THOMSON REUTERS

EDITED TRANSCRIPT

AtriCure Inc to Acquire SentreHEART - M&A Call

EVENT DATE/TIME: AUGUST 12, 2019 / 12:30PM GMT

CORPORATE PARTICIPANTS

Lynn Pieper Lewis *Gilmartin Group LLC - Founder & CEO*
M. Andrew Wade *AtriCure, Inc. - Senior VP & CFO*
Michael H. Carrel *AtriCure, Inc. - CEO & President*

CONFERENCE CALL PARTICIPANTS

Christian Diarmud Moore *JP Morgan Chase & Co, Research Division - Analyst*
Danielle Joy Antalffy *SVB Leerink LLC, Research Division - MD of Medical Supplies & Devices and Senior Analyst*
Frederick Allen Wise *Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst*
Jason Richard Mills *Canaccord Genuity Corp., Research Division - MD of Research & Analyst*
Matthew Oliver O'Brien *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*
Michael Stephen Matson *Needham & Company, LLC, Research Division - Senior Analyst*
Suraj Kalia *Northland Capital Markets, Research Division - MD & Senior Research Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the acquisition of SentreHEART by AtriCure Conference Call. (Operator Instructions) As a reminder, this call may be recorded. I would now like to introduce your host for today's conference, Ms. Lynn Lewis with Investor Relation. You may begin.

Lynn Pieper Lewis ***Gilmartin Group LLC - Founder & CEO***

Thank you. Joining me from AtriCure is President and Chief Executive Officer, Mike Carrel; and Chief Financial Officer, Andy Wade.

Before we begin, let me remind you that management's remarks include forward-looking statements. Information in this presentation, including financial estimates and projections involve statements as to the expected timing, completion and effects of the proposed transaction constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are subject to risks and uncertainties and actual results might differ materially from those discussed in or implied by the forward-looking statements. Such forward-looking statements include, but are not limited to statements about projected financial and operating results; the benefits of the acquisition, including future financial and operating results; the plans, objectives, expectations and intentions of AtriCure after the acquisition and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of management and is subject to significant risks and uncertainties, which are described in our filing with the SEC.

AtriCure is not under any obligation and AtriCure expressly disclaims any obligation to update or revise any forward-looking statements. You should not place undue reliance on these forward-looking statements, they speak only as of the date made.

Additionally, we refer to non-GAAP financial measures, specifically adjusted EBITDA and adjusted loss per share. Disclosure regarding reconciliation of these non-GAAP financial measures with the most directly comparable GAAP measures is included in our press release announcing the acquisition and is available on our Investor Relations website. Non-GAAP financial measures, including adjusted EBITDA and adjusted loss per share may be considered addition to GAAP financial information, which should not be used as substitutes for the corresponding GAAP measures. Non-GAAP measures in this presentation may be calculated in a way that is not comparable to similarly-titled measures reported by other companies.

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

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

Thanks, Lynn. Good morning, and thank you for joining us today. We are excited to announce that we've entered into definitive agreement to acquire SentreHEART, a privately-held developer of percutaneous left atrial appendage management solutions.

I'll begin by providing a brief overview of the transaction and strategic objectives relating to SentreHEART and the addition of the LARIAT Suture Delivery Device to our portfolio. I will also provide some highlights on the aMAZE IDE trial and potential growth opportunities we see within the electrophysiology market. Afterwards, Andy will go over the financial terms of the transaction in more detail as well as our outlook for 2019. We'll then open the call up for questions.

To begin, I would like to highlight our criteria for M&A, which focuses on 3 core tenets of achievement: scale, clinical value and market expansion. Within these, we specifically look for market adjacency to our existing businesses, the potential for channel synergy and expansion, an ability to address an unmet clinical need with technical -- technology advantages, strong intellectual property, a clear pathway to market adoption and most importantly, the ability to improve, progress and growth for patients. To date, we have been selective in our M&A activity, and we believe that SentreHEART directly fits these criteria.

The agreement to acquire SentreHEART includes an upfront payment of approximately $40 million in cash and common stock, plus additional consideration of up to $260 million based on the achievement of certain clinical and reimbursement milestones over the next several years. Each milestone signifies a value-creating event, which we believe has the potential to drive substantial long-term revenue growth.

The SentreHEART acquisition represents a move directly into the electrophysiology market. It also has the potential to significantly expand our addressable market opportunity in the atrial fibrillation and left atrial management markets, with a more comprehensive portfolio of product offerings. We expect the addition of the LARIAT to leverage our growing relationships within the EP community. This is particularly important given the groundswell of support and acceptance of managing the left atrial appendage and the growth potential within the EP market.

Ultimately, we believe the acquisition will allow us to treat even more patients with Afib.

Many of you are familiar with SentreHEART. For those who are not, the LARIAT device is a percutaneous, epicardial suture-based solution currently being studied in the aMAZE IDE clinical trial. The aMAZE Trial is a prospective, multicenter, randomized controlled study designed to evaluate the safety and effectiveness of the LARIAT system to percutaneously isolate and ligate the left atrial appendage epicardially, an adjunct to Pulmonary Vein Isolation, or PVI, catheter ablation for the treatment of patients with symptomatic persistent or long-standing persistent atrial fibrillation, which represents greater than 50% of all patients out there today.

