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Q4 2020 AtriCure Inc Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to AtriCure's Fourth Quarter and Full Year 2020 Earnings Conference Call. My name is Kevin, and I'll be your coordinator for the call today. (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 emailed to you.

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

These statements include, but are not limited to, financial guidance, expectations regarding the timing of FDA review, expectations regarding the FDA's response and whether it will approve CONVERGE, the potential CONVERGE launch timing, the potential market opportunity for CONVERGE, and the adoption of the CONVERGE procedure.

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***

Thanks, Lynn. Good afternoon, everyone, and thank you for joining us. We hope that you are remaining safe and healthy. As we look back on 2020, I want to begin by recognizing the dedication of our team at AtriCure and the resilience and durability of our business. In spite of the dynamic and challenging nature of the past year, we made meaningful progress in all areas of our business. In 2021, we will continue building for the future with many key catalysts on the horizon.

Total revenues in the fourth quarter were $58 million, representing a 5% sequential revenue growth over the third quarter. Following solid growth in the early part of the quarter as COVID cases and hospitalizations increased after the holidays, we experienced volatility both in the U.S. and in Europe. This led to reduced cardiac procedure volumes at the end of 2020 and put pressure on our volumes as a result. These trends continued into January, and in some areas, began to worsen, driven by a return to quarantines and diversion of

medical resources to COVID patients.

With that said, we are starting to see some strong positive trends and experience an uptick in volumes as hospital constraints subside. While we expect this upward trend to continue, we believe that cardiac surgery volumes will remain slightly below full capacity, and that we will experience some variability for the first half of the year.

Now turning to some of our accomplishments through the year, beginning with CONVERGE. Last year, we made our final submission to the FDA seeking a label for the treatment of patients with long-standing persistent Afib. This brings us closer to completing the regulatory process, which will allow us to market a hybrid Convergent therapy, providing a compelling treatment option in a large and vastly underpenetrated patient population.

On our last call, we discussed the differentiated clinical trial results of long-standing persistent Afib patients in the CONVERGE trial. Since then, the clinical results for long-standing persistent patient group were presented last month at the 26th Annual Afib Symposium. The analysis demonstrated clear superiority in the hybrid Convergent arm compared to the endocardial catheter ablation arm with 29% absolute difference in effectiveness at the 12-month period.

While this alone is a significant improvement over catheter ablation, the data was even more convincing at 18 months, where for long-standing persistent patients returned a 35% absolute difference in effectiveness. We are incredibly encouraged by these results and firmly believe a hybrid CONVERGENT procedure has a more pronounced, consistent and durable effect for long-standing persistent Afib patients than any other clinically available stand-alone treatment alternatives today.

While I know the exact timing of panel and/or approval is top of mind for all investors, we cannot give that today. However, we are making excellent progress on the regulatory front, and the PMA process with the FDA has been both productive and collaborative. We look forward to providing an update on this milestone soon.

The anticipated approval of CONVERGE marks the culmination of many years of tireless work by so many AtriCure employees and physicians in pursuit of a therapy for this underserved patient population. I am incredibly proud of the partnership throughout our company, which brought us to this point. We have a clear and extensive opportunity in front of us and in preparation for the anticipated approval of CONVERGE, we have built a dedicated sales team and developed training programs and infrastructure to support the launch of this therapy.

Currently, our U.S. sales and training team consists of more than 200 individuals in the field, including 35 dedicated reps and clinical specialists in our EP-focused hybrid sales team and over 30 professionals supporting nationwide training and education courses. We look forward to a future where we champion the hybrid Convergent therapy to become the standard of care for the millions of patients with long-standing persistent Afib.

We also took significant steps on aMAZE, our other landmark clinical trial. The aMAZE study is a 600-patient randomized controlled trial designed to show superiority of catheter plus our LARIAT LAA exclusion system versus catheter ablation alone. We have submitted 3 of 5 modules of the PMA to the FDA and made excellent progress on patient follow-ups.

