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<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Good morning. Welcome to the Canaccord Genuity Global Growth Conference 2021. With me today, our first presentation we have AtriCure, and we're going to have a fireside chat presentation. And with me today are Mike Carrel, President and CEO; and Angie Wirick, CFO. Mike, Angie, welcome.

<<Michael H. Carrel, President and Chief Executive Officer>>

Good to be here. Thank you, Bill.

<<Angela L. Wirick, Chief Financial Officer>>

Good morning, Bill.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

So, I like to kick this off, we have an audience, some of them are a little more knowledgeable than others. But it'd be great if you could just give us a brief high level overview of the business for those who might be new to the story.

<<Michael H. Carrel, President and Chief Executive Officer>>

Sure, yeah. I mean, AtriCure, for those of you that do know, is a company that's dedicated and focused to the eradication of Afib. We make medical devices that really treat the most difficult and complex cases of atrial fibrillation. We also have a part of our business that is focused on pain management, post cardiac surgery. So, we really kind of focus on these two categories, and we've got products and we're continuing to grow. We're global. We've got offices in the Netherlands, Hong Kong, United States. We sell in 50 countries around the world, and that kind of gives you a brief overview about 800 or so employees, but again, dedicated in focus to the eradication of Afib and kind of making products and devices that affect that.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Great, thank you. And what we're going to just dig right in now. So, CONVERGE has been an important approval for you lately. Could you just talked about the EPi-Sense business trends since he received that FDA PMA approval in April for the CONVERGE procedure?

<<Michael H. Carrel, President and Chief Executive Officer>>

Yeah. It's actually been, I mean, it's been incredibly robust to watch how many net new centers that we're getting on board, but also just the deep penetration we're getting in and the activity. So some of the activity that we've been doing, I'll come start there. We've had several different training and education courses. We've brought an EPs and surgeons to train other EPs and surgeons about not only like, the data that is out there, but also how to do the procedure? What does it look like at your hospital? What's the workflow look like? And so they get really deep into kind of pre and post care for those patients. That's gone incredibly well, the dialogues been really remarkable between the different disciplines.

And one of the big things we're trying to do, though, as you know, is to bring these disciplines together to have this kind of dialogue, communication. And so we've had three of those events. So far, we've got another one coming up at September, that's almost full. And really, again, that's been a real big boom to kind of kick-off and get net new centers going. On top of that, we've got education and training, where we've been doing these mobile labs around the country. And we were doing them before, we got the approval for basic training across all of our platforms. But really, since the approval, that's really taken up a vast majority of what those labs are doing. And they're traveling from city to city, hospital to hospital. And what they're doing is, you're bringing out not just the EP and surgeon, but also their support teams that basically come in. They can see how the products work. What do they look like in a wet lab, and – or cadaver lab – excuse me, and then also have kind of a didactic discussion about what's it going to look like at your hospital. What are the specifics to your place? And really customize it from that standpoint. That's all really been great activity and kind of building momentum, to make sure that we can kind of get a lot of these new centers up and running and the existing ones kind of reinvigorated and energized by the data that's come out.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Mike, as you think about this, that new centers versus existing centers, how would you characterize kind of that growth in new centers as maybe a percentage of existing? Say, I mean, it's I know, it's only been about four or five months. But if you look at it, you had a base of business, right? They were using that technology. And now you're expanding into those new accounts. Would you say the new accounts are 10% of the overall, 20% of the overall? How would you characterize and help us understand what the growth in new centers has been?

<<Michael H. Carrel, President and Chief Executive Officer>>

It's a good question. From a revenue standpoint, it's almost the new centers are very little, almost nothing, because they're really just getting up and running. And the focus is training and getting them to do the procedure, right. So really, over the first six months of centers going, there's not a lot of revenue per se, it's just a lot of training and getting them their first couple patients and proctoring them and going through that process. But I'd say that, from a percentage standpoint, you're talking about, we've added about 20% new sites in the last three or three and a half months in terms of just people trying it out and going through some of that training.