The objective of the study is to show that using the LARIAT device for LAA closure, plus a PVI ablation, will safely reduce the incidence of recurrent Afib compared to PVI alone.

The trial includes enrollment of up to 600 patients at 65 sites in the United States with 1-year follow up.

To date, the trial has enrolled 535 patients and based on current trends, we anticipate completing enrollment in the first half of 2020. The primary efficacy endpoint measure is freedom from episodes of Afib greater than 30 seconds at 1 year post-treatment.

We believe that the LARIAT device represents a groundbreaking therapy for patients. By adding the LARIAT to their toolkit, physicians can offer a percutaneous epicardial left atrial appendage management solution. Epicardial management of the left atrial appendage aligns well with our general philosophy and many benefits of treatment that are consistent with our AtriCure franchise.

The resulting market opportunity is significant and provides AtriCure with a complementary technology to not only diversify our portfolio but also an opportunity to further leverage our existing commercial channel in the EP market.

Following the acquisition, our top priority will be to complete the aMAZE clinical trial. As a result, we do not expect meaningful revenue contribution from the acquisition in the near term. Once the aMAZE Trial PMA is approved by the FDA and reimbursement for this therapy is secured, we believe the LARIAT system has the potential to accelerate our long-term growth rate and be a significant contributor to our business.

Strategically, we believe this acquisition will advance our position in the EP space immediately, as this complementary to endocardial catheter procedures as well as multidisciplinary approaches such as our DEEP and CONVERGE approaches.

Each of these therapies offers a valuable treatment option to dramatically -- to a dramatically-undertreated population of Afib patients. With CONVERGE, DEEP and the aMAZE Trial, we have the only 3 clinical trials addressing the most complex forms and advanced forms of Afib, including persistent and long-standing persistent Afib. We are the only one on the market addressing that patient population.

This is part of our strategy to build a broad, unique and diverse portfolio with clinically-differentiated data in underserved portions of the market.

As a reminder, we estimate that there are well over 1.5 million patients with persistent and long-standing persistent Afib, who are potential candidates for treatment today, representing a significant market opportunity, considering the dramatically-low level of treatment today within this population. The total addressable market for both CONVERGE, DEEP and aMAZE procedures is well into the billions using very conservative estimates.

We remain incredibly enthusiastic about the CONVERGE and DEEP approaches and the associated market opportunity as well as the market opportunity results from the aMAZE Trial will help drive once approved.

From an international perspective, the LARIAT device does have CE mark. While we will be exploring expansion opportunities in Europe, we don't expect meaningful revenue contribution in the short or medium term.

With regards to integration, we believe the SentreHEART team brings a wealth of knowledge and intellectual property in this space, and as such, plan to maintain most business operations in Redwood City, to ensure continuity and readiness for our PMA submission, which includes manufacturing, operations and research and development.

Finally, as we've commented on previous calls, we have spent several years building our organization to a platform of a leverageable infrastructure so that we can efficiently scale. Our team, both in the U.S. and internationally, is mature with more than 175 people in the field worldwide. We have developed robust and world-class training and education programs and have proven success of these programs in driving treatment.

Across our business, with a product development, clinical, regulatory or administrative functions, we have talented professionals working with our strong leadership team.

I'll emphasize again that our criteria for M&A are strict with an overarching focus on the 3 core tenets: scale, clinical value and market expansion. We believe that SentreHEART directly fits these criteria and are excited for the future of the combined business.

I will now turn the call over to Andy Wade, who'll provide more details on the financial terms of the transaction as well as updates on our 2019 guidance. Andy?

M. Andrew Wade ***AtriCure, Inc. - Senior VP & CFO***

Thanks, Mike, and good morning, everyone. As Mike stated earlier, the acquisition of SentreHEART is structured with an upfront payment of $40 million in cash and AtriCure common stock.

In addition, this transaction includes up to $260 million in consideration based on the achievement of certain clinical and reimbursement milestones over the next 5 years, which correspond with value-driving events. The additional consideration consists of $140 million based on milestones related to the aMAZE clinical trial, including PMA approval and $120 million based on a milestone involving reimbursement for the therapy using LARIAT devices. All contingent consideration will be paid in a combination of cash and AtriCure stock.

Subject to customary closing conditions, the transaction is expected to close in the next several days. AtriCure shareholder approval is

not required. SentreHEART generated revenue of approximately $4 million in 2018, mostly from aMAZE clinical trial accounts. This is unlike AtriCure's current business where a minimal portion of our revenue is generated from clinical trial activity. As a result, we expect nominal revenue contribution in 2019.

With the aMAZE clinical trial enrollment coming to a close shortly and the need for 1 year follow-up after that point, we also do not expect meaningful revenue contribution in the next few years. Our primary objective of this acquisition is not the short or medium-term generation of revenue, rather acquiring technology and clinical evidence for a therapy, which will lead to long-term revenue growth acceleration in a vastly underpenetrated market. Our immediate focus with the acquisition will be the successful completion of the aMAZE clinical trial and PMA submission to the FDA, along with integration of SentreHEART operations.

