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Q3 2021 AtriCure Inc Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to AtriCure's Third Quarter 2021 Earnings Conference Call. My name is Catherine, and I'll be your operator for today's call. (Operator Instructions) We'll be facilitating a question-and-answer session towards the end of today's call. As a reminder, this call is being recorded for replay purposes.

I would now like to turn the call over to Marissa E. Bych with Gilmartin Group, for a few introductory comments.

Marissa E. Bych *Gilmartin Group LLC - Vice President*

Thank you. By now, you should have received a copy of the earnings press release. If you have not received a copy, please call (513) 755-4136 to have one e-mailed to you. Before we begin today, let me remind you that the company's remarks include forward-looking statements. Forward-looking statements are subject to numerous risks and uncertainties, many of which are beyond AtriCure's control, including risks and uncertainties described from time to time in AtriCure's SEC filings. These statements include, but are not limited to, financial guidance and expectations, expectations regarding the potential market opportunity for AtriCure's franchises and growth initiatives, including converge and the adoption of the converged procedure and future reimbursement. AtriCure's results may differ materially from those projected. Atricure undertakes no obligation to publicly update any forward-looking statements.

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

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

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

Thanks, Marissa. Good afternoon, everyone, and thank you for joining us today. We hope that you're well. Against a difficult backdrop driven by the pandemic headwinds, we delivered solid performance in the third quarter of the year, reaching $70.5 million in total revenue. This represents 29% growth compared to third quarter 2020, and a 1% sequential decline from our strong second quarter 2021 results. We saw year-over-year growth across key product lines in the United States, including contribution from continuing addition of new pain management and hybrid therapy accounts. We were also pleased with the robust performance of our open ablation and appendage management franchises across Europe and Asia. As many of our peers have stated, the third quarter brought continuing challenges driven by the COVID-19 pandemic.

We began the third quarter with a record sales month in July. In August and September, however, we began to see some impact from the surges in COVID cases and hospitalizations, along with hospital staffing constraints, which affected the industry broadly. While many healthcare systems have become adept at managing through COVID-related peaks, there are a few options to mitigate the shortages of healthcare workers, and we are not immune to these developments. However, the fundamentals of our business as well as our 2021 financial outlook remain very much intact.

Taking a step back, I would like to highlight our key growth initiatives beginning with our hybrid AF therapy. In the second quarter, we received PMA approval of the EPI-Sense system, as a result of our pivotal CONVERGE clinical trial. This achievement marks the only FDA approval for the standalone treatment of patients with long-standing persistent Afib, which represents approximately 45% of all diagnosed Afib patients. We are pleased with our progress since receiving the PMA, having conducted several didactic physician training programs, executed weekly mobile labs all over the country, initiating many new accounts, and expanding physician use within existing accounts. These early efforts are a very small step on the way to reaching the broad base of accounts and patients, and so much opportunity remains.

In addition to the activities noted, we continue to expand our hybrid sales force and add significant dedicated training resources. As a result, even with COVID-related headwinds, we are encouraged by the uplift in MIS ablation revenue in the United States every quarter, and the continued progress in appendage management at the same time. As I mentioned, we have only started with establishing -- with our goal of establishing the hybrid convergent procedure as the standard of care for patients with the most complex and difficult-to-treat forms of Afib. It is worth repeating that, we believe, this is a multibillion-dollar annual opportunity, which should impact many tens of thousands of patients every year.

Moving to our open franchise. Following FDA 510(k) clearance in late July, we recorded our first EnCompass device sales in the United States. Initial sales came from a limited launch as we work toward broader commercial availability later this year. The EnCompass clamp is an innovative addition to our open ablation platform, providing a simpler and faster approach to ablating in open-heart procedures. As a reminder, our open ablation platform includes the Isolator Synergy System, the first medical device to receive FDA approval for the treatment of persistent Afib in late 2011. Even after a decade of market development and training since approval, we estimate that less than 1/3 of cardiac surgery patients with Afib in the United States, are treated today, and even fewer globally. We expect the EnCompass device, along with our legacy technology, to deepen our penetration of the cardiac surgery market for over the next decade. There is a substantial addressable market for both our open and hybrid ablation platforms with hundreds of thousands of patients annually, representing billions of dollars.

