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Q2 2022 AtriCure Inc Earnings Call

EVENT DATE/TIME: AUGUST 02, 2022 / 8:30PM GMT

CORPORATE PARTICIPANTS

Angela L. Wirick *AtriCure, Inc. - CFO*
Marissa Bych
Michael H. Carrel *AtriCure, Inc. - CEO, President & Director*

CONFERENCE CALL PARTICIPANTS

David Joshua Saxon *Needham & Company, LLC, Research Division - Senior Analyst*
John Glenn McAulay *Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst*
Marie Yoko Thibault *BTIG, LLC, Research Division - MD and Medical Technology and Digital Health Analyst*
Matthew Oliver O'Brien *Piper Sandler & Co., Research Division - MD & Senior Research Analyst*
Robert Justin Marcus *JPMorgan Chase & Co, Research Division - Analyst*
Suraj Kalia *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*
William John Plovanic *Canaccord Genuity Corp., Research Division - Analyst*

PRESENTATION

Operator

Good afternoon, and welcome to the AtriCure Second Quarter 2022 Earnings Conference Call. My name is Michelle, and I'll be your coordinator for today's call. (Operator Instructions) As a reminder, this call is being recorded for replay purposes.

I would now like to turn the call over to Marissa Bych from the Gilmartin Group for her introductory remarks. Please go ahead.

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) 755-4136 to have one e-mailed to you.

Before we begin, 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, including the adoption of the hybrid AF procedure and future product approvals, clearances and 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***

Good afternoon, and thank you for joining us today. We hope everybody is doing great. I am pleased to report another exceptional quarter for AtriCure as we continue changing the standard of care for patients with our innovative therapies.

In the second quarter of 2022, we generated $84.5 million in revenue, reflecting growth of 18% over the second quarter of 2021, a remarkable achievement given the strength of the comparable quarter. Our performance was once again driven by increasing adoption across key product lines throughout the business.

On our first quarter call, we discussed pandemic and hospital staffing-related pressures on cardiac procedure volumes earlier in the year. I'm glad to share that as we transitioned into the second quarter, those pressures have continued to decline, leading to modest residual impacts on elective procedures involving our products. We are gaining momentum across our platforms and therapies and remain confident in our ability to execute our 2022 objectives. As a result, we are increasing our 2022 revenue guidance to $323 million to $333 million, reflecting full year growth of approximately 18% to 21%.

Now I would like to review our business, highlighting several initiatives driving growth over the next decade, starting with our Convergent Hybrid AF therapy with the EPi-Sense system. As we've mentioned in previous quarters, the impact of COVID on elective procedures, staffing and new program advancement has affected our ability to expand adoption more quickly following the PMA approval. However, we are immensely proud of the progress that we have driven in this environment and remain bullish on our growth prospects long term. More specifically, in the second quarter, U.S. EPi-Sense product revenue increased 12% year-over-year and nearly 20% on a sequential basis.

I would like to share our thoughts on progress over the past year, focusing on the impact of our training and education programs for Convergent Hybrid AF therapy.

We conducted our first didactic physician training program in June 2021 and have extended our training efforts steadily since then, including the addition of both mobile and traditional labs, where physicians receive hand-on experience. Today, we have trained over 100 surgeons and electrophysiologists on the hybrid AF technique, and we have educated many more cardiologists and heart teams on the benefits of these most difficult to treat patients. As a result, we have both grown the number of Convergent accounts as well as the average procedure volumes per account. We are also excited that Convergent is now in several well-recognized leading cardiology hospitals in the country, notably Mayo Clinic, UCLA, Cleveland Clinic, Northwestern and John Hopkins and anticipate many more in the coming years. While these institutions are in varying stages of adoption, we are encouraged by the strong interest from each of their teams and believes it gives us further credibility to the procedure and approach to care for these long-standing persistent AF patients.

After experience with hybrid AF therapy, many have also started outreach programs to help even more patients. As a result, we expect the journey to establish our Convergent Hybrid AF therapy as the standard of care will provide an expansive growth opportunity for AtriCure over the coming decade.

Turning now to our open ablation franchise. Earlier this year, we announced our full-scale commercial launch of the EnCompass Clamp in the United States following 510(k) clearance in 2021. The EnCompass Clamp leverages the proven technology of our synergy ablation system to offer a simpler and faster approach to ablation and open-heart procedures. We are seeing excellent physician reception and adoption and exited the second quarter with strong momentum from the launch.

Sales from EnCompass Clamp accelerated our domestic open ablation revenue growth to over 13% this quarter, representing a mix of new adoption and additional revenue per procedure upon conversion to the EnCompass Clamp. With this unique and differentiated technology and our world-class education programs, we are excited and increasingly confident in our ability to further penetrate the cardiac surgery market for many years to come.