Now, whether or not they become sticky customers overtime, that's going to be a good question for us. And that's kind of what we're focused on. But that's – it's a really good question to kind

of think through. We're getting a lot of those kind of in the pipeline. We're filling that top. We don't want to go too fast with them, though, because we want to make sure we've got the right centers, and that it's really sticky in that they do really good work. So, we tend to focus more on the quality of the work and the customers first, and then we'll kind of build upon that once we get critical mass there. We believe that will hopefully expand and allow us to grow to the next center and we've kind of learned from those experiences.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay. So how – long-standing persistent is, what you're treating, it's one of the larger markets, so they and there's a few options, just can you help us understand the size of the market?

<<Michael H. Carrel, President and Chief Executive Officer>>

Sure. I mean, I'm going to go right back to what you said first, though, which is that we are the only player in the world who has a long-standing persistent label. There's nobody else in any – and there's nobody else in trials either. And so we're the only company that ran a clinical trial, to get this definitive piece across – if you just look at the United States numbers alone is about eight million patients or so that have atrial fibrillation, and about 45% of them have long-standing Afib. So, you're talking about not quite four million patients in the United States alone that have just long-standing persistent Afib. So the market is huge. Just when you think about that last year, we treated about 2,500. So, I mean, we're just scratching the surface in terms of the total addressable market.

Now, that's a very large number. And that's going to be around. And so you got to think yourself, okay, well, what's reasonable from that standpoint? But let's look at 2019. In 2019, there were 180,000, catheter ablations, for all Afib patients, of those 25,000 were for long-standing persistent. So they were treating it or attempting to treat it with a catheter by itself. And we only are in 2,500 of those. So, we're just scratching the surface. Even of those patients that are already being treated, are already in the funnel than that the EPs and cardiologists already have kind of in the system, let alone the difference in 25,000 and the four million that are coming in there. If you just do the 25,000, that you're talking about a $400 million or so market, when you add in both the EPi-Sense product and the clip on top of it, is about 70% or close to 70% of our patients that get treated, they also add a clip to manage the appendage. That's give you some context of just the U.S. market, let alone we've got clearance and approval in Europe as well. And we're starting to see some traction in that market too.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

That's actually helpful. And I think commercially, how are you approaching that in terms of the size of the sales force in given the magnitude of the opportunity? How should we think about the growth of that commercial organization overtime?

<<Michael H. Carrel, President and Chief Executive Officer>>

So, we've been building out over the last five years, a dedicated team focused on this EP space, we call them our hybrid team, and their hybrid because they really have the cross between the EP and the surgeon. That got to bring that surgeon in, because that's we use the product, but the EP is really helping lead the patient care for the patient, obviously. And so we've got about 40 people or so on that team today. We built that up from 10, about four or five years ago. And so it's at a nice size today. But we will continue to expand that fairly aggressively, because we need to get into more and more sites around the United States. Of those 40, about 25 were direct reps and we need to add more and more clinicals to support the cases.

On top of that, though, because they don't do it alone, that team is supported by about 130 people that have dedicated a end relationships with cardiac surgeons. And so that team is critical. So, when you add in the 40 plus that 130, you're talking about 170. And then if you add on another 35 or 40 or so in our clinical education team that does a lot of that upfront training, you're talking about over 200 people in United States that are really dedicated to our teams. Now, some of the people in the cardiac surgery also support the cardiac surgery business separately. But they're critical to kind of bridging that gap into the hybrid side of it.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

And as you expand this organization, I think that kind of take a step back. You talked about there's a lot of training going on at this point, and maybe with – especially with the new accounts, maybe not a lot of revenue. So, what are these key performance metrics that you're looking at to measure the success at this level, or this stage of the launch?