Complementing the ablation opportunity is our appendage management franchise. As many of you know, we have steadily expanded our AtriClip product line through innovation, coupled with increasing awareness for treatment of the appendage, growth of our AtriClip franchise has outpaced our ablation products in recent years. We remain excited by the outlook for continued adoption of appendage management in surgical procedures as a result of the growing body of clinical evidence.

Finally, turning to the cryoSPHERE probe, our dedicated device for managing postoperative pain in thoracic patients. Our unique technology uses a differentiated freezing method to block nerves from transmitting pain signals after thoracic surgery, providing a long-lasting form of pain relief for patients. Cryo Nerve Block continues to be one of our fastest-growing therapies, and we are very pleased with our growing account base. In the third quarter, we surpassed $30 million in life-to-date sales of the cryoSPHERE probe in the United States, just 2.5 years after the initial product launch. This represents more than 12,000 patients who have been treated with cryo nerve block therapy since early 2019. More recently, we recorded our first cryoSPHERE sale in Europe. While we are proud of our progress, we believe the market for Cryo Nerve Block remains vastly underpenetrated, and we continue to increase investments in our dedicated commercial and education teams, to drive therapy awareness and adoption.

In closing, we continue to execute, and are making progress in each franchise around the world. We see robust underlying demand from patients and physicians, for the critical treatments that our products enable. We expect to end the year in a strong position for 2022 and beyond, and we remain excited by the potential of our portfolio in the future for AtriCure.

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

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

Thanks, Mike. Our third quarter 2021 worldwide revenue of $70.5 million increased 28.7% on a reported basis and 28.6% on a constant currency basis, when compared to the third quarter of 2020. On a sequential basis, this quarter, we experienced a decline of 1.3% in revenue from the second quarter. The sequential decrease was partially driven by normal seasonal variation in our business, but also

impacted by the ongoing pandemic and staffing constraints that Mike noted.

In the third quarter 2021, U.S. revenue was $57.5 million, a 28.7% increase from the third quarter of 2020, reflecting healthy activity across product lines and promising growth trends, despite reducing case volumes as the quarter progressed. U.S. sales of appendage management products were $23.4 million, up 34.3% over the third quarter of 2020, on strong AtriClip Pro V and Flex V product sales. U.S. sales of open ablation products, which include our Cryo Nerve Block business, were $23.8 million, up 19.4% over 2020. Sales of the cryoSPHERE probe alone accounted for $6.2 million in revenue in the third quarter, up nearly 10% sequentially.

Finally, minimally invasive ablation sales in the U.S. reached $10 million, up 43.1% from 2020, showing the recovery in elective procedures from last year as well as growth in Epi- Sense device sales. International revenue totaled $12.9 million, up 28.5% on a reported basis, and up 27.9% on a constant currency basis as compared to the third quarter of 2020.

Rebounding activity in most countries in Europe accounted for $7.8 million of third quarter revenue, a 19.3% increase from the third quarter of 2020, while Asia and other international markets contributed $5.1 million in revenue, up 45.5% from the third quarter of 2020. Our gross margin was 74.1%, up roughly 40 basis points from the same quarter in 2020. The modest improvement in our gross margin this quarter reflects a blend of factors. While we experienced a more favorable product mix and the benefit of leverage from increased revenue, these gains were largely offset by an inventory management charge related to the LARIAT system and an unfavorable geographic mix in comparison to the prior year.

