REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q4 2021 AtriCure Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 15, 2022 / 9:30PM GMT

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Danielle Joy Antalffy *SVB Leerink LLC, Research Division - MD of Medical Supplies and Devices & Senior Analyst*
David Joshua Saxon *Needham & Company, LLC, Research Division - Analyst*
Marie Yoko Thibault *BTIG, LLC, Research Division - MD and Medical Technology and Digital Health Analyst*
Matthew Oliver O'Brien *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*
Robert Justin Marcus *JPMorgan Chase & Co, Research Division - Analyst*
Suraj Kalia *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*
William John Plovanic *Canaccord Genuity Corp., Research Division - Analyst*
Marissa Bych *Gilmartin Group - Vice President*

PRESENTATION

Operator

Good afternoon, and welcome to AtriCure's Fourth Quarter 2021 Earnings Conference Call. (Operator Instructions) As a reminder, this call is being recorded for replay purposes.

I would now like to hand the call over to Marissa Bych from the Gilmartin Group for a few introductory comments.

Marissa Bych *Gilmartin Group - Vice President*

Thank you. By now, you should have received a copy of the earnings press release. If you have not received a copy, please call (513) 755-4136 to have one e-mailed to you.

Before we begin today, let me remind you that the company's remarks include forward-looking statements. Forward-looking statements are subject to numerous risks and uncertainties, many of which are beyond AtriCure's control, including risks and uncertainties described from time to time in AtriCure's SEC filings.

These statements include, but are not limited to, financial expectations and guidance, expectations regarding the potential market opportunity for AtriCure's franchises and growth initiatives, including the adoption of the Hybrid AF procedure and future product approvals, clearances and reimbursement. AtriCure's results may differ materially from those projected. AtriCure undertakes no obligation to publicly update any forward-looking statements.

Additionally, we refer to non-GAAP financial measures, specifically revenue reported on a constant currency basis, adjusted EBITDA and adjusted loss per share. A reconciliation of these non-GAAP measures with the most directly comparable GAAP measures is included in our press release, which is available on our website.

With that, I would like to turn the call over to Mike Carrel, President and Chief Executive Officer. Mike?

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

Thanks, Marissa. Good afternoon, everyone, and thank you for joining us. We hope that you're all well.

The fourth quarter of 2021 concluded an extraordinary year for AtriCure. As described in our preliminary announcement in this afternoon's release, we delivered $73.2 million in revenue in the quarter, reflecting growth of approximately 27% over the fourth quarter of 2020 and 4% sequentially. Growth was primarily driven by pain management and Hybrid AF therapy franchise expansion in both existing and new accounts, while underlying strength in our appendage management franchise continued to reflect the broad appeal of our AtriClip product line.

Before providing a more detailed review of the business, I want to recognize the ongoing challenges related to the continued impact of the COVID-19 pandemic. At the beginning of the fourth quarter, many of our customers experienced staffing shortages and capacity

constraints, suppressing cardiac procedure volumes. The quarter ended much like 2020 with a spike in cases that brought difficult operating conditions across our customer base. These constraints have carried over and continue to impact 2022.

Like many other companies, we are still experiencing pressure from the pandemic this quarter, although we are pleased to have seen an uptick in volumes in recent weeks as conditions slowly begin to improve. We continue to believe our business is positioned for strong growth over the year ahead and we are reaffirming our annual guidance of $315 million to $330 million in 2022.

I would like to highlight the initiatives facilitating our growth, starting with our Hybrid AF therapy for long-standing persistent Afib patients. We are pleased with our progress since receiving PMA approval from our pivotal CONVERGE clinical trial in April 2021. As a reminder, this achievement marks the only FDA approval for the stand-alone treatment of patients with long-standing persistent Afib. We estimate that approximately 45% of the millions of diagnosed Afib patients are long-standing persistent, presenting AtriCure with a unique opportunity to establish the Hybrid AF procedure as the standard of care in this vastly underpenetrated market.

As last year unfolded, we saw procedure volumes rebound to near pre-COVID levels and then begin to accelerate in the second half of the year. We ended the year with record EPi-Sense system sales in the fourth quarter. So much potential remains to add new accounts and grow our physician base within existing accounts within this multibillion-dollar market opportunity.

We are increasing training efforts to meet the demand from the physician community and recently added a third mobile lab. We also continue to expand our commercial team through the addition of sales reps and clinical support as well as therapy awareness reps to build relationships and develop programs focused on the needs of the cardiology community at large as we look further upstream within patient referral channels.

Turning now to our open ablation franchise, where we marked the 10th anniversary of our PMA approval for the Isolator Synergy ablation system. This foundational technology of AtriCure was the first medical device approved for the treatment of persistent and long-standing persistent Afib during open heart procedures.

