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Q2 2020 AtriCure Inc Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to the AtriCure Second Quarter 2020 Earnings Conference Call. (Operator Instructions)

As a reminder, this call is being recorded for replay purposes. I would now like to turn the call over to Lynn Lewis from the Gilmartin Group for a few introductory comments.

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

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 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. 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 financial measures with the most directly comparable GAAP measures is included in our press release, which is available on our website.

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 & Director***

Thank you, Lynn. Good afternoon, and thank you for joining us. We hope you are staying safe and healthy as we continue to face unprecedented challenges with this pandemic. Before we begin our quarterly review of our results, we want to express our gratitude to the selfless workers on the front lines who continue to rise to the occasion to keep our communities safe and functioning. Thank you for taking care of us. You are the true heroes.

We are encouraged by our second quarter results despite the impact and challenges of COVID-19, which we felt especially early in the quarter. Total revenue was just under $41 million, down 31% from the same period last year. We experienced a trough in April with monthly revenue down 54% as compared to April 2019 due to the significant slowdown of non-emergent procedures in response to the COVID-19 pandemic in the U.S. and Europe. We began to see a return -- a rapid return in May, followed by steady volumes throughout June with procedures coming back online and the easing of shelter-in-place restrictions. Specifically, in May, we saw revenue improve by nearly 50% over April. And in June, we saw a similar improvement over May. While we are pleased by the encouraging rebound of our business in the U.S. and parts of Europe through the second half of the quarter, the situation does remain fluid, especially with the recent trends indicating growing case volumes in some regions of the United States.

In the last few weeks, we began to see more volatility in case volumes and now expect July revenue to be down somewhat compared to June. As we look to the second half of 2020, we remain cautiously optimistic about our outlook while continuing to make sure we stay

flexible and ready to mitigate any interruptions, and we remain on track with all of our strategic initiatives. To that end, we continue to prioritize the health and safety of our employees and promote remote working wherever possible. At the same time, we are easing spending restrictions in several areas. Specifically, we lifted a hiring freeze and are actively adding to our commercial team and other critical roles. We are focused on our future, on innovation, clinical science and education, strengthening our commercial infrastructure to ensure that we are well positioned on all our future catalysts such as the CONVERGE approval and aMAZE progress as we enter 2021 and 2022.

The strong performance in the second quarter is a testament to the resiliency of our team at AtriCure. Our amazing group has risen to face these challenging times with an unwavering commitment to support our health care partners and to put patients first. I would like to highlight our clinical education team as one example of this dedication. Over the past year, our clinical education team has developed a peer-to-peer education platform that is second to none. In response to the COVID-19 pandemic, our team quickly developed and validated a process to adapt this platform to support our customers virtually. As institutions across the country change their policies and protocols, physicians also had to adjust to these changes. Our team at AtriCure was helpful and prepared with this virtual platform and reached out proactively. Our customers could not stop thanking us for stepping up and showing that we care. This virtual platform for education became our outlet to continue to partner with clinicians as we could no longer call in our customers in person. We've been able to work with the medical community seamlessly, literally transitioning from in-person to remote engagement with our customers and building even stronger relationships as our team has been rising to the occasion.

While managing through the pandemic, we were successful in achieving several milestones during the quarter and made significant progress on our strategic initiatives. Starting with CONVERGE. As many of you are well aware, the data readout from the CONVERGE trial was presented during the virtual HRS conference in early May. The response from the medical community has been tremendous. As an example, Radcliffe Group recently held a virtual symposium on our Convergent procedure, which was endorsed by the British Heart Rhythm Society and accredited by the European Board of Accreditation in Cardiology. We were excited that the seminar drew over 900 physicians, the largest group of attendees we have ever witnessed for a seminar of any AtriCure procedure. Further, with respect to CONVERGE, a number of clinical papers were published in the Arrhythmia & Electrophysiology Review, a manuscript was submitted to the Journal of American College of Cardiology and a second analysis of CONVERGE was submitted to the American Heart Association. We believe this level of interest clearly demonstrates that the data is driving deeper discussions around the best treatment options for patients suffering from persistent and long-standing persistent Afib, which is central to our patient-first mission.

