

See accompanying notes to condensed consolidated financial statements.

ATRICURE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In Thousands)
(Unaudited)

Three-Month Period Ended September 30, 2023

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—June 30, 2023	47,352	$ 47	$ 803,197	$ (338,213)	$ (2,609)	$ 462,422
Impact of equity compensation plans	40	—	9,041	—	—	9,041
Other comprehensive income	—	—	—	—	425	425
Net loss	—	—	—	(9,055)	—	(9,055)
Balance—September 30, 2023	47,392	$ 47	$ 812,238	$ (347,268)	$ (2,184)	$ 462,833

Three-Month Period Ended September 30, 2024

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—June 30, 2024	48,686	$ 49	$ 840,939	$ (378,334)	$ (569)	$ 462,085
Impact of equity compensation plans	62	—	10,367	—	—	10,367
Other comprehensive income	—	—	—	—	422	422
Net loss	—	—	—	(7,853)	—	(7,853)
Balance—September 30, 2024	48,748	$ 49	$ 851,306	$ (386,187)	$ (147)	$ 465,021

Nine-Month Period Ended September 30, 2023

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—December 31, 2022	46,563	$ 47	$ 787,422	$ (326,619)	$ (4,096)	$ 456,754
Impact of equity compensation plans	829	—	24,816	—	—	24,816
Other comprehensive income	—	—	—	—	1,912	1,912
Net loss	—	—	—	(20,649)	—	(20,649)
Balance—September 30, 2023	47,392	$ 47	$ 812,238	$ (347,268)	$ (2,184)	$ 462,833

Nine-Month Period Ended September 30, 2024

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance—December 31, 2023	47,526	$ 48	$ 824,170	$ (357,057)	$ (993)	$ 466,168
Impact of equity compensation plans	1,222	1	27,136	—	—	27,137
Other comprehensive income	—	—	—	—	846	846
Net loss	—	—	—	(29,130)	—	(29,130)
Balance—September 30, 2024	48,748	$ 49	$ 851,306	$ (386,187)	$ (147)	$ 465,021

See accompanying notes to condensed consolidated financial statements.

ATRICURE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	$ (29,130)	$ (20,649)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Share-based compensation expense	30,020	26,416
Depreciation	8,273	6,979
Amortization of intangible assets	5,634	3,655
Amortization of deferred financing costs	359	364
Amortization of investments	107	461
Loss on debt extinguishment	1,362	—
Other non-cash adjustments	725	972
Changes in operating assets and liabilities:		
Accounts receivable	(2,238)	(8,940)
Inventories	(8,571)	(16,037)
Other current assets	1,107	(828)
Accounts payable	4,239	4,147
Accrued liabilities	(4,762)	4,314
Other noncurrent assets and liabilities	(757)	(400)
Net cash provided by operating activities	6,368	454
Cash flows from investing activities:		
Sales and maturities of available-for-sale securities	53,668	63,815
Purchases of property and equipment	(8,766)	(9,212)
Proceeds from sale of property and equipment	25	—
Acquisition of intellectual property	—	(30,000)
Net cash provided by investing activities	44,927	24,603
Cash flows from financing activities:		
Proceeds from revolving credit facility, net of financing costs	61,210	—
Payments on debt and leases	(62,598)	(731)
Payment of financing costs and bank fees	(1,069)	(60)
Proceeds from stock option exercises and employee stock purchase plan	3,875	4,873
Shares repurchased for payment of taxes on stock awards	(6,759)	(6,473)
Net cash used in financing activities	(5,341)	(2,391)
Effect of exchange rate changes on cash and cash equivalents	71	(167)
Net increase in cash and cash equivalents	46,025	22,499
Cash and cash equivalents—beginning of period	84,310	58,099
Cash and cash equivalents—end of period	$ 130,335	$ 80,598
Supplemental cash flow information:		
Cash paid for interest	$ 3,601	$ 4,716
Net cash paid for income taxes	576	228
Non-cash investing and financing activities:		
Accrued purchases of property and equipment	1,184	714

See accompanying notes to condensed consolidated financial statements.

ATRICURE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, except per share amounts)
(Unaudited)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business—The "Company" or "AtriCure" consists of AtriCure, Inc. and its wholly-owned subsidiaries. The Company is a leading innovator in surgical treatments and therapies for atrial fibrillation (Afib), left atrial appendage (LAA) management and post-operative pain management, and sells its products to medical centers globally through its direct sales force and distributors.

Basis of Presentation—The accompanying interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). All intercompany accounts and transactions have been eliminated in consolidation. The accompanying interim financial statements are unaudited, but in the opinion of the Company's management, contain all normal, recurring adjustments considered necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to interim periods. Certain information and footnote disclosures included in annual financial statements prepared in accordance with GAAP have been omitted or condensed. The Company believes the disclosures herein are adequate to make the information presented not misleading. Results of operations are not necessarily indicative of the results expected for the full year or for any future period.

The accompanying interim financial statements should be read in conjunction with the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC. There have been no changes in the Company's significant accounting policies for the nine months ended September 30, 2024 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Use of Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including inventories, intangible assets, valuation allowance for deferred income tax assets, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense, including share-based compensation expense. Estimates are based on historical experience, where applicable, and other reasonable assumptions. Actual results could differ from those estimates.

Segments—The Company's chief operating decision maker is its Chief Executive Officer, who reviews financial information presented on a consolidated basis, accompanied only by revenue information by product type and geographic area, for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has determined that it has a single operating segment. The Company's long-lived assets are located in the United States, except for $4,278 as of September 30, 2024 and $3,432 as of December 31, 2023 located primarily in Europe.

Earnings Per Share—Basic and diluted net loss per share are computed by dividing the net loss by the weighted average number of common shares outstanding during the period. Since the Company has experienced net losses for all periods presented, net loss per share excludes the effect of 2,724 and 1,776 shares as of September 30, 2024 and 2023 because they are anti-dilutive. Therefore, the number of shares used for basic and diluted net loss per share are the same.

2. FAIR VALUE

The Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures" (ASC 820), defines fair value as the exchange price that would be received for an asset or paid to settle a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

ATRICURE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, except per share amounts)
(Unaudited)

The following table represents the Company's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of September 30, 2024:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ —	$ 106,137	$ —	$ 106,137
Total assets	$ —	$ 106,137	$ —	$ 106,137

There were no changes in the levels or methodology of measurement of financial assets and liabilities during the three and nine months ended September 30, 2024.