We have spent the past decade driving physician awareness, education and adoption, resulting in consistent growth and expansion of the therapy since 2011. More recently, we received FDA 510(k) clearance for our EnCompass device, which provides a simpler and faster approach to ablating open-heart procedures.

Through the limited launch, we have now completed over 150 procedures in the United States. The success to date of our limited launch gives us conviction in the EnCompass Clamp's broad appeal to high-volume cardiac surgeons. We are moving towards full commercial availability in 2022 and expect this device, along with our legacy technology and focused commercial and market development resources, to deepen our penetration of the cardiac surgery market over the next decade.

Complementing our opportunities in both open and hybrid ablation is our appendage management franchise. In 2021, the AtriClip product line grew 39% with record sales of AtriClip Flex V devices. We are working on continued innovations to enhance this business in the future. We expect to see steady expansion of the franchise as the mounting wave of clinical evidence grows for our appendage management and the surgical procedures and from the expansion of the Hybrid AF therapy.

Finally, turning to our pain management franchise, Cryo Nerve Block. We entered the pain management market nearly 6 years ago with a goal of improving the recovery of patients undergoing cardiothoracic surgery. The early results were compelling, leading to the development and 2019 launch of our cryoSPHERE probe, a dedicated device for managing postoperative pain in thoracic surgery patients.

Our unique technology uses a differentiated freezing method to block the nerve from transmitting pain signals after thoracic surgery, providing a long-lasting form of pain relief for patients. Cryo Nerve Block has become one of our fastest-growing therapies, providing an uplift of our open ablation results. In 2021, we nearly doubled our Cryo Nerve Block commercial team, doubled our U.S. market penetration and expanded to more than 400 accounts and received CE mark approval in Europe. We will continue to invest in our dedicated commercial and education teams to drive therapy adoption this year.

Beyond our core drivers, a number of clinical innovation and regulatory developments position us for ongoing expansion. In appendage management, we expect submission of our LeAAPS protocol to the FDA this year and subsequent initiation of the clinical trial to study the prophylactic use of the AtriClip device after promising results from the ATLAS trial.

More than 2/3 of cardiac surgery patients do not have preoperative Afib diagnosis, representing a significant expansion of the addressable market for appendage management globally. While the LeAAPS trial will take a number of years to complete, we expect awareness for treating the appendage to continue to increase.

Next, we are looking to expand into markets that are highly complementary to our core competency of treating complex arrhythmias, leveraging the unique physician relationships we have developed and building upon AtriCure RF ablation technology.

We expect to begin a new IDE trial for the treatment of patients with inappropriate sinus tachycardia or IST using hybrid ablation procedures. This disease results in an extremely elevated heart rate and distressing symptoms of heart palpitations, contributing to the inability to sleep or exercise.

Like Afib, IST has a dramatic impact to a patient's quality of life. IST most often occurs in young women. And currently, there are no approved treatments. The trial, which we are calling HEAL-IST, along with the development of a dedicated device, focuses on the solution for the significant unmet need.

We also continue to expand investigator-sponsored research programs with particular emphasis on real-world evidence for our therapies through registries. In addition to our clinical activities, we have ongoing reimbursement efforts for our Cryo Nerve Block and other therapies.

Internationally, we received clearance of our first product in Europe under the new EU Medical Device Regulations or MDR. And we have a strong foundation of expertise to build on and expect to continue to pursue additional product clearances throughout our international markets.

In summary, we remain excited about our potential in 2022 and over the next decade. Our growth opportunities are diverse, and our products offer differentiated and proven solutions in markets with substantial unmet needs. While new challenges arose over the past 2 years for companies across the industry, we remain very bullish on the future of AtriCure.

Before I turn the call over to Angie, I want to highlight another important initiative, our inaugural ESG report, which we published last week. Our commitment to operating responsibly, sustainably and improving the well-being of the communities around us has long been an important aspect of our culture and one that we take seriously.

Our ESG strategy is tied directly to our core values: to heal the lives of patients, grow and empower our people and collaborate with our partners. In this report, we address our ESG achievements so far and lay out additional initiatives we are undertaking. I encourage you to read the report to learn about our efforts, and we'll be happy to discuss our work in this area in more detail.

I'll now turn the call over to Angie Wirick, our Chief Financial Officer, to discuss more detailed results for the quarter.

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

Thanks, Mike.

Our fourth quarter 2021 worldwide revenue of $73.2 million increased 26.8% on a reported basis and 27.4% on a constant currency basis when compared to the fourth quarter of 2020. U.S. revenue was $61.2 million, a 29.1% increase from the fourth quarter of 2020, reflecting healthy activity across product lines, enhanced by record sales of cryoSPHERE, the EPi-Sense system and AtriClip Flex V devices.

