

AtriCure, Inc. (Q1 2025)
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Corporate Speakers:

- Marissa Bych; Gilmartin Group; Investor Relations
- Michael Carrel; AtriCure, Inc.; President and Chief Executive Officer
- Angela Wirick; AtriCure, Inc.; Chief Financial Officer

Participants:

- William Plovanic; Canaccord Genuity; Analyst
- Matthew O'Brien; Piper Sandler; Analyst
- John McAulay; Stifel; Analyst
- Lilia-Celine Lozada; JPMorgan; Analyst
- Marie Thibault; BTIG; Analyst
- Daniel Stauder; Citizens JMP; Analyst
- Michael Matson; Needham & Company; Analyst
- Danielle Antalffy; UBS; Analyst
- Suraj Kalia; Oppenheimer; Analyst

PRESENTATION

Operator^ Good afternoon. Welcome to AtriCure's First Quarter 2025 Earnings Conference Call. This call is being recorded for replay purposes. (Operator Instructions)

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

Marissa Bych^ 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) 644-4484 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 expectations and guidance, expectations regarding the potential market opportunity for AtriCure's franchises and growth initiatives, future product approvals and clearances, competition, reimbursement and clinical trial outcomes. 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 constant currency revenue, 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 CEO.

Michael Carrel^ Great. Good afternoon, everyone. Thank you for joining us. Our first quarter performance reflects the strength of our broad platform of products and continued focus of our team on expanding patient treatment worldwide. For the quarter, we achieved total revenue of \$124 million or 14% growth, led by outstanding performance in both our pain management and appendage management franchises. We also drove increasing profitability, reporting \$9 million of adjusted EBITDA for the first quarter, which represents an improvement of more than 200% from the first quarter of 2024.

In addition to our strong financial performance, we were excited to host our Analyst and Investor Day at our company headquarters in Mason, Ohio on March 26. At this event, we outlined our vision to remain the leader in each of the multibillion-dollar markets we serve with investments in product development, clinical research and therapy development being fundamental to our strategy. Complementing this vision is our goal to deliver double-digit revenue growth and expanding profitability and cash flow through the rest of this decade.

While we were thrilled to share our vision and our goals for the business, we were even more excited to bring perspectives of four key opinion leaders in the field of cardiac surgery and electrophysiology. These physicians delivered first-hand insights on our groundbreaking LeAAPS trial for the reduction of stroke and non-Afib patients in cardiac surgery using our AtriClip platform, our upcoming BoxX-NoAF trial, studying prophylactic ablation to reduce postoperative Afib and the importance of AtriCure's Hybrid AF therapy as the only FDA-approved and effective solution for patients with long-standing persistent Afib.

Each KOL echoed what we have been saying for years, Afib is a debilitating and devastating disease that remains undertreated. Further, their views and the evidence presented support the use of our ablation and left atrial appendage management products to reduce the risk of Afib and stroke concomitant to cardiac surgery and in stand-alone treatment of Afib.

We also highlighted the science and market behind the vast opportunity of our Cryo Nerve Block therapy for patients undergoing thoracotomy, sternotomy and now amputations. Pain after surgery slows recovery, increases healthcare costs and reduces quality of life. We articulated our vision for how Cryo Nerve Block therapy can help nearly 1 million patients globally, and our strategy is to expand even further in the coming years with both new products and approaches.

Now I'd like to turn and provide updates on our business and the highlights from the first quarter, beginning with our appendage management franchise. Worldwide, appendage management revenue grew 19%, driven by 23% growth in our open AtriClip devices and 7% growth in MIS appendage management devices.

We continue to see accelerated growth in our open appendage management business in the United States where our latest generation of the AtriClip, the FLEX-Mini is quickly being adopted. The AtriClip FLEX-Mini device features the smallest profile of any open chest LAA closure device on the market today and continues to garner positive feedback from physicians on the increased visibility and procedures. Following our launch in late in the third quarter of 2024, we experienced an acceleration in adoption of AtriClip FLEX-Mini this quarter with the number of accounts purchasing more than doubling and contributing over 15% of our U.S. open appendage management revenue.

We are focused on further expanding the utilization of AtriClip FLEX-Mini as the year progresses and believe this device will be a strong tailwind for growth well into the future. Also during the first quarter, we received 510(k) clearance for our minimally invasive AtriClip PRO Mini device. Like the AtriClip FLEX-Mini, our PRO Mini device offers significant benefits to surgeons, while maintaining the exceptional performance of our AtriClip platform. The AtriClip PRO Mini is 60% smaller than the next lowest profile device, enabling enhanced visualization and precise placement, which is particularly important in minimally invasive procedures.

