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EDITED TRANSCRIPT

Q2 2019 AtriCure Inc Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to AtriCure's Second Quarter 2019 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've not received a copy, please call (513) 755-4136 to have one e-mailed to you.

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

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*

Thanks, Lynn. Good afternoon, and thank you for joining us today.

We are continuing the strong momentum from the start of 2019, with total revenue for the second quarter at \$59 million, our 27th quarter in a row of double-digit revenue growth. Our topline performance was driven by strength in our appendage management and open ablation franchises worldwide and highlights the diverse nature of our business.

We continue to execute and achieve our operational initiatives for 2019 and believe this quarter reflects the depth of our global [ping]. As such, we are raising revenue outlook for 2019, which we now expect to be in the range of \$224 million to \$228 million. This range corresponds to growth of 11% to 13% for the year.

Turning to the U.S. business for the second quarter. We began with our appendage management franchise. Growth in this franchise continues to be robust with open and minimally invasive products both impacting our results. We have meaningful contributions from the minimally invasive PRO2 and PRO V products, both launched in the last 3 years. The attachment rate of minimally invasive AtriCure



devices and Convergent procedures also continues to rise. In addition to the strong contribution from our minimally invasive AtriCure platform, the highlight for the quarter is the open chest Flex V device. It has been more than a year since we launched Flex V in the U.S., and we remain pleased with the adoption and the extension of this product in the market.

Results in the appendage management franchise demonstrate the substantial impact that previous investment and innovation are having on our business today.

The PRO2, PRO V and Flex V products were part of a constant initiative to drive expansion with new platform products. We are clearly demonstrating traction with these new products, realizing immediate and sustainable contributions to our topline, all while strengthening our core portfolio.

Turning next to our open ablation platform. We have been steadfast in our view that this opportunity is real, large and underpenetrated. A recent publication in the Journal for Thoracic and Cardiovascular Surgery (sic) [the Journal of Thoracic and Cardiovascular Surgery] suggests that undertreatment and underdiagnosis is more significant than previously estimated. We believe this means even more patients could benefit from the treatment with AtriCure therapies. We remain laser-focused on education and training to support our efforts in penetrating this market.

While AtriCure Maze Training Program began over 7 years ago, there continues to be robust interest from physicians, and we repeatedly fill every course. In addition to extensive training course offerings, we had a strong presence this quarter at scientific meetings, including the Heart Rhythm Scientific Sessions, the Mitral Conclave, the American Association for Thoracic Surgery and the International Society for Minimally Invasive Cardiothoracic Surgery. AtriCure devices and procedures were increasingly prominent at these meetings, which we believe signifies a positive change in view towards the treatment of Afib. Driven by our initiatives and the society guidelines, we have seen steady growth from our legacy RF and cryo products within open ablation.

Another demonstration of our investment in innovation and its impact is with cryoSPHERE. Open ablation results for the quarter were bolstered by the contribution from cryoICE cryoSPHERE probe, which we launched this past February. The cryoSPHERE is a device dedicated to blocking pain by temporarily ablating peripheral nerves using a unique freezing method to block nerves from transmitting pain signals. The block typically lasts several months, providing patients with pain relief while the nerve regenerates, giving the body time to heal.

Physicians are adopting Cryo Nerve Block therapy as a key part of their pain management strategies for patients undergoing cardiothoracic surgery. We believe Cryo Nerve Block therapy is a particularly meaningful option now as finding alternatives to opioids are at the forefront of focus for many physicians and patients. While it is still early and the contribution is still small, Cryo Nerve Block therapy with cryoSPHERE probe appears to be resonating with our customers, with revenues and new accounts -- are growing. We will continue to expand our small dedicated thoracic team to support Cryo Nerve Block therapy in select markets and have 8 dedicated reps currently. We are receiving positive feedback from our customers, and we expect the thoracic pain management market to offer significant opportunity over the long term.

Transitioning to our MIS business. Revenues were roughly flat as compared to the prior year in the United States. This is in line with our expectations that quarterly fluctuations will continue until we receive FDA approval of our Epi-Sense system using a convergent approach in treating symptomatic persistent Afib patients.