International revenue totaled $12 million, up 16.3% on a reported basis and up 19.3% on a constant currency basis as compared to the fourth quarter of 2020. Activity across Europe, the Middle East and Africa accounted for $7.4 million of our international revenue, while Asia and other international markets accounted for $4.6 million of our international revenue.

On a sequential basis, we experienced growth of approximately 3.9% in our worldwide revenue from the third to the fourth quarter. While the fourth quarter saw growth in key product lines, we typically see a higher sequential increase, reflecting the impact on procedure volumes from both hospital staffing constraints and Omicron and to a lesser extent, pressure from declining FX rates and distributor transitions in the quarter.

Now touching on a few key metrics for the fourth quarter. Gross margin was 75.1%, up 160 basis points from the fourth quarter of 2020, largely driven by favorable geographic and product mix and continued leverage from scaling our operations. We had an adjusted EBITDA loss of $2.1 million compared to positive adjusted EBITDA of $1.7 million for the fourth quarter of 2020. This change to our bottom line reflects incremental headcount, variable compensation and training costs in 2021 along with the return of most operating costs to pre-pandemic norms.

Our loss per share was $0.30 for the fourth quarter of 2021 compared to a loss per share of $0.42 for the fourth quarter of 2020. The adjusted loss per share each period was $0.30 and $0.18, respectively.

Now to recap our 2021 fiscal year. Worldwide revenue was $274.3 million, an increase of 32.8% on a reported basis and 32.4% on a constant currency basis. U.S. sales increased 35.4% to $229.1 million, while international sales increased 21.2% to $45.2 million, a 19.1% increase on a constant currency basis.

The recovery of cardiac surgery procedure volume during 2021 due to reductions in COVID-19 restrictions is the primary driver of the increase, along with further adoption of key products in each franchise. Two notable growth drivers in 2021 were our cryoSPHERE probe and the EPi-Sense system. U.S. product sales of cryoSPHERE totaled $22.7 million in 2021 while U.S. product sales of EPi-Sense reached $26.3 million, each reflected within open ablation and MIS ablation revenue, respectively.

Gross margin for the full year was 75.0% compared to 72.3% in 2020. The gross margin improvement of 270 basis points was driven by a return to normal production activity in 2021 and favorable geographic and product mix, offset partially by inventory management charges in 2021 associated with the LARIAT product.

Now turning to full year operating expenses. For comparability, I will exclude changes in the fair value of the contingent consideration recorded in both years as well as an impairment charge from the IPR&D asset associated with the aMAZE PMA, which was recorded in the third quarter of 2021.

Total operating expenses increased $59.3 million or 30.6% from $193.9 million in 2020 to $253.2 million in 2021. The increase results mainly from our investments in 2021 to expand the AtriCure team as personnel costs, variable compensation and share-based compensation expense saw the largest increases over suppressed levels in 2020. Additionally, with the expansion of training programs following the CONVERGE PMA approval in April 2021 and easing travel and meeting restrictions, we experienced an increase in associated costs.

Full year 2021 adjusted EBITDA loss was $8.8 million compared to $6.3 million in 2020. Our earnings per share was $1.11 in 2021, reflecting the significant adjustment to the contingent consideration liability compared to a loss per share of $1.14 in 2020. Adjusted loss per share was $1.16 and $1.01, respectively. We ended 2021 with $223.4 million of cash and investments.

Other highlights for the year include refinancing our credit facility, which significantly reduced our borrowing costs while expanding capacity. Additionally, with support throughout our supply chain, we were able to bolster our inventory position in anticipation of future growth.

Finally, turning to our outlook for 2022. Consistent with our announcement in early January, we expect to achieve between $315 million

and $330 million in revenue for the year. While confident in our position to drive accelerated growth of our historical results, we recognize several macro trends that could meaningfully drive our revenue upward or downward for the year. We remain cautiously optimistic that procedure volumes will continue to normalize and will be boosted by our many growth catalysts.

In the first quarter of the year, we have historically seen a sequentially flat progression from our fourth quarter. However, we are not immune to the ongoing effect of Omicron or staffing challenges, which are currently impacting procedure volumes. Therefore, we expect first quarter 2022 revenue to be down slightly from fourth quarter 2021 revenue of $73.2 million.

We expect 2022 gross margin to be comparable to 2021 with the potential for varying impacts from increasing costs and mix. We are also maintaining our level of investment in research and development activities, several of which Mike highlighted earlier in the call and will gain leverage from SG&A expense.