To put this into perspective, 127 patients completed final primary endpoint visits during 2020, and we now have only 11 patients to complete follow-up. This is a testament to our clinical trial team and the aMAZE investigators and study teams who strongly believe in this therapy. We expect to complete patient follow-ups in April, after which we will conduct our analysis of the data. We are targeting our PMA submission on the aMAZE trial for the second half of this year and expect to release trial data following that submission.

As a reminder, the LARIAT system is the first AtriCure solution directly in the hands of electrophysiologist. And we believe the aMAZE clinical trial will show this therapy, much like the hybrid Convergent procedure is complementary, not competitive, to catheter ablation. By adding the LARIAT system to their toolkit, EPs will be able to offer a solution which both mechanically and electrically isolates the appendage without leaving anything in the bloodstream. This complementary technology not only diversifies our portfolio but is also an opportunity to further leverage our existing commercial channel in the EP market that has been built up in anticipation of the

CONVERGE approval.

Adding to the many achievements of 2020, we made strides towards 5 10-K clearance of our new EnCompass Clamp in addition to our open ablation platform, where we are the market leader in cardiac surgery procedures for the treatment of Afib. The EnCompass Clamp provides a simpler and faster approach for ablating the heart in open procedures, and we expect this device to appeal to high-volume CABG surgeons. As a result, we expect this new clamp to deepen our penetration in the cardiac surgery market. Our 510(k) submission to the FDA is currently under review, and we anticipate clearance later this year, followed by concentrated commercial launch at certain key centers and broad commercial launch shortly thereafter.

Finally, while our strong history of revenue growth was interrupted due to COVID, there were 2 products, cryoSPHERE and the AtriClip FLEX V, which both grew over 2019. Starting with cryoSPHERE, our innovative and dedicated device for managing postoperative pain in thoracic patients. Our unique cryoICE technology uses a differentiated freezing method to block nerves from transmitting pain signals for several months. The cryoSPHERE probe continues to resonate in the market following its launch in the first half of 2019, with a positive trend of consistent sequential quarterly sales growth. We ended 2020 with the cryoSPHERE probe accounting for approximately 5% of our total revenue.

We recently expanded our 510(k) label for Cryo Nerve Block therapy to include the treatment of adolescent patients of at least 12 years or older. Adolescent patients undergoing invasive surgery of the chest wall can experience severe pain and have limited options for pain management after surgery. This label expansion provides an opportunity to help these younger patients manage post recovery pain. We have heard inspiring stories about patients, young and old, who are going home from the hospital with absolutely no pain and are excited to further build our presence in the pain management field with the Cryo Nerve Block therapy. This therapy should continue to drive accelerated revenue growth in the coming years.

The AtriClip FLEX V was first launched in early 2018 and was a novel addition to our AtriClip franchise. Despite the impact of the pandemic, the FLEX V clip delivered year-over-year growth in 2020 versus 2019, indicating strong and steady adoption by physicians since launch. We have also seen the increased use of our minimally invasive AtriClip devices in hybrid Convergent procedures, a trend which we expect to boost revenue growth with the expansion of this therapy over the next decade.

The cryoSPHERE probe and the AtriClip FLEX V are both shining examples of the ingenuity and efforts of our product development team and innovative spirit on which AtriCure was founded.

Now looking ahead, we are incredibly encouraged by the many catalysts on the horizon, which we believe will further accelerate our revenue growth in 2022 from our historical rates of growth. We remain laser-focused on the many activities underway to drive our market expansion, including CONVERGE, aMAZE, Cryo Nerve Block and EnCompass, all mentioned in this discussion. I'm proud to be part of the team with such a pivotal moment at AtriCure, and we are strongly positioned and poised for the future.

With that, I will now turn the call over to Angie Wirick, our Chief Financial Officer, to discuss more detailed results and our guidance for 2021.

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

Thanks, Mike. Our fourth quarter 2020 worldwide revenue of $57.7 million declined 6% on a GAAP basis and 7% on a constant currency basis when compared to the fourth quarter of 2019. U.S. revenue was $47.4 million, a 4% decrease from the fourth quarter of 2019, reflecting the deferral of procedures using our minimally invasive ablation products.