Turning to guidance for 2019. We now project revenue of $224.5 million to $228.5 million, which includes minimal revenue contribution from SentreHEART. Our base revenue projections are unchanged from the second quarter earnings call and the range represents 11% to 13% organic growth. Revenue related to the LARIAT system will be reported in our appendage management product revenues going forward.

We are maintaining our 2019 guidance for gross margin at 73% to 74%. While we expect some pressure in the coming years on the combined gross margin until we are able to reach critical mass for the LARIAT system, we remain confident in our long-term goal of a consistent 75% gross margin.

We now expect a full year adjusted EBITDA loss in the range of $7 million to $9 million, which excludes transaction costs. This adjusted EBITDA loss translates into an adjusted loss per share between $1.07 and $1.14 in 2019.

Looking forward to 2020, we also expect to generate an adjusted EBITDA loss of less than $10 million, as a result of the investments necessary to complete the aMAZE clinical trial prepared for PMA submission to the FDA and transition and integration activities.

While the acquisition will impact short- and medium-term profitability, we do not need to raise additional capital to support this deal or get to EBITDA profitability. We have a strong balance sheet, which is appropriately leveraged for a deal like this.

We also believe the limited upfront consideration required to obtain this valuable asset is worth the adjusted outlook to our short-term profitability.

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

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

Thank you, Andy. This transaction demonstrates we are deeply committed to improving the lives of patients that have Afib globally and we remain steadfast in our efforts. Teaming with SentreHEART strengthens our dedication by expanding our market, business and growth opportunities within electrophysiology.

In addition, it continues to focus our commitment to clinical science, education and innovation. The possibilities here are tremendous. We welcome the SentreHEART team to our AtriCure family and look forward to working together in our collective mission to combat Afib.

Joining me for questions are Andy Wade and Justin Noznesky, our SVP of Marketing & Business Development.

With that, we will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Rick Wise from Stifel.

Frederick Allen Wise ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

Congratulations. It sounds exciting and I think the focus on a persistent and long-standing persistent patients is very special. To take your words, Mike, you said that this will enhance, leverage our growing relationships with EP, it's complementary to existing offerings. I guess that maybe you can expand on that. Talk about how you think it's going to expand relationship. How will the sales force incorporate this? And just help us maybe flush that theme out a little bit for us.

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

Sure. It's a great question, and thank you, Rick. This is our first product that will actually be in the hands of an electrophysiologist. Every other product we have today is a surgical product, as you well know, and this really gives us an opportunity to enter in the cath lab with a product for the electrophysiologist, and provides a tremendous amount of credibility for us to kind of enter into that market. We know that market is growing very fast. We know that more and more hybrid solutions are becoming the norm. We're seeing that with CONVERGE and DEEP in other areas and we believe this is complementary to that because you're going to be managing the appendage with this in a percutaneous noninvasive approach.

Our clip is being used today by -- on surgical procedures and continues to grow. It's our fastest-growing portion of our business today. We know that, that is an incredibly important market. We're getting more and more visibility with the clip today and this is complementary to it. And that it's less invasive, it's in the electrophysiologists' hands and it's in a different procedure than what our clip is in yesterday. As you know, our clip is really being done when a surgical procedure is being done. So we view this as an opportunity to continue to build those relationships. There's over 65 sites during the clinical trial that are absolutely dedicated to this technology, in this approach. They're doing very well with it. The trial is going exceptionally well to date. We have very good information relative to kind of how they're doing it, and so we really feel good about kind of the technology from that standpoint as well. Hopefully, that kind of gives you some semblance of it.

In terms of kind of future sales pieces to it, as we kind of think about kind of where the sales is going to be, and we're really focused on the clinical trial right now. And we anticipate that we do have a minimally-invasive team and we've also got -- they've got a team as well and over the course of the next several years, we'll kind of figure out actually how to continue to build that out and leverage the strong footprint that we're going to have in the cath lab.

Frederick Allen Wise ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD & Senior Equity Research Analyst***

That's great. And just 2 last ones though at the same time. Is there a -- maybe talk about the pipeline and where you go from here. And I mean is there a pipeline? And how does this all tie in with IP and things like that? So pipeline IP. And maybe talk to us a little bit about the leadership and who's going to sort of manage SentreHEART, if you will? And is it their team, your team? Are they part? Help us understand that aspect of things. Again, congrats.

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

Absolutely. Again, thanks for the questions and I mean in terms of the technology and the pipeline, right now, the product that they had in place and that they've got well over 5,000 procedures done to date, is the one that's actually in the clinical trial. They've made many iterations over time to kind of make it a better procedure, a more effective procedure and a safer procedure over time. They've done a wonderful job, they've got a great technology team that's done that. They've also got technology for the future. Right now, it's an Endo/Epi approach in terms of how they approach it. They've got -- as they just announced recently over in Europe, an epicardial-only approach as well. We're going to be leveraging that technology and looking at how we leverage that kind of going forward. Our real focus though in the short term is the clinical evidence. That is really what we're going after, which is the PMA. It's very close to being completed. That's where we are laser-focused as an organization. That's all we'll be thinking about from that standpoint.