Once again early physician feedback has been remarkable and we expect to launch the AtriClip PRO Mini device in the coming weeks. Next, I'd like to provide an update on our groundbreaking and market-expanding LeAAPS trial. We continue to enroll at an extremely fast pace with even more sites around the world actively engaged in the study this quarter. Earlier today we reached the total enrollment of 5,500 patients and plan to complete full enrollment of 6,500 patients in the third quarter.

As many of you heard from Dr. Whitlock at our Analyst and Investor Day there's only one chance to manage the appendage in patients with no additional risk, and that is at the time of cardiac surgery. More than half of cardiac surgery patients have risk factors for atrial fibrillation or stroke. We believe our LeAAPS trial will ultimately show the benefit of managing the appendage with an AtriClip device for the millions of patients globally that undergo cardiac surgery every year.

Now touching on our Afib ablation franchises. We experienced growth of 14% in our open ablation franchise in the first quarter including more than 47% growth in sales of the EnCompass Clamp. Adoption of the EnCompass Clamp has remained incredibly strong, particularly the short version of the clamp, which further improves ease of use. During the first quarter, we saw approximately 25% growth in the number of accounts from the first quarter of 2024 including new sites in Europe.

We remain diligent in our efforts to expand treatment in cardiac surgery, reaching new physicians and driving increased use across procedures. As we discussed in detail at the Analyst and Investor Day we are also developing a PFA-enabled version of the EnCompass Clamp and expect first-in-human later this year, followed by a clinical trial to study this new device. As a leader in the treatment of Afib and cardiac surgery, we believe it is important to provide the option of PFA for our surgical ablation devices and

expect that we will be successful in further reducing procedure time when coupled with our EnCompass Clamp.

Our commitment to addressing the global Afib epidemic is now evolving to include the preventative treatment of Afib and cardiac surgery. It is widely understood that cardiac surgery patients experience an elevated risk for developing Afib following their procedure. Postoperative Afib is damaging to the patient, their family and the healthcare system overall. Our previously announced BoxX-NoAF trial will evaluate the benefits of treating patients without preoperative Afib with our EnCompass Clamp and the AtriClip devices. The study has been approved by the FDA and we will begin initiating clinical trial sites and enrolling our first patients later this year.

We expect that completing the BoxX-NoAF trial will greatly expand our market for the devices worldwide and pioneer a new standard in cardiac surgery. Turning to minimally invasive Afib treatment, which includes the Hybrid Afib therapy. While the excitement around PFA is understandable and it put pressure on our near-term growth, it remains clear that patients with long-standing persistent Afib require a more robust procedure to address their disease.

As shown in the 3-year follow-up of CONVERGE and CEASE AF randomized trials, these differences get stronger and more pronounced as time progresses, demonstrating Hybrid AF therapy to be incredibly durable over time. Hybrid AF therapy procedure revenue experienced another outstanding quarter in Europe with nearly 50% growth, while we face downward pressure in the United States.

We expect this pressure to continue in the near-term in the U.S., but remain steadfast in our belief that with time EPs will begin to identify segments of the population and patients for Hybrid AF therapy, leading to long-term adoption and success of this procedure in treating patients with advanced Afib. And finally, our pain management franchise saw an acceleration in growth to 39% in the first quarter. Pain management performance reflects the rapid adoption of our latest cryoSPHERE MAX and CryoSPHERE+ probes where we are experiencing broader use within existing accounts as well as interest from new accounts. To that end, total accounts grew 12% in the first quarter, showing our continued development of Cryo Nerve Block therapy worldwide.

While we deepen our penetration in thoracic surgery procedures, we are also excited to expand our addressable market with the recent FDA 510(k) clearance of our cryoXT Probe, designed specifically for extremity amputations, more than 180,000 of which take place annually in the United States.

We expect to launch our cryoXT Probe later this year. Based on our research and experience to date, the cryoXT probe will offer a new solution for preventing or treating phantom and residual limb pain in an easy-to-use and opioid-free device. Traditional opioid-based therapies present a litany of issues related to misuse, addiction and elevated healthcare costs. Through our organic development efforts in pain management, our goal is to reach every patient suffering from postoperative pain and reduce the dependency on

pharmacological solutions for managing that pain. Our pain management franchise remains an exciting and truly innovative component of our business and we expect continued strength throughout 2025 and well beyond.