Therefore, full year 2022 adjusted EBITDA is expected to be a loss of approximately $2 million to $4 million, corresponding with a full year 2022 adjusted loss per share of $1.07 to $1.12. With the slight decline in quarterly revenues on a sequential basis and discretionary spend in the first quarter, our first quarter 2022 adjusted EBITDA is expected to be a loss but slightly exceeds the upper end of our full year guidance range. As quarterly revenues increase during the year, we see improvement to quarterly adjusted EBITDA.

Finally, as a reminder, we typically experience a heavier cash burn in the first quarter due to variable compensation payments, share vesting and other operating needs. We are thoughtfully managing our business for long-term success, balancing investments to drive growth and progressing towards profitability. In 2022, we continue to prioritize investments in numerous strategic initiatives in support of our catalyst-rich future.

At this point, I will turn the call back to Mike for closing comments.

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

Thank you, Angie.

While this year brought renewed challenges to the health care community, we remain committed to the fundamental value we provide to patients. To that end, we are fueling investments for the future and are focused on executing on the many catalysts for growth that we discussed today. Thank you for joining us, and we'll now open it up to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of David Saxon from Needham.

David Joshua Saxon ***Needham & Company, LLC, Research Division - Analyst***

Mike and Angie, maybe first one on the cryoSPHERE probe. If I heard you correctly, I think you did $22.7 million for the year. And if that's correct, by my math, you're kind of mid-single-digit penetration in that $350 million market. So just wondering where that goes from here? Can you reach low-teens penetration in '22 just given the sales force expansion and potential procedure volume recovery?

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

Yes. I mean, your numbers are about right. And so on all ends in terms of market penetration at this point, we did about 9,000 to 10,000 or so total cases at the 400 sites that we talked about throughout the year. And we anticipate that we're going to get deeper and deeper into those accounts.

I do anticipate that we'll be able to get into the double digits as the year kind of progresses. But I'd say that we'll be kind of in that kind of range. And we feel really good about the growth prospects for that business.

We added people because there's demand. And we more than doubled the size of our team. We continue to add resources, check out our

website. You can see that we're looking for people all over the country to kind of both cover cases, which is a big deal, but also just to add resources to get into even more new accounts.

David Joshua Saxon ***Needham & Company, LLC, Research Division - Analyst***

Got it. And then maybe one for Angie. I mean, you said gross margin should be somewhat similar to '21. But if I recall correctly, your long-term target is 75%. So seeing that you've achieved that here in a tough environment, I guess, where does that go going forward as revenue continues to grow and you get more leverage? And if memory serves, cryoSPHERE and EPi-Sense are both pretty accretive to margin. So yes, I guess where does that go? Why not continued improvement from '21?

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

Sure, David. I think good question. We have historically seen pretty modest improvements to gross margin on an annual basis. 2021 was really boosted by geographic mix when you think about the start of the year. For the full year, the U.S. product revenue was 84% of our total versus kind of the 80% to 82% historically. And some of the benefit to product mix, beneficial that we saw was the EPi-Sense revenue in particular as well as the V clip product.

When you think about 2022, some of the headwinds that we face are, we've talked in previous calls with investments that we're making with an expansion of our production capacity as well as our team. And we're also very cautious about kind of the inflation and supply chain pressures that you're hearing from others. But tailwinds that we have are the mix that we're seeing, higher U.S. revenues and then some of the product mix.

Operator

Our next question comes from the line of Robbie Marcus from JPMorgan.

Robert Justin Marcus ***JPMorgan Chase & Co, Research Division - Analyst***

Great. So maybe to start, how should we think about minimally invasive growth this year? Great opportunity, you had a full year or almost a full year to basically go educate and get into centers. Could this be your fastest-growing business line in 2022?

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

Yes. The way we look at the business, and it's a really fair question, Robbie, is if you kind of break it down into kind of components and you look at kind of the aspects of it, when you look at, and I'll break it down to 5 different components for you overall. So the first one is, you asked about minimally invasive. But if you look at our guidance range of 15% to 20% growth, which obviously is above our historical numbers, those things that are, what I'll call, headwinds to us are while the open business is a phenomenal business, super important to us, probably likely below those types of growth rates overall. We've historically kind of been in the open ablation in kind of the mid to high single digits. That's really an area that we feel pretty comfortable with, even with the new product line and the new reimbursement that's coming down as we look at 2022.

As you look kind of for those things that are tailwinds for us, the clip franchise, we anticipate to grow kind of above those numbers. We anticipate that the Cryo Nerve Block is going to be one of the fastest-growing areas and then hybrid as well. I'm not going to kind of say which one is going to grow faster, but those are the 3 that are really kind of very growthy, kind of in excess of the growth rates that we've got overall for the business and really kind of drive, obviously, the growth rates to kind of be in that 15% to 20%.