International revenue was $10.3 million, down 12% on a GAAP basis and down 16% on a constant currency basis as compared to the fourth quarter of 2019. We experienced more pressure in our international revenue, with conditions in Europe stalling and a tough comp to the fourth quarter of 2019.

On a sequential basis, we experienced growth of approximately 5% in our worldwide revenue from the third to fourth quarter. As Mike mentioned earlier, the sequential increase results from procedure volumes stabilizing at the onset of the quarter followed by increased

variability in December in the U.S. and in Europe based on the resurgence of COVID-19 cases.

Touching briefly on a few key metrics for the fourth quarter. Gross margin was 73.5%, up 50 basis points from the fourth quarter of 2019, largely driven by geographic revenue mix. We had positive adjusted EBITDA of $1.7 million compared to an adjusted EBITDA loss of $5.4 million for the fourth quarter of 2019. This improvement to the bottom line reflects -- results reflect lower variable compensation, travel and training costs, all which were impacted by COVID, and we experienced a decrease in clinical trial spend related to aMAZE activity each year.

Our loss per share was $0.42 for both fourth quarter 2020 and 2019 and While the adjusted loss per share each period was $0.18 and $0.37, respectively. Fourth quarter 2020 net loss and the resulting loss per share includes a onetime charge of approximately $6 million related to a legal settlement. Given the extraordinary nature of this expense, it is excluded from both our adjusted EBITDA and adjusted loss per share metrics.

To recap our 2020 fiscal year, worldwide revenue was $206.5 million, a decrease of 11% on both a GAAP and constant currency basis. This decline reflects a significant contraction in cardiac surgery and elective procedures worldwide as a result of the pandemic. U.S. sales decreased 9% to $169.2 million, while international sales decreased 17% to $37.3 million.

Gross margin, which was impacted in 2020 by a period of reduced production activity as well as the absorption of the full Europe SentreHEART operations, was 72.3% in 2020 compared to 73.8% in 2019.

Now turning to full year operating expenses. For comparability, I will exclude SentreHEART acquisition costs incurred in 2019, the legal settlement recorded in the fourth quarter of 2020 and the recurring effects of noncash adjustments to the contingent consideration liability from my comments.

Total operating expenses decreased $16.5 million or 8% from $204.4 million in 2019 to $187.9 million in 2020. The decline results mainly from reduced variable compensation and travel costs, along with discretionary spend for trade shows and physician training, offset slightly by an increase in stock-based compensation. We do believe most of the areas where we experienced cost savings were impacted by the pandemic and expect spend to be restored to historical levels as our top line improves and travel, training and event activities increase.

Full year 2020 adjusted EBITDA loss was $6.3 million as compared to $6.7 million in 2019. Our loss per share was $1.14 in 2020 and $0.94 in 2019, and the adjusted loss per share was $1.01 and $1.07, respectively.

We are proud of the efforts across our company to manage the bottom line through the instability of the past year. While we repeatedly adjusted our operating plans in 2020, we never strayed from our employee and patient-first focus, ensuring there were no job or pay cuts or furloughs. We adjusted our manufacturing operations to enable our team to continue production of inventory in a safe, socially distant manner and ended the year with a strong inventory position.

Outside of our facilities, field-based employees supported customer needs virtually or in-person where possible. We maintained investments in several critical projects. And later in 2020, resumed strategic investments with the expansion of our team and other initiatives, such as our mobile lab trainings in preparation for the many growth opportunities ahead. Last year also strengthened our balance sheet with $189 million of net proceeds from our financing in May, and we ended the year with $258 million in cash and investments.

And finally, turning to our outlook for 2021. We expect to achieve roughly $250 million in revenue for the year. While we would normally provide a range of expected revenue results, given the continued dynamic environment with COVID-19, there are several unknowns that could meaningfully drive our revenue upward or downward from this level based on macro trends. With our current outlook, we expect stronger performance in the second half of the year as the pandemic subsides. We are continuing to experience procedural volumes generally operating in the range of 80% to 90% of normal and expect this metric to improve steadily through the year, resulting in sequential quarterly revenue growth for the remainder of 2021.