There is still work ahead, and our team is diligently working with the FDA to complete the regulatory process to make this therapy available to patients suffering from advanced forms of Afib. We've had very productive and collaborative discussions with the FDA. Following the data release at HRS in May, we've engaged in deeper dialogue with the agency asking additional questions and for some additional analytics. We are encouraged by these discussions and are reminded of the strength and durability of our data, both in terms of safety and efficacy. That said, there are a lot of moving parts before the regulatory process is complete. We are still working under the assumption that the FDA will convene a panel meeting, but we do not have insight as to the potential timing of this meeting. At this point, our expectation is it will be a little bit further out than we had originally anticipated.

We made significant progress in our other market-changing clinical study as well, the aMAZE trial, passing a major milestone by preparing and submitting our first module of the PMA to the FDA. As a reminder, the aMAZE trial is a 600-patient randomized controlled trial designed to show superiority. Superiority for this trial is catheter ablation plus AtriCure's LARIAT LAA exclusion system versus catheter ablation alone. We completed enrollment in the trial in December 2019 and expect to have follow-up on these patients at early to mid-2021, followed by data analysis and our full PMA submission.

In addition to progress with the CONVERGE and aMAZE trials, both of which we believe will be transformative for the company, we are making steady progress pushing forward important initiatives that augment our core ablation business. In the second quarter, our innovative cryoSPHERE probe continued its positive upward trend in revenues. The cryoSPHERE probe is intended for managing postoperative pain in cardiothoracic patients. This unique probe demonstrates our investment in innovation and its resulting impact to our business. To support the increasing case volume, we continue to steadily add sales and clinical resources to our thoracic team. We believe that our Cryo Nerve Block therapy is rapidly gaining momentum in thoracic pain management market and expect meaningful contribution in the long term. As part of the open ablation platform, we are continuing to work toward the 510(k) clearance of our new

EnCompass clamp, and our team is preparing for a subsequent market launch. The EnCompass clamp provides a simpler and faster approach to ablating the heart in open procedures. We expect this clamp to appeal to high-volume CABG surgeons and to contribute to our open ablation revenue in the coming years. What does this all mean in the current environment? We are continuing to strengthen our clinical evidence, educating -- education and training and product innovation. And as I mentioned earlier, to further support the expansive growth of our initiatives, we continue to actively build our team, hiring strategically throughout the second half of this year. However, our optimism to the future is balanced by the uncertainty of the present environment. We saw a possible plateau in procedure volumes as we entered into July with increased volatility in mixed results through key markets. As a result, we remain measured in our outlook for Q3 and the remainder of the year, and we are not providing financial guidance for 2020 at this time. We are actively monitoring the evolving environment and trends remain flexible, and we remain flexible and prepared to effectively respond to the pandemic. While we cannot predict when we will return to normalcy, we are confident that our future is extremely bright, our team remains focused and our business continues to be poised for long-term growth and success.

I'll now turn the call over to Andy Wade, our Chief Financial Officer.

M. Andrew Wade *AtriCure, Inc. - CFO*

Thanks, Mike. Second quarter 2020 worldwide revenue was $40.8 million, a decline of 30.7% on a GAAP basis and 30.6% on a constant currency basis compared to the second quarter of 2019. U.S. revenue was $33.7 million, a decrease of 28.6% from the second quarter of 2019. U.S. sales of open ablation and appendage management products experienced a slightly lower decline in sales than minimally invasive ablation due to the inherent ability to defer MIS procedures. Appendage management sales declined 21.1% to $13 million and open ablation sales decreased 24.4% to $15.6 million while minimally invasive sales decreased 47.7% to $4.8 million. International revenue decreased to $7.1 million, down 39% on a GAAP basis and 38.5% on a constant currency basis as compared to the second quarter of 2019. We experienced significant variability in our international markets, resulting in a steep decline in volume across all product types. Gross margin for the second quarter of 2020 was 67.7% as compared with 74.5% for the second quarter of 2019.