On the minimally invasive, it's really broken up into 2 areas. One is CONVERGE and the EPi-Sense product. And that one is definitely growing north of those areas. The minimally invasive part of our business that's what we used to call DEEP or our TT business, that part of our business is really flat to down slightly. So if you look at MIS overall, it may not grow quite as fast. But the CONVERGE aspect of it, we anticipate growing in the same kind of rates and ranges that you're seeing with Cryo Nerve Block and clip. But I mean, all of them are going to be really fast growing, and there's little competition going on there.

Robert Justin Marcus ***JPMorgan Chase & Co, Research Division - Analyst***

Great. And then it's interesting to hear about some of these new trials you're running, IST. How do we think about the addressable market size for that? And how do you think about just whether it's organic new products or inorganic products to add to your rep's bag? How are you thinking about expansion of different products, procedures over the future?

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

Yes. It's a great question. I mean, when we look at our business, and thanks for asking that because it's actually, I think, one of the most exciting parts of our story. We don't need to do an acquisition to continue to accelerate our growth rate because of the things we've kind of got in place today.

If you look at all of our franchise, CONVERGE, we're at the beginning stages of it. I've talked on this call before about how you can compare it to, in terms of when TAVR was around 10, 12 years ago and it was just getting started, it was in a very small. And then it was kind of creating the new standard of care in that market. We think the same thing is going to happen within the CONVERGE space.

Obviously, we don't get as much per procedure, and I'm not suggesting it will be as large of a market overall. But it's a very big market and more people have long-standing persistent Afib than they do have aortic stenosis. So I think that, that's a very large market. We're at the really early stages of really establishing that market and creating standards of care.

The same thing exists within Cryo Nerve Block. I mentioned it earlier when David asked the question around just kind of the overall sizing of that market. It's a $350 million-plus market just in the U.S., let alone Europe that we just got our clearance and approval on. And we're in the single digits today in penetration. And the product works and it works really well. And so I think that we've got a lot of growth opportunities organically within that area, continuing to invest in various different clinical data to kind of prove that benefit over time.

IST is a unique one. It's a whole new market. So we're also doing things. And that's an organic development. It's actually using our existing product today. And we've got a new product that we'll be putting out into the market either sometime late next year or early the year thereafter and doing a lot of work to kind of really fine-tune.

But when you think of IST, you're talking about hundreds of thousands, if not millions of patients. Some of the data out there says that it's upwards to almost 4 million patients in the United States have IST. But quite frankly, we don't need a number that large. It's almost too big to kind of consider that.

Right now, we're starting at basically 0 cases that are getting done. And we know that, that market is very large and a lot of people have this. And if you talk to an EP, they'll tell you these are their most difficult to treat patients because they really have no solution for them.

So we view this as a very large market opportunity, multi-hundred millions of dollars, many, many patients that we can help and that we can treat. And it's really rewarding seeing some of the results that we're seeing at some of the sites that are doing it, in particular, over in Brussels, where it was kind of invented the procedure by an EP and a surgeon over there.

And so those are just some of the markets. And I haven't even touched upon the trials and the things that we talk about relative to LeAAPS and actually going after and expanding the market for left atrial appendage. When you think about left atrial appendage market and you begin to think about how large that is, patients that undergo cardiac surgery, many of them, if not most of them at some point in their lifetime, are going to get atrial fibrillation.

And if we can demonstrate and prove that they benefit from putting a clip on at the time they're undergoing cardiac surgery, it is better for the patient at that point. There's no additional cost and additional procedure they'll have to undergo 5 or 10 years later. If we can prove that out that we can actually reduce their stroke rates overall, that's beneficial for society. It's beneficial for those patients, and it's a really big market opportunity.

So that's the way we're looking at it. How do we expand on our existing platforms that we've kind of developed over the last couple of

years, leveraging both a combination of new technologies and the clinical data. Those are the things that we're going to continue to invest, and I think we've got decades of growth in front of us.

Operator

Our next question comes from the line of Matthew O'Brien from Piper Sandler.

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

Great. Mike, just to follow up a little bit on Robbie's question on MIS. I mean, the U.S. MIS number did bump up nicely in Q4. And I know you're going to say both to this question, but where did some of that bump in growth come from? Was it on the new center side and folks that are starting to really adopt Convergent? Or was it some centers maybe you added a year or 2 ago looking at the data, really refining their protocols and knowing how to attract those patients? Which of the 2 of those really drove most of that growth that we saw in Q4?

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

Yes. I'll surprise you, Matt. It's mostly the latter. It's mostly more existing sites that are. We're not getting a lot of revenue from existing sites just yet because those new sites are all up and running. They're kind of onesie-twosies. They're just getting started. We don't sell bulk packages upfront and try to kind of drive much revenue in that first 6 months of the new sites coming on board.