While we do not expect to provide quarterly guidance on an ongoing basis, given the timing of this call with nearly 2/3 of the first quarter behind us and quickly changing dynamics due to the pandemic, we also want to offer guidance for the first quarter. We expect first quarter revenue to be in the range of $55 million to $57 million, down slightly from fourth quarter 2020 but up year-over-year. At the forecasted first quarter revenue range of $55 million to $57 million, we expect an adjusted EBITDA loss of $5 million to $6 million for the first quarter. This adjusted EBITDA loss translates to an adjusted loss per share of approximately $0.36 to $0.39. We typically experience heavier losses in the first half of the year and anticipate adjusted EBITDA to be a loss of approximately $10 million for the full year 2021. With improvements to the top line throughout 2021, we should realize a corresponding and meaningful improvement in quarterly adjusted EBITDA. Adjusted loss per share for 2021 is expected to be approximately $1.15.

As we thoughtfully manage our business for long-term success, we continue to make investments in numerous strategic initiatives in support of our catalyst-rich future. At this point, I will turn the call back to Mike for closing comments.

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

Thank you, Angie. While this past year was undoubtedly a challenge for everyone, we are optimistic and confident about our road ahead and the pathway to accelerating revenue growth. To that end, we are fueling our investments for our future and are focused on executing the many catalysts for growth that we discuss today. Thank you for joining us today. And with that, we will turn it over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Robbie Marcus of JPMorgan.

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

This is actually Lili on for Robbie. So to start, could you just share a little bit more details on how your conversations with the FDA regarding CONVERGE have been progressing? I think we were expecting to hear something with regards to timing of a panel or whether a panel would even be needed by now. So is it still realistic to expect a panel or approval without one in the first half of the year? So any color you can add on timing would be really helpful. And does guidance assume any benefit from CONVERGE?

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

Yes, sure. I mean it's a fair question, and we do understand the interest in the timing and everything. As we've talked about before with many of you and a little bit on this call, there really are those 2 decisions, one is the panel or no panel. We're not in a position to give any more detail than what we gave on the call today. We do know that it's a catalyst. We're excited about the conversations that we're having. They've been very productive with the FDA. And as I've said, we view these as very positive and collaborative discussions, and we'll look forward -- looking forward to updating everybody in the very near future.

As we look at our guidance for the year, our guidance really is much more impacted by COVID. COVID is really the big one because elective procedures and everything have to come back. And so we did start to see some strong growth coming back in the February time frame after a very weak January that I believe most companies were experiencing. As things are beginning to come, we do anticipate that, that is going to continue. And so hopefully, we'll continue to see kind of COVID subside, and we'll be able to kind of move forward from that standpoint. That has a much greater impact than timing or anything associated with CONVERGE at this time on the revenue for 2021.

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

Great. And just a quick follow-up. Can you talk us through what this guidance outlook assumes in terms of the cadence of the recovery, both -- throughout both on the top line and down the P&L? Are you assuming any sort of material impact beyond first quarter? Is it through the first half of the year? Any color you could give there would be helpful.

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

Yes, we believe that the pandemic will continue to be with us through the first quarter and into the second quarter and even in the back half of the year, to some degree. But we think that the back half of the year will be much stronger. We're already starting to see signs of light today, but it's not going to be a bounce back all of a sudden overnight. It's going to be an incremental growth kind of as the year progresses. Therefore, the back half of the year, we anticipate being much stronger than the first half of the year, given what we're seeing today and as we're starting to see things open up.

Operator

Our next question comes from Mike Matson with Needham & Company.

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

I guess I'll start with CONVERGENT. So you mentioned that you have -- I think you said 35 hybrid reps now focused on that, those products -- or that procedure. So how many of those were hired in 2020 and 2021? So how many of those are recent hires? And then how should we think about the launch of CONVERGENT? How quickly the sales can ramp? Is it something that could be material this year? Is it really going to be more in 2022?