<<Michael H. Carrel, President and Chief Executive Officer>>

I mean, obviously, revenue is a big performance indicator for us, which is kind of sequential growth and seeing that type of growth. Really, getting that new centers up and running is important, but also number of cases per center. Now, the tricky part right now that we're trying to figure out is, and why we haven't given those numbers out to investors yet, is that with COVID, it's kind of an a tricky piece to kind of figure out what's your baseline, because this was a product that's been out there in the market for a while and we do have these centers. So, what is the kind of baseline that we're kind of building up off of on the average number of cases per site, and then how many net new centers? As we go into next year we'll probably going to start to talk more about some of that. We're right now just want to make sure we got a kind of a nice foundational base to it and focus on revenue on the external side. But internally, we're looking at getting those net new centers up and running and getting more cases per center.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay.

<<Michael H. Carrel, President and Chief Executive Officer>>

The only metric we look at internally is, how many of these centers get onto our patient finders. So, they're willing to spend the time and energy to build a program, make sure that their name is

known. It's out there in the market, so that when a patient kind of types in and looks at what's up Google and say, who's doing Convergent in my area? They understand who's going to be certified to kind of do that those cases.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay. Yeah, it's a – lot of market awareness market building and focusing on kind of the long-term with short-term results as well. Always we think about just the cardiovascular space giving inclusion and societal guidelines, is a big deal – and a big driver. What are your thoughts around timelines about getting included in the guidelines or any updates?

<<Michael H. Carrel, President and Chief Executive Officer>>

I mean, we needed to have the approval. I mean, with the approval from the FDA. With that level of data, now we can go to the HRS and the other societies and hopefully get this to move into a level one guideline. The timeline that I wish I could give you and say, it's going to happen next year, because the data is so compelling. We believe that it is. But these things take time. So, you're probably talking about two to three years before you're able to get a kind of actually into the guidelines officially, just because they've got to go through their process that they'll look at not only the – what we've got from an FDA standpoint, but also what other data is out in the market. Fortunately for us, there are papers, there is a lot of evidence that is out there, and published work. So hopefully, it'll be the next two or three years.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

And is there – what's the difference between two years and three years for you?

<<Michael H. Carrel, President and Chief Executive Officer>>

I just quite frankly, just the politics of kind of managing through the societal phases in terms of, what's on the docket for them? How do they make decisions? How often are they coming out with the guideline changes, typically, HRS comes out with new guidelines every five years. And so where normally next year would be the year that they would make major changes to the guidelines. We may be a little too early to get into that. So then it's a matter of, can we get an exception in the middle of that from 2022 to 2027?

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Well, the good news is you're really not – as the only label player, you're not taking anybody else's life. So there shouldn't be too much pushback in terms of getting into those guidelines. So, that's – it might have a shot at getting towards to earlier end of that. And then the final piece just on converge for me is, turning towards reimbursements. What are your thoughts on the current reimbursement and potential improvement for reimbursement?

<<Michael H. Carrel, President and Chief Executive Officer>>

Yeah, the current imbursement is very strong. Hospitals make money with it, everybody actually wins with the current reimbursement. This is one of the things that has been a real benefit to converge is that we don't have to go out and get new reimbursement codes. They already exists. And so when hospital sets up a program, they pretty much they know that they're going to be able to make money for that program, which is a really good thing, because then they don't they can focus on the patient, treating the patient not worrying too much about that aspect of it. The only pushback that's happened kind of in the private pay side has been Blue Cross. But I think with the data we've got today, and now we've got the approval, we think that over the next couple of years, we'll be able to kind of get that change that Blue Cross Blue Shield as well.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Great, that's a really favorable reimbursement environment force. Okay. Like to remind members of the audience, please feel free to ask, send me a question electronically. And I'll definitely include it in. Also I have my e-mail up wplovanic@cgf.com and you can send me a question there if you'd like to – if you have something you'd like to include in. I don't have any questions showing right now. So, I'm going to move on.