Looking forward, while we are cautious with the increasing strain many suppliers are facing in the current environment, we expect to benefit from an increased revenue and strong production volume. As mentioned in the prior quarter, we are making incremental investments to expand production capacity, in support of our long-term growth, and remain focused on key partnerships throughout the supply chain.

Now, turning to operating expenses. Research and development spend and selling, general and administrative costs, totaled $61.2 million for the third quarter of 2021, up $17 million or 38.6% over the third quarter of 2020. The increase resulted mainly from personnel costs, driven by the addition of headcount over last year, and variable compensation programs reflecting top line growth, travel spend returning to normal, and expanding training and market activities, as we launch our Hybrid AF therapy and continue to drive awareness across our platforms.

Separate from these expenses, we reported non-cash adjustments driven by the aMAZE clinical trial results, discussed on last quarter's call. Third quarter 2021 operating expenses include a credit of $189.9 million from the reduction of the contingent consideration liability, and an impairment charge of $82.3 million related to the aMAZE IPR&D assets. Both adjustments reflect a change in the forecasted timing and probability of obtaining FDA premarket approval for the LARIAT System, and have been excluded from adjusted EBITDA and adjusted earnings and loss per share metrics. We had positive adjusted EBITDA of $691,000 compared to positive adjusted EBITDA of $4.2 million for the third quarter of 2020. Basic and diluted net income per share was $2.15, $2.11, respectively, in the third quarter of 2021, compared to a basic and diluted loss per share of $0.11 in the third quarter of 2020. The adjusted loss per share each period was $0.23 and $0.11, respectively.

Our balance sheet remains -- position remains solid, and we ended the third quarter with approximately $225 million in cash and investments. Now, as we move towards the end of the year, while we face headwinds from the impact of the pandemic's continued burden on the global healthcare system, we remain confident in our previous guidance of approximately $270 million to $275 million in annual revenue.

As we look beyond Q4 and into 2022, with continued progress in each franchise, as well as recent product launches, our many tailwinds give us confidence in our ability to grow above historic rates for many years ahead. We continue to expect adjusted EBITDA to be at loss of approximately $10 million for the full year 2021, as we invest in strategic growth drivers across the business. We are growing the AtriCure team and focusing on expanding education programs, continuing device and therapy innovation, and growing clinical evidence in support of all of our platforms. We also expect the adjusted loss per share for 2021 to be approximately $1.20.

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. I would like to end the call by recognizing the team at AtriCure and for AtriCure's continued success. I'm impressed with the dedication and adaptability of our people, the high level of collaboration across our company, and the commitment and excitement for our mission and our future. I am thankful for each and every one of our employees and know that together, as a team, we will have the greatest impact on patients globally. With that, I will now open it up to questions. Operator?

QUESTIONS AND ANSWERS

Operator

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

Lilia-Celine B Lozada ***J.P Morgan - Research Analyst***

This is Lilia on for Robbie. Maybe just to start with a question on overall trends. Can you give us any color on how COVID trends play throughout the quarter and what you've seen so far in the first month of fourth quarter? And second, what's assumed in guidance in terms of the recovery?

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

Sure. I mean, the trends we saw were, we had a record month of July as a business, and then we saw kind of a combination of COVID and summer vacations in the August timeframe. COVID had some impact on the September and October months, and so we definitely saw that. But we did see some pickup a little bit in the October month. But it definitely had a lingering effect into the fourth quarter, much like what you're hearing from a lot of other companies, the impact on COVID there. And that's all baked into our guidance in terms of our thoughts. Everything that we know as of today is kind of in our guidance. We reiterated our guidance of $2.70 million to $2.75 million for the full year, and we're confident in that number.

Lilia-Celine B Lozada ***J.P Morgan - Research Analyst***

And then just a quick follow-up on CONVERGE. As you've been training doctors in onboarding centers, how long does it take for doctors to get comfortable with the procedure and come up the learning curve? And when do you think we could really start seeing an inflection in procedure volumes?