The following table represents the Company's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ —	$ 77,864	$ —	$ 77,864
Government and agency obligations	12,711	—	—	12,711
Corporate bonds	—	38,033	—	38,033
Asset-backed securities	—	2,231	—	2,231
Total assets	$ 12,711	$ 118,128	$ —	$ 130,839

Contingent Consideration. The Company's contingent consideration arrangements arising from the SentreHEART acquisition obligate the Company to pay certain defined amounts to former shareholders of SentreHEART if specified milestones are met related to the aMAZE™ IDE clinical trial, including PMA approval and reimbursement for the therapy involving SentreHEART's devices. The PMA approval milestone expired December 31, 2023, while the achievement period for the reimbursement milestone expires on December 31, 2026. The Company assessed the projected probability of payment during the contractual achievement periods to be remote, resulting in no reported fair value as of September 30, 2024 and December 31, 2023.

3. INVESTMENTS

The Company had no investments as of September 30, 2024. Investments as of December 31, 2023 consisted of the following:

	Cost Basis	Unrealized Losses	Fair Value
Corporate bonds	$ 38,514	$ (481)	$ 38,033
Government and agency obligations	12,998	(287)	12,711
Asset-backed securities	2,263	(32)	2,231
Total	$ 53,775	$ (800)	$ 52,975

The gross realized gains or losses from sales of available-for-sale investments were not significant in the three and nine months ended September 30, 2024 and 2023.

ATRICURE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, except per share amounts)
(Unaudited)

4. INVENTORIES

Inventories consist of the following:

	September 30, 2024	December 31, 2023
Raw materials	$ 38,087	$ 36,751
Work in process	5,259	3,582
Finished goods	33,200	27,564
Total	$ 76,546	$ 67,897

5. INTANGIBLE ASSETS

The following table provides a summary of the Company's intangible assets:

	September 30, 2024		December 31, 2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Technology	$ 46,470	$ 12,343	$ 46,470	$ 10,084
Patents	30,000	5,775	30,000	2,400
Total	$ 76,470	$ 18,118	$ 76,470	$ 12,484

The following table summarizes the allocation of amortization expense of intangible assets:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenues	$ 1,125	$ 960	$ 3,375	$ 1,440
Research and development expenses	761	739	2,259	2,215
Total	$ 1,886	$ 1,699	$ 5,634	$ 3,655

Future amortization expense is projected as follows:

2024 (excluding the nine months ended September 30, 2024)	$ 1,885
2025	8,441
2026	9,535
2027	10,435
2028	6,535
2029 and thereafter	21,521
Total	$ 58,352

6. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	September 30, 2024	December 31, 2023
Accrued compensation and employee-related expenses	$ 34,509	$ 39,425
Sales returns and allowances	3,153	2,503
Other accrued liabilities	2,318	2,754
Total	$ 39,980	$ 44,682

ATRICURE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, except per share amounts)
(Unaudited)

7. INDEBTEDNESS

On January 5, 2024, the Company entered into a credit agreement (Credit Agreement) with JPMorgan Chase Bank, N.A., as administrative agent, and JPMorgan Chase Bank, N.A., as bookrunner and lead arranger (JPMCB), and Silicon Valley Bank, a Division of First-Citizens Bank & Trust Company, as Joint Lead Arrangers and Joint Bookrunners, and the lenders party thereto (Lenders). The Credit Agreement provides for an asset based revolving credit facility (ABL Facility) in an amount of up to $125,000. Borrowing availability under the ABL Facility is based on the lesser of $125,000 or a borrowing base calculation as defined by the Credit Agreement. The Company may request an increase in the revolving commitment by up to $40,000 (not to exceed a total of $165,000). A portion of the ABL Facility, limited to $5,000, is available for the issuance of letters of credit by JPMCB or other financial institutions. JPMCB in its sole discretion, may create swingline loans by advancing floating rate revolving loans requested. Any such swingline loans will reduce availability under the ABL Facility on a dollar-for-dollar basis.

At closing, the Company borrowed $61,865. The proceeds of the ABL Facility were used to terminate the Company's outstanding indebtedness and final fee under the Loan and Security Agreement with Silicon Valley Bank (SVB Loan Agreement). Certain prepayment and early termination fees under the SVB Loan Agreement were waived at termination. The termination of the SVB Loan Agreement was treated as a debt extinguishment and the resulting loss on debt extinguishment is $1,362. As of September 30, 2024, the Company had borrowings of $61,865 and had borrowing capacity of $61,885 under the ABL facility.

The Credit Agreement has a three-year term, and all outstanding borrowings are due upon maturity of the Credit Agreement on January 5, 2027. Through January 2025, the Company's required minimum utilization of the ABL facility is 40% of the aggregate revolving commitment or $50,000. Subject to customary exceptions and restrictions, the Company may voluntarily prepay outstanding amounts under the ABL Facility at any time thereafter without premium or penalty. Any voluntary prepayments made will not reduce commitments under the ABL Facility. The Credit Agreement contains mandatory prepayment provisions which require prepayment of amounts outstanding under the ABL Facility upon specified events or Availability shortfall.

Future maturities of long-term debt are projected as follows:

2024 (excluding the nine months ended September 30, 2024)	$	—
2025		—
2026		—
2027		61,865
2028		—
Total long-term debt, of which $61,865 is noncurrent	$	61,865

The ABL Facility is subject to a facility fee of 0.37% per annum of the daily available revolving commitment and paid on a quarterly basis. Outstanding amounts under the Credit Agreement bear interest at a rate per annum equal to, at the Company's election: (i) an alternate base rate (ABR) plus an applicable margin or (ii) an adjusted term secured overnight financing rate (SOFR) plus an applicable margin. All swingline loans bear interest at a rate per annum equal to the ABR plus the applicable margin under the Credit Agreement. Alternate base rate is equal to the greater of Prime, the NYFRB Rate plus 0.50% or Adjusted Term SOFR Rate plus 1.00%. The applicable margin on borrowings will adjust ranging 1.50% to 1.75% per annum for ABR borrowings and from 2.50% to 2.75% per annum for SOFR term borrowings determined by the average historical excess availability. Participation and fronting fees are accrued and paid on a quarterly basis.