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

Yes. So the -- it was about 10 people or so that were hired over the course of -- say, over the last 12 months, give or take, maybe a little bit less than that. We're going to continue to add to that team. Some of that team came over from the LARIAT team as well, where they were already very familiar with the EP world and kind of gave us a great insight into the relationships there. So -- and then we've kind of cross-trained everybody from that standpoint. So we're in a really good and solid position. We'll continue to grow the number of reps for the year for sure.

The biggest impact on this year is really about COVID. I mean COVID's really going to be the bigger one, not relative to CONVERGE. CONVERGE, we do anticipate that we -- once we get that approval, it's going to take time to begin to kind of build that market. We're ready. We've got everything prepared for it, but we are also need to go build out the market. And so we've got to get the new sites up and running. We've got to create the awareness that's there, train the surgeons. It will have a great impact on 2022. As I mentioned in my comments, we do anticipate, you'll be seeing accelerated revenue growth over our historical -- our historic double-digit revenue growth that you've seen in the past.

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

Okay. And then just the guidance on EBITDA is a little more negative than I would have expected. Are you -- is there investments or something that you're making to prepare for CONVERGENT or LARIAT launch? Or is there other things happening that are causing that to be a little more negative this year, just given the kind of path you were on, at least prior to COVID?

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

Yes. I mean last year, if you look at our last year number, at the beginning of last year when we gave our numbers, we said we'd lose about $10 million and on about $260 million of revenue. Obviously, COVID hit us. We're now saying it's about the same loss that we had anticipated from last year. So the investments are actually very similar that we thought of last year as we are going to begin to accelerate into this new market. The investments that we've got to make to roll out on CONVERGE, on getting ready for aMAZE. We've got a very strong balance sheet to be able to handle it. And really, there's just kind of money around the edges from that standpoint.

Obviously, this year, we're going to have the full year of commissions and the full year of bonus, where we anticipate that we're going to be doing much better from that standpoint. That was a lot of savings from last year that we had. And so obviously, as we kind of get ourselves back onto that growth trajectory and really get ourselves ready to accelerate in 2022, there's some level of investment. But again, it's around the edges. We've got an incredibly strong balance sheet at $258 million in cash. And so we feel like this is a loss that we can obviously handle while we're making those major investments in our team and to be ready for the catalyst coming down the pipeline over the next several years.

Operator

Our next question comes from Matthew O'Brien with Piper Sandler.

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

Mike, just to be clear, the guidance that you have laid out today doesn't include any kind of incremental benefit from a CONVERGENT approval this year. I know you're already selling into that channel, but there's no incremental revenue this year.

And then along those lines, can you just give a little bit more color as far as the discussions with FDA? Is it the move to long-standing persistent that they're asking more questions about? Is there anything that they really pulled forward that they're incrementally more concerned about, anything along those lines?

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

Our overall guidance, I didn't say that it didn't include any incremental. What I said was that our numbers include what we believe to be the impact for the year. I mean so -- and COVID's got a much stronger impact than incremental revenue growth associated with an approval. COVID is what's going to happen. It's all baked into the number right now and what we anticipate to happen with CONVERGE is all sitting in the number that you see today at around $250 million.

So that's kind of within what we've got today. We feel, again, like that's a very good, solid, strong number for the year coming off of last year, and that we're in a great position overall. You're seeing it's 21% growth on the year-over-year basis. And in terms of the conversations with the FDA, I mean as I mentioned, it's really kind of going down 1 of 2 paths. The 2 paths are obviously panel or no panel. We are having very positive and collaborative discussions with the FDA. And hopefully, we will be able to update everybody very soon.

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

Okay. Okay. All right. I won't push any further then. And then, Mike, as far as the volumes that you're assuming, again, coming back this year. I know last quarter, you had talked about I think it was 70% to 80%, something in that range. Are you expecting a little bit better than that this year as far as the volumes go for the rest of the business? and I would just love to hear any kind of underlying commentary on the clips and what you're seeing as far as new account adds, et cetera.

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

Yes. So we anticipate -- what we're seeing is about 80% to 90% of cardiac surgery volumes are kind of happening. It obviously got hit a little bit when there was a resurgence that came back that you're at the lower end of that range. We're now getting back up, and we're working through the 80s from our standpoint. I don't think we'll get to 100% by the end of the year, but I do think we'll make incremental improvement as the year goes on.