We remain on target to submit data to the FDA from the CONVERGE trials later this year. As a reminder, the last patient was treated in August 2018 with all patients followed for 1-year post treatment. For planning purposes, we continue to expect a panel and anticipating disclosure data around the time of that meeting.

Also on the clinical front, we are forging ahead with enrollment in our ICE-AFIB clinical trial that began earlier this year. We've added 6 new sites for a total of 9 sites actively enrolling. Successful completion of this trial will generate systematic clinical evidence on the safety and effectiveness of concomitant cryosurgery for the treatment of Afib patients undergoing structural heart surgery.

Additionally, we are making progress in our DEEP AF IDE clinical trial with up to 11 sites now enrolling. As a reminder, DEEP AF provides another alternative for minimally invasive approaches. We believe our investments in these prospective clinical trials will reinforce our position as a leading innovator in the market.

We are looking forward to a successful conclusion of these trials and the opportunity to offer our technologies and therapies as a comprehensive platform to a dramatically expanded group of physicians and patients.

As you can see, the diversification of our portfolio is driving our performance with consistently strong revenue growth.

I will now turn the call over to Andy Wade, our Chief Financial Officer, and will return for closing comments.

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

Thanks, Mike.

For the second quarter of 2019, worldwide revenue was \$58.9 million, representing growth of 13.7% on a GAAP basis and 14.5% on a constant currency basis.

Revenue from U.S. product sales was \$47.2 million, an increase of 15.5% from the second quarter of 2018. Open ablation revenue in the U.S. increased 13.8% to \$20.6 million, driven by the success of our cryoSPHERE probe, which launched in the first quarter of 2019 in addition to continued steady volume increases for cardiac ablation devices.

U.S. sales of products used in minimally invasive procedures was \$9.1 million in the second quarter of 2019 and 2018. Across minimally invasive ablation products, results were flat, showing improvement from the first quarter, but keeping with the trend of volatility on the low volume of this business.

U.S. sales of appendage management products during the second quarter of 2019 were \$16.5 million, an increase of 25.9%. We, again, realized very strong growth from the AtriClip FLEX V device, along with volume increases in minimally invasive LAA exclusion system devices. We remain confident in sustaining growth rates for our appendage management products.

International revenue was \$11.7 million, up 7% on a GAAP basis and 10.8% on a constant currency basis as compared to the second quarter of 2018. Open ablation and appendage management products are driving our international business, offsetting a decline in revenue for minimally invasive ablation products.

Turning to specific markets, we continue to see growth throughout Asia, particularly in Australia and Japan. We are pleased to mark the anniversary of our distributor partnership in China this quarter.

We also had solid growth in several key areas in Europe, notably the U.K., France and Germany.

Gross margin for the second quarter of 2019 was 74.5% as compared with 73.5% for the second quarter of 2018, due primarily to improvements to operations and lower costs. We are making strong progress toward our long-term goal of a consistent 75% gross margin.

In the second quarter of 2019, we had positive -- adjusted EBITDA of \$693,000 compared to \$780,000 for the second quarter of 2018. Our operating loss for the second quarter of 2019 was \$3.8 million compared to operating income for the second quarter of 2018 of \$958,000.

Our net loss per share was \$0.11 for the second quarter of 2019 compared to a net loss per share of \$0.01 for the second quarter of 2018. Note that a \$2.2 million noncash credit to operating expenses was recorded this quarter related to the change in contingent consideration liability. Without this noncash credit to operating expenses, our adjusted loss per share for the second quarter of 2019 was \$0.17 and our operating loss would have been \$6 million. Similarly, a \$5.9 million noncash credit to operating expenses was recorded in



the second quarter of 2018 for the change in contingent consideration liability.

Adjusted loss per share for the second quarter of 2018 was \$0.19, and our operating loss would've been \$5 million. Adjusted EBITDA results for all periods exclude noncash adjustments related to the contingent consideration liability. Excluding the impact of the noncash adjustments to the contingent consideration liability, operating expenses increased approximately \$6.9 million from \$43 million in the second quarter of 2018 to \$49.9 million in the second quarter of 2019.