The ABL Facility is secured by the assets of the Company, consisting of personal, tangible or intangible property, including certain outstanding equity interests of the Company's direct subsidiaries, subject to limitations specified in the Credit Agreement. The Credit Agreement contains customary representations and warranties, events of default and financial, affirmative and negative covenants for facilities of this type, including but not limited to financial covenants relating to a fixed charge coverage ratio, a minimum liquidity requirement and a minimum excess availability requirement, and restrictions on indebtedness, liens, investments and acquisitions, asset dispositions, specified agreements, restricted payments and prepayment of certain indebtedness.

ATRICURE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, except per share amounts)
(Unaudited)

8. LEASES

The Company has operating and finance leases for office, manufacturing and warehouse facilities and automobiles. The Company's leases have remaining lease terms of less than one year to nine years. Options to renew or extend leases beyond their initial term have been excluded from measurement of the right-of-use (ROU) assets and lease liabilities as exercise is not reasonably certain.

The weighted average remaining lease term and the discount rate for the reporting periods are as follows:

	September 30, 2024	December 31, 2023
Operating Leases		
Weighted average remaining lease term (years)	4.8	4.8
Weighted average discount rate	6.85 %	5.75 %
Finance Leases		
Weighted average remaining lease term (years)	5.9	6.7
Weighted average discount rate	7.00 %	6.93 %

A letter of credit for $1,250 issued to the lessor of the Company's corporate headquarters building is renewed annually and remains outstanding as of September 30, 2024.

The components of lease expense are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost	$ 423	$ 325	$ 1,187	$ 960
Finance lease cost:				
Amortization of right-of-use assets	262	255	785	765
Interest on lease liabilities	157	166	474	511
Total finance lease cost	$ 419	$ 421	$ 1,259	$ 1,276

Short-term lease expense was not significant for the three and nine months ended September 30, 2024 and 2023.

Supplemental cash flow information related to leases is as follows:

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 1,206	$ 905
Operating cash flows for finance leases	474	511
Financing cash flows for finance leases	774	731
Right-of-use assets and corresponding lease obligations related to new and modified lease agreements:		
Operating leases	2,651	1,068
Finance leases	421	—

(In Thousands, except per share amounts)

Supplemental balance sheet information related to leases is as follows:

	September 30, 2024	December 31, 2023
Operating Leases		
Operating lease right-of-use assets	$ 6,100	$ 4,324
Current lease liabilities	$ 1,558	$ 1,447
Finance and operating lease liabilities	4,957	3,307
Total operating lease liabilities	$ 6,515	$ 4,754
Finance Leases		
Property and equipment, at cost	$ 14,765	$ 14,620
Accumulated depreciation	(8,614)	(8,105)
Property and equipment, net	$ 6,151	$ 6,515
Current lease liabilities	$ 1,157	$ 1,086
Finance and operating lease liabilities	7,591	8,061
Total finance lease liabilities	$ 8,748	$ 9,147

Future maturities of lease liabilities as of September 30, 2024 are as follows:

	Operating Leases	Finance Leases
2024 (excluding the nine months ended September 30, 2024)	$ 388	$ 435
2025	1,808	1,742
2026	1,606	1,774
2027	1,560	1,808
2028	959	1,842
2029 and thereafter	1,416	3,158
Total payments	$ 7,737	$ 10,759
Less imputed interest	(1,222)	(2,011)
Total	$ 6,515	$ 8,748

9. COMMITMENTS AND CONTINGENCIES

License Agreement. The Company had been a party to a license agreement that required royalty payments of 5% of specified product sales. In May 2023, the Company entered into an agreement that terminated the license agreement and the Company's obligations to make royalty payments under the license agreement. See *Legal* section below for additional information.

Purchase Agreements. The Company enters into standard purchase agreements with suppliers in the ordinary course of business, generally with terms that allow cancellation.

Legal. The Company may, from time to time, become a party to legal proceedings. Such matters are subject to many uncertainties and to outcomes of which the financial impacts are not predictable with assurance and that may not be known for extended periods of time. A liability is established once management determines a loss is probable and an amount can be reasonably estimated. The Company recognizes income from a favorable resolution of legal proceedings when the associated cash or assets are received.

(In Thousands, except per share amounts)

The Company received a Civil Investigative Demand from the U.S. Department of Justice (USDOJ) in December 2017 stating that it was investigating the Company to determine whether the Company has violated the False Claims Act, relating to the promotion of certain medical devices related to the treatment of atrial fibrillation for off-label use and submitted or caused to be submitted false claims to certain federal and state health care programs for medically unnecessary healthcare services. In March 2021, USDOJ informed the Company that its investigation was based on a lawsuit brought on behalf of the United States and various state and local governments under the *qui tam* provisions of federal and certain state and local False Claims Acts. Although the USDOJ and all of the state and local governments declined to intervene, the relator continued to pursue the case. During the third quarter of 2022, the relator filed a Fourth Amended Complaint, which alleged that the Company paid illegal kickbacks. In September 2024, the District Court granted the Company's motion to dismiss the Fourth Amended Complaint and denied the relator's request for leave to further amend the complaint.

On August 23, 2022, the Cleveland Clinic Foundation (“CCF”) and IDx Medical, Ltd. (“IDx”) filed a Demand for Arbitration against the Company with the American Arbitration Association (“AAA”), alleging that the Company breached certain provisions of the License Agreement dated December 9, 2003 among the Company, Clinic and IDx (“License Agreement”). Clinic and IDx alleged that the Company did not include the revenues from sales of certain products in its royalty payments due under the License Agreement, and the Company did not provide related notices required under the License Agreement. The Company filed its Answering Statement and Counterclaims to the allegations in September 2022, denying each claim and counterclaiming for breach of contract, correction of inventorship, declaratory judgment, patent prosecution and legal fees. In May 2023, the Company entered into an Assignment and Agreement Regarding IDx and CCF Intellectual property (“Assignment Agreement”) with Clinic and IDx. Pursuant to the Assignment Agreement, during the second quarter of 2023, the Company made a one-time payment of $33,400 to Clinic and IDx for the acquisition of patents and other intellectual property. The Assignment Agreement also requires dismissal of the arbitration and release of payment for royalty obligations due to Clinic and IDx under the License Agreement after March 31, 2023. The amount paid, together with transaction costs, was allocated between the acquired intangible asset, the release of payment for royalty obligations and the settlement of the dispute. The intangible asset was assigned a value of $30,000 and is being amortized over an estimated useful life of 5 years. The release of the royalty obligations was valued at $432. The remaining $3,088 was allocated to the settlement and was included in selling, general and administrative expenses for the nine months ended September 30, 2023.