Things are opening up for sure. We're starting to see that. I don't see it being a hockey stick, but it will impact all aspects of our business. That's the biggest impact on this year, is to continue to see incremental improvement in the hospitals to treat these cardiac surgery patients.

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

Okay. And sorry, just to be clear on that, though. So essentially, and I'm just using averages here, you're saying that the $250 million is basically at about 90% of what you typically see over the course of the year. So to adjust for that in normalized time, it would be meaningfully higher than that, is that fair?

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

What I'm saying -- I'm not equating it to the $250 million. I think you're doing math that you're probably going to put yourself into a quandary around that. What I'm saying is that cardiac -- the end cardiac surgery volumes at the hospitals today are between 80% and 90%, and they're incrementally improving. They were probably closer to the kind of 80% or so during when the surge came back. And they're beginning to kind of come back a little bit, for sure, and you're moving through it. That's the end cardiac surgery volume that is there.

And so if you try to do that math on what is -- how does that kind of back in to and equate -- and remember, we've got multiple types of businesses. It gives you a sense for beginning to kind of move and the hospital is getting more busy. And so hopefully, that gives you some context. Obviously, if things get back to normal, they get back to 100%. That would be upside to our revenue. That would be upside growth for us as a business, for sure.

Operator

Our next question comes from Rick Wise with Stifel.

Dylan Haas *Stifel - Equity Research Associate*

This is actually Dylan on for Rick. Just one kind of follow-up on the COVID trend you're seeing in the quarter so far. If you could give any more color just on 5 business, what you're seeing just for modeling kind of 1Q? And then also, any geographical differences that you're seeing between the OUS and OUS impact and/or recovery?

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

Yes. And we -- I mean in general, what you see is that the cardiac surgery part, the actual open chest, valve, CABG, that portion of our business. That portion kind of has the least volatility but it also has the least kind of upside for growth as we kind of rebound out of things. And so I'd say that's kind of giving you one context to that.

Elective procedures are coming back. They were the ones that got hit the hardest back during the initial COVID. They slowly but surely come back a little bit, but they also got hit the hardest during this period of time as well because they're the elective portion of it, and that would be kind of the MIS portion of our business. Clips and Cryo Nerve Block continue to be very strong players for us, and we anticipate that to be the case as we move throughout the year.

Dylan Haas *Stifel - Equity Research Associate*

Got it. And then just one on the EnCompass Clamp. Just trying to get a sense of, once approved, how quickly we may see a positive impact in growth in the Open business. I think in prior quarters, you've said that you already have relationships with a lot of these higher volume CABG accounts and sales teams have been in place. So if it's the case that they're kind of looking for an easier to use, faster tool like this, it seems to me like it could be pretty quick uptake. So just kind of any color around that.

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

Yes. And the way we've described the EnCompass Clamp is it's really more about -- once we get to a normalized volume, and that's critical because obviously, we've got to get to a more normalized volume with COVID. Once you get to that, we do anticipate that the EnCompass Clamp enables us to continue to grow at the solid growth rates that we've achieved before, kind of in that mid- to high single digits have been kind of our core Open business. And we've had quarters that we've been in the low double digits. But in general, it allows us to continue that growth rate and penetrate into the market because these are the surgeons that we're not doing any cases before. So we're basically opening up that market. And we think that's what that will do for us, is that it will enable us to continue that growth.

The growth accelerators for us are going to be -- I mean the EnCompass is foundational to us as a business, for sure. But that's not the fast growth aspect of our business. The faster growth aspects are going to be the clip, the Cryo Nerve Block and then the minimally invasive therapies that we have. And then eventually, obviously, when LARIAT gets approved many years from now, but that will also be another accelerant to the growth rate as well.

Operator

Our next question comes from Marie Thibault with BTIG.