Research and development expenses, which include clinical and regulatory activities, were at \$9.8 million for the second quarter of 2019 or 17% of sales. Increases in personnel costs, share-based compensation, clinical studies and product development project activities contributed to the \$1.1 million total increase in research and development expenses.

SG&A expenses, excluding the noncash adjustments previously described, increased approximately \$5.8 million from the second quarter of 2018 to a total of \$40.1 million or 68% of sales. The increase results from our continued investment in the commercial organization worldwide as well as incremental trade show and training activities and increases in legal and professional fees and share-based compensation expense.

We ended the quarter with approximately \$103.7 million in cash, cash equivalents and investments, up approximately \$3.1 million from the first quarter.

Lastly, we are updating guidance for 2019. We now anticipate topline revenue growth of approximately 11% to 13% year-over-year or approximately \$224 million to \$228 million on a GAAP basis. We continue to anticipate gross margin will be approximately 73% to 74% for the year based on current trends and ongoing investments to support growth. We expect R&D expenses to be 17% to 19% of sales. Investments in this area include the ICE-AFIB and DEEP AF IDE trials, growing clinical science activity and R&D pipeline development.

We expect SG&A expenses to be approximately 66% to 69% of sales in 2019, which includes noncash adjustments to the contingent consideration liability recorded this year. The increase in SG&A expenses is driven by thoughtful expansion of our worldwide sales team, investments in training and education along with heavier legal expenses.

Legal spend is increasing as a result of our efforts to protect intellectual property and our competitive positions within international markets, notably, China. We believe the investments made to develop and bring innovative products to market are valuable, and we are intent on defending these assets.

We now expect adjusted EBITDA for the full year of 2019 to be in the range of 0 to \$2 million. The reduction in the top end of this range is primarily due to legal costs. While 2019 adjusted EBITDA is lower than originally anticipated, it continues to be an improvement from the adjusted EBITDA loss of \$2.7 million reported for 2018. This adjusted EBITDA range for 2019 translates to an adjusted loss per share between \$0.70 and \$0.76.

Consistent with previous calls, we will see fluctuations in quarterly adjusted EBITDA. For the third quarter of 2019, we expect an adjusted EBITDA loss in the range of 0 to \$1 million. The adjusted EBITDA loss range for the third quarter of 2019 translates to a loss per share between \$0.19 and \$0.22.

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. At this point, I would like to thank the entire AtriCure team for their passionate dedication to our foundational values of helping patients.

We were once again recognized this year as a Top workplace by the Cincinnati Enquirer. I'm truly grateful to be part of this world-class culture pursuing our mission while working alongside each and every one of you every day.

And in closing, we are confident in our strategy of expanding our reach to positively impact patient outcomes worldwide. The first half of 2019 builds from huge momentum, with the second quarter marking the 27th straight quarter of double-digit revenue growth. The consistent success is driven from our focus on patients. Our patient-first culture guides our commitment to innovation, our investments in education and clinical science and has led to an expanding range of treatment options. Coupled with vast underpenetration of concomitant ablation and all types of major cardiac surgery, we are well-positioned for continued growth.

With that, we will now open it up to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question or comment comes from the line of Jason Mills from Canaccord Genuity.

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

Mike and Andy, this is actually Cecilia on for Jason. I just wanted to ask about your comments on the attachment -- clip attachment you're seeing in the CONVERGE procedures. Where has this been trending recently? And what are kind of the primary drivers of this? And where do you see this going longer term?

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

Sure. I think you recall, when we bought nContact almost 4 years ago, we didn't really have -- we didn't anticipate much of an attachment rate at that time. We thought it would be less than 5%. We've been trending up -- we had recently talked about over 35% of the patients that are actually undergoing a Convergent and are getting a clip or an appendage management at that time as well. And so that number continues to go up.

And -- in terms of where we think it's going to go, I'd say that there's a lot of positivity out there towards managing the appendage. It's important to the EPs. They talk about it, and they're really driving their surgeons to manage that appendage concomitant with the Convergent procedures.

So I'd say that it continues -- I don't have a specific number or range in terms of what that penetration could look like, but I do anticipate that we will get some continued growth in that area.