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

I mean, for a doctor to get really comfortable, it typically takes about 3 to 5 cases where they feel comfortable, and I'd say 10 cases where they're getting really good at it. And then I'd say that's kind of in terms of just the surgeon getting comfortable with understanding the maps from that perspective. In terms of kind of the inflection point or impact, it's going to be kind of a continuous growth for the next many, many years to come. It will take a system, let's call it, 6 to 12 months, to kind of really go through that process where they get trained, they start recruiting patients, they get their first patients in, they start to get comfortable with it, and then they kind of get to some critical mass over time. And so you're starting to see some of those sites that started at the beginning of the year, really start to get and open up a little bit more, and get more patients. Obviously, COVID has had an impact, so it's tough to kind of look through some of that, as we look at it right now. But I'd say that you're going to start to see continued growth into next year. It's one of the main reasons why, when Angie talked in her guidance, we talk about the fact that we're very comfortable that we will be able to grow at above historical numbers. So if you look before COVID, we were pretty consistent growing that 14% to 15% every year. Our 7-year CAGR was about that. We will grow faster than that for the foreseeable future at this time.

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***

Just to follow-up a little bit on Lilly's question there. Mike, you're an inpatient procedure for convergence. It's a little bit more of an involved procedure versus other EP cases that are out there. So I'm just wondering if the staffing shortage overly affects AtriCure versus others in this space? And then what kind of slowdown that may cause, as new centers are building here towards the end of this year, into

next year as a result of the labor side and then the COVID-side of things, and things that you can do internally to kind of offset those headwinds that you may be seeing versus others in this space?

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

Yes. It's a really fair point, Matt, I mean, I think you're correct in stating that, in general, obviously, being in-patient for a longer period of time, there are more staffing concerns for cardiac surgery, and we'd be kidding ourselves if that wasn't the case. That being said, we've also got a new label that really shows the demonstrable benefit of doing this procedure. And so you counter that with the fact that we're adding a lot of net new sites. These sites are now getting their programs up and running. They want to build momentum. They want to build what that looks like. And so they're really dedicated to getting these patients in and to moving it. So I think it's going to have some impact, and we've obviously baked that into our revenue or our guidance for the remaining portion of this year. But it does not take away from any of my confidence long-term in our ability to really grow this business as we look at '22, '23 and 24. I'll go back to -- we will be growing at a faster pace than we've historically grown, and a lot of it's going to be driven by the strong growth that we expect coming off of the converged platform. Okay.

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

And then a question for Angie, just on the gross margin side. It looks like it's probably more a function of just geographic mix more than anything as far as the slight pullback in gross margins here. I'm just curious, as far as that metric, as we head into '22 -- And then you're still spending pretty aggressively on R&D, and I think that's important for the company from a developmental standpoint and a clinical trial standpoint. But given now that LARIAT is pretty much out of the picture, is that an area of leverage we should expect next year for the company and maybe even a little bit on the SG&A side as well?

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

Yes. So starting with gross margin. The biggest impact this quarter was a charge on a LARIAT inventory reserve. We did have some unfavorable geographic mix, but offset by some favorable product mix. Epi-Sense and the Flex V and Pro V clips, those are high revenue -- high margin products for us.

When you think about leveraging the P&L, not at a point where we're giving guidance long-term, I'd say if you look at this particular quarter, we saw a downturn in R&D expenses as a percentage of revenue. It's a function of where projects are at in their life cycle. Longer term, we would expect that to return kind of at the historical levels that we've been, and would expect some leverage off of SG&A. I say that, but also want to remind investors that we're making investments to fuel our growth. We continue to build out our commercial teams, and then training and education programs as we're attacking our launch for the Hybrid AF therapy, Cryo Nerve Block and expanding other products.

Operator

Our next question comes from Danielle Antalffy with SVB Leerink.