Marie Yoko Thibault *BTIG, LLC, Research Division - Director & Digital Health Analyst*

I had one possibly for Angie on the sales build and some of the SG&A, certainly seemed to step up a bit in Q4. And I'm guessing that had to do with some of the preparations for CONVERGE. But just wanted to get some thoughts on perhaps the cadence of how to think about

the SG&A line as some of those bonuses and commissions and things get built in throughout the year, and whether you would look to expand further at the end of the year in preparation for LARIAT as well.

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

Sure. Thanks, Marie. I think the way to think about SG&A cost looking into 2021, we typically see an uptick at the beginning of the year. That's when we reset plans and you're marching to new orders. There are other kind of timing items such as trade shows, where they're heavier in the first half of the year and abate a little bit in the second half of the year. In terms of investments, we expect to continue to make investments throughout the year in preparation for the CONVERGE launch, the EnCompass launch and some of the other catalysts longer term. So I'd say kind of declining over the course of the year, but look to historical levels when you're thinking about spend overall.

Marie Yoko Thibault ***BTIG, LLC, Research Division - Director & Digital Health Analyst***

Okay. That's really helpful, Angie, I appreciate it. And then just one on CONVERGE. Certainly not going to try to ask more on FDA, but I did want to ask what you're seeing from current users in terms of the impact of that AF Symposium data. I'm sure of them were aware of some of that large benefit to 35, absolute benefit there. If you're seeing that show up in procedures at this point that benefit. And then maybe more importantly, you mentioned new sites that would be targeted. Can you give us an idea of how many new sites we might see with the rollout of CONVERGE?

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

Yes. I mean the Afib Symposium data is relatively new. It's the first time that was presented and kind of peer-reviewed at a scientific session. So that was -- it just happened several weeks ago. We're -- I wouldn't say it's affecting our volume yet, but there's definitely a lot of chatter and discussion amongst -- within the EP community about the significant benefits for the long-standing persistent patient. Dr. DeLurgio is the one who presented the data. It's obviously compelling, and you're getting a lot more conversations for sure. That didn't happen before, both with surgeons and with the electrophysiology community. So I'd say it's kind of generated some discussion along that group, but that's really about it at this point in time, not necessarily procedural volumes. And remind me, can you ask us your second question again, Marie?

Marie Yoko Thibault ***BTIG, LLC, Research Division - Director & Digital Health Analyst***

On new sites beyond kind of the current ones. What you hope the target, number.

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

Yes. So what we did -- so every one of our reps have targeted new sites within their area. They've also targeted those that are existing sites that they know that they can expand. So once we get the approval, we'll be able to kind of go after the market from that standpoint. We'll be able to add them on in a very kind of methodical way as we kind of get them trained and up and running. So you can imagine that they prioritize sites within each one of their different territories so that they can get them right, they can kind of build best-in-class. We can learn from those sites so we get up and running first, and then we can kind of accelerate from there.

That's all we keep talking about that we believe that 2022, that's when we start -- we will enable and start to see some accelerated growth for sure, and then that will continue for many years. The great thing about this is that we've got lots of sites to go after. We're going to prioritize them, get them right, get them doing the procedure right, make sure that they're safe and effective with their patients, seeing good results and then kind of begin to move on to other additional sites at that time.

Operator

Our next question comes from Suraj Kalia with Oppenheimer.

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

Mike, so I know a lot of questions have been asked. I just want to go on to CONVERGE. Mike, forgive me, did I hear you wrong when you said there was a 35% absolute delta between the 2 arms at 18 months?

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

That is correct. It was -- approximately in the Convergent arm, it was approximately 61% success at 18 months. And in the catheter-only arm, it was around 26%.

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

So the Convergent arm -- and forgive me for belaboring this. And the reason I ask, Mike, is I've never seen a 35% delta. That's a big deal, at least clinically. So help me understand. The treatment arm went from, let's say, 68% to 61% within a span of 6 months, right? From 12 months to 18 months. And what you're saying is the endo arm went from, let's say, around 50% to 27-something percent?

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

26%, yes. Correct.

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

Wow. Interesting. And Mike...

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

That's what we talk about, the durability of the procedure. And that's what we've seen. That's one of the compelling pieces to it is that -- and it's -- remember, the catheter and the Convergent are complementary. We really kind of play to each other's strength when they work together. It's about the 2 procedures or the 2 devices really working well together to get the better result.