Let's talk about the recent news you had on the LARIAT aMAZE trial I hate to bring up the negative here. But obviously, that was some tough news you shared on the call last week. And I know you're still looking at that data. But what are the key takeaways today? What are you hoping to find in the data when you look at it in more detail?

<<Michael H. Carrel, President and Chief Executive Officer>>

Well, I think let's say, see what the data already told us. The data told us that the procedure is incredibly safe. And it can be done really well. Now, interestingly enough, since we announced that data, on our call, we've obviously a lot of physicians have contacted us, they're really excited the fact that the safety data was so strong and so good that that actually been the predominant message. They love the device. They love the way that it works. They love the closure that they're getting. And therefore they're very excited about the fact that they know now that they've got a safe procedure. And it's backed by the work that was done in this randomized control trial.

Now, where it did not hit, as you mentioned, was the reduction in Afib on the primary efficacy. And while there was some benefit, it wasn't enough benefit to hit the superiority point. And so when we're looking in the data is really do try to figure out some of the secondary endpoints: closure, other areas, other things that we can look at. We don't want investors to get excited about and there's going to be we're going to get to the PMA, because from our standpoint, as we look at it, that's really uncertain. And the data doesn't show that we're going to get to the PMA for reduction in Afib, which is what the trial was about. There may be other pathways for us, whether it's closure or something else. But if I'm an investor, I'd be thinking to myself, that's all upside. Assume basically, nothing's going to happen with it as we kind of go forward. And then anything we would get would be upside on top of that.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay. And I think about the analyst models, at least our model is I think about that, I looked at, I think three years out, we only had about 20 million in revenues. So I don't know, at least from a revenue standpoint, it wasn't a big hit to the business.

<<Michael H. Carrel, President and Chief Executive Officer>>

It was in some of that revenue that probably you model or others model three years out. A lot of that's concomitant with convergent, and other procedures. And so the clip can also be used in those cases, as well. And we are still selling it. So, we are still going to get some revenue with it. We just can't really predict how much revenue, but it's going to be de minimis.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Right. If switching over to the LAA business in the AtriClip, since, we've chatted about that a little. Have you seen any meaningful mindshare shift after the LAAOS data was presented ACC or anything with the new proposed CMS PFS codes?

<<Michael H. Carrel, President and Chief Executive Officer>>

I'd say more on the LAAOS data. I mean, that has been a lot of customers are coming in proactively talking to us about it. It was just for those that don't know the data, it was a randomized control trial in which they were looking at, what is the effect of manage the appendage in cardiac surgery patients. And it was either cutting it off and sewing it back together or using a clip. And so and when they did that, what they showed was a 33% reduction in stroke. And so there's a lot of comments or questions. We can't promote to it, because it wasn't our trial, we didn't get a new label, but it is – there's a lot of buzz around it, a lot of talk about it. And I think that's going to continue for years to come because the data was so compelling 4,700 patients, 27 countries, I mean, just incredible data and a really well run trial by Dr. Whitlock and the team on that front. And so I'd say that that's really been something that we've seen a lot of activity about, and a lot of conversations. And you had the second part of the question, I apologize. I didn't answer that for you.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Yeah, it was on the proposed CMS code?

<<Michael H. Carrel, President and Chief Executive Officer>>

Oh, CMS. We haven't – not yet, it's so new. I'd say that it's, I don't have enough feedback on that. From my standpoint, just the fact that it got approved, which is, and that there's dollars there, CMS recognizing managing the appendage is the right thing to do. So all the data came out over the last several years, and more and more papers have been published about the benefits of managed appendage. Now, CMS has recognized it and willing to pay somebody to actually manage it. So, we think it's great information. And I think it's going to have an impact on us for years to come.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

And then, there's as we think about this market, how should we think about the success of other devices and their impact on your AtriClip business? And it's kind of a – because we think about where are we in market – how big is the market? Where's market penetration today? And as we look at the different devices, now just having more come in or increased competition hurt? How do you view the market at this stage?