During the first quarter of 2023, the Company entered into a legal settlement for $7,500 in connection with the settlement of claims filed against a competitor. The Company recorded a $7,500 gain for the nine months ended September 30, 2023 for the proceeds received as a reduction to selling, general and administrative expenses.

10. REVENUE

The Company develops, manufactures and sells devices designed for surgical ablation of cardiac tissue, exclusion of the left atrial appendage, and temporarily blocking pain by ablating peripheral nerves. These devices are marketed to a broad base of medical centers globally. The Company recognizes revenue when control of promised goods is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods.

United States revenue by product type is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Open ablation	$ 30,601	$ 25,844	$ 90,661	$ 77,988
Minimally invasive ablation	11,117	10,893	35,263	31,900
Pain management	16,314	12,591	44,059	36,249
Total ablation	$ 58,032	$ 49,328	$ 169,983	$ 146,137
Appendage management	37,420	32,364	111,257	98,647
Total United States	$ 95,452	$ 81,692	$ 281,240	$ 244,784

(In Thousands, except per share amounts)

International revenue by product type is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Open ablation	$ 8,607	$ 8,007	$ 25,679	$ 23,015
Minimally invasive ablation	1,681	1,578	5,559	4,820
Pain management	1,590	547	3,768	1,214
Total ablation	$ 11,878	$ 10,132	$ 35,006	$ 29,049
Appendage management	8,580	6,466	24,784	18,869
Total International	$ 20,458	$ 16,598	$ 59,790	$ 47,918

Revenue attributed to customer geographic locations is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States	$ 95,452	$ 81,692	$ 281,240	$ 244,784
Europe	12,215	9,217	36,193	28,075
Asia Pacific	6,914	6,568	19,916	18,095
Other International	1,329	813	3,681	1,748
Total International	20,458	16,598	59,790	47,918
Total Revenue	$ 115,910	$ 98,290	$ 341,030	$ 292,702

11. INCOME TAX PROVISION

The Company files federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The Company uses the asset and liability method to determine its provision for income taxes. The Company's provision for income taxes in interim periods is computed by applying the discrete method and is based on financial results through the end of the interim period. The Company determined that using the discrete method is more appropriate than using the annual effective tax rate method. The Company is unable to estimate the annual effective tax rate with sufficient precision to use the effective tax rate method, which requires a full-year projection of income. The effective tax rate for the three months ended September 30, 2024 and 2023 was (4.3%) and (0.5%). The effective tax rate for the nine months ended September 30, 2024 and 2023 was (2.7%) and (1.1%). The Company's worldwide effective tax rate differs from the US statutory rate of 21% primarily due to valuation allowances.

The Company's federal, state, local and foreign tax returns are routinely subject to review by various taxing authorities. The Company has not accrued any interest and penalties related to unrecognized income tax benefits as a result of offsetting net operating losses. However, if required, the Company will recognize interest and penalties within income tax expense and within the related tax liability.

12. EQUITY COMPENSATION PLANS

The Company has two share-based incentive plans: the 2023 Stock Incentive Plan (2023 Plan) and the 2018 Employee Stock Purchase Plan (ESPP).

Stock Incentive Plan

Under the 2023 Plan, the Board of Directors may grant restricted stock awards or restricted stock units (collectively RSAs), nonstatutory stock options, performance share awards (PSAs) or stock appreciation rights to Company employees, directors and consultants, and may grant incentive stock options to Company employees. The Compensation Committee of the Board of Directors, as the administrator of the 2023 Plan, has the authority to determine the terms of any awards, including the number of shares subject to each award, the exercisability of the awards and the form of consideration. As of September 30,

(In Thousands, except per share amounts)

2024, 4,087 shares of common stock have been reserved for issuance under the 2023 Plan, and 2,482 shares were available for future grants. The Company issues registered shares of common stock for stock option exercises, restricted stock grants and performance share award payments.

Employee Stock Purchase Plan

Under the ESPP, shares of the Company's common stock may be purchased at a discount (15%) to the lesser of the closing price of the Company's common stock on the first or last trading day of the offering period. The offering period (currently six months) and the offering price are subject to change. Participants may not purchase more than $25 of the Company's common stock in a calendar year or more than 3 shares during an offering period. As of September 30, 2024, there were 621 shares available for future issuance under the ESPP.

Share-Based Compensation Expense Information

The following table summarizes the allocation of share-based compensation expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	$ 578	$ 442	$ 1,736	$ 1,356
Research and development expenses	1,738	1,485	5,090	4,329
Selling, general and administrative expenses	8,048	6,734	23,194	20,731
Total	$ 10,364	$ 8,661	$ 30,020	$ 26,416

13. COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS

In addition to net losses, comprehensive loss includes foreign currency translation adjustments and unrealized gains (losses) on investments.