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

And congrats on a good quarter, despite all the headwinds. If I could just ask a question on what you're seeing as it relates to the logistics around CONVERGE, and whether that is complicated. I think maybe I'm following up on Matt's question a little bit here. But how you think about that in the hospital labor shortage? Is that a procedure that's maybe more at risk from a hospital labor shortage perspective? Or am I thinking about that incorrectly? And I do have one follow-up.

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

As I kind of mentioned a little bit, Danielle, sure, there's an impact when you've got a labor shortage, and you've got somebody in the hospital for longer. So there's no question that there's an impact on it. It's countered though by the positive of a brand-new procedure entering into the hospital that is treating patients they couldn't treat before ,that is enabling them to save time on some of their other procedures on the EP side and the time they're spending in the cath lab, so it's freeing up resources on that side. And so while theoretically, yes, there is an impact of that. I'd say it's kind of overcome by the fact that they want to get these programs up and running, and we're really at that beginning stage of getting them moving. We've seen continued growth in that franchise. And in that area, we had our best Epi-Sense quarter this quarter. And so we're in a really good place overall, and we'll continue to see volumes go up in that area,

even despite what you're talking about relative to some of the labor shortages. So yes, theoretically, there is some impact. But I'd say that overall, we do see positive trends, and we don't see it really impacting anything from a long-term standpoint.

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

And then my follow-up question is really on the commentary around the above historical growth. I mean, that's helpful color. I was wondering if you could put a little bit more behind that as far as how to think about '22 and then beyond, and thinking of it as sort of a step function? Or is it more gradual than acceleration?

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

I mean, I think it's a really fair question. We're not ready to give guidance for 2022 that is more specific at this time. We'll definitely do that at the beginning of next year, we will give much more specific guidance. But we do anticipate -- again, I don't want to give any more than what we've already said, which is that we're going to grow for -- not just next year, but for many years to come -- above those growth rates. And I think that, that's something that you can expect from us. And again, we'll get into some more specifics in January. I know everybody wants it now, but I think it will be more prudent to kind of see how the year ends up and then kind of give everybody a broader view of that for 2022 in January.

Operator

Our next question comes from Rick Wise with Stifel.

John McAulay ***Stifel - Equity Research***

This is actually John on for Rick. First, you mentioned earlier on the call, the training of doctors for CONVERGE. I'm just wondering if you could quantify kind of how that process is going, given COVID, and if you can give any more color there?

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

Yes. So we've got multiple angles for training. So the first piece is the didactic training. We've had, I think, up to 5 different didactic trainings that are typically like a Friday, Saturday type training. They get -- they basically come to a city, get that training, and then they go through -- they've got several EPs and surgeons, basically giving the course, lots of dialogue and discussion, generates interest and a much better knowledge of it. We usually end those courses with a wet lab or some sort of lab afterwards.

In addition to that, we have a mobile lab that -- we've got 2 mobile labs, moving to 3, that travel across the country. Those are basically busy every week. They're doing anywhere -- each one of them are doing 2 labs a week. And those labs, basically, they go into the hospital parking lot or to a local parking lot nearby. The surgeons and EPs come into that. We basically do some of the didactic and a shortened version, and then they get their hands on the product and are able to use it. And those are -- basically, we're already fully booked through the beginning part of next year, and we're continuing to train people on a regular basis there. And so that's gone extremely well. We do use those labs mostly today for hybrid, but we're going to be adding within the EnCompass launch. And as we add more sites next year, we'll start to add quite a bit from that standpoint as well. So those are kind of 2 of the main thrusts around some of the training that we're doing. We will do local courses and things like that as well, and we're doing a lot of those. Those are driven more by the local -- we've given -- the local teams, and we've given the materials to be able to drive kind of an initial kind of 1 hour to 2-hour kind of conversation about the procedure. That typically leads to them going to some sort of weekend course or on mobile labs.