During the second quarter, we temporarily reduced our production capacity and modified our manufacturing operations in order to adhere to social distancing recommendations. We have not furloughed or decreased pay of our production employees and remain committed to their safety. However, the fixed costs and reduction of production volumes to below our normal operating levels burdened cost of revenue, decreasing our gross margin by 6.8%. Despite the temporary reduction in production, we ended the quarter with a strong inventory position.

Turning to operating expenses. Excluding the effect of noncash adjustments to the contingent consideration liability, our operating costs decreased $7.5 million from $49.9 million for the second quarter of 2019 to $42.4 million for the second quarter of 2020. This decrease was primarily driven by lower variable compensation costs as well as a decrease in travel, training and marketing costs due to travel restrictions imposed by COVID-19, and in-person group training events and trade shows that were canceled, delayed or transitioned to virtual platforms. The decrease was offset partially by the addition of approximately $3.1 million of SentreHEART costs, which were not present in the second quarter of 2019. As a reminder, SentreHEART operating costs consists primarily of the aMAZE clinical trial and supporting field team as well as PMA readiness efforts. Our operating loss for the quarter was $7.3 million compared to the operating loss of $3.8 million for the second quarter of 2019. In addition to the decreased operating expenses just noted, we recorded a $7.5 million reduction in the contingent consideration liability this quarter which is a reduction to our SG&A expenses.

In the second quarter of 2020, we had an adjusted EBITDA loss of $6.1 million compared to positive adjusted EBITDA of $1.4 million for the second quarter of 2019. Our loss per share was $0.20 for the second quarter of 2020 compared to an $0.11 loss per share for the second quarter of 2019, while the adjusted loss per share each period was $0.38 and $0.17, respectively.

During the first and second quarters, we did adjust our operating plan and expect to continuously evaluate and adapt as we navigate the COVID-19 pandemic in the second half of 2020. First and foremost, we are committed to our people and our plan reflects this commitment. In addition to the measures we discussed on the last call, we have implemented a program to supplement the variable compensation of our very talented field sales team. We also remain committed to our strategic research and product development activities and are hiring in certain key roles to position ourselves for the long term. Despite limitations on travel, our team has been adaptive in finding resourceful ways to support our patients-first initiatives. Through implementing remote clinical trial support and

launching a virtual training platform, we continue to gather clinical evidence and partner with our physicians to bring awareness to the vastly undertreated population of Afib patients. We have also taken measures to bolster our capital structure and liquidity. On May 13, 2020, we completed a stock offering, issuing 4.6 million shares of common stock and receiving net proceeds of $189 million. We believe this raise will allow us to navigate the inherent uncertainty and unprecedented impact on our results of operations during the near-term and be in a position of strength as we execute on our strategic initiatives in the next decade. We ended the quarter with approximately $248 million in cash, cash equivalents and investments.

Finally, as Mike noted earlier, we started to see a steady increase in activity during May and June as hospitals started to do more emergent and elective procedures where our products are used. However, the situation across our markets remains unpredictable, and early results from July activity are mixed. The rising number of COVID-19 cases in some of our largest domestic sales territories and delays in international markets rebounding in the past few weeks are causing us to tread cautiously into the third quarter. As we do not want to get ahead of ourselves and cannot predict procedural trends at this time, we are continuing to hold on providing 2020 financial guidance. We continue to believe our current cash and investments are sufficient to fund our operations and allow us to focus our efforts on strategic initiatives to fuel a promising future for AtriCure.

At this point, I would like to turn the call back to Mike. Mike, you're muted.