So in closing, our results reflect another robust quarter of progress throughout our business, from strong worldwide growth to exceptional activity in new product launches and clearances, the continued advancement of research and development programs and execution of our plans to improve profitability. I am truly proud of the efforts of the entire AtriCure team in delivering an outstanding start to the year and remain confident in our shared vision to establish our products and therapies as the standard of care in each of our markets.

With that, I'll turn the call over to Angie Wirick, our Chief Financial Officer. Angie?

Angela Wirick^ Thanks, Mike. Our first quarter 2025 worldwide revenue of \$123.6 million increased 13.6% on a reported basis and 14.1% on a constant currency basis when compared to the first quarter of 2024. We experienced robust growth across most of our franchises and geographies, demonstrating in total the strength of our business and a solid foundation to begin the year. First quarter 2025 U.S. revenue was \$101.1 million, a 12.1% increase from the first quarter of 2024. Open ablation product sales were \$33.3 million compared to \$29.3 million, up 13.7% over the first quarter of 2024. Growth in open ablation was once again led by our EnCompass clamp in both new and existing accounts. U.S. sales of appendage management products were \$42.1 million, up 17.3% over the first quarter of 2024.

We saw strong demand for our new AtriClip FLEX-Mini device in the first quarter, driving our U.S. open appendage management products to an overall growth rate of 23.5%. Minimally invasive ablation sales were \$8.5 million, a decline of approximately 31% over the first quarter of 2024. As Mike mentioned earlier, our MIS ablation sales continue to experience pressure as more patients are treated with PFA catheters, resulting in fewer referrals for Hybrid AF therapy.

Finally, U.S. pain management sales were \$17.3 million, up 35.6% over the first quarter of 2024 and propelled by outsized contribution from our cryoSPHERE MAX probe, which drove roughly a third of the first quarter revenue. The cryoSPHERE MAX probe launched in the fourth quarter of 2024 and we are extremely pleased with the pace of adoption of this device early in the year. International revenue totaled \$22.5 million, up 20.8% on a reported basis and up 23.9% on a constant currency basis as compared to the first quarter of 2024. European sales accounted for \$14.2 million, up 25.1%. And Asia Pacific and other international markets accounted for \$8.3 million in international sales, up 14%.

Overall, our international business performance remains very strong as we continue driving therapy adoption across all key franchises and geographies. Gross margin for the first quarter of 2025 was 74.9%, up 27 basis points from the first quarter of 2024. The increase was driven primarily by product mix, along with operational efficiencies.

Moving on to operating expenses for the quarter. Total operating expenses increased \$6.4 million or 6.9% from \$92.2 million in the first quarter of 2024 to \$98.6 million in the first quarter of 2025.

Continued robust enrollment in our LeAAPS clinical trial, along with increased headcount focused on product development and clinical trial initiatives resulted in a 14% increase in research and development expense from the first quarter 2024. Within SG&A, we continue to drive leverage with a modest increase of 5% from the first quarter of 2024. Further down the P&L, first quarter adjusted EBITDA was \$8.8 million compared to \$2.8 million for the first quarter of 2024, representing more than a 200% increase.

Overall, trends this quarter reflect our investment strategy of prioritizing the cultivation of future growth drivers, while expanding operating margins and profitability. Our loss per share was \$0.14 in the first quarter 2025 compared to a loss per share of \$0.28 in the first quarter 2024, while the adjusted loss per share each period was \$0.14 and \$0.25, respectively. From a balance sheet perspective, we ended the first quarter with approximately \$100 million in cash and investments. Our cash burn for the quarter declined \$8 million from the first quarter of 2024 and reflects our normal pattern of cash usage driven by share vesting, variable compensation and operational needs. We expect to generate positive cash flow for the remainder of 2025, resulting in a modest gain for the year in total.

Overall, we remain in a very solid capital position to fund the current and future operating needs of the business. And lastly, we'll close with our outlook for 2025. We are reiterating our expectations for full year revenue of \$517 million to \$527 million, reflecting growth of 11% to 13% over the full year 2024 results. Consistent with our first quarter results, we anticipate performance throughout the rest of the year will be driven by our pain management, appendage management and open ablation franchises.

For the second quarter, we expect normal seasonality, implying mid-single-digit sequential growth. Within this outlook for the second quarter, we do anticipate minimal sequential improvement in U.S. MIS ablation and MIS appendage management revenue from the first quarter of 2025. From a gross margin perspective, we continue to expect 2025 gross margin to be consistent with 2024 with the potential for varying impacts from cost savings initiatives, product and geographic mix.