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

Okay, great. And I guess, just continuing with clip, just as you look forward, what kind of areas -- or what areas are you targeting for further innovation? And could you just also talk about the strength that you are seeing with Flex V and potential with CABG continue to drive that opportunity?

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

Yes. On the innovation on the clip side, we've rolled out 3 net new products over the last 3 years, the PRO2, the PRO V and the Flex V. I feel very good about those products and adoption, and I think we've got a long way to go to have them be absorbed into the market. There is an underpenetration of the use and management of the appendage in all cardiac procedures. And so right now, we're really focused on getting the most out of the products that we've got there since we've been innovating quite a bit over the last several years in that area.

The next [way] on the clip is going to be more along the lines of something even less invasive and that would be kind of the next stage for us on that front, something that can -- it would probably be a new generation on that front. But it's several years off from that standpoint.

In terms of -- I think that was -- that answered the question.



Operator

Our next question or comment comes from the line of Matthew O'Brien from Piper Jaffray.

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

Mike, it doesn't sound like pain is a big driver to the open ablation performance in that quarter. But that's, obviously, a pretty eye-popping, both in the U.S. and OUS. So you can you just help talk a little bit more about what's driving a lot of that growth? And then the sustainability of it, I mean, are we hitting an inflection point now where more and more clinicians and centers are saying, "Look, why are we not doing this? And actually, we should be doing this and it should be mandated across a lot of hospitals."

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

I mean, the pain definitely drives some of the growth. So to say -- some of the growth and -- is definitely being driven by that on that front and we do anticipate that the pain will continue to drive growth as we kind of look now at the end of this year, but as we look into next year, where we see more -- even more meaningful contribution coming off of it at that time.

In terms of the open side of things, I'd say, it's kind of steady as she goes. I mean every day, we're influencing more and more people to treat better and to do a better job on that front. I was just at a course this weekend in Baltimore with some of the top surgeons in the world and having this exact conversation about how to continue to kind of get the guidelines and leverage those guidelines.

I don't think what you'll see is it growing like the inflection point like you're talking about. It's going to be consistent nice driver of growth for many, many years to come. And so we're kind of focused on that, and that we kind of get the accelerated growth in some of the new things coming down the pipeline, like cryoSPHERE and beginning to get traction on that next year as we got a more mature team like more on the clip side and the underpenetration as we've kind of seen and continue to see continued strength off of that.

And then, obviously, on CONVERGE, once we get that approval and our ability to kind of accelerate growth on that. So we've got a lot of levers for growth going forward, and I think, the open side of our businesses is just going to be a good steady grower as we continue to gain share -- probably more share of the market, not share against competition.

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

That's helpful. Just to ask a little bit more about that, though. I think you talked about pain as more of a 2020 to 2021 driver. Are you kind of accelerating the outlook for that business here in '19 just because of what you're seeing from kind of the early adopters and that they're reordering faster than you expected? Or something along those lines?

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

I mean, it's not a huge number on our topline number yet. We are seeing -- we're getting a lot of great feedback on the product. We are adding more reps than we may have anticipated at the beginning of the year because of the demand that we're seeing. And quite frankly, the biggest issue we've got now is just covering cases. So we've got to add more and more clinical specialists to be able to cover a lot of those cases. And so -- it's a modest acceleration as we're building towards success in 2020 and 2021.

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

Got it. And then just 2 more follow-ups from me. I'll ask them both here, one for you Mike, and one for Andy. Just a follow-up on the last question on the clips, you don't necessarily need to talk about where the penetration rates can go. I know they're still fairly low, but you've gotten a lot of probably more the low-hanging fruits type of procedures. And you know that next tranche of cases is always tougher to get into. So can you just talk about the momentum that you're still seeing on an account basis that makes you feel comfortable that appendage management is going to be this big driver for the next couple of years?

And then real quick for Andy, just the gross margin of the quarter was really good. You're sticking with 73% to 74%. Why wouldn't we be at the high-end or even a little bit higher than that?