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

I'm sorry. Thank you, Andy. I would like to thank the entire AtriCure team for their passionate commitment to working as one to help patients, our communities and our partners through these challenging times. I'm proud to say that once again, we've been recognized as one of the top workplaces in the Cincinnati Enquirer, and our Minnetonka office was recognized as a national standard top workplace. Thank you to everyone at AtriCure for creating a world-class culture. I'm humbled to be part of this team and work alongside of you each and every day. Please stay safe and healthy, everyone. With that, I'll turn it over to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Robbie Marcus with JPMorgan.

Lilia-Celine Breton Lozada ***JPMorgan Chase & Co, Research Division - Research Analyst***

This is actually Lili on for Robbie. You guys had previously mentioned fourth quarter resembling something close to normal, but list July now, potentially below June. Does this outlook still hold true? And how is your view on the recovery in the back half of the year changed given the spike in cases we've seen across the country?

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

I mean, I think, if you look at the numbers, obviously, we did very well, better-than-expected in the May and the June time frame, much better than expected. I mean the bounce back was very strong, came close to being back to normal in the June time frame. And as you mentioned, July was kind of -- has been basically kind of flat to down a little bit in terms of overall case volume. I think it's unpredictable as cases kind of pop up in big states like Florida and Texas, and there's shutdowns and lockdowns on some of the hospitals. It's a little bit uncertain. We're not going to go back to levels that we saw earlier in the second quarter. So at this point, that's why we're not giving specific guidance. I think that it kind of stabilized to some degree, but it's not like it's going to -- it's not growing back necessarily as fast as it was in the second quarter.

Lilia-Celine Breton Lozada ***JPMorgan Chase & Co, Research Division - Research Analyst***

Got you. And then just a quick follow-up on CONVERGE. What are you guys doing now to prepare ahead of the panel and eventually approval?

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

Great. Thanks for that question. I mean we're obviously again, really excited. Most of you heard the data that came out at HRS this year, where we won across every metric that was out there, both on safety and on efficacy in terms of beating the numbers that were previously

established and showed superiority. So we're excited about that, working collaboratively with the FDA. What we're doing to prepare for that is that we've got sites set up all over the country. We've done deep dive analysis pretty much in every site around the country for all the EPs. All of our marketing materials are ready to go. And in addition to that, we've kind of got a team of over 35 people on the EP side of our business that have been trained, understand the procedure very well. We've merged the team from the LARIAT team that we have with this with the DEEP EP background. And that's where we're adding headcount as well. So we've got broad-based coverage. We've got sites ready to do training and education once we're able to get up and running and be much more proactive on that front. And we are in a really good position. The good news is that we've been training for this and preparing for it since we bought the company to make sure we were in this position. And now we're just waiting for that label to come through so that we can kind of really go after the market in a big way.

Operator

And our next question comes from the line of Suraj Kalia with Oppenheimer.

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

Mike, can you hear me all right?

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

Yes.

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

So a lot of information provided, Mike. Can you stratify the backlog versus the new patient pull-through? What are you all seeing in the market? What level of backlog cannot be converted or is being delayed? Just trying to stratify the numbers we are seeing versus those 2 buckets.

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

Yes. I don't know that it's as much of a backlog issue to stratify it, Suraj. I mean it's a very fair and good question to think through like what's backlog versus net new patients. What we're seeing is because some of the backlog, so one of the -- as an example, one of the issues that you see are that patients who need to get treated are hesitant to go into hospitals during this time. And so there's a big push to try to get to realize that it's a safe place to go. That would essentially be backlog, but they're not coming into the hospital. So a lot of what you're seeing is more net new patients versus really all backlog kind of coming and coming into the hospital, quite frankly. And so as we look forward, I mean, I think there's a little bit of backlog, but we really got to get those patients to come back and realize it's an incredibly safe place to get treated, and they should get treated or else they're going to have bigger issues down the road.