With our strong first quarter performance in mind, we are raising our expectations for full year 2025 adjusted EBITDA to \$44 million to \$46 million, translating to an adjusted loss per share of approximately \$0.50 to \$0.55. Based on normal top-line cadence and timing of R&D spend, we would expect improvements to adjusted EBITDA to be spread across the remaining quarters with a slightly greater improvement in the third and fourth quarter of 2025 against the comparable quarter in 2024. And finally, we understand that tariffs and trade restrictions are top of mind for many investors. Our guidance for 2025 considers the potential modest impacts based on current information. However the situation remains fluid. We are proud to produce every AtriCure device in the United States and source the majority of our components from suppliers in the United States.

In closing, our first quarter results reflect the collective strength of our franchises, distinct value of product and therapy innovation at AtriCure and strong discipline of our team to execute our plans. I'm excited for the year ahead, which will be marked by continued financial and operational progress throughout our business.

With that, I'll turn the call back to Mike.

Michael Carrel^ Thank you, Angie. The completion of another well-executed quarter reflects our team's persistence and unrivaled devotion to our patients, our people and our partners. We have a best-in-class product and clinical pipeline. That, coupled with our existing platforms, will increase our ability to impact patients around the world and propel our business to achieve the vision we outlined. The future of AtriCure is bright and I look forward to providing more updates as the year progresses.

And with that, we'll turn it over to questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from William Plovanic with Canaccord Genuity.

William Plovanic^ Just -- I know you did address this, but I just wanted to clarify on the tariff. It has been a big topic on a lot of the other companies' calls this earnings season. I think you mentioned 100% U.S. manufacturing, some sourcing OUS. Like if we stick where we are, this does not have any impact or a small impact? And can you change the OUS sources elsewhere in the U.S. to mitigate all of it if you had to in the future? Then I just have a follow-up.

Angela Wirick^ Yes, Bill, we understand the question here. As we said in the prepared remarks, we expect a very modest impact to gross margin. The majority of our suppliers are within the United States. When you think further into the supply chain and a couple that are outside the U.S., we do expect a pretty modest impact. You're talking in the kind of tens of basis points to overall full year gross margin.

The effects felt in the later part of the year, from a top-line perspective, fairly well insulated, majority of our revenue is within the U.S. I think we're all keeping eyes on at the situation in China, but that's a very small component of our overall business. And again I just would reiterate, it's contemplated within the guide that we gave based on kind of what we know today.

William Plovanic^ Okay. That's great. Then just on appendage management, that seemed to accelerate. Is that just because physicians want to make sure they're included in the trial or are you seeing -- I think you talked about just garnering more doctors using it. Just trying to get a handle on that because that's a nice acceleration. And we've seen the LAA market in general kind of accelerate.

Michael Carrel^ Yes. That's purely based on the fact that we launched our FLEX-Mini that opened the new kind of profile that's about 60% smaller than anything else in the market right now and the feedback we're getting is fantastic. It's great visualization with it when they're placing it. So we're having massive adoption of that going on. We're probably about -- growing about twice as fast as we had expected from the launch. We're getting a lot of net new accounts coming on board and then net new surgeons treating more as well.

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

Matthew O'Brien^ Just maybe on the guide real quick. Why not take up the low end of the range just a little bit? I know it's early in the year, but on the top-line, just given the strength you're seeing in a couple of key areas. Then Angie, can you just be a little bit more specific on where the source of the EBITDA upside comes? It's always great to see there. Then I do have a follow-up.

Angela Wirick^ Yes. On the question relative to the guide, it's early in the year, Matt. I think it's as simple as that. Relative to the upside on the bottom-line in this quarter, SG&A, the leverage that we're seeing within SG&A, I feel confident that we'll continue to execute and be able to deliver and beat the numbers that we've put out there for our guidance for the rest of the year. I think our team deserves a lot of kudos here, I think really controlling and evaluating discretionary spend. And you're also seeing the benefit of AtriCure operating at a bigger size and scale at this point.

Matthew O'Brien^ Understood. Then on the pain management side, again very good quarter here. Mike, even talking about -- you were talking a little bit about just further penetration into existing accounts. I don't know if that's -- we're starting to see more on the orthopedic side or other areas. Can you just maybe tease out a little bit more in terms of where some of that improvement is coming from, from a volume perspective? Then just anything on price. I don't know if price is a big updraft for you guys, I don't think so, but just anything there.