We're really making sure they're trained really well, that they're getting their case lines in there, et cetera. So I mean, most of the growth is actually coming from existing centers. And they're getting kind of programs up and running a little deeper, getting better referral patterns, getting more of their EPs to referring to there.

That being said, we have added a lot of net new sites. And so as we add those new sites, they should contribute towards our growth in 2022, for sure, and in '23 and '24. And so there's a lag, obviously, to getting a new site to having a really good contribution to the revenue line. So hopefully, a year from now when we're talking, I'll be telling you that a lot of it's coming from the new sites that we added over the previous 12 to 18 months.

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

Got it. And then on the clip side of things, again, a very good performance here in '21. It actually looks like it accelerated '21 versus '19 versus what you had seen before that. Just talk a little bit about what you're seeing as far as the growth in the clip business, if it's the sales reps you're adding? And then I guess woven within there, on the LAAOS data, has that started to influence utilization of the clip or attracted new doctors at this point?

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

Yes. I'd say that the, I mean, the LAAOS data is another piece of information that's confirmatory to the benefit of managing the appendage. And over time, that's had a dramatic impact on it, which is why the growth rates have been there.

On top of that, we've continued to innovate over the years. As you look at the particular quarter, there's just a lot of room for growth within the clip franchise. I mean, there are just a lot of patients that are there. More and more data continues to come out, whether it's LAAOS or others about the benefits of doing it. And we're getting some of that benefit out in the field as that continues to go.

In addition to that, we've got very good attachment with CONVERGE. We've always talked about that kind of being in the 60% to 70% range. We're really more at the high end of that at this point, maybe getting even into the low 70s in the fourth quarter in terms of attachment of clip with that Convergent procedure. So more and more we're seeing them actually combine those procedures.

Operator

Our next question comes from the line of Bill Plovanic from Canaccord.

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

Great. So just in terms of just, we can see the numbers and I mean, that was really strong results across the board in the new product categories. But Mike, and then you shared with us that you're really seeing the benefit in your existing accounts on CONVERGE is the

Convergent procedure. What can we look at to kind of gauge when those new accounts will be productive or what metrics are you looking at just so we can kind of, so we can kind of watch as this develops?

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

It's a really fair question. And we know everybody wants to have us kind of just roll out every single metric, net new centers and everybody trained, et cetera. We don't want to do that right upfront because we don't want to kind of have swings quarter-to-quarter that may not be indicative of kind of where we're going because a particular area in the country might be very deep and maybe it's really more important for them to go deeper in existing account than adding an account.

And so when you do that and you macro bring it up, it may not be the right metric to kind of look at. That being said, we will likely give kind of an annual number. Every year, we'll update you on the number of sites that we basically get. We'll probably do that sometime later this year to give you guys kind of, hey, here's the first year, here's what we basically came to. You can see the number of sites that are buying from us.

We're looking at internally kind of in addition to that things like repeat buyers, how much are they getting per site. We're looking at softer things like at sites, like what's actually happening? Are they establishing days where they're actually talking about these patients? Or do they have monthly meetings to discuss the patients they're going to treat in the next month going forward? Have they established those types of programs or EPs and surgeons are collaborating in that way?

Those are really good telltale signs of a really good, sticky program that's going to be around for a long time if they're establishing those types of protocols and benefits to it. And so we're really looking at those to kind of get a sense for what does our future kind of look like on that front.

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

Okay. And then on the guidance for first quarter, basically you have this down sequentially. Is that more of a U.S. phenomenon, OUS, global? And are there any specific product categories that are more impacted than others that we should think about?

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

I'll let Angie answer that one.

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

Sure. Bill, so I think the sequential decline, I would say, think about it globally. While we're seeing some improvement in Europe and in U.S., I think the same impact is being felt kind of around the world from the staffing challenges that we're seeing impacting our customers.

It's interesting, I'd say, a little bit more resistance in the Cryo Nerve Block franchise in terms of being able to kind of manage through. I think some of that's the immediate results that physicians can see when they treat a patient. And we're also pleased with the progress that we've seen on the MIS side, slightly lower patients stay than in our open cardiac surgery business.

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

Okay. And then if I could, just a clarification on the EBITDA guidance, the adjusted EBITDA guidance for Q1. Are you saying that it would be like $1 million or it's closer to like a $4 million loss in Q1?

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

What we said was that we would expect the Q1, and you've seen this historically out of our results, the Q1 EBITDA loss may exceed the full guidance range. So maybe above the $4 million overall loss for the year. And that's just a phenomenon of the kind of the first quarter of the year being the lowest revenue and then discretionary spend and other events that happen in the first quarter contributing to a higher burn compared to your revenue.