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

Got it. And Mike, in terms of -- at least if we look at the numbers, in the U.S., MIS got hit or impacted more than open. Should we expect that moving forward? And presumably, the open cases are being influenced more so by the immediacy of the procedure, I guess, and MIS is being delayed. Is that the right way of thinking about it for the remainder of the year?

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

I don't know if this is the right way to think about it. It's a good way to think about it because I think naturally, that is what happens is that the open cases come back first, primarily because 2 reasons. One, some of the open numbers, small amount, but our cryoSPHERE, which is basically the Cryo Nerve Block piece, which is actually a growing part of our business. The other part of open is that obviously, it's natural that the patients that are -- need a CABG and need to be treated and are compromised, they've got to get back earlier. It's really not an elective procedure, quite frankly. You can only push off cardiac surgery for a valve or a bypass only so long. So you're correct in thinking that. I was surprised, interestingly enough, that if you looked at it by month, April was almost no MIS revenue. And some of the comeback that happened in the May-June time frame was actually MIS coming back. And there were sites that were beginning to kind of get up to speed. We actually saw a steady increase as the quarter came along on the MIS side of our business. So while you're right to think of it the way that you said, I also caution because interestingly enough, the MIS cases have started to see some strength overall as the quarter came together.

Operator

And our next question comes from the line of Matthew O'Brien of Piper Sandler O'Neill.

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

Just to follow-up a little bit on the CONVERGE panel. Mike and Andy, I know with the data, you didn't want to say a heck of a lot in front of the outcome. What can you help us think through as far as the panel goes in terms of what FDA may be really examining? What investors should kind of queue themselves up for to really be looking for doing that panel because those things are typically set up to really question a lot of things. But at the end of the day, they tend to be favorable. So how do we think about the key things to really monitor with respect to the panel?

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

Yes. Really fair question. And Matt, I think that, I mean as you've seen, the data looks great. I mean so we hit superiority across the board on efficacy. The -- at the panel, I think we'll look at really the 3 main components: efficacy, safety and then the net benefit of that efficacy over the safety in the trial. On the efficacy side of things, they'll probably just want to look at the cuts of the data. As I mentioned in my comments, the more that we peel back the onion on it and the more we look at the data from all different angles, the durability of the data and the efficacy look even better, like the more questions that they ask. So we feel really good about the efficacy side of things.

On the safety side, I think they'll probably wind up talking about really just -- I mean it's a small number of cases, but they'll just want to make sure that these are items that -- the good news, there were no deaths, all the patients actually wind up doing well and had no long-term effects across any of the issues that were out there. And then they'll want to get into maybe possibly some details of, okay, well with pericardial fusion, what does that mean, and what did that look like, and how did the patient recover, et cetera, and just get some more specifics on it. So I think those are the kinds of things that they'll dive into probably. The good news is the safety rates were within what we had prescribed they would be with the FDA when we started the trial, and we feel really good about it overall.

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

Got it. That's helpful. And then just following up a little bit. Again, the data was excellent in my view. What was the commentary coming out of HRS from clinicians? What kind of feedback did you get? Well, I think you had a 900-doc seminar that you can talk to. I know you guys really want us to be reasonable with our expectations for what kind of contribution we get on the MIS side from CONVERGE next year, but what kind of momentum or feedback or excitement, enthusiasm are you hearing from clinicians coming out of the data?

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

I'm mostly cautious just because I don't know when we'll get -- when the exact date that you'll get the actual approval and the -- and what's happening with COVID and just kind of the ramp back up of hospitals and facilities as they kind of get down that path. But I'm really excited about the data because I think the data is incredibly compelling. And you're seeing that on Twitter feeds and others from really top-notch EPs in the world that are talking about this procedure and talking about back wall ablation being something that is really positive. In fact, I just -- almost every day, there's a new tweet going out from one of the leading EPs in the world, whether it's Dr. Natale or the Cleveland Clinic, Dr. Wazni talking about CONVERGE. These are people that were not doing the Convergent procedure. I've seen the data and they're talking about the fact that it's really the only randomized controlled data that is out there and they're having debates online about it. And they're really pushing it forward in a lot of ways. And I think that's really fascinating to kind of watch that happen. I'd say that's a typical response and the conversations we've had. And so I'm -- it's been really positive to see that we got to people.