John McAulay ***Stifel - Equity Research***

So then just one more follow-up for me. AtriClip continues to be a big performer for you guys. We're curious, what else you kind of have in the pipeline, how you're thinking about that in the future, any developments, potential products that could grow at that rate?

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

Well, if you look at our -- at the franchise portfolio, we've got, I'd call 3 really major drivers of accelerated growth. The first one is on the hybrid side. Obviously, CONVERGANT and Epi-Sense is growing at great pace and doing very, very well, and we anticipate that we're going to hopefully create the standard of care within that over the next 5 or so years, for long-standing persistent patients. So there's a huge market opportunity, and a lot of patients can benefit from that treatment. I've talked about the numbers before, but I mean, we're just so low in the penetration there, and so many patients can benefit from that treatment.

#2 is on the Cryo Nerve Block side that's also continued to grow quarter-over-quarter. Every quarter we're opening up net new sites. We've more than doubled the size of our sales team over the last year, continue to get access to that, adding clinical support to that team as well. That has been a very fast grower for the business, and also provides real growth. I mentioned on the call, we're at about $30 million of kind of life-to-date sales, and Angie talked about $6.2 million in this quarter. And so you can kind of see that it's continuing to be a very strong contributor to us, and growing for our business.

Third is, we believe that the Encompass clamp, combined with reimbursement changes that have happened, that not necessarily will get into the same kind of accelerated growth mode, but will enable us to continue to grow at very strong rates within our open franchise and get more and more adoption. As I mentioned, only 1/3 of patients are getting treated today, so -- that are on the table, and we believe that number should be much higher. And with Encompass and several others, we think that we can make an impact in that area as well and continued solid growth in our open franchise.

And then on the AtriClip side, it obviously has been growing very fast, but we also think that we can do more within that area. We are going to be doing a trial. And we've talked about the ATLAS trial in the past. We've already met with the FDA and gotten some feedback on making that into an IDE trial. That is a very large trial. You're talking about 6,500 patients at 150 sites around the globe, for patients that do not have Afib, but have a likely chance of getting Afib in their lifetime after cardiac surgery, and are at risk for stroke. And we are going to go after a stroke label with that. And again, we're in the beginnings of conversations with the FDA, just the beginning. So we anticipate, sometime next year, we'll get an approval, hopefully, to go forward with an ID in that. And that should really fuel a lot within that franchise. We think that's a big deal within our cardiac surgery franchise and can have a big impact on clip, not just in the U.S. but globally.

Operator

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

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

I wanted to ask about the training you're doing for CONVERGENT, specifically getting interest and getting the EPs and surgeons together kind of on board with the idea of CONVERGENT. Have you had any challenges there where you have a surgeon who wants to do it, but the EP is not cooperating or vice versa? And how do you kind of deal with that if that's happening?

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

Yes. Fortunately, interesting enough, we're not seeing a lot of that. I mean, we definitely -- I'd say the area we see mostly is, we've got EP interest everywhere. I mean there's just a lot of EP interest, finding a surgeon that we can make sure they find the time and dedicate themselves to it. It's not that there's not interest, but they've got to be ready to dedicate it as a specialty for themselves. And so, finding that surgeon that's going to be a good fit with the EP, is a really good collaborator, is what we spend a lot of time on. It's as expected. And so we've got a targeted list of those that we think are going to be good fits for that, that have the right skill set and have the right temperament to really work collaboratively with other EPs. We're not getting a lot of pushback. Quite frankly, it's more just a process of kind of getting them up and running, and walking through what a program looks like in getting administration on board and getting the workflow or patient flow to work. It's really kind of the biggest lift, not as much about getting people interested.

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

And then just the EnCompass clamp, I know it's early days for the launch, but I was wondering if you could share any kind of feedback you've gotten from the surgeons that are using it?