Michael Carrel^ Yes, price is not a big updraft as you kind of alluded to. With the cryoSPHERE MAX, the reduction in time what we're seeing is just much more adoption in pretty much all of our accounts. We're getting people that were hesitant to do it before. If they can cut the time in half, they're now starting to adopt the therapy in thoracotomies. They just think that it's -- the benefit to the time is that much more worth it for them at this point. And I'd say that's probably the biggest reason you're starting to see some of that growth. That means new surgeons. It also means surgeons that may have punted on a case or two here or there are now not punting on any of their cases and doing it in most of their cases.

Operator^ Our next question comes from John McAulay with Stifel.

John McAulay^ I just wanted to take a deeper dive on CONVERGE and MIS this quarter specifically. It seems to have declined again on a sequential basis, but you're talking about -- I think I heard you say a slight improvement in the second quarter. Can you just talk a little bit about your confidence that it's bottomed out here and we can begin to start to see sequential improvement again?

Michael Carrel^ Sure. I mean what we're seeing in accounts in the United States, we saw it in Europe a little bit where you definitely saw kind of a bottoming out relative -- we do think there's going to be pressure for the rest of the year, but we have many accounts that are now starting to see failures. PFA has been out there now for about a year. So you're starting to see many of those failures at nine months and 12 months start to come through and they're asking themselves, do I do another ablation at this point or if I've already done a full ablation with the back wall and the PVI, what more is there for me to do?

Maybe I can get the benefit of doing CONVERGE with the AtriClip and kind of getting a much more robust long-term, more durable solution. And so you're starting to see some of that come to fruition here at many accounts. Many accounts that if you look back three years ago, were really robust accounts for us, died down quite a bit during kind of the PFA kind of initial onslaught and you're now starting to see them refer more patients. That's really why we've got confidence as we kind of look out for the rest of the year. That being said, we do see pressure.

I mean PFA is out there. They're doing a lot of it. It's taking up a lot of time and a lot of mental mind share for EPs right now. But as you saw with Europe, you saw that there was a big bounce back. We anticipate that is going to happen, maybe not this year, but we do think it's going to happen in the future.

John McAulay^ That's helpful. And just one more on AtriClip here, a strong quarter. I heard you say that I think it was 15% of U.S. sales are FLEX-Mini and you're still sort of working up that adoption curve. Could you just sort of frame out what the longer term goal might be there? And what would be a regional expectation of contribution from FLEX-Mini in the future?

Angela Wirick^ I think with any new product launch, our long-term goal is for that to take dominant market share. I mean we obviously leave -- have left our existing AtriClip products on the market for a couple of different reasons. I think difference in approach with an open-ended clip with our FLEX-V versus the FLEX-Mini as well as a competitively priced option with the original AtriClip device, but would expect very similar to what you saw with the launch of the FLEX-V 6-plus years ago, over a number of years, that became the dominant product in the market. I think that would be one of our goals longer term with the FLEX-Mini.

Operator^ Our next question comes from Lily Lozada with JPMorgan.

Lilia-Celine Lozada^ Maybe just to follow-up on the question on MIS. I think the international business declined for the first time in a long time. It sounds like things were

starting to turn around there with failures coming back. So are you starting to see greater pressure internationally as well from PFA? And how should we be thinking about the international MIS business trending over the rest of the year?

Michael Carrel^ Yes. That really has two different components to it. One is that there was just one country, the Netherlands, which was kind of the old approach, the TT approach and then also some sales. There's a little bit in Japan where they have historically used, even in an open case, they've used some of our minimally invasive products. They switched to using more of those open products. You saw a little bit of that in the overall MIS number. But does not reflect the growth of Convergent in Europe, in particular, which is really where we're seeing a lot of that growth.

Angela Wirick^ Yes. The Convergent procedure for the international business in totality, Lily, was up 27% this quarter. It was about 50% growth in Europe and slightly below that. Obviously once you move outside of Europe, offset by pressure being down 20%-plus in our legacy minimally invasive products, like Mike described.

Lilia-Celine Lozada^ Got it. That's helpful. Then maybe staying on the topic of the international business, it looks like the open ablation business accelerated, and I know you're launching EnCompass there. That's obviously been really impactful in the U.S. So should we expect the same sort of momentum in the international business in open as this rolls out? And how are you thinking about the impact there?