Accumulated other comprehensive loss consisted of the following, net of tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total accumulated other comprehensive loss at beginning of period	$ (569)	$ (2,609)	$ (993)	$ (4,096)
Unrealized Gains (Losses) on Investments				
Balance at beginning of period	$ (15)	$ (2,230)	$ (800)	$ (3,698)
Other comprehensive income before reclassifications	15	701	800	2,169
Balance at end of period	$ —	$ (1,529)	$ —	$ (1,529)
Foreign Currency Translation Adjustment				
Balance at beginning of period	$ (554)	$ (379)	$ (193)	$ (398)
Other comprehensive income (loss) before reclassifications	586	(286)	199	(133)
Amounts reclassified to other (expense) income	(179)	10	(153)	(124)
Balance at end of period	$ (147)	$ (655)	$ (147)	$ (655)
Total accumulated other comprehensive loss at end of period	$ (147)	$ (2,184)	$ (147)	$ (2,184)

ATRICURE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, except per share amounts)
(Unaudited)

14. SUBSEQUENT EVENT

During October 2024, the Company entered into an exclusive licensing agreement with a third-party to co-develop and commercialize equipment incorporating pulsed field ablation (PFA) technology. The agreement requires upfront payment of $12,000 during the fourth quarter of 2024 and obligates the Company to pay up to $28,000 in additional consideration if defined milestones are met during specified periods concluding ten years from the effective date. The agreement also contains provisions requiring future royalty payments on devices incorporating co-developed technology upon commercialization. There was no financial impact during the third quarter of 2024 related to the agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollar amounts referenced in this Item 2 are in thousands, except per share amounts.)

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and notes thereto contained in Item 1 of Part I of this Form 10-Q and our audited financial statements and notes thereto as of and for the year ended December 31, 2023 included in our Form 10-K filed with the Securities and Exchange Commission (SEC) to provide an understanding of our results of operations, financial condition and cash flows. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth under Item 1A "Risk Factors," the cautionary statement regarding forward-looking statements below and elsewhere in this Form 10-Q.

Forward-Looking Statements

This Form 10-Q, including the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Quantitative and Qualitative Disclosures about Market Risk" and "Risk Factors," contains forward-looking statements regarding our future performance. All forward-looking information is inherently uncertain and actual results may differ materially from assumptions, estimates or expectations reflected or contained in the forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this quarterly report on Form 10-Q, and in our annual report on Form 10-K for the year ended December 31, 2023. There may be additional risks of which we are not presently aware or that we currently believe are immaterial which could have an adverse impact on our business. Forward-looking statements often address our expected future business, financial performance, financial condition and results of operations, and often contain words such as "intends," "estimates," "anticipates," "hopes," "projects," "plans," "expects," "drives," "seek," "believes," "see," "focus," "should," "will," "would," "opportunity," "outlook," "could," "can," "may," "future," "predicts," "target," "potential," "forecast," "trend," "might" and similar expressions and the negative versions of those words, and may be identified by the context in which they are used. However, the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements include, without limitation, statements that address activities, events, circumstances or developments that AtriCure expects, believes or anticipates will or may occur in the future, such as earnings estimates (including projections and guidance), other predictions of financial performance, launches by AtriCure of new products, developments with competitors and market acceptance of AtriCure's products. Such statements are based largely upon current expectations of AtriCure. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to different materially from those expressed or implied. Forward-looking statements are based on AtriCure's expectations, experience and perception of current conditions, trends, expected future developments and other factors it believes are appropriate under the circumstances and are subject to numerous risks and uncertainties, many of which are beyond AtriCure's control. In other words, these statements are not guarantees of future performance and inherently involve a wide range of risks and uncertainties that are difficult to predict. With respect to the forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements speak only as of the date of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise unless required by law.

Overview

We are a leading innovator in treatments for atrial fibrillation (Afib), left atrial appendage (LAA) management and post-operative pain management. Our ablation and left atrial appendage management (LAAM) products are used by physicians during both open-heart and minimally invasive procedures. In open-heart procedures, the physician is performing heart surgery for other conditions and our products are used in conjunction with (or "concomitant" to) such a procedure. Minimally invasive procedures are performed on a standalone basis, and often include multi-disciplinary or "hybrid" approaches, combining surgical procedures using AtriCure ablation and LAAM products with catheter ablation procedures performed by electrophysiologists. Our pain management devices are used by physicians to freeze nerves during cardiothoracic or thoracic surgical procedures. We anticipate that substantially all of our revenue for the foreseeable future will relate to products we currently sell or are in the process of developing.

We sell our products to medical centers through our direct sales force in the United States, Germany, France, the United Kingdom, the Benelux region, Australia and Canada. We also sell our products through distributors who in turn sell our products to medical centers in other markets. Our business is primarily transacted in U.S. Dollars; direct sales transactions outside the United States are transacted in Euros, British Pounds, Australian Dollars or Canadian Dollars.

Recent Developments

In 2024, we realized strong global revenue growth resulting from our continued strategic initiatives of product innovation, clinical science and physician education and training to expand awareness and adoption. Our worldwide revenue for the nine months ended September 30, 2024 was $341,030, representing an increase of $48,328, or 16.5%, over the first nine months of 2023, driven by growing adoption across key product lines as well as new product launches. Historically there have been limited competitors in our key markets. However, new entrants are developing competing products, procedures, and/or clinical solutions that may cause variability in our results.

Highlights of the strategic and operational advancements include:

PRODUCT INNOVATION. We continue to invest in research and development of new products and pursue regulatory approvals to market and sell globally across all franchises. Throughout 2024, we received several additional CE Mark certifications under the European Medical Device Regulation (EU MDR).

- **Open.** During the third quarter 2024, we received regulatory approval to sell the ENCOMPASS® clamp in CE-marked countries in the European Union, representing a significant expansion of our open ablation franchise products in Europe.

- **Minimally invasive.** In the first half of 2024, FDA granted 510(k) clearance for EPi-Ease™, our Hybrid access device to facilitate guide-wire delivery, vacuum application and endoscope insertion. During the third quarter, FDA granted 510(k) clearance for our EnCapture clamp, the newest in our line of Isolator® Synergy™ Ablation System clamps, with enhanced geometry and features to facilitate engagement with intended cardiac tissue.

- **Pain management.** During the second quarter of 2024, we launched the cryoSPHERE®+ cryoablation probe for pain management in the US. The cryoSPHERE®+ device leverages new technology that minimizes thermal loss by focusing energy at the ball tip, allowing for a reduction in freeze time by 25%. Further, the cryoSPHERE MAX™ probe, recently launched in October 2024, features a larger ball tip designed to optimize Cryo Nerve Block therapy. This new probe reduces freeze times by 50% when compared to the first generation cryoSPHERE® cryoablation probe, and over 30% when compared to the cryoSPHERE®+ probe.