<<Michael H. Carrel, President and Chief Executive Officer>>

Yeah, it doesn't, it doesn't hurt us. I mean, the way we look at the market, we don't really compete directly against any of those new percutaneous devices that are coming in from a plug standpoint, I guess the only way you would think about it is that if that patient had to go in for cardiac surgery, they had a plug in there already, maybe that would change something, but they've probably got a lot of other things to do at that point, if they've got that, and it's usually probably a very sick patient. So from our standpoint, really isn't going to affect our end user market. They're about 300,000 cases every year in the United States for cardiac surgery. We're actually looking at how do you expand the market? How do you take it from just Afib and make it a prophylactic market as well.

And so we're looking at a trial that we'll likely announce and bring out next year where for those patients that don't have Afib, but have a good chance of getting Afib, which is most people that are undergoing cardiac surgery. If you managed the appendage is there some benefit? And the initial indications from the feasibility trial we ran called ATLAS showed that there was a benefit to managing that appendage at the time, even if they didn't have Afib. And so we will likely do a trial. And that's a market expanding trial, because that will basically allow us to get after the two thirds of patients that do not have Afib and are undergoing cardiac surgery. So, we're really more focused on that. But the existing products don't really have much impact.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay. I don't see any other questions from the audience here. So, I'll move on to the next topic, which is cryoSPHERE, which is something I think most of us have very little knowledge of, and something you probably started highlighting at about two quarters ago. And so that's really become a pretty significant piece of the business. In I think, this last quarter, so help us understand the size of the market and then this kind of came out of nowhere. Why is this really catching on?

<<Michael H. Carrel, President and Chief Executive Officer>>

So it came out of nowhere quasi, I mean, basically, we thought that Cryo Nerve Block was going to benefit our Afib business. And what we learned is that it actually it works so well and blocking the nerves and blocking the pain that it basically started to really expand into the entire thoracic area, which is why we built that purpose built probe. The reason that it's expanding and growing so fast, is that it works, I mean, that the data would suggest that, the stories that are told,

they can reduce their hospital stays dramatically, when they're doing this, the patient care and the quality of the patient care is so much better when you actually are able to reduce or significantly reduce the amount of pain that a patient feels post surgery.

And that's really why it's growing so fast. We've expanded that team quite dramatically over the last year and a half or so. We've gone from almost zero people up to just about thirty or so out in the field today that number will continue to expand. So, that we've got coverage everywhere. The market size is there's about 140,000, 150,000 thoracic surgeries that go on in the United States every year, and we're in less than 10% of those today are in less than 10,000, excuse me. And so we have a long way to grow, to really kind of establish that market, we get about $2600 per case, you're talking about $350 million market in the U.S. alone. And we just got clearance in Europe to sell the product as well. And we anticipate that that will we'll roll that out in the later fall. And so we'll start to get some revenue in there in 2022.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

As I think about this product, is this one of those where the doctor uses it once, and it's an aha moment for them. And then how much support do they need after, do you have to be case support going forward?

<<Michael H. Carrel, President and Chief Executive Officer>>

The answer to the first one is yes. They use it once, and they get the aha moment. I mean, it really is dramatic in terms of the pain reduction they see. And we need to we usually are there for at least the first five cases, just to make sure. And then after that we don't need to provide as much support as we do like in an Afib case, because once they learned how to do it, they learn the time of the freeze, how long they need to do it, where they need to do it and see that success. They don't need us as much. That being said, a lot of them still like us in the room. Their staff like us so we tend to like to be around. And we think that our presence there is beneficial, but not nearly as much as you need in the Afib space.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay. One more product question just done encompass, getting a 510K clearance for that talked about in the call. But what's the significance of this product. I mean, what's the benefit? What does this mean for future growth? And does this drive new accounts, higher ASPs?