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

Right. Mike, are we in a position to make any assessments about long-standing persistent AF and more recent persistent AF within the context of this 35% absolute delta?

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

I'm not sure I understand the question, Suraj. Did you say -- that is the data that we presented to the FDA and obviously that was discussed at the Afib Symposium. So that is for long-standing persistent.

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

Got it. Yes. Okay. And Mike, in terms of the initial centers -- and maybe I'm just asking the same question in a different flavor, and I'll hop back in queue. For CONVERGE, I know you talked about the reps. But how many of your existing centers would you consider as low-hanging fruit? Whatever metric you want to use, centers, cases, whatever. Just trying to understand. I know you're putting feet on the ground, but what do you think is the low-hanging fruit in your existing client base?

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

On the low hanging fruit in the existing client base is huge. I mean we just -- in most of our existing client base, you only have 1 EP or maybe a small group of cardiologists that are referring. And so it's because they believed in this, they started going down that path. Now that we've got very compelling data, once we get that approval and we're able to kind of actually market to that, which we cannot do today, it allows us to expand it, expand to the referral network, expand to the EPs within that community. And so we do feel like there is -- I don't know if low-hanging fruit is the wrong word, per se, but we do think that there is a significant expansion opportunity within the existing base that already has a trained surgeon. And for sure, we've prioritized those sites that we already know are good sites and already have at least 1 EP champion in that group. So we're definitely going after that. We will go after that for sure.

Operator

Our next question comes from Rebecca Wang with SVB Leerink.

Fan Wang ***SVB Leerink LLC, Research Division - Associate***

This is actually Rebecca for Danielle Antalffy. I just want to hear a little bit to LARIAT because I think that is an important data catalyst coming up later this year. To begin with, how should we think about LARIAT into the business, especially -- is this complementary or competitive with minimally invasive AtriClip business? Will that be cannibalized? And more importantly, what should we look for from the aMAZE trial data as it relates to efficacy and safety that will be meaningful to FDA approval or adoption?

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

Yes. So thanks for the questions, Rebecca. So as it relates to clip, first, the way we approach the market is we believe it's complementary because it allows us to talk to a physician community, the EPs, and give them options for their patients. And whatever is in the best interest for their patients, we let them assess it. Now we're giving them -- we will be able to give them the LARIAT, which is a less invasive, percutaneous approach or you've got the clip. They both worked exceptionally well at closing off the appendage. They both are epicardial and have the advantage of both mechanical and electrical isolation.

And so those are benefits of both of the devices. It really comes down to how do they want to use it, and it allows us to have that conversation. The pricing is different, LARIAT gets more money per procedure. So we would benefit from that, but that's not how we're going to sell it. We are going to sell it as an option and give them the choice based on what's going to be best for their institution and for their patients.

As it relates to data for LARIAT -- also, I know a question that's on top of mind for many people. The data that we're looking for, the trial was designed to be a superiority trial. We're not giving exact numbers because it obviously fluctuates on the net benefit that would be provided to that particular trial. So we're looking at it as a superiority trial. That's what we're looking for. We believe that will both be clinically and relevant for kind of our FDA submission. And so that's going to be the thing you're going to want to look for, much like what we do with CONVERGE where we talked about superiority was critical. We can achieve it with CONVERGE, that's what we're hoping to achieve with this as well. It's a 600-patient trial, and so we can kind of get a sense in a randomized 2-to-1 fashion.

Operator

And I'm not showing any further questions at this time. I'd like to turn the call back over to Mike Carrel.

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

Great. Well, again, everyone, thank you for joining us tonight and your interest in AtriCure. As I mentioned before, we're really excited about the progress that we've made with the FDA and where we're going right now in the future and the catalysts in front of us, both with CONVERGE, aMAZE, EnCompass and Cryo Nerve Block and the many clips that we've got in the market. We've got an exciting future, not just for this year but for the next decade. Thank you again for your interest, and we look forward to talking to you soon.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.