Operator

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

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

Yes. This is David on for Mike. Just a couple more on CONVERGE. I mean I understand you're running on the assumption that you'll probably see a panel, but it sounds like that might be delayed from what you were previously thinking. So is a mid-2021 approval a fair assumptions? And then also just on the data and then to the hiring freeze, has there any -- been any change in pace of hiring for that sales force?

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

Yes. I'll start with the last one, which is that we felt really good about kind of where we were looking into the back half of the year, not only on May, in June, but also even -- even though July wasn't as good as June, it was still a strong month relative to what you saw at the beginning of the pandemic. And we feel we need to invest in our long term. And so we've lifted that, and we're actually out aggressively hiring all those roles right now, and we feel good that we're going to be able to find really talented and great people on board. In terms of timing on the FDA, I just don't -- I can't -- and I'm not really going to give specifics on timing. We're having great dialogue with the FDA. It's back and forth, good questions, both over the phone and on email, et cetera, and really working collaboratively with them on it. And so I'm just hesitant to say there's going to be an exact date there. I know the data, you guys have seen the data. And so from my standpoint, I'm just trying to work through that process. And once we get that process, we get through it, obviously, we believe that we'll actually get and eventually get an approval. To predict the exact date is really tough. The reason I said that just given the fact that we're going back and forth with them in a really good, positive, collaborative way and knowing that we're sitting here at the beginning of August, the likelihood of us actually getting a panel done probably in the fall time frame is just not that likely. I don't have any specific feedback that says this is why. This is just me giving you my insights given the back and forth we've had, which, again, has been really positive, and we feel good about the process that we're going through with the FDA.

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

Okay. That's helpful. And then maybe for Andy. OpEx was down year-on-year. So just wondering how durable these cost savings initiatives are? And then relative to the second quarter, how we should be thinking about margins in the third and fourth quarter?

M. Andrew Wade ***AtriCure, Inc. - CFO***

Yes, sure, David. So on the spend, you're right, some of it is a mix. It is a mix of temporary things like travel. Some of the reduction has been in pushing out head count, as Mike mentioned. Some of that we'll look to reinvest as we get into the latter part of the year, as we talked about. But it's -- this is where we're trying to watch things closely in terms of what's going on with the business and making sure that we're keeping an eye on the areas where we've got some flexibility.

On the margin, a lot of that really was due to just being less productive in the second quarter in terms of the inventory that we were producing. So we still like our longer-term gross margin profile. But again, we've got to flex our production capability with demand. So I think the team is doing a very, very good job of managing that, and we'll look to grow from here.

Operator

Our next question comes from Cecilia Furlong with Canaccord.

Cecilia E. Furlong ***Canaccord Genuity Corp., Research Division - Associate***

I guess just to start off, I wanted to continue with CONVERGE, but just ask how you're viewing the adoption potential longer-term in persistent versus long-standing persistent patients? And just any nuances around really reaching those long-standing persistent patients specifically and creating new standard of care for that patient population?

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

Yes. I mean it's a really good question to piece back kind of what's happening in the persistent market. We believe that we're going to be applicable to build the persistent and the long-standing persistent market. For sure, the benefits are even greater in the long-standing persistent market. They're more durable and that's a great patient population to start with. It's 45% of the patients that are out there. They're the ones that the EPs already raised their hands up immediately and say, I can't do these. So in a lot of ways, they'll probably start with some of those more difficult-to-treat patients, see the great success and then move their way into the persistent over time, depending on how well they're treating the persistents today. What you see -- I mean so I think that's kind of how it's going to progress. I think they'll probably do the long-standing persistents first, primarily just because those are the sickest patients, and they're the ones that they have no option for today. And on the persistent side, they have -- some people feel comfortable doing some aspects of persistent upfront, maybe as a first-line therapy with a catheter only and then move in to Convergent after that. I think we'll probably see some of that, but that will be over time. So I mean the good news is that there's millions and millions of patients here, and we'll kind of hit within both buckets, and the results are strong across the board.