Operator

Our next question comes from the line of Danielle Antalffy from SVB Leerink.

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

Congrats on all the success with the new product launches. Mike, thanks so much for the color on EPi-Sense, that $26.3 million number. That's a great number. And I guess I'm just curious what that number was prior to this year. I don't know if you guys can give us that or sort of some sense of what kind of growth that was off of prior years, acknowledging CONVERGE had been done before you got the PMA approval.

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

Angie, do you want to take that one?

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

Sure. So Danielle, we haven't given the prior year number. I think when you look at 2020 versus 2021, a lot of that is a rebound across the MIS business. I think better to look back at 2018 and 2019 levels. And if you think about it back in that time frame, we were averaging close to $9 million a quarter U.S. MIS ablation. And that was split around 60-40 between CONVERGE and then our legacy TT business. So I think those kind of frame of reference would tell you healthy growth numbers, not quite 100% but healthy growth numbers when you think. But just keep in mind, 2020, we were down pretty dramatically due to the effects of COVID on the MIS ablation line.

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

Got it. Yes. That's a great point. Okay. And then on CONVERGE, Mike, just curious how you're seeing this adopted? I appreciate the existing centers, but how readily are you seeing EPs embrace CONVERGE? I mean, I sort of think of CONVERGE as a little bit misunderstood because EPs should be very excited about this because it brings more volume to their practice. I mean, is that sort of what you're seeing out there in practice in the real world? Where are the friction points still? Does it just come down to logistics? Just curious about how you're seeing it embraced by EPs and then also where there are friction points, what those are?

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

Yes. You've actually said it really well, Danielle. I mean, it has been embraced by EPs. We've got a lot of net new centers. Just the question was more of the revenue coming from that, but we do have a lot of net new centers that are up and running that we anticipate contributing significantly in 2022 based on kind of what they've been doing and kind of the rollout that we're seeing with them.

So there's a lot of excitement within the EP community. We've had a lot of engagement both at community hospitals, at major academic facilities, very high-volume centers. And they're looking at exactly what you're talking about, which is this is going to help them with their overall volumes. It's treating a patient population that they have not normally had the opportunity to treat very well.

Of course, you've got some naysayers, but it's very few and far between that we see pushing back, quite frankly. The biggest battle like you just described, and battle may be the wrong word, but really is the, how do you get the logistics to work out? And how do you make sure that there's the right handoffs? And what is the program going to look like? And how are these patients going to be managed?

That's the biggest piece to get everything coordinated for what the protocols they want to do at their site and then how do they want to collaborate at an individual site. And once you kind of get that up and running and going, you then start to see the case volumes increase dramatically at that point.

Operator

Our next question comes from the line of Marie Thibault from BTIG.

Marie Yoko Thibault ***BTIG, LLC, Research Division - MD and Medical Technology and Digital Health Analyst***

I wanted to circle back to the HEAL-IST study and hear a little bit more about the time line, size of that. I see that there's a registry under ClinicalTrials. But I don't know if that's the same trial and what we can expect here for time lines going forward on that product.

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

Yes. So we're in the process of working with the FDA now. We anticipate that sometime this year that we will be able to move forward with a full IDE trial. It's likely to be, we don't have anything solidified but several hundred or so patients overall. But we're still working with the FDA on some of those final numbers and kind of where we sit with that. And we anticipate it being kind of the, if you think about a trial that size, likely between kind of 25 and 40 or so sites.

It will be a very international trial. The procedure was actually developed by a group of physicians in Brussels and Dr. De Asmundis and Dr. La Meir, who have really kind of partnered with us over the last 4 years. They established it. And then we've kind of worked with them and kind of defining that trial, and they're going to be obviously big contributors to kind of putting it all together for us from that front. So this year, anticipate us getting an approval with the FDA to move forward with the trial and then start enrollment very quickly thereafter.

Marie Yoko Thibault ***BTIG, LLC, Research Division - MD and Medical Technology and Digital Health Analyst***

Okay. Very helpful, another catalyst to look forward to. I want to ask my follow-up here, kind of a two-part, very 2 quick parts. On the new products like cryo or the new contributors, you've just received CE mark on cryo. You're also planning full launch of EnCompass Clamp. How meaningful is the CE mark for you in the cryo division? And then when it comes to EnCompass Clamp and some of these newer products, what is margin contribution like on those products? Are we seeing a pricing premium with some of these new products?

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

I'll answer the first and I'll pass it over to Angie to answer the margin question. But when you, cryo for Europe is super exciting long term, impact in 2022, not much at all. It's going to take some time as we roll that out. We actually got the approval faster than we had expected to get it. But we're obviously excited about it.