Complementing both open and hybrid ablation platforms is our appendage management franchise. The consistent performance of our AtriClip product line continued into the second quarter of 2022, with 18% worldwide growth this quarter over an outstanding second quarter last year. We are advancing product innovation efforts with a focus on less invasive and easier-to-use devices. There is ample opportunity ahead in our existing markets as we grow demand in hybrid AF therapy and an increased penetration in cardiac surgery.

Moreover, we are pursuing clinical studies to extend our addressable markets, most notably the LeAAPS clinical trial. Last quarter, we announced FDA approval to move forward with this landmark trial examining the prophylactic use of AtriClip devices in cardiac surgery patients without a preoperative Afibdiagnosis. Over 2/3 of the nearly 1 million cardiac surgery patients worldwide do not have preoperative Afib diagnosis. Our team has begun preparing for trial initiation followed by patient enrollment later this year.

As a reminder, the trial will involve 6,500 patients at up to 250 sites worldwide. We have strong interest from accounts to participate in this seminal work, which should change the standard of care for all cardiac surgery patients. While the LeAAPS trial will take a number of years to complete, all progress puts us closer to a truly meaningful distinction for the AtriClip device and an extension of the addressable market for our appendage management franchise.

Now shifting to our pain management franchise, where Cryo Nerve Block continues to be one of our fastest-growing therapies. The cryoSPHERE probe uses a unique freezing method to block nerves from transmitting pain signals after thoracic surgery, providing a long-lasting form of pain relief for patients. We reached quarterly revenue exceeding $10 million in the United States, marking both another quarter of sequential growth and increasing traction within our account base. We are also starting to expand this therapy globally and ended the second quarter with growing interest in Europe and Australia.

Despite great progress since launch of Cryo Nerve Block in 2019, we believe we are still in the early stages of therapy adoption as we work to impact more patients undergoing thoracic surgery and explore new opportunities and applications of our technology for pain management and thus, again, expanding our overall market opportunity.

Finally, in addition to our focus in driving adoption across these platforms, we are cultivating new markets by building upon existing technology and leveraging the unique physician relationships we have developed. On our last call, we announced FDA approval for the HEAL-IST trial, along with product development efforts for a dedicated device for this therapy. HEAL-IST will study the treatment of patients with inappropriate sinus tachycardia, or IST, using hybrid ablation procedures.

IST is characterized by an elevated heart rate and distressing symptoms of heart palpitations, contributing to the inability to sleep or exercise. It affects millions of people around the world, and currently, there are no approved treatments for those suffering from this debilitating condition. We are excited to share that the trial is underway, initial cases have been performed in Belgium and the United States.

While we are just beginning therapy, this market represents another opportunity for AtriCure to dramatically improve many patients' lives with our innovative technology and robust clinical science.

In summary, our results this quarter demonstrate the strength of our many catalysts for accelerated growth. Simultaneously, we are investing in new areas such as HEAL-IST, LeAAPS, EnCompass and CONVERGE launches and Cryo Nerve Block therapy expansion, all driven by insights and technology that is unique to AtriCure.

Foundational to our success has been disruptive innovation and a patient-focused culture and team we have built over the past decade. I'm incredibly proud to work alongside nearly 1,000 AtriCure teammates as we advance our patient-focused mission, and I'm humbled by the recognition of our Cincinnati, Ohio; Minneapolis, Minnesota; and Amsterdam, Netherlands locations as top workplaces this year. For that, I will simply say thank you to our AtriCure team. Together, we have created a truly special company.

I'll now turn the call over to Angie Wirick, our Chief Financial Officer, to discuss more details and results from the quarter.

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

Thank you, Mike. Our second quarter 2022 worldwide revenue of $84.5 million increased 18.4% on a reported basis and 19.8% on a constant currency basis when compared to the second quarter of 2021. As Mike noted earlier, we saw a very solid growth across key product lines and geographies, bolstered by outstanding results in pain management and appendage management. On a sequential basis, we experienced growth of 13.3% in our worldwide revenue from the first and second quarter.

For the second quarter 2022, U.S. revenue was $71.3 million, an 18.6% increase from the second quarter of 2021. Open ablation product sales, which now excludes pain management were $22.1 million compared to $19.5 million, up 13.2% over 2021, showing early strength from the EnCompass launch with a combination of new adoption and incremental revenue per procedure. We estimate open concomitant procedure growth was roughly half of the growth for the quarter, consistent with our expectations of sustained and steady growth from penetration of the cardiac surgery market.

Pain management sales were $10.2 million compared to $5.7 million, up 78.8% over the second quarter of 2021. The U.S. sales of appendage management products were $28.8 million, up 14.6% over the second quarter of 2021. And finally, minimally invasive ablation sales were $10.2 million, up 4.7% from 2021.