Angela Wirick^ Yes. We've said before, we are very hopeful that the EnCompass Clamp, the success that we've seen in the U.S. can be replicated outside the U.S. We think that this is an area that can drive growth for a number of quarters, if not years, to come there. I'd say early innings still in Europe as the team works through getting the EnCompass Clamp on shelf at each one of our hospital customers. The feedback is exceptional, like we've heard in the United States. They're excited to be able to incorporate this into their treatment, and again expect this to be a driver of growth on a long-term basis.

Operator^ Our next question comes from Marie Thibault with BTIG.

Marie Thibault^ Maybe I could ask a high-level question on some of the newer products. You've seen tremendous uptake with FLEX-Mini, the new cryo, and then of course EnCompass Clamp and the short version continue to perform well. As we think about those new products, how many quarters would you say you still have sort of tailwind from these new launches coming? Should we think about it two, three, four quarters? Is this multi-year? Just trying to understand sort of the tailwinds from some of these launches.

Michael Carrel^ I think it's a great question, Marie, and one I love answering because I think we've got -- the latter part of your question, which is we've got multiple years worth of tailwinds on this. If you look at -- Angie referred to it before, where we saw a lot of acceleration when we did the FLEX-V product into the market and we saw that continued acceleration as we got more and more adoption.

We think the same thing is going to happen with FLEX-Mini. It's much more approachable for so many different surgeons to be able to utilize it. Combine that now with getting PRO Mini out there, we think that there's just a lot of demand and that's going to be for many years to come. EnCompass, I mean we're still -- while we've made tremendous improvements over the last three years in terms of adoption. So if you really think back, we were at about 25% -- 22% to 25% before we rolled out EnCompass.

We're now probably 35%, 40% or so that have kind of adopted it in Afib surgery. When you think about that, we've obviously got 60% still to go. We made a lot of movement in the last three years, more movement than we've ever made before relative to that and then moving kind of the cardiac surgeon to kind of make that change. We're seeing that and we're seeing that begin to really kind of get a really nice traction.

On top of that, EnCompass is a core platform for the BoxX-NoAF piece, which is the prophylactic treatment, because that really is utilizing kind of the EnCompass Clamp plus the AtriClip at that point in time. We anticipate that, that's obviously going to have a lot of tailwinds for many years to come. So you combine all of those on the ablation and cardiac side, I'd say you've got many years to come. MAX is just rolling out.

I think that you're starting to see that impact on the thoracotomies right now. Maybe someday I think we're getting some traction within sternotomy. I don't want to get too far ahead of ourselves on this call today but I definitely -- we're getting more attention to it because we reduced the time so much that, that might extend it for many years to come as well.

Marie Thibault^ Okay. That's encouraging. Let me ask my follow-up here then on cryoXT. Congrats on that FDA clearance. How should we think about your sales force build-up? Will you need a separate sales force to target some of those surgeons or are those folks you can be talking to the operating room directors and things to get the XT in the hands of those surgeons?

Michael Carrel^ Yes. Great question. At this point, we don't plan on adding an additional sales force. We probably are going to need additional clinical support out in the field as we kind of get into those accounts. We have a lot of coverage. As you know we're in pretty much 100% of the accounts in the United States. So we already have coverage clinical people, but we are going to have to add clinical people as we roll that out but not necessarily a brand-new sales force for the new call point because we've already got relationships with a lot of those people already through the work that we're doing in the hospital with the OR staff, as you kind of mentioned as well.

Operator^ Our next question comes from Danny Stauder with Citizens JMP.

Daniel Stauder^ Yes. I just had a quick one on pain management. I think you noted that accounts grew 12%. I think you had put that number last quarter at about 800 customers utilizing Cryo Nerve Block. Do you have a relative target number for accounts in 2025?

And could you give us any more color on U.S. versus international? Any expectations of new adds?

Angela Wirick^ Yes. Danny, the 800 accounts was for our open business. In the fourth quarter last year, we were just under 600 Cryo Nerve Block accounts, about 800 for the full year. We saw another quarter, I think we're 19 straight quarters now of adding accounts who are using Cryo Nerve Block products, around 600 or so. The goal here would be you're talking about 1,200, 1,300 accounts in total in the universe in the United States.

Then about half of that, we think are good targets when you move outside of the U.S. The launch from both perspectives, both the U.S. The international launch is progressing incredibly well. The team is going where they've got good momentum. The tactic tends to be buying a physician who uses it, has great outcomes and have them help us kind of spread the word within their account. They can see it within the recovery of patients when they compare to their physician partners and we're going to continue to drive deeper adoption within our existing accounts as well as broaden to the base of customers who haven't yet adopted.