Cecilia E. Furlong ***Canaccord Genuity Corp., Research Division - Associate***

Great. And then I guess if I could follow up and just ask about your Cryo Nerve Block franchise, just the market drivers and dynamics you saw during the quarter that drove the ramping adoption? And then just as you're thinking longer term, the role of data in really opening up this opportunity further?

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

Yes. What's amazing about it is that, I mean, if you think about Cryo Nerve Block, I mean, a lot of the -- what we saw was in the thoracic patients. Really, it falls into 3 major buckets that you have Cryo Nerve Block being used for today. The first bucket is for lung cancer patients, and cancer patients really don't get deferred. If they've got cancer and they've got to take out a lung nodule, that space, they're still going to continue down that path. They don't want it to metastasize. And Cryo Nerve Block is used quite a bit within that area. So I'd say that's kind of one is that that's continuing to grow. And people are seeing the benefits of it. Two is in trauma cases, where you're coming into the ER, and those cases continue to be used. Now there were fewer trauma cases in general across the United States because people are driving less at the beginning of the pandemic. You saw that come back near the end. And then finally, they're being used in other types of procedures, and we'll kind of see like the NUSS procedure is one that's being used and that's one that there's lots of data that's getting published that's out there, and we're actually seeking an adolescent label in that area as well.

Operator

And our next question comes from the line of Rick Wise with Stifel.

Andrew Christopher Ranieri ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Mike and Andy, it's Drew on for Rick tonight. Just to touch on surgeon training for a moment. It's always been a critical growth driver for AtriCure. You mentioned on the call that you've shifted more towards interactive virtual training and case coverage. Can you talk about any notable trends that you're seeing moving forward? I mean could these drive -- or could these initiatives drive even better procedure recovery when COVID or as COVID dies down? Or should we be thinking that today these education initiatives, virtual or in-person, should just drive even better cardiac surgery penetration over time?

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

I think a little bit of both. I mean the great thing about the -- it's a really good question, and you can tease it back into a variety of areas. I mean one is if you look at our core basic Maze training courses, we've been able to touch more cardiac surgeons here in this period of time than really we've ever been able to because it's been virtual. People are willing to get on the phone for a couple of hours, go through that training and have a really good interactive dialogue. They love the journal clubs that we've put together, whether in smaller group settings and have intimate conversations with their peers that we've been able to kind of run that you can't really get if you're doing it in another environment. In addition to that, what we're seeing is we've got these mobile cadaver labs that are going around, and there's a lot of training that's occurred there. We're getting a lot of demand that people want to get kind of hands-on technical training with the product. And that's gone really well because we bring it to the hospital and the hospital, they just kind of go outside. They go in the cadaver lab, and we're getting comments like that's the best kind of hands-on training that I've ever had, and I didn't have to travel on train for 3 days. So those are the kinds of transformational things that are going on that I think will be sticky for the long-term that will enable us to get in front of more people that I do think will eventually, to your point, have stickiness to kind of long term adoption.

Andrew Christopher Ranieri ***Stifel, Nicolaus & Company, Incorporated, Research Division - Associate***

Got it. And then just on EnCompass. You mentioned that you're still on track for a 510(k) submission. Just want to make sure that I have that time line correct, and when that time line would be? And then just touching on commercialization of the device. I mean would you expect a full commercial launch or something -- or is there something about this particular clamp that might require a little bit more training for a surgeon?