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

Yes. The feedback has been fantastic. It's basically reduced the time they need to spend on the ablation. The ablation lines have been really, really good. We've only been doing testing. It's getting complete block on it during it -- so we've had really, really good results so far. We just want to make sure that we're taking it slowly and getting some learnings so that we can make sure that when we bring it off

to the masses, that we can train appropriately and that everybody's going to be doing it incredibly safely. And it's a great product. So the feedback has been very good, and we're going to move forward probably with a really full launch early part of next year. And the feedback we've gotten so far has been positive and but also informative about how to even train better with it.

Operator

And we have a question from Marie Thibault with BTIG.

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

I'll ask one more here on CONVERGE. Sort of a bit forward-looking. I wondered if you could tell us how many new sites you were able to add since the launch. And from these new sites, are you hearing anything about how they plan to market the procedure? We've heard feedback that this could become something that sets hospitals apart in their region. So I was curious what you're hearing from some of your newer customers on that front?

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

Yes, it's a fair question. Everybody wants to know the number of new sites. And I think it's a good question. We're not ready to give that number quite yet because I don't want people to begin to think, oh, you're going to add this number of new sites yet. We're not ready to show a consistency on that because some of our areas of the country were going deeper into there -- and we're not necessarily trying to add new sites. And depending on the area of the country, what established base they might have, we might be going deeper within their EP base versus adding sites. And so I don't want that to be a misleading figure for you guys to put in your models quite yet.

Revenue is going to be the key driver. We continue to grow that. We are adding a lot of net new sites, more than we had expected at this point. I can tell you that. And there -- and we're getting repeat customers from them, too. So they're doing their first couple, then they're coming back and they want to do more and really figuring out that workflow. So that's all gone really, really well overall for the business. And remind me, what was the second part of the question, Marie?

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

Sure. What are you hearing in terms of marketing plans and how they plan to market their ability to -- after the CONVERGE procedure?

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

We're definitely starting to see more and more where they're putting together proactive marketing campaigns out to their referring cardiology community. We just saw one -- I just saw one this week at the Cleveland Clinic, where they're talking about their procedure and kind of their internal newsletter that's going out to all of -- everybody within the cardiology group, not just the surgeons and the EPs, to really talk about the fact that they've got this new procedure at Cleveland Clinic, they've been using it, and they're pushing it out kind of throughout their internal network. They're starting to do internal trainings and classes of that cardiology community as well, not just of the EP community. So they're really beginning to push it. I think they're at the beginning of what we're going to start to see at many sites around the country, but they're just starting to kind of get that. I'd say a lot of the focus now for us has been on training, because we want to make sure they do the procedure right and really well and get great results. And then I think the marketing is going to start to come really probably 6 to 12 months from now, once they get really comfortable with it. Cleveland Clinic is comfortable with it now, which is why they are willing to kind of go down. They're further down that pathway, and they're beginning to start to talk about the results for having with their patients they've already had.

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

And well understood on the new site metric. I had to try. Let me ask my follow-up then to Angie. Angie, you mentioned working on building up production volumes. Curious if you can give us any more detail on supply chain, whether there's any specific products or components that we should sort of be circling, or that you think there might need to be some caution on the supply chain side?

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

I think the caution is just broad based. We're hearing -- you've heard from our peers, you've heard from others, we're hearing from suppliers, some of the pressure, that they're under. I wouldn't say any one product gets us concerned. It's more just a macro environment which they're all working in. And that being said, as we continue to look forward for a strong future, we are expanding capacity here to be

able to meet that demand, continue to keep up with that, and are mindful that we can't do that without strong relationships and partners on the supply chain side.

Operator

Thank you. And we have a question from Suraj Kalia with Oppenheimer & Company.

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

So 2 questions. One on CONVERGE. Is the discussion in the field all-encompassing on persistent AF? Or are you all seeing stratification on long-standing persistent AF? And I'm especially curious how OUS is viewing what's going on with CONVERGE?