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

On the clip piece, we're still remarkably underpenetrated globally on penetration on that front. And yes, sure, we've gotten some of the low-hanging fruit in various different applications, but more and more people are adopting it every day. It's a conversation piece at every hospital. There is a lot of discussion around it, not just because of us, but because what's happening in the EP world and the cardiology world, and then we get some benefit from that as well. Plus, people know that the clip works. There's more and more data that continues to come out on the benefits of managing the appendage, independent data that is out there, that is influencing behavior. So I think the combination of all those things lead us to believe and feel good about the clip for the foreseeable future.

And I'll let Andy answer the gross margin question.

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

Matt, yes. Sticking with it, it was really good gross margin quarter for sure. I think the ops team continues to do a really nice job on managing costs and producing a product in a good way, efficient way as we continue to build to support sales. So back half of the year, we'll still make some investments that we want to make in that organization. So that's really driving us to keep the range where it is at the 73% to 74%. We have a good first half and -- but we still got some things to do in the back half and just want to leave the range in a good spot.

Operator

Our next question or comment comes from the line of Robbie Marcus from JP Morgan.

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

Congrats on a good quarter. I thought you guys did an excellent job on the first quarter earnings call discussing how there's a very limited impact from TAVR and the conversion from open heart surgery to TAVR and minimally invasive heart surgery.

We saw a really strong quarter from TAVR. Here, it clearly didn't impact your business and the financials here. Maybe if you could just give us some of what you're hearing from physicians following the low risk data that was presented at ACC? And any other color that gets you either more or less excited based on the comments you made on the first quarter call?

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

Thank you for those comments. Consistent with what we said on that first quarter call, I think the biggest thing for us is that the patients aren't getting treated that are [around] the table today. And that's really where we see a lot of the growth and a lot of the growth that we anticipate for the foreseeable future on the open side of our business.

We just saw a paper published by Dr. McCarthy, who is at Northwestern, and talking about the underpenetration where he evaluated pretty much every patient that had gone in over a 3-year period and CMS data to kind of see who is getting treated, who is not getting treated. And the numbers were stark -- were low. In addition to that, they were low in terms of their underdiagnosis of them as well. So the combination of that just says this is an underpenetrated market. Sure, there will be pressure on that one very specific market around AVR as it goes in the low-risk [space.] But the true impact on our business is de minimis relative to all the other positive tailwinds that are going on in that space in that area. And so we still feel bullish on the overall open business for us for the remainder of the year and into next for sure -- and for many years, quite frankly.

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

Great. And I don't want to belabor the point on the cryo, it clearly had an excellent quarter since launch earlier this year. We saw a 2-year accelerating growth on that business line. What's a reasonable way to think about the adoption curve here? You're adding more reps than expected. That line came in great this quarter. How do we think about that? Not so much the balance of 2019, but how big of a business do you think that could be in 2-, 3-years time?

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

It's a really fair question. I mean -- we do believe that the pain management market -- we wouldn't be investing if we didn't think that it was a sizable market over the long term that we can actually -- it's not nearly as big as the Afib market from that standpoint, but it's a

nice niche market where we've got a significant advantage in the sense that our product works exceptionally well. We're really the only one to have a probe in the market dedicated specifically for this. And it is a reasonably large market.

If you think about the number of patients every year that go in for thoracic surgery just in the United States, it's 110,000 to 150,000 people. That number is growing every year as more and more patients go in for kind of lung resections due to the changes in how they're diagnosing lung cancer, as an example. And just -- there's a lot of pressure on these hospitals to reduce pain. So you just do the math on that. If we were in every one of those cases, that would be a huge market and well over a \$100 million market. Now we don't think we're going to be in every one of those cases by any stretch of imagination, but if we can get a small percentage of it, we think that we've got a really, really good robust market for the next 3 to 5 years. And we've got a good leg on where that's going -- the clinical data supports it.

Operator

Our next question or comment comes from the line of Rick Wise from Stifel.

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

Mike and Andy, it's Drew on for Rick tonight. Mike, just to start, through the first half of the year, Mike, your commentary is sounding increasingly confident on the business. I was just looking at the updated guidance. It looks like you're only taking up the full year by second quarter beat -- looks like maybe you're expecting the lower half to be at the bottom end of the range. So is there anything on the second half that maybe we should be better appreciating beyond more challenging 3Q comps?