Daniel Stauder^ Great. Then just following up on the cryoXT product. How should we think about the launch of this product compared to your two more recent launches? Is it safe to assume the launch -- the ramp speed will be a little bit slower just given this new area or just how you think about it? A little bit more color would be great.

Michael Carrel^ Yes. It's a really good question. I'd say for this year, we don't have -- it's all upside. We don't have any dollars really in the plan relative to XT for this year. We anticipate doing a kind of, I'll call it, a beginning of a slow launch into this area because it is such a new therapy. I think it's going to be not as much like these two launches, but really like the original cryoSPHERE launch where you saw at first, we were really methodical over that first six to 12 months of just making sure every case went perfectly well learning from those cases.

A lot like EnCompass as well where in that first six months, we were doing a lot of learning about how to best optimize the procedure, et cetera, how to work in the operating room with the staff. Then from that, we anticipate some acceleration coming off of that. So you should start to see some major contribution some time middle to the end of next year with it, even though we are going to get some accounts this year. If it goes a little bit faster, there could be some upside this year in the beginning part of next year.

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

Michael Matson^ I guess I just want to ask one on the U.S. minimally invasive business. So given the kind of sequential decline and the headwinds there, are you doing anything different in terms of your sales force or how you're going about kind of marketing the

product? I mean are you maybe pulling back a little and just kind of waiting things out or are you trying to maybe push harder there or just kind of maintain the status quo?

Michael Carrel^ It's a great question. I think the most important thing for us to do is to make sure we continue to be relevant and have great relationships within the EP community. We can't push them away from PFA. It's here. They're using it on as many cases they possibly can. And so I think we're kind of in the process of making sure that we're relevant and we're learning with them.

We're having conversations about what does that process and that recipe and formula look like. Meaning, are they going to do a PFA and then a second PFA before they go to CONVERGE? Are they going to go one PFA and go directly to CONVERGE because they did everything in that procedure?

I think you heard multiple of those from -- at the Analyst Day with Dr. Makati and Dr. Sood. They each had a little bit different recipe, but effectively working with them and try to figure out what's that formula going to look like when they start to see those failures and make sure that we're relevant. That means we've got to maintain our team, which is a very seasoned and excellent team that has great relationship with EPs.

I was just at HRS this past weekend. Of course PFA was the topic of conversation in many of their reports. But we had a -- it was the busiest HRS we've ever had. We had a tech suite where we had over 70 people visit. Many of those people are touching and getting access to our EPi-Ease product, which really kind of gives them access to the epicardial area for an EP for different procedures. Building those types of relationships and making sure we're staying in front of the customers is the most important thing.

And we do anticipate, as I mentioned, that it's going to come back for us. But if we're not there, then we're not going to be there to catch that. So we have to make sure that we're maintaining those relationships, staying in the field and building relevant and value-added relationships with those customers.

Michael Matson^ Yes. And just the EPi-Ease product, so I mean I see it highlighted on your website, but I don't think you said much about that at the Investor Day and maybe I missed it, but can you just tell us more about that product and kind of how it fits in, to what degree it could maybe help that part of the business?

Michael Carrel^ Yes. It's a great question. It's not a big revenue driver for us. But what it is, is it's a product to get access kind of the sub-xiphoid area and the epicardium of the heart. So that's really kind of where it is to kind of get to the pericardium there. It's a really unique and novel device. Like you said, you can see it on our website and you can get access to it. We use it as a point to talk to EPs to be relevant with them and they're starting to use it a little bit and especially with some of the high-profile KOLs on the market.

Operator^ Our next question comes from Danielle Antalffy with UBS.

Danielle Antalffy Congrats on a good quarter, especially on EBITDA. Just two questions for me. number 1, on the clip. It looks like that business has now completely grown through competitive headwinds. I guess Mike, I'd love to hear you talk a little bit about how you -- what you've learned about the competitive moat around the AtriClip and whether a major competitor launching a product there? And I have one follow-up.

Michael Carrel^ Yes. I mean I think when the competition first came into the market, the first thing I said was competition helps the market. It creates awareness. It helps people understand that this is a very important thing to be doing for these patients. I think all you're seeing right now is that it's the result of that consistency and watching the market continue to grow on that front, number one.

Number two, it's also to have great products, like even when there's no competition, invest in innovation, things like the FLEX-Mini device. We started investing in building that product well before we knew there was competition coming into the market. We listened to customers to come out with something super innovative.