Within U.S. minimally invasive ablation sales, EPi-Sense revenues increased approximately 12% year-over-year and nearly 20% on a sequential quarter basis. However, EPi-Sense, revenue growth was offset by approximately 13% decline in our legacy MIS ablation revenues, which are trending below pre-pandemic levels.

While this quarter's contribution from EPi-Sense does not fully reflect the incredible opportunity in front of us, we remain confident in the long-term outlook for our Convergent Hybrid AF therapy.

Earlier, Mike noted several indications of progress in the EPi-Sense launch. Let me add the following metric. This quarter's EPi-Sense revenue has improved 50% from pre-pandemic and pre-PMA or 2019 average quarterly volume, which we believe is a convincing sign and just the beginning of our progress as we passed the first year anniversary of approval this quarter.

Turning to international revenue, which was $13.3 million, up 17.3% on a reported basis and 26.3% on a constant currency basis as compared to the second quarter of 2021. European sales accounted for $7.8 million, up 11% over the prior year, driven by rebounding procedure volumes and increased activity in the Netherlands and the United Kingdom, partially offset by unfavorable exchange rates and slower activity in Germany.

Asia and other international markets accounted for $5.5 million in international sales, up 27.7% over the same period in the prior year on strength in Australia and Japan. Overall, international markets were fueled by growing adoption of AtriClip devices, resulting in an increase in appendage management revenue of 35.1% in the second quarter of 2021.

Turning to another key metric for the second quarter of 2022. Gross margin was 75.1%, down 70 basis points from the second quarter of 2021. With similar geographic mix each quarter, the decline in gross margin primarily reflects cost increases resulting from inflationary and supply chain pressures as well as shifts in the U.S. product mix.

Despite the current operating environment, we are encouraged by the balance of our results for the quarter and continued focus of our operations and quality teams.

Moving to detail on operating expenses for the quarter. We maintained the level of investments in research and development activities at approximately 17% of revenue each quarter and gained leverage in selling, general and administrative costs over the prior year despite increased spending to drive awareness and adoption. In total, our operating expenses increased $8 million or 11.6% from $59.2 million in the second quarter of 2021 to $77.2 million in the second quarter of 2022. A significant driver of this change is the expansion of our team and increasing travel costs, additional physician training programs, a resumption of in-person meetings and trade shows as well as the investment in our product development pipeline and related regulatory costs.

As a reminder, when comparing operating expenses year-over-year, the second quarter of 2021 included a $2.6 million charge related to the contingent consideration liability.

Adjusted EBITDA was negative $3.2 million compared to a negative adjusted EBITDA of $2.7 million for the second quarter of 2021. Our loss per share was $0.32 in the second quarter of 2022 compared to a loss per share of $0.36 in the second quarter 2021, while the adjusted loss per share each period was $0.32 and $0.30, respectively. As we end the quarter, our balance sheet is strong with $183 million in cash and investments.

Now finally, turning to our outlook for 2022. Given ongoing strength across our business and results for the second quarter, we now expect to achieve approximately $323 million to $333 million in revenue for the year, reflecting growth of approximately 18% to 21%. With the current environment, we do expect the modest pressure in elective procedures to last for the remainder of the year, influencing the top end of our guidance range and outlook for MIS ablation revenue. However, the overall growth rate of our business is an acceleration over historical results, reflecting the combination of our many growth catalysts.

As we look to the next quarter, we anticipate the return to normal seasonality to be slightly moderated by the building momentum for therapy expansion similar to the sequential growth trend we experienced from the second to third quarter of 2021, followed by an acceleration into the fourth quarter. We continue to expect 2022 gross margin to be comparable to the full year 2021 with the potential for varying impacts from increasing costs and mix. We are maintaining our level of investment in research and development activities with spending on product development and clinical site initiatives across our platform. Additionally, our plans anticipate a thoughtful expansion of our commercial team, along with training and awareness programs and market development activity. Therefore, we continue to expect adjusted EBITDA to be a loss of approximately $2 million to $4 million for the full year 2022, corresponding to an adjusted loss per share for 2022 of approximately $1.07 to $1.12. With improvements to the top line in the second half of the year, we should realize improvement in quarterly adjusted EBITDA.

And now I will turn the call back to Mike for closing comments.

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

Thank you, Angie. The beginning of 2022 has truly been exceptional, showing breadth of our many platforms of growth. There's measurable progress in each franchise as we establish and advance the standard of care for millions of patients globally. While it remains in the early days of our Convergent and Hybrid AF therapy, we continue to be excited by the vast opportunity ahead of us and to drive greater adoption of EPi-Sense as the only solution for long-standing persistent Afib patients.