So our team is going to be working incredibly collaboratively on the clinical front, on that clinical trial, making sure that we get that enrollment done, done well, and support the team that's done a great job from SentreHEART in managing that for the last several years. They've had over 100-patient enrollment every year for the last several years. They've done a great job with it. We're going to build upon that and that's really the focus and we're going to rally the company around that right now going after that standpoint. So we're keeping

everybody at this point and we're going to be focused on the clinical trial, getting that trial enrolled and getting ourselves to a PMA so that we've got another shot on goal here for these really complicated Afib patients that we have unique differentiated, both technology and clinical evidence for.

Operator

And our next question comes from Robbie Marcus with JPMorgan.

Christian Diarmud Moore ***JP Morgan Chase & Co, Research Division - Analyst***

This is actually Christian Moore for Robbie. Congrats on the deal. First one for me is just as you think about this market and I'm sure you've had this company on your radar, really interesting technology. Why is now kind of the right timing for you to get involved to take the ball over the line for the clinical trials? And what gets you excited about getting involved in SentreHEART now today just in terms of timing for the deal?

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

I mean, the timing of the deal, I've been looking and talking to -- with this team and been impressed from afar for many, many years. I've been talking to Russ, who is CEO of the company and their leadership. I've been impressed with them for the last 4 to 5 years on their approach and how they've gone to market. They've been incredibly persistent in approaching this. They've learned from things along the way and the technology and the approach continue to get better and better. The results continue to get better and better. And so I've been kind of pursuing them softly for a long period of time, having these conversations and the opportunity is right on their end, where they were ready to kind of take it to the next step from a clinical trial. They have to kind bring it through -- finish the clinical trial and then bring it to market. And that we felt like we were a great partner for them to kind of go down that path. We were willing to take the risk before the clinical trial was complete. We know that now, it's at 535 patients, it's pretty much just a matter of time before we kind of get it complete. We're talking about sometime in 2020, the first half. And so I feel like we're really on the cusp of some greatness with this technology and this approach. There's a groundswell of support out in the market from the EPs that are using it, and they're getting better and better at using it and more and more papers are coming out with that. And so as we learned more, it really was just kind of an opportune time in terms of where they were and where we were, and so we kind of took advantage of that.

Christian Diarmud Moore ***JP Morgan Chase & Co, Research Division - Analyst***

Then following up, assuming a successful clinical trial and FDA approval of the products, what kind of competitive landscape will this be facing for epicardial procedures specifically, and how much of a head start on any potential competition do you view the product having?

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

Yes. I mean combining this with what we've got with the AtriClip, and really there's no other player in the market that has that strong position in the epicardial space. Obviously, there's other players in the left atrial appendage space but I think we're going to be uniquely differentiated in this area. Once we get that clinical data to continue to support it, we're going to be -- we're going to have a strong head start on many other companies and technologies. Quite frankly, we're establishing this market. The combination of SentreHEART and AtriCure really puts a stake in the ground around epicardial closure of the appendage. And so from that standpoint, we feel really good that we're going to be leaders in this space.

Christian Diarmud Moore ***JP Morgan Chase & Co, Research Division - Analyst***

Okay. One last financial follow up for Andy. Just noting the updated adjusted EBITDA outlook for loss this year and then loss next year. I think the company as a stand-alone, which is starting to turn positive in that area. So how's the longer-term trajectory of profitability? And do you see yourself getting into positive adjusted EBITDA kind of mid-2021 time frame?

M. Andrew Wade ***AtriCure, Inc. - Senior VP & CFO***

Sure. Hey, Christian. Yes, the adjusted outlook is really the kind of operating costs and integration type costs to get to the $7 million and $9 million loss for '19. And then the comment I made in the prepared remarks was that we would expect consolidated net EBITDA loss for next year of less than $10 million. But beyond that, we haven't given guidance on an exact time frame for EBITDA profitability beyond 2020.

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

But I think you can imagine, we'll continue to get better as we kind of progress after that, and that's the -- we got a strong balance sheet, as Andy alluded to, great relationship with our banks and we're in a very, very good position from that standpoint. And so obviously, next year is to finish the investment in the trial but our business will continue to scale and grow from there. And then as we look on the years after that, we'll get better in 2021 and beyond.

Operator

And our next question comes from Matthew O'Brien with Piper Jaffray.

Matthew Oliver O'Brien ***Piper Jaffray Companies, Research Division - MD and Senior Research Analyst***

Just to follow up with the last question a little bit, Mike. You guys have been in this category for a while. You've got a big appendage management business, 535 patients, I think you said now that are enrolled in this study. So what did you see in this technology? What have you seen over the last couple of years that just gives you such confidence in this opportunity here? I know you didn't pay much upfront but you're clearly making a big bet today. So what did you really see? And then can you talk about, you said collectively all these opportunities are billions of dollars, but specifically for this one, how do we think about the market size for this technology? And then I have a follow-up for Andy.