- **Appendage management.** The first patient was treated and we launched the AtriClip® FLEX-Mini™ device in the US during the third quarter of 2024. The AtriClip FLEX-Mini sets a new standard as the smallest profile for surgical LAA device on the market and builds upon the proven technology of our AtriClip platform, with ease of use and design simplicity that offers enhanced access and increased visibility for physicians. We also obtained additional international regulatory approvals for our AtriClip platform during the third quarter. In China, we received approval to market and sell several models of our AtriClip® Left Atrial Appendage Exclusion System from the National Medical Products Administration (NMPA) of China. In CE-marked countries in Europe, we received expanded indication for the AtriClip for use in patients at high risk of thromboembolism for whom left atrial appendage exclusion is warranted.

CLINICAL SCIENCE. We invest in studies to expand labeling claims, support various indications for our products and gather and publish clinical data for therapies and procedures involving our products. One of our critical initiatives is the Left Atrial Appendage Exclusion for Prophylactic Stroke Reduction (LeAAPS) IDE clinical trial. LeAAPS is designed to evaluate the effectiveness of prophylactic LAA exclusion using the AtriClip LAA Exclusion System for the prevention of ischemic stroke or systemic arterial embolism in cardiac surgery patients without pre-operative AF diagnosis who are at risk for these events. This prospective, multicenter, randomized trial evaluates safety at 30 days post-procedure to demonstrate no increased risk with LAA exclusion during cardiac surgery, and efficacy over a minimum follow-up of five years post procedure. The trial provides for enrollment of up to 6,500 subjects at up to 250 sites worldwide. The first patient was enrolled in the trial in January 2023, and we ended the third quarter of 2024 with over 3,400 patients enrolled. Site initiation and enrollment is ongoing.

TRAINING. Our professional education team conducts a variety of in-person and virtual training programs for physicians and other healthcare professionals. These training methods ensure access to continuing education and awareness of our products and related procedures. During 2023, we launched new training courses for Advanced Practice Providers, pain management in pectus procedures, as well as a best practice course for developing arrhythmia programs, with a primary focus on Hybrid therapies. These training events allow for collaborative, hands-on engagement with our physician partners and other healthcare professionals. Additionally, our professional education courses continue to be enhanced by the use of simulation models or synthetic cadavers, known as CADets. These reusable CADets provide a sustainable alternative to the use of cadaver specimens, in addition to increasing the efficiencies of education and more cost effective training alternatives. In 2024, we continue to innovate physician training to improve accessibility and efficiency for our physician partners. We are currently piloting the use of live streaming to enable remote proctoring and case observation.

Results of Operations

Three months ended September 30, 2024 compared to three months ended September 30, 2023

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts and as percentages of revenue:

	Three Months Ended September 30,			
	2024		2023	
	Amount	% of Revenues	Amount	% of Revenues
Revenue	$ 115,910	100.0 %	$ 98,290	100.0 %
Cost of revenue	29,117	25.1	24,421	24.8
Gross profit	86,793	74.9	73,869	75.2
Operating expenses:				
Research and development expenses	20,960	18.1	20,354	20.7
Selling, general and administrative expenses	73,238	63.2	61,604	62.7
Total operating expenses	94,198	81.3	81,958	83.4
Loss from operations	(7,405)	(6.4)	(8,089)	(8.2)
Other expense, net:	(126)	(0.1)	(919)	(0.9)
Loss before income tax expense	(7,531)	(6.5)	(9,008)	(9.2)
Income tax expense	322	0.3	47	—
Net loss	$ (7,853)	(6.8) %	$ (9,055)	(9.2) %

Revenue. The following table sets forth, for the periods indicated, our revenue by product type and geography expressed as dollar amounts and the corresponding change in such revenues between periods, in both dollars and percentages:

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
Open ablation	$ 30,601	$ 25,844	$ 4,757	18.4 %
Minimally invasive ablation	11,117	10,893	224	2.1
Pain management	16,314	12,591	3,723	29.6
Appendage management	37,420	32,364	5,056	15.6
Total United States	$ 95,452	$ 81,692	$ 13,760	16.8
Total International	20,458	16,598	3,860	23.3
Total revenue	$ 115,910	$ 98,290	$ 17,620	17.9 %

Worldwide revenue increased 17.9% (17.8% on a constant currency basis). In the United States, sales grew in key product lines, including our ENCOMPASS® clamp in open ablation, AtriClip® Flex·V® for appendage management and our cryoSPHERE® probes for post-operative pain management. Growth in minimally invasive ablation was driven by our EPi-Sense® System devices for Hybrid AF™ Therapy. International sales increased 23.3% (22.4% on a constant currency basis), with strength across all franchises in Europe and most of our other major markets.

Revenue reported on a constant currency basis is a non-GAAP measure calculated by applying previous period foreign currency exchange rates, which are determined by the average daily exchange rate, to each of the comparable periods. Revenue is analyzed on a constant currency basis to better measure the comparability of results between periods. Because changes in foreign currency exchange rates have a non-operating impact on revenue, we believe that evaluating growth in revenue on a constant currency basis provides an additional and meaningful assessment of revenue to both management and investors.

Cost of revenue and gross margin. Cost of revenue increased $4,696 primarily reflecting higher sales volumes. Gross margin decreased 27 basis points, driven primarily by less favorable geographic and product mix.

Research and development expenses. Research and development expenses increased $606 or 3.0%. Expansion of product development, clinical and regulatory teams resulted in $1,815 increase in personnel costs including travel and share-based compensation. Clinical trial expenses increased $739 from increased clinical activity and consulting costs, driven by LeAAPS clinical trial patient enrollment and follow up activities. These increases were partially offset by a $2,179 decrease in product development project spend and regulatory filings and submission costs incurred in 2023 related to several products brought to market in 2024, including cryoSPHERE+ and AtriClip FLEX-Mini.

Selling, general and administrative expenses. Selling, general and administrative expenses increased $11,634, or 18.9%, driven by $9,337 increase in personnel costs including travel and share-based compensation, primarily reflecting headcount growth and variable compensation. Consulting fees increased $1,274, while marketing and meeting costs increased $725. Professional services, IT and other corporate costs grew $444, offset by a $401 decrease in training costs.