<<Michael H. Carrel, President and Chief Executive Officer>>

I mean the key significance of this is that the issue in cardiac surgery with Afib is that it's under penetrated, meaning that still 75% of patients that undergo cardiac surgery that have Afib do not get treated today, the goal of encompass is to help us close that gap and help those patients get treated. And so it's an easier to use product for people that aren't as sophisticated. Or maybe they're not as comfortable going behind the heart. And so it is I mean, in my mind a game changer in terms of how easy it is to use for those surgeons. And so the goal is to expand the market and the market penetration and to really get more patients treated.

Now, the way that we're doing that is that we are – we've obviously built a product. But on top of that, we're going kind of do an extensive amount of training for it. And then we anticipate that we'll start to see some revenue growth out of it in 2022. Now, it's not going to take us from a kind of high single-digit grower to 25%. That's not going to happen with this product. It allows us to continue to grow in that high single-digit for some time.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Okay. Thank you. And then I'm going to give Angie's been patiently waiting to get some financial questions. So, we'll flip over to her for a couple questions. But how should we think about growth drivers for the business in terms of revenue contributions going forward? Yes, we think that the big three is really AtriClip, Cryo and EPi-Sense product to CONVERGE.

<<Angela L. Wirick, Chief Financial Officer>>

Yeah. You've hit on all three. I think historically, clip has been the bigger driver. It's had an excellent history of, mid 20% growth if not higher, but that's starting with a larger base business Cryo Nerve Block over the past year or two since the launch of the cryoSPHERE probe has had excellent growth, but that's a much smaller base. And that EPi-Sense with the recent approval would expect, as more accounts are trained and get into more consistent patterns with treating patients we would expect in 2022 and beyond for that to be our primary and highest growth driver. What we've talked about Bill, is historically, as a company, we've been in the 14% to 15% annual growth rate, we would expect that that on an annual basis to accelerate about those numbers.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Excellent, then, as I look at the P&L, I just understand the future cash needs for the business. Your cash usage is about $30 million a year today. And it fluctuates a little, but it looks like you're well funded with a lot on cash and not a lot of debt. But I think a lot of that was earmarked for some contingent consideration requirements. And now that's changed and just help us understand kind of how should we think about cash usage, and then just from the operating business, and then, needs for any contingent consideration out there.

<<Angela L. Wirick, Chief Financial Officer>>

Yeah, so with the aMAZE results, the milestone payments, you've touched on this where success based, first at a approval based payment, and then a CPT code approval, which requires basically the PMA approval, that those success based milestone payments are made. As we look out, most of our operating – most of our cash needs are operating based. So running the business, making sure you've got well funded, working capital, which we're in a great position. Now, given our balance sheet, we ended the quarter at $230 million in cash and investments.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Thanks. And then, last question I have is, we're actually out of time. Mike, what do you think investors are missing or misunderstand about AtriCure story in the business?

<<Michael H. Carrel, President and Chief Executive Officer>>

Actually, most investors I've talked to actually have a really good handle of it, over the last year, we've spent a lot of time with investors to understand the diverse portfolio of growth we have in pharmas. I think they've got a pretty good handle on it. I think they're asking really smart and intelligent questions, and really understand how differentiated AtriCure is across the board. And how many different growth catalysts as Angie talked about earlier, we have so I actually feel pretty good about what they know about it. But we want to continue to talk, kind of about the nuance about what's going to enable us to grow and why we've got such a big opportunity for many, many years to come.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

And any final thoughts you want to leave with the listeners?

<<Michael H. Carrel, President and Chief Executive Officer>>

I know, just appreciate your support and look forward to continued success together.

<<Bill Plovanic, Analyst, Canaccord Genuity Group Inc.>>

Mike, Angie, thanks for joining us in this room. There's been a fireside chat with AtriCure. Thank you very much.

<<Michael H. Carrel, President and Chief Executive Officer>>

Thanks a lot.