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

We've been looking and we talked about in this call for the last many years, and I've also been in touch with SentreHEART for many years about a percutaneous approach. We needed something in the hands of an electrophysiologist. We needed to make a move into this space. Our R&D team is working on technology to do that as well but we were far from having that product in the market. When this opportunity kind of came available and we've been having conversations with them, we thought it was a no-brainer for us to kind of accelerate our move into this space, both from a technology standpoint. They've got over 5,000 procedures that have been done, that have been done well. On top of that, they've got a tremendous amount of clinical data that's out there, they're almost done with the clinical trial that's going to get a PMA approval in a reasonable short period of time. We were going to be well behind that on our own percutaneous approaches that we were developing. And so this is really an ability to buy a platform that we can get that rich clinical data on and then build on that platform going forward. And so that's really what that -- I mean the timing when everything came together on that. We've been looking at this for a long time. It was just a matter of me getting the team from SentreHEART to be convinced that we could really make one plus one equal five, together. And they've got a great team, a great technology and we really feel good about kind of taking this to the finish line and making it a really big and meaningful product for the long term for AtriCure.

Matthew Oliver O'Brien ***Piper Jaffray Companies, Research Division - MD and Senior Research Analyst***

And then market size?

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

We think on the market size, I mentioned there's 1.5 million people with persistent and long-standing persistent Afib in the market today. When you look at other appendage management devices, they talk about market sizes in the $2 billion, $3 billion size range and I think that's a -- that is the size of the market. I mean there's a -- it's in the multiple billion-dollar range. These are very difficult to treat patients, and we feel like we're going to have a unique and differentiated technologies for that patient population.

Matthew Oliver O'Brien ***Piper Jaffray Companies, Research Division - MD and Senior Research Analyst***

Okay. And then as the follow-up for Andy, just -- can you give us a sense for the split between cash and stock, both upfront and for the milestones?

M. Andrew Wade ***AtriCure, Inc. - Senior VP & CFO***

Sure. For the upfront, it's a little over half will be in stock with the remainder cash. And then for the milestones, it's at -- it will be at our discretion within some balance outlined in the agreement.

Operator

And our next question comes from Mike Matson with Needham & Company.

Michael Stephen Matson ***Needham & Company, LLC, Research Division - Senior Analyst***

So just on the clinical milestones, would you have potentially have to pay any of those before PMA approval? In other words like when the trial hits full enrollment or something like that?

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

No. It's very specific about PMA approval. So again, approval from the FDA for the PMA milestone. So that's why it's a true value-generating activity.

Michael Stephen Matson ***Needham & Company, LLC, Research Division - Senior Analyst***

All right. And then just on the timing of a potential approval -- I mean, enrollment is completing early 2020 and you've got a year of follow up that puts you in 2021. So is it reasonable to assume that there's -- assuming the PMA happens, it would be in the 2022 time frame?

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

That's a fair -- I mean that's a fair walk-through of the dates. Obviously, as we get into further pieces of it, we can look at bit more. There is one piece on the value-generating piece. On the $140 million for PMA, there is a $25 million carve up that if they get good success from the outside view looking at it, both looking at the efficacy and safety data, then we would have a $25 million payment on that, but again that would basically give us an indication that the trial was going to have success and going to win. So that would be an interim kind of milestone that will be paid. Again, it's all on value-generating activity for shareholders.

Michael Stephen Matson ***Needham & Company, LLC, Research Division - Senior Analyst***

And what would be -- that would be after the trial was completed, right? When you...

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

Every other trial is enrolled and then the outside BMC would be looking at it and then we would basically get feedback on that. So there's a modest payment based on that. But at that point, then we'd be looking at efficacy and the safety data on a statistically-significant number of patients, if they came back with that. That point in time, it would enable us to obviously have something that was truly value-generating for shareholders at that time.

Michael Stephen Matson ***Needham & Company, LLC, Research Division - Senior Analyst***

Okay. And just can you comment on plans to obtain reimbursement? And can any of that be done in parallel with the trial and the FDA approval process or you're going to have to do it? Wait until you get the approval, then start working on reimbursement?

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

Work on reimbursement is already underway. The company has done a really nice job of kind of working in parallel so to make sure that upon PMA, they've really kind of hit the ground running. There's not a direct reimbursement for it today. There are some private plans in other places that actually do provide some reimbursement that's kind of on a as-needed basis that does happen. But we will -- we are working on it in parallel and anticipate that we'll get some favorable outcomes not shortly after the PMA but we'll be working on, working that well before the PMA is complete.

Operator

Our next question come from Danielle Antalffy with SVP Leerink.

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

Mike, I just want to make sure I understand the strategy behind this deal. It sounds like what you're saying is it gives you access to the EP market with an atrial appendage closure device. But could you comment on how this is synergistic to, and/or complementary to, specifically the AtriClip and AtriCure's business. Is this something that could drive even more of a halo effect between your LAA closure business and your open ablation business? Is this something that could ultimately drive a halo effect with CONVERGE? Maybe comment a little bit about how this specifically fits into the business and is synergistic.

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

I'll start with yes, yes and yes. It's going to have a halo effect on all of that because we're going to now have a much deeper broader relationships with the electrophysiology community. We're going to have a product that they're actually going to be able to use. We don't have a product that can be used percutaneously today as you know. So now we're -- like everything else, we provide options. Like on the hybrid side, we provide DEEP, we provide CONVERGE and we provide on the open side, Cryo and RF.