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

Nothing in particular. I mean as you mentioned, we feel great about the business. We feel really good about where the business is going to go, not just for the balance of this year, but for many years to come. We've got a great product -- we've got a great pipeline on both the product and the clinical sides for the next 3 years. We've mentioned some of them in all of the franchise and all the markets that we're in. So nothing per se; I think it you hit on it pretty well.

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

Okay. And then just on the MIS business. I know that you've talked about the market opportunity more from a patient population perspective. But I was wondering if you might be able to size the U.S. MIS ablation opportunity by maybe the number of centers in the U.S.? I know that there's maybe like 1,000 cardiac surgery centers in the U.S. But should we expect like a similar number to that? Or maybe 1/4? Just any help there would be helpful.

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

I mean there's no reason that we shouldn't be in well over 50% of them, and we could easily be in 75% of those facilities once it's truly adopted. Probably getting to a 1,000, you're not going to get to some of the smaller committee hospitals and areas like that. But quite frankly, one of the benefits of CONVERGE is, it is a procedure that pretty much every cardiac surgeon is capable of doing. And so the training for it is pretty straightforward. It's relatively easy to do. I mean to say that about cardiac surgery is, obviously, from somebody that is not a surgeon -- interesting. But I mean quite frankly, for a cardiac surgeon, this is something that they enjoy doing and that can be adopted by pretty much just about anybody from that standpoint.

So it can be highly penetrated on that side.

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

Got it. And then just one last one on clinical trials. You mentioned DEEP, that you're up to a few sites now, and I believe you have approval for 40 patients. Have you started to actually enroll patients at this point? And then would you also update us on the FROST and CEASE AF trials?

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

Sure. We have started to enroll patients. So we've had good, robust -- we've got 11 sites now up and running. And we've got -- we enroll patients and we've got a pipeline of patients that will be enrolled over the course of the rest of the year. And so we're in a very good spot. We won't hit 40 -- we won't hit 40 additional by the end of the year. But I think we will be in a very solid spot overall, and we'll give a



more detailed update on a subsequent conference call.

In terms of CEASE, we are going to continue to roll -- enroll in CEASE through the end of the year. We've actually -- we're very close to hitting a statistical endpoint relative to the number of patients that need to be enrolled in that. Once we get through the end of this year, then there will be 1 year -- or it's actually a 15-month follow-up in that particular case and kind of follow-up data on that. So the trial actually enrolled really well last year. We've had decent enrollment this year. Anticipate kind of being near the conclusion of enrollment by the end of this year based on kind of current pacing and where we are in terms of number of patients needed. And again, that one is a randomized trial.

And then on FROST, we did complete enrollment in that. Data is being submitted to various different journals and hopefully, sometime at one of the shows next year, the data will be presented at one of the shows in an abstract before it actually gets to publication.

Operator

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

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

Mike, just to follow-up on Robbie's question around cryo. And just because this is -- seems to be becoming an increasingly important growth driver. Can you talk a little bit about -- I know it's early days, but how you're seeing physicians that are adopting it adopt it? Like is there some sort of patient selection process that physicians go to? And based on what you're seeing so far, sort of how to think about the total addressable market opportunity within that? I think you said 110-or-so thousand procedures getting done.

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

Yes. The way that it's kind of being used today is it's being used as a kind of what we call a multimodality approach, meaning it's not taking away from the approaches that they're currently using. But it's helping them actually significantly reduce pain. So they're adding it to the, kind of, the profile.