Other income (expense). Other income and expense consists primarily of net interest expense and net foreign currency transaction gains or losses.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

The following table sets forth, for the periods indicated, our results of operations expressed as dollar amounts and as percentages of revenue:

	Nine Months Ended September 30,			
	2024		2023	
	Amount	% of Revenues	Amount	% of Revenues
Revenue	$ 341,030	100.0 %	$ 292,702	100.0 %
Cost of revenue	86,125	25.3	72,147	24.6
Gross profit	254,905	74.7	220,555	75.4
Operating expenses:				
Research and development expenses	61,221	18.0	53,119	18.1
Selling, general and administrative expenses	219,174	64.3	185,451	63.4
Total operating expenses	280,395	82.2	238,570	81.5
Loss from operations	(25,490)	(7.5)	(18,015)	(6.2)
Other expense, net:	(2,882)	(0.8)	(2,416)	(0.8)
Loss before income tax expense	(28,372)	(8.3)	(20,431)	(7.0)
Income tax expense	758	0.2	218	0.1
Net loss	$ (29,130)	(8.5) %	$ (20,649)	(7.1) %

Revenue. The following table sets forth, for the periods indicated, our revenue by product type and geography expressed as dollar amounts and the corresponding change in such revenues between periods, in both dollars and percentages:

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
Open ablation	$ 90,661	$ 77,988	$ 12,673	16.2 %
Minimally invasive ablation	35,263	31,900	3,363	10.5
Pain management	44,059	36,249	7,810	21.5
Appendage management	111,257	98,647	12,610	12.8
Total United States	$ 281,240	$ 244,784	$ 36,456	14.9
Total International	59,790	47,918	11,872	24.8
Total revenue	$ 341,030	$ 292,702	$ 48,328	16.5 %

Worldwide revenue increased 16.5% (16.5% on a constant currency basis). In the United States, growth in all key product lines reflected continuing adoption of our products, including the ENCOMPASS clamp in open ablation, Hybrid AF Therapy procedures using the EPi-Sense System in minimally invasive ablation, cryoSPHERE probes for post-operative pain

management and AtriClip Flex·V for appendage management in open-chest procedures. International sales increased 24.8% (24.6% on a constant currency basis), across all franchises and major geographic regions.

Cost of revenue and gross margin. Cost of revenue increased $13,978, reflecting higher sales volumes, while gross margin decreased 61 basis points, primarily driven by less favorable geographic and product mix, as well as an increase in product costs.

Research and development expenses. Research and development expenses increased $8,102 or 15.3%, primarily from a $5,305 increase in personnel costs as a result of additional headcount in our product development, regulatory, and clinical teams. Clinical trial expenses increased $3,448 due to increased clinical activity primarily driven by the LeAAPS trial. These were partially offset by a $574 decrease due to higher regulatory approval costs in 2023.

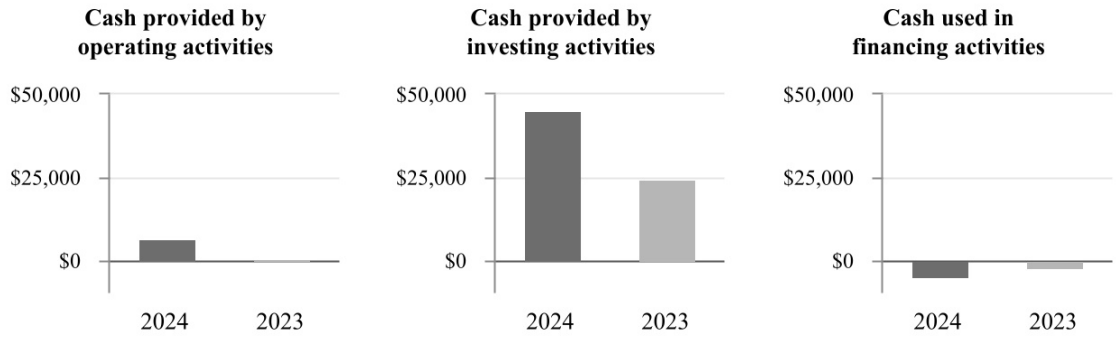
Selling, general and administrative expenses. Selling, general and administrative expenses increased $33,723, or 18.2%, due to a $22,763 increase in personnel costs, including travel and share-based compensation, as a result of growth in headcount and variable compensation. Selling, general and administrative expenses also increased $1,877 for professional services, IT and corporate costs reflecting operational growth, a $1,892 increase in marketing, training and meeting activities and an increase of $901 in consulting fees. The increase was further driven by a $4,412 non-recurring net gain during 2023 related to legal settlements; see Note 9 - Commitments and Contingencies for related discussion.

Other income (expense). During the first quarter of 2024, the Company recognized a loss on debt extinguishment of $1,362; see Note 7 - Indebtedness for related discussion. The remaining activity consists primarily of net interest expense and net foreign currency transaction gains or losses.

Liquidity and Capital Resources

As of September 30, 2024, we had cash, cash equivalents and investments of $130,335 and outstanding debt of $61,865. We had unused borrowing capacity of $61,885 (see Note 7 - Indebtedness for related discussion). All cash equivalents and investments and most of our operating cash are held in United States financial institutions. A small portion of our cash is held in foreign banks to support our international operations. We had net working capital of $194,855 and an accumulated deficit of $386,187 as of September 30, 2024.

Consolidated Cash Flows - For the nine months ended September 30, 2024 and 2023



Cash flows provided by operating activities. Net cash provided by operating activities increased $5,914 from 2023 to 2024. Operating results declined $8,481, primarily due to a $4,412 nonrecurring net gain for legal settlements recorded in 2023. In addition, non-cash charges increased $7,633 in 2024. Cash used for working capital and other assets and liabilities decreased $6,762 due to collection of accounts receivable and moderating investments in inventory in 2024, partially offset by higher annual variable compensation payments due to improved operating performance.

Cash flows provided by investing activities. Net cash provided by investing activities increased by $20,324 in 2024 compared to 2023, due to the cash paid for acquisition of intellectual property in the prior year of $30,000, offset by a $10,147 decrease in sales and maturities of available-for-sale securities.

Cash flows used in financing activities. Net cash used in financing activities increased by $2,950 in 2024. This increase was a result of a $1,623 payment for extinguishment of debt and financing fees, net of borrowings, and a $998 decrease in proceeds from stock option exercises and the employee stock purchase plan.