And we really believe that you've got to kind of meet the position where they are and provide multiple different options for that. We think this provides and opens up a whole new market opportunity that we just could not access with the AtriClip device at that time. So it's not going to be competitive to it, it actually is going to be complementarily. We think as people are beginning to use this product, we'll also see uses and needs for using AtriClip and other settings. And they will encourage their surgeons and others to use it in a concomitant setting in a more regular basis. And we think the flip side will happen as well. So we think there's a large halo effect to that.

As it relates to CONVERGE, this is incredible complementary. I know one question that people ask is does this have any kind of read-in to what the results are in CONVERGE, the answer is absolutely not. We feel incredibly confident with where CONVERGE is. We don't know the efficacy data from the trial yet. We do know efficacy data from single center results and they've been obviously positive. They've been published. We feel very good about CONVERGE. We know the safety results and so this has no read into that in any way, shape or form. We do think that's complementary because right now, you're going to be able to add-in the layer device on top of that procedure as well. We get some with clips but not all of them want to use clips, not all of them are comfortable with that and EP wants to own some aspect of it. So we feel like there's an opportunity to kind of leverage that and have a halo effect on that as well. So there's lots of synergies as you kind of go down the line and I'm sure there are more that we're going to learn as we get deeper and build even stronger relationships with the electrophysiology community. This is a great technology. It works very well, and we're very excited to have it.

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

Okay, great. And just a quick follow-up on specifically the LARIAT device. Why is this the right device? And is this something that would compete with Boston Scientific's WATCHMAN?

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

Why is there a device? I mean we really believe in the epicardial approach. We think that the epicardial approach, there's more and more data coming out that manage the appendage epicardially, can help with Afib, you can electro-isolate it, you get rid of the appendage job together. There's really no place for clots to form, once you've gotten rid of the appendage completely. When you look at the CT scans afterwards, you basically -- it's been obliterated completely. We see that with the AtriClip, we see that with the LARIAT device now. We think that's a really safe and effective way to approach these patients, and we think that it's very unique and differentiated from that standpoint. That's why we think this is a great technology.

We've always approached that it's complementary. There's always going to be many players in the field trying to approach. The approach is relative to the left atrial appendage and other things and so we think it's actually reasonably complementary. Sure, there's going to be some competition to some degree, but quite frankly, the WATCHMAN device is out there going after the kind of stroke label, which is kind of want they went after, and they've done a wonderful job of building up the market. We've got only positive things to say about what they've done in the marketplace from that standpoint. And again, we think this is going to be complementary overall, just like we think it is with the AtriClip and we've seen the benefit there also.

Operator

And our next question comes from Jason Mills with Canaccord.

Jason Richard Mills ***Canaccord Genuity Corp., Research Division - MD of Research & Analyst***

I wanted to focus on the marriage of SentreHEART and the CONVERGE study a little bit more. Could we talk just a little bit with respect to, including the appendage in that study, what this may mean with respect to the development of the AtriClip delivery system for that sub diaphragmatic delivery, and whether or not that makes sense anymore.

And then it seems like obviously, the attachment rates for AtriClip in several other procedures, specifically on the open side is really high.

That obviously is the goal here in the CONVERGE procedure. Should we start to think going forward that the attachment rate of a LAA device with the CONVERGE procedure will most likely be over the long term, the LARIAT device, and not the AtriClip? Or will there be procedures in which one or the other is used? Just maybe talk about the CONVERGE procedure and how this acquisition really plays into your strategy?

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

Yes. It's a really excellent question, Jason, because it really kind of gets to the heart of a lot of the synergies and upside in potentially looking at this because as we look at it today, obviously, the AtriClip, as we've talked about, is fast-growing.

We don't see this as being -- it's not going to cannibalize AtriClip in any way, shape or form from that standpoint on the CONVERGE. It won't be in the trial, just to be clear. The CONVERGE Trial is complete. There was no appendage management in the trial but people do use the clip concomitant with the CONVERGE procedure during the surgical portion of that procedure many times, and we've seen some of that and it's affected our growth, then, very beneficial. But it's not being used all the time. And the electrophysiologist does do part of that procedure because they do the catheter component of the convergent approach, and we do believe that there are going to be many. They want to manage the appendage during this procedure and now we're giving them 2 different options, depending upon the operator.

And quite frankly, I believe it will actually help attachment overall for managing the appendage to go from the 30s to 50s, hopefully up to 100%. I mean that's our kind of goal, is in the long term to basically have every one of these procedures have your appendage managed in some way. We're not going to care whether or not is the LARIAT or it's going to be the clip. That's not going to matter to us. We just think that for the patient benefit, managing the appendage is a good thing but LARIAT is, obviously, has higher ASP than what you get with the clip. So we're going to have to kind of think through that as we kind of roll this out.

But really take a step back, our focus right now is on the clinical trial, in the clinical data. So that's more long-term thinking because our focus is not right now on anything with our existing channels and where we're going. It's 100% on getting the trial done, getting the clinical data out there to show that this is, in fact, it works and it works incredibly well and getting that PMA approval. That's what we're focused on right now and then we'll establish the synergies a couple of years from now as we kind of begin to kind of move towards that -- of getting the PMA and leveraging it into some of these different areas.