I think when you combine that with competition coming in, that's obviously been something that's been a tailwind for us in the market as well. So when you combine those two things, I think that's what you're seeing in the market today. Longer term, it's LeAAPS. When you actually get clinical evidence and data that demonstrates that your product and your product alone can reduce stroke in all patients basically that are basically going into the operating room, that is a huge advantage that we'll have over any competition coming into the market, whether they're there today or in the future.

So I think the combination of those three things, competition is good. It makes us all better. It makes it -- that validates your market. Innovation within that is super important and then getting clinical evidence to further differentiate and create, as you mentioned, the moat.

Danielle Antalffy^ Got you. Okay. Then my follow-up is on the open business. I mean EnCompass in the U.S. has been a tailwind here for a few years now. And I guess I'm just curious about how long you think that runway is from here? I don't know if it's best to talk about it from penetration into the different procedure areas perspective, number of users, but anything you can say to that because it's the gift that keeps on giving. I want to know how much longer it's given.

Michael Carrel^ Another good question. Interesting. We're not in the first inning. I'm not going to say like EnCompass is like at that first inning. That was probably a year or so ago. But we still have a long way to go. While we've made improvements in 25% to 40% or so penetration in the United States, we still have 60% to go just for Afib patients. And as we talked about at the Analyst Day we're now going to expand that market by two or 3-fold with the BoxX-NoAF trial, of which the EnCompass Clamp is the kind of foundation of that procedure.

So I think we've got a long way to go with the EnCompass Clamp, both in Afib patients today and then longer term in the non-Afib patients for postoperative Afib and kind of prophylactically treating them, as I mentioned in my comments.

So I think the EnCompass is going to be the gift that keeps giving for many years to come.

Operator^ Our next question comes from Suraj Kalia with Oppenheimer.

Suraj Kalia^ Mike, Angie, can you hear me all right?

Angela Wirick^ We can.

Michael Carrel^ We can.

Suraj Kalia^ Perfect. Mike, your points on PFA so-called turnaround and being a tailwind for you all on the open side -- on the MIS side, well taken. I know that was one of the salient points made by your panel of clinicians also at the Investor Day. Mike, when should we expect to see the slope of the MIS curve, the first derivative change sign, i.e., things reversing back into positive territory? Is it this year some time later or is it next year?

Michael Carrel^ Yes. I'd love to tell you that I can be an absolute -- the best forecaster in the world and tell you that it's going to be in a particular quarter or not. I think what we're anticipating is that we're going to still -- even though we've got a lot of bright spots coming through because there are definitely bright spots and customers coming back, there are still people just getting into PFA, et cetera. We anticipate this year to be a pressure year for us. I think it's too early to tell for next year, but likely next year should be something where you'll see some more upside.

Suraj Kalia^ Fair enough. And Mike, as my follow-up, obviously again on the Investor Day you all emphasized your investments, AtriCure's investments in LeAAPS and other trials. Mike, we have seen in some other areas, maybe a dumb analogy, but like painful diabetic neuropathy and some other medtech categories with companies that put in the resources to do RCDs, gotten an indication only to have other companies piggyback and kind of dilute the net impact, would LeAAPS specifically give AtriCure an AF ablation indication and basically set AtriCure aside versus others in the field?

Michael Carrel^ Yes. So the LeAAPS trial very specifically will create great differentiation by giving us a stroke label. So that is what's going to basically be the differentiation. And nobody else will be able to have that label. And as Dr. Whitlock talked about at the meeting, there's really no class effect to that because we will be the only ones that will have gone through a 6,500 patient, randomized controlled data trial with our clip being the only one used in that trial.

So you're not going to be able to look across and say, oh, other methods of closure are similar. You can't do that because that has proven not to be the case. So we will have proven it out with our AtriClip and feel like that's going to be a really big differentiator in the market, not only with customers, but also with regulators throughout the world as well.

Operator^ I'm showing no further questions at this time. I would now like to turn it back to Mike Carrel for closing remarks.

Michael Carrel^ Great. Well again everyone, thank you for joining us today. As you can tell we continue to be excited about the future of the business. We do really appreciate many of you making the trip to Mason, Ohio, getting a chance to meet many of the colleagues that we've got here and see the products first-hand, go through some of the demos and meet some of the physicians that are utilizing our products today.

So we just want to again thank you for coming out. Thank you for coming out today. Have a great evening. Bye now.

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