We initially went out to 4 cities in United States where most of the kind of lung procedures were being done, you can name them, the big metro areas around the country. We've since then expanded it to 8. We'll likely continue to expand and add more kind of clinical support as I was mentioning before. And the types of patients that are being treated are pretty much anytime that somebody's going in for thoracic surgery. Anytime you have any kind of rib spreading or any kind of pressure that's going to be put on the intercostal nerve there, that's really where you're going to see the benefit from it. Cases such as any kind of rib-plating, car accidents, items like that. Or you might be looking at, as I mentioned earlier about lung cancer, in particular, is probably the fastest-growing area where you see patients that are getting screened. They've caught the -- they've caught it early. They want to take out a nodule or some lung cancer, and so they may take out one of the lobes as a result of that. That is definitely what it's being used probably primarily. Today, those are some of the big areas that are there. And I'd say that those markets are growing. And as we kind of expand into other cities and other areas, there's obviously good penetration. There's no reason you couldn't be using it in every one of those thoracic cases. But I think we all know that nothing is 100% adoptable. It -- all of those thoracic cases do have pain associated with them. The STS at the meeting -- not this past year but the year before, one of the top papers was out of the University of Michigan where they showed that 14% of those patients had an unhealthy addiction to opioids 1 year out. And so there's a lot of sensitivity to it. And so there are people that are looking for other different ways to kind of manage pain and kind of help with the pain. And that is a way -- to go along with that.

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

Got it. Okay, understood. And just a question on the open business here in the U.S. I mean it seems to have built sustainable momentum here. The growth doesn't seem to be slowing. I know CABG -- everyone's rightly so focused on the AVR piece of the business, but CABG is really the big growth driver there. Can you talk about what percentage you would guesstimate now of your sales are into CABG, or do you have any way to frame sort of where we are in the CABG adoption curve and sort of highlight for us how much more runway there is there?



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

Yes. I mean the best way to articulate the penetration in CABG is it's abysmally and embarrassingly low for our health care system today. It's likely less than 10% of patients that have Afib that are on the cardiac surgery table that are getting treated. And our mission in life is to help those patients get treated appropriately at the time that they're there. You're right. That the biggest market, that's the biggest opportunity. We can do it through a combination of leveraging the guidelines, doing more training and education that we've done. And we've got a "Why Treat?" campaign that I think we talked about in the last conference call specifically. And that "Why Treat?" campaign is to really to go out and talk about this and talk about this to referring physicians and others to make sure of it when they've got these patients, they're telling the cardiac surgeon to treat them because the guidelines say you should treat. And again, it's less than 10% that are getting treated today in CABGs.

Operator

Our next question or comment comes from the line of Mike Matson from Needham & Company.

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

Mike and Andy, it's David on for Mike. One on the sales organization. I guess cryo, the cryo team is about 8 people. At this point, what's the right size for that team? And then also, where -- what other teams are you focusing your hiring?

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

Yes. I don't have a size that we're ready to kind of come out and say, this is the exact size of what the team is. We're kind of playing it as we know more about the market and not get too aggressive too early. I think you've seen that, quite frankly, just in our business in general and how we manage it. And so right now, the demand is that we have to add more clinical people to support more cases, and so we're going to expand on that front so that we can cover some of these major geographies. That's really our current focus. Again, we'll add a -- we're definitely going to add to that number by the end of this year and then into next year, but again, don't have a specific number to give you.

In terms of our other adds, we continue to add clinical support as well in advance of our CONVERGE label next year. And so we'll continue to add people that really understand the EP landscape and EP space, understand how to be in the EP lab and read maps, see what the effect of our ablations look like on that. And so we're adding much more of that right now kind of heading into next year. And so that -- those are the 2 major areas that we're basically adding resources right now -- in addition to other just clinical support-to-support cases because as you've -- as some have mentioned, on the open side, we've got to make sure we are continuing to provide exceptional support on that side. Again, we've got good coverage on our direct business, our direct reps that build their relationships with the hospitals. It's more on the clinical support side that we're really investing today.

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

Okay. And then for appendage management, can you break out how much of the growth was volume versus pricing? And what are you thinking about the durability of that business' growth?

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

Yes. Majority of it -- we continue to see really strong volume on that part of our business. So a vast majority of the growth is based on volume. But we do have some price component to it, and we anticipate that we'll continue to grow. You saw a little bit of pressure this quarter down to 26% growth, which was -- we told people we couldn't grow at 30% forever. We do anticipate, though, that we'll continue good, strong robust growth for the foreseeable future.

Operator

I'm showing no additional questions in the queue at this time. I would like to turn the conference back over to Mr. Carrel for any closing remarks.

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

Great. Again, everyone, we appreciate you joining the call today and your interest in AtriCure. Have a wonderful evening.



Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may now disconnect. Everyone, have a wonderful day.

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