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

We'll anticipate a full commercial launch sometime next year. We're in conversations with the FDA. We've got feedback on our submission, and it's been a great submission so far. So from -- I don't know what the exact timing is going to be, but sometime early part of next year, we'll likely begin the roll out of that.

Operator

And our next question comes from Danielle Antalffy with SVB Leerink.

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

Congrats on putting up a solid quarter despite all that's happening. I was curious, Mike, if you could give -- 2 questions. First, on the back half of the year and where we're seeing some of the regional variations. I mean can you give any color on sort of how your regional revenue breaks down a little bit to give a sense of sort of South versus West versus Northeast? I mean it sounds like maybe you have a lot of exposure in Texas, for example. But just any sort of color to give comfort on how to think about the back half of the year as we do see COVID sort of spread seemingly in waves throughout the country.

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

Yes. I mean it's a really fair question, Danielle. I'll start with the kind of the Northeast that was hit the hardest in the early part of the year. The Northeast is a solid region for us. It's been a solid performer for us, but it basically went down to pretty much 0 in the beginning part of April. I mean it was -- almost no cases were actually happening up there. That's made a nice recovery in the last couple of months, but it's been a slow recovery, and it's not back to full normal. But the good news is that it's actually cases are happening every day now and people are busy, which is really good. But you kind of alluded to it. If you look at Florida, Texas and Southern California, those are 3 of our biggest most penetrated regions in the country, in the world. They are big aspects. So when a hospital shuts down and pushes off 2 weeks, you'll lose a couple of weeks here, and then they're going to come back. And that's why it's a really fluid moment that we're tracking every single day from that standpoint. That's why we're uncertain to as exactly what the numbers are going to look like in the back half of the year. We do think that, especially for right now, we're getting impacted a little bit in Southern Florida, in particular kind of in the kind of Miami area. And then you'll -- a little bit, obviously, in Texas, in certain areas like Houston and places like that where you're seeing an impact. So it's in pockets. And what we're hopeful for is that those begin to recover. I mean if others get hit, a little slowdown in some other areas. But right now, it's heading in some of the heavier areas where we've got the heavier volume for sure, and that's kind of, I think, a more short-term phenomenon. Hopefully, everything is going to recover here, and those hospitals will come back online over the coming months.

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

Got it. Okay. That's actually very helpful color. And then my second question is on CONVERGE and how to think about the go-to-market strategy here. Since you are targeting not just the cardiac surgeon here, but really the EP. Just curious about how to think -- I think you had, what, 27 U.S. trial centers. Do you go there first as a room to grow the number of procedures done in those existing trial centers and then you go to your currently implanting cardiac surgeon centers and try to get the EP buy in there? Or how do we think about that?

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

A little bit of all of the above. I mean we've got over 100 -- we've got about 100 sites or so that continuously have been using our product, not only the 27 trial sites, but really there's about 100 sites that were ordering every quarter. They're solid sites. They've got good case fines. Obviously, COVID has hit them so things have been kind of shifted a little bit. But those are the obvious ones. We've got plans for each one of those that once we get the approval for how to expand within those sites, get more EP referrals and more EPs to understand it besides just maybe the 1 or 2 EPs that were part of the trial, that were part of it initially. We've also got a list of those that we think are sites that would be good partners for us based on who the EP might be, what hospital coverage they've got and if they've got a good surgeon that's going to be very interested. So we're hitting on all those. And then we prioritize that on the time frame. And so once we get the approval, we'll be ready to kind of hit the ground running within all of those hospitals. But we're also taking inbound calls for people that are very interested as well. So there have been people that have obviously seen the data, and they have -- they're interested once we get the approval to kind of move forward.

Operator

And I'm not showing any further questions at this time.

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

Well, great. Without any further questions, again, I hope everybody stays safe and healthy. Appreciate your interest in AtriCure and look forward to talking to many of you over the coming months. Have a great rest of the summer. Bye now.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone, have a good day.