Jason Richard Mills ***Canaccord Genuity Corp., Research Division - MD of Research & Analyst***

That's helpful. And then, sorry if I missed this but I joined the call a bit late. So if you kind of walk back (inaudible) for a little while, at the time they pursued their clinical trial strategy, specifically the PMA study, the FDA was dealing with WATCHMAN and multiple trials they were requiring for WATCHMAN in a stroke prevention-focused study -- strategy for Boston, and SentreHEART was encouraged not to, for lack of a better way to put it, pursue that strategy. So what does that mean, do you think, to -- for the approval of LARIAT device and the labeling of the device in its competitiveness field? As you now sort of entering a phase where you -- your Q4, you really have been mutually-exclusive from the WATHCMAN. LARIAT is going to start to tread on some of that marketplace. How do you see that playing out?

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

I think it wasn't that they -- it's a small company that had a choice. They had to make a choice about whether or not -- how to approach the market and they couldn't afford to go down the path of doing 2 trials at a time. That was just -- I mean, it would've been very complicated to go down that path. They chose 1 path. Quite frankly it's because they could see the benefit of managing the appendage epicardially on the Afib. There are many, many papers out there, both using the AtriClip device and using the LARIAT device, where you're seeing epicardial ablation and electrical isolating that appendage, which really is the harbinger for a lack of Afib. And so they kind of approached it from that standpoint. Hey, at the same time, they're also taking the appendage away. It's gone. I mean it's flat on the inside. It provides a great sealer and the appendage basically goes goodbye. And then so it's basically managing the appendage away. We feel like that epicardial approach is a great approach in the market and we feel that it's going to have its place and have a very large place in a multibillion-dollar market from that standpoint.

Let's not take anything away from what WATCHMAN is doing because what they've done is brilliant and we think that they've got a great strategy and they've got a really good technology that continues to get implemented more and more. And we applaud them on that. This

is another approach that allows for epicardial closure of it, and we feel good about that. From a stroke standpoint, I think that is something that we have to consider as we kind of think into the future, not only with the LARIAT device but with the AtriClip device, and we will be considering kind of stroke trials relative to that as we kind of go forward. They would likely be -- and we'll work with the FDA and Advisory Boards on the best way to kind of design some of those trials, both concomitant and also kind of stand-alone at some point as well.

Jason Richard Mills ***Canaccord Genuity Corp., Research Division - MD of Research & Analyst***

And if you don't mind, I'm going to sneak in one more -- few questions here. First on OUS. What's the opportunity and how quickly could you start to go after that opportunity OUS? Where do you see this device sort of contributing outside the United States over the next 3 or 4 years? And then Andy, interested in your comments in the press release about EBITDA, and where you see -- how do you see this impacting EBITDA over the longer term, beyond what you said in the press release? It's an interesting commentary on that front.

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

Yes. And as we look at the international, it's not a short-term focus for us. We do have a CE mark, as I mentioned, we are selling there. It will be upside from my standpoint. We're really not focused on revenue. I really want to make clear right now, we are focused and we're going to focus the company on getting the aMAZE Trial complete and getting that PMA. And we're going to put all of our muscle as an organization behind it, combine with it what SentreHEART's done to date with their great team, and that is the focus. We may get some revenue in Europe, but it's going to be de minimis and we're not going to be focused on that. We're going to be really pretty much 100% focused on how we make this trial a big success in the United States right now and get behind the team that's already there today and what they've been doing. So that's really the focus of the team. Again, upside on the international front if something happens but it's not a focus of ours at this point. I will let Andy, kind of fit on the EBITDA stuff.

M. Andrew Wade ***AtriCure, Inc. - Senior VP & CFO***

Sure. Yes, on the EBITDA side, just to reiterate, we expect $7 million to $9 million of EBITDA loss for this year as we operate and integrate. And then moving consolidated to a roughly $10 million less EBITDA loss for next year in the combined company. And as Mike said earlier, we would then expect improvement from there just primarily driven by the core business as we operate the SentreHEART side through completion of the PMA submission and going fully commercial.

Operator

Our next question comes from Suraj Kalia with Northland Securities.

Suraj Kalia ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

So Mike, I think everyone is asking questions, the same thing packaged differently. Let me come from a different angle. You guys, obviously, felt the need to acquire SentreHEART now. And if the logic is to obtain LARIAT because it can give you an EP access, right, somewhere, I'm having a hard time understanding how you would not cannibalize the existing business. I understand your commentary about CONVERGE. But maybe let me come at it from a different perspective, right? The logic of persistent, permanent, long-standing Afib, Cox-Maze and/or RF-based, you guys have shown pretty good results on that front. Is the logic somehow now capital-based ablation but just PVI? That is also good enough. Obviously, from an EP lab perspective, it sort of sounds at odds with the basic premise and that's why I'm having a hard time tying all the threads together and making sense of the timing and the deal currently.