And so we're now building out the team, building on the learnings we had in the U.S. There are different reimbursement components over in Europe, but they're very much looking forward to it. I've been over in Europe and talked to the team. And they're really excited to bring it to market. But we definitely have to look at each individual market separately based on different reimbursement angles to it, et cetera. And that's going to be the area that it will take a little longer to kind of get up and running and kind of become kind of more standard of care over there. Whereas in the U.S., we're able to have that impact a little bit quicker, which is why, again, 2022, don't see much. I think you'll start to see some impact in 2023. And for sure, by 2024, I think it will be up and running in a big way in Europe.

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

Yes. Marie, your question on margins, EnCompass is a great new device, but I'd say what you've seen in the past applies here, which is new product coming out of development, it takes a while to lean out the manufacturing you really get to scale. So it is a headwind to our margin. And then any product that we've got in Europe, unfortunately, at this point in time, it just is a lower margin than we see in the U.S. So that's the impact from those 2.

Operator

Our next question comes from the line of Suraj Kalia from Oppenheimer.

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

Can you hear me all right, Mike?

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

Yes.

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

So my 2 questions. I know the CONVERGE thing has been sliced and diced 10 different ways. If memory serves me right, Hybrid was being done approximately 1,500 cases across 200 centers pretrial data release. I hope my memory serves me right. So when we start looking at 15% to 20%-plus growth in CONVERGE, is that sort of the baseline we should start thinking about? And also, if you could, from the real world, are these same days stage? How is it shaping up?

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

Your numbers are pretty close. Prior to the, I mean, obviously, COVID kind of had a weird impact on, of course, volumes for a period of time given how elective the procedure was. But in general, I'd say that in any given quarter, we were doing about 80 to 90 sites were basically buying from us, maybe up to 100 in a given quarter were doing procedures.

But over the course of the year, it was about 200 sites, as you kind of mentioned. And in that 1,500 to 1,800 range or so on the CONVERGE side, I think you're in that range we've talked about historically in previous years. And so I think that's around the right numbers. But again, COVID kind of had some kind of funky kind of impact on it. Remind me, what was your second question, Suraj, around that?

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

Angie's answer to a question in terms of the components of growth. So if I heard it correctly, CONVERGE was going to be plus, over 15% or 20% growth. So I was just triangulating, is that the baseline? And then should we start thinking plus 15% to 20% over this baseline?

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

Yes. The growth rates for, what I was suggesting is that when you look at the overall growth rate, without giving, saying a specific number by category. When you look at the tailwinds, those that are going to be kind of at the high end to growing higher than that kind of high end of that range, that's going to be the CONVERGE, the clip and the Cryo Nerve Block. And then the headwinds are those that aren't growing quite. It's tough to call them headwinds because they're still doing really well is our open ablation business is going to be below those ranges. And then the minimally invasive business that's not CONVERGE is basically flat to down slightly. So when you combine the flat to down slightly with the CONVERGE, you obviously get a blended rate that's kind of mixed from that standpoint. Does that help?

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

Yes. Fair enough. And Mike, one last question. On IST, it's an interesting, and we can certainly take it offline. Mike, IST, as I understand it, the etiology is not very clear. You can have tachycardia from other sinus nodal sites. And the current evidence of RF ablation, it's inconsistent efficacy and late adverse events. I guess you must have identified a gap in current therapy that your new device could fulfill. Could you share some additional color on what you are thinking? Because the registry trial, no matter how many hundred patients, right, it would be interesting comparing it to what's known in the market today. Any color would be great.

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

Yes. And Suraj, you're absolutely correct. This is a therapy that unfortunately has not worked primarily because of the way you have to enter into that area and the inability of the kind of endocardial catheter to kind of get all access to it.

It's actually the perfect hybrid solution because the endocardial catheter does play a role as they're doing it. And we can go offline and get into more details on the specific lesion set and what they're doing. But the Brussels group really came up with a novel way to leverage and use our clamp to get around the crista terminalis and basically around the SBC and IBC and to make some of those connecting lesions.

And they've been doing it for a while now and they've seen dramatically good results without any kind of long-term negative effects as you described. And so then we've kind of tested that. They've actually written a paper that's been published. Again, we can get you the details on that. And that's the basis for a lot of the work that we've been doing and studying it and getting ready for the clinical trial in the U.S. But again, we'll be happy to talk in more detail on it. It's an exciting area, and there is still a lot to learn, as you mentioned.

Operator

Thank you. And this does conclude the question-and-answer session of today's program. I'd like to hand the program back to Mike Carrel for any further remarks.

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

Great. Well, everyone, thank you so much for joining tonight. Hopefully, it was informative and you're as excited about the future as we are here at AtriCure. Please be healthy and have a wonderful evening. Bye now.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.