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

Yes. I mean most of the conversations we're having in -- all the conversations we're having in the field is around long-standing persistent. That's the focus. It's the differentiated piece of the data. It's what we got the label for. So our team is really trained to focus on long-standing persistent Afib. And that's really -- and quite frankly, that's what all the positive feedback is coming in, from EPs. They see such a big differential there. They know that this works really well in these complex cases. They know that the catheter does not work. And so it's a great way for us to have that conversation. And that's -- those are the conversations we're having, not around that persistent population.

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

From an OUS standpoint, it's similar, I mean, because I think the -- it's -- even though the label there is broader, I'd say that the data is so strong on long-standing persistent, and there's such a need there that everybody starts there anyway. So they're going to start with their most complicated to treat patients, and that's really kind of what they're basically going after. I mean, if you think about it's a lot like how TAVR started in the -- in that really kind of high-risk patient population, you start there, and then over time, maybe we'll get more data on the persistent population. But right now, that's not needed to get these programs up and running, and it's not necessary, and we're really focused on long-standing persistent.

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

Fair enough. And my second question -- please forgive me, I was juggling in between 2 calls, if I got this wrong. On the Atlas IDE, I thought I heard this trial is going to be -- this IDE is going to be structured as for post-surgery AF stroke risk. And I'm curious, why go down this route and not de novo -- I shouldn't say, de novo, standalone AF patients on Coumadin? And also specifically, the reason I ask is -- you just look at most of the major studies in post-surgery AF stroke. The cumulative incidence between the patients who have AF and not AF, they're pretty tightly close to each other. I'm curious about the rationale for this trial because it will be a long follow-up, long -- large sample size. Any additional color would be great.

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

When we -- and we've looked at the data, I mean, studying this for a long time. If you recall, we actually did a feasibility trial specifically for this. And what it's for is, it's for patients that do not have atrial fibrillation, that are undergoing cardiac surgery, which represents about 2/3 of all the patients who undergo cardiac surgery do not have Afib when they go in. But almost all of them are at a good chance of getting Afib within their lifetime. And this is really a very patient-centric trial. It's to say these patients, you've got a shot, you're looking at the appendage. Can you take advantage of it while you've got it open to really basically get complete closure of that appendage at the time of surgery, so that if they ever develop Afib in their lifetime, whether it's 3 years, 5 years, 10 years, they've already got protection. And so we're looking for -- looking at that.

Now, what we've seen in the ATLAS feasibility trial is the trend is in that direction. It was not statistically significant. It was 562 patients. It's been published. It's out there. It basically shows that you've got a significant reduction at 1 year, and even a larger reduction when you look out over a 3- year period for those patients. We anticipate, it is a long trial, to your point. But we think the patient population is so large, the impact on patient care and stroke reduction is so great that it is worthwhile to look at this and to basically make this a standard of care within cardiac surgery. And so that's why we're doing it. We think that it's going to have a dramatic impact on patients for not just 3 years, 5 years, but really for decades to come. And that's the reason that we're doing this trial, and we think it's a huge opportunity.

The standalone idea that you talk about is one that we definitely considered -- they're not mutually exclusive. We've looked at doing that trial before. The issue there is relative to enrollment. Can you enroll enough patients just putting on a stand-alone clip in those patients that are high-risk on that? Can you get enough within that -- when we tried to enroll that trial many years ago, we did not -- we had a look at real-world evidence that would demonstrate and show that, in fact, yes, there is a significant reduction in that stroke, but we have not been able to think through what the exact right trial would look like to improve enrollment on that. But we're going to continue to look at it, continue to consider it. It's not off the table by any means. So it's a very good question. It's just not top priority right now in terms of -- we have got a great trial, I think, designed on these non-Afib patients undergoing cardiac surgery, and we've got good data to basically build upon it, that we think that it's going to be a big success.

Operator

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

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

Well, great, everyone, really appreciate you joining the call today and all the questions, and look forward to speaking again in the early part of next year. Have a great rest of the year. Thank you.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.