Credit facility. As of January 5, 2024, we entered into a credit agreement (Credit Agreement) with JPMorgan Chase Bank, N.A. as Administrative Agent, JPMorgan Chase Bank, N.A. and Silicon Valley Bank, a division of First-Citizens Bank and Trust Company, as Joint Lead Arrangers and Joint Bookrunners that provides for a $125,000 asset-based revolving credit facility (ABL Facility), with an option to increase the revolving commitment by an additional $40,000. A portion of the ABL Facility, limited to $5,000, is available for the issuance of letters of credit. The Credit Agreement has a three-year term and expires January 5, 2027. Amounts available to be drawn from time to time under the ABL Facility are determined by calculating the applicable borrowing base, which is based upon applicable percentages of the values of eligible accounts receivable, eligible inventory, eligible liquid assets, less reserves as determined by the Administrative Agent, all as specified in the Credit Agreement. The borrowings bear interest at a rate per annum equal to, at the Company's election: (i) an alternate base rate (ABR) plus an applicable margin or (ii) an adjusted term secured overnight financing rate (SOFR) plus an applicable margin. As of September 30, 2024, the Company has borrowed $61,865, classified as noncurrent and had unused borrowing availability of $61,885.

Our corporate headquarters lease agreement requires a $1,250 letter of credit which we renew annually and remains outstanding as of September 30, 2024.

For additional information on the terms and conditions, as well as applicable interest and fee payments, see Note 7 – Indebtedness.

Uses of liquidity and capital resources. Our executive officers and Board of Directors review our funding sources and future capital requirements in connection with our annual operating plan and periodic updates to the plan. Our future capital requirements depend on a number of factors, including, without limitation: market acceptance of our current and future products; costs to develop and support our products, including professional training; costs to expand and support our sales and marketing efforts; operating and filing costs relating to changes in regulatory policies or laws; costs for clinical trials and to secure regulatory approval for new products; costs to prosecute, defend and enforce our intellectual property rights; maintenance and enhancements to our information systems and security; and possible acquisitions and joint ventures, including potential business integration costs. We continue to evaluate additional measures to maintain financial flexibility, and we will continue to closely monitor macroeconomic conditions including, but not limited to, inflationary pressures, rising interest rates, and fluctuations in currency exchange rates that may impact our liquidity and access to capital resources. Our principal cash requirements include costs of operations, capital expenditures, debt service costs and other contractual obligations.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses and disclosures of contingent assets and liabilities at the date of the financial statements. On a periodic basis, we evaluate our estimates, including those related to sales returns and allowances, inventories, share-based compensation and income taxes. We use authoritative pronouncements, historical experience and other assumptions as the basis for making estimates. Actual results could differ from those estimates under different assumptions or conditions. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 includes additional information about the Company, our operations, our financial position and our critical accounting policies and estimates and should be read in conjunction with this Quarterly Report on Form 10-Q.

Recent Accounting Pronouncements

As of September 30, 2024, there were no material changes to the information provided regarding recent accounting pronouncements in Note 1, “Description of the Business and Summary of Significant Accounting Policies” in the Company’s Form 10-K for the fiscal year ended December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2024, there were no material changes to the information provided under Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in the Company’s Form 10-K for the year ended December 31, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the President and Chief Executive Officer (the Principal Executive Officer) and Chief Financial Officer (the Principal Accounting and Financial Officer), has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13(a) -15(e) and 15(d) -15(e) of the Securities Exchange Act of 1934 as amended (Exchange Act), as of the end of the period covered by this report. Based on this evaluation, we concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's forms and rules, and the material information relating to the Company is accumulated and communicated to management, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that control objectives are met. Because of inherent limitations in all control systems, no evaluation of controls can provide assurance that all control issues and instances of fraud, if any, within a company will be detected. Additionally, controls can be circumvented by individuals, by collusion of two or more people or by management override. Over time, controls can become inadequate because of changes in conditions or the degree of compliance may deteriorate. Further, the design of any system of controls is based in part upon assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all future conditions. Because of the inherent limitations in any cost-effective control system, misstatements due to errors or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

In the ordinary course of business, we routinely enhance our information systems by either upgrading current systems or implementing new ones. There were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to legal proceedings can be found under the heading "Legal" in Note 9 – Commitments and Contingencies to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q, and is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Item 1A, "Risk Factors" in our Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition or future results. The risks described therein are not the only risks facing us. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may adversely affect our business, financial condition and/or operating results. There have been no material changes with respect to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, which are incorporated herein by reference.

Item 5. Other Information

During the three months ended September 30, 2024, none of our executive officers or directors adopted, terminated or modified a "Rule 10b5-1(c) trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Rule 13a-14(a) Certification of Principal Accounting and Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350 by the Principal Executive Officer, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350 by the Principal Accounting and Financial Officer, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AtriCure, Inc.
(REGISTRANT)

Date: October 30, 2024

/s/ Michael H. Carrel

Michael H. Carrel

President and Chief Executive Officer
(Principal Executive Officer)

Date: October 30, 2024

/s/ Angela L. Wirick

Angela L. Wirick

Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael H. Carrel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AtriCure, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

By: /s/ Michael H. Carrel
Michael H. Carrel
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL ACCOUNTING AND FINANCIAL OFFICER
PURSUANT TO
SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Angela L. Wirick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AtriCure, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

By: /s/ Angela L. Wirick
Angela L. Wirick
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of AtriCure, Inc. (Company) on Form 10-Q for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (Report), I, Michael H. Carrel, President and Chief Executive Officer and Principal Executive Officer of the Company, certify, pursuant to Rule 13a–14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2024

By: /s/ Michael H. Carrel
Michael H. Carrel
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to AtriCure, Inc. and will be retained by AtriCure, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of AtriCure, Inc. (Company) on Form 10-Q for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (Report), I, Angela L. Wirick, Chief Financial Officer and Principal Accounting and Financial Officer of the Company, certify, pursuant to Rule 13a–14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2024

By: /s/ Angela L. Wirick
Angela L. Wirick
Chief Financial Officer
(Principal Accounting and Financial Officer)

A signed original of this written statement or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to AtriCure, Inc. and will be retained by AtriCure, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the report or as a separate disclosure document.