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

Actually, it shouldn't be confusing for us because it's super complementary. So if you think about the approach that we've seen, we've talked about it in the call before where the AtriClip device is being used more and more at the same time, people are doing CONVERGE. They're taking these really complicated patients and what they're doing is they're doing a PVI and a back wall ablation with the CONVERGE approach. The reason they're doing that is taking care of the substrate, they're getting much better results, they're reducing the burden significantly and then they are able to manage the appendage at the same time, where they're able to electrolyze to it, which the CONVERGE procedure does not address. And then -- but the LARIAT device does not address or the AtriClip does not address the back wall. So it really is a kind of a full stop procedure, combine the PVI with the catheter, the LARIAT or the AtriClip and our EPi-Sense device for the back wall. You really get a complete procedure there that is very durable, it's strong and the feedback we continue to get is positive on that front.

The AtriClip device is obviously being used in that way today in many times but not in every single case, and we know from EP that we've spoken to and those who have been involved in this trial and other times, that managing the appendage is an important adjunct to all the other pieces that they're doing. And so it's really complementary. I'm not sure where the disconnect might be and maybe I'm not being clear in terms of how it's kind of being used but nothing else we have. I mean, CONVERGE takes care of the back wall, that's what it does. And there's a lot of activity in this persistent and long-standing persistent patients in that back wall. And if you get into deep in the electrophysiology of it around macro-reentrant circuits that can't be dealt with at the PVI level, really begin to kind of build off each other and there's no other devices that are on the market that could kind of take care of that, like our EPi-Sense device can do that.

Our DEEP approach is a completely different approach. That is for really a more complete procedure on the surgical side of things and there are some EPs and surgeons that really like that approach. They feel that the clamps do a wonderful job with the PVIs and that they would rather just do touch ups. But that's a very -- that's a different subset of the population in terms of kind of what those EPs need. This is really going after the kind of big bolus area when you've got kind of people like CONVERGE or others, combining it with things like LARIAT and other things long term.

Suraj Kalia ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

Got it. And finally, Mike, just following up and please correct me if my sequence of events and/or the factual understanding. I'm just jogging my memory here as incorrect. So LARIAT got approved or CE marked, I believe '15 or '16. And I knew there was some -- again, I'm jogging my memory, there was some issue in terms of effusion, just pericardial access, there was some advisory. Somewhere along the line, this was paired up with the aMAZE Trial. During your due diligence, you'll obviously have a comprehensive look at what were the key things that you all saw during your due diligence that said LARIAT plus PVI isolation is equal to superiority in freedom from AF. What is the trigger? Because my understanding always was -- and please correct me here, that LARIAT was originally as a stand-alone LAA device, somehow it's been morphed into this plus (inaudible). And also to follow up on that, Mike, and this might be a really dumb question, forgive me it's early in the morning. You do the snare, you close the LAA, how do you -- and then you do the ablation, how do you properly get PVI isolation just because you have snared the whole thing?

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

Yes. I'll try to address that. So I think what you're referring to is prior to the aMAZE Trial, there were different comments and as with any new technology, the technology, that's a long time. They had a learning curve that happened early on back in the 2010, 2015 time frame but what they learned a lot during that period of time that actually -- and they put a very prescriptive protocol in place, worked directly with the FDA and other areas around kind of putting that in and they've seen excellent safety rates with it. Exceptional, quite frankly. We did do a lot of diligence on it and if you look at the trial and you look at the patients in the trials and what happened since they made adjustments to both the technology and to the approach, many, many years ago, they've seen great success, both on a safety and on efficacy standpoint as well.

When we look at the trial, it's 535 patients in. They've had great success on that front as well. It's continued to be monitored by the FDA and outside reviewers of it, showing that it continues to be safe. So we feel really good and confident with kind of where the technology is today. There's also a plethora of information that's come out over the last 5 years about managing the appendage and electrically isolating the appendage. And that a lot of the Afib does originate from that change in tissue there just like it does around the PVIs. And so as a result of that, that is also one of the reasons that they went down that pathway, they kind of go down there because they see that there is a lot of Afib that actually does generate and does come from there. So you kind of closing off the appendage and you're getting electrical isolation along with it.

On the other question, I mean you're taking the appendage so you can easily ablate the PVIs after that. So there shouldn't be anything that gets in the way on that. It actually make it easier, quite frankly, if you talk to people that have actually done it, they actually makes it easier to manage around there because you're not worried about kind of getting into any [endothelial] tissue relative to the LAA when you're doing it. So it's actually an incredibly safe procedure from that standpoint as well. It makes it easier to do the PVIs later on.

Operator

And I'm showing no further questions at this time. I'd like to turn the call over to Mike Carrel for closing remarks.

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

Great. Well, thank you, everyone, for joining us this morning. As you can tell, we're excited about this acquisition of SentreHEART, and believe that this bolsters our strategy to build a diverse portfolio of therapies addressing the vastly underpenetrated market that we just talked about. We look forward to future conversations of the SentreHEART combined AtriCure, continuing our commitment to improve the lives of Afib patients around the world. Thank you very much, and have an awesome day.

Operator

Ladies and gentlemen, that concludes our conference for today. You may all disconnect. Everyone, have a great day.