I would like to conclude by announcing an analyst and investor webinar focused on our hybrid AF therapy to be held in September. We will be hosting key opinion leaders who have been intimately involved in hospital program development for EPi-Sense to discuss the substantial impact and benefits of this therapy as we scale our efforts to lead adoption. Additional information will be available shortly, and we hope that you can join us.

Thank you again for your support and participating in the call today. Our future is bright. Talk to you soon, and we'll open up for questions now.

QUESTIONS AND ANSWERS

Operator

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

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

Congrats on a good quarter. Maybe to start, I appreciate all the extra commentary on MIS. We all just assume that it's -- the bulk of the sales are from the CONVERGE procedure. So it sounds like that's doing really well. I was wondering, since it's such an important growth driver of the company going forward, how do you think that might start to tick up in terms of third and fourth quarter for MIS? I know you don't guide specifically, but just qualitatively, should we be thinking about that business overall moving up dollar-wise sequentially third and fourth quarter?

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

Well, I think the -- it's a great question. Thank you. And we do feel really good about the progress that we're making on CONVERGE with a growth rate of 20% sequentially. As you're looking kind of in the back half of the year, we do feel good about it overall. There is the seasonality effects in the third quarter that you'll probably -- that we'll see in pretty much every one of our franchises that you would see in that franchise as well with a big uptick we anticipate in the fourth quarter and then into next year as well. So we're getting a lot of net new programs, more sites per program. And as you heard, we've got some top sites around the country that are -- many of them are just beginning their programs just beginning to start to send patients and start to get their experience, and then we'll start to see some of that in the back half of this year and then into next year as well. So hopefully, that gives you some guidance and help.

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

Yes, certainly. And I know it's not a top of mind usually on the calls, but I'm glad to see you're holding the adjusted EBITDA guidance. It implies a pretty healthy back half of the year. Just want to make sure we should think about the rest of the year as being positive on adjusted EBITDA, and is that a trend that should continue into 2023 and beyond?

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

Robbie, it's a good assumption for the second half of the year to be positive when you think about the second half in totality. We really continue to be pretty disciplined with our spending, really focusing on maintaining our R&D investment. That's an expansion of our ablation and clip technology platform, some of which Mike talked about in the call as well as key clinical activities, namely HEAL-IST and LeAAP. Couple that with kind of a thoughtful expansion of our team, the commercial team, where we are starting to see some good leverage within that team and then continue to incremental investments on training and awareness programs, that kind of makes up part of the thought process relative to the areas where we're making investments. I think that some of the costs that we saw in the first half of the year are transitory project-related costs that should occur, which will continue to see leverage out of the P&L, which is what you've seen in the past.

I think each one of these investments, when you think about where we're really spending the money and really focusing these are in areas that are going to help enhance our growth over many years to come. We have made progress on the bottom line comparing the loss last year too. We're pretty close to EBITDA profitability at a $2.2 million to $4 million range this year. And I think that the best news is really good strong balance sheet really to fund the progress towards profitability.

Operator

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

John Glenn McAulay ***Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst***

This is actually John on for Rick today. First one for me on guidance, kind of just looking to the back half of the year. We've heard about how staffing has been noted headwind for several companies throughout kind of the quarter, but it's become more of a larger issue later into June and July. Have you seen any kind of impact in that regard? And are you kind of building in anything in that for the second half of the year? Or do you feel so far your procedures has kind of been insulated from that?

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

When you look at our guidance, we definitely -- there are definitely staffing, and I would say even COVID-related items that continue to kind of be there. It's not completely gone away. If you -- in my comments, I talked about kind of it's a lot better than obviously it was in the first quarter. But you definitely still have effects of it, still have the variant that is out there and you still have some impact happening. And I think you're going to have some aspect of that throughout the back half of the year. And that's definitely in our guidance in terms of the way that we gave it. As an example, I mean, if you think about kind of the bottom end of the guidance and the high end of the guidance, the bottom end would assume that you have a really kind of snap back something really bad happens. And then the top end of the guidance would assume that none of that happens, obviously, and that you have a return to complete normality on that.

John Glenn McAulay ***Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst***

That's super helpful. And then one product-specific question. cryoSPHERE, Cryo Nerve Block your pain management segment has been tracking with really strong growth. I think this quarter, it looks like it grew like 25% sequentially over the first quarter. And just if I do some math at this quick rate, it seemed like it was 14% of U.S. sales this quarter. I'm not sure exactly if it's going to be -- if it's utilization that's helping this growth so much, increased utilization or more docs trained. But do you see a pathway to 20% of U.S. sales potentially even at the end of this year or at some point in '23? And is that going to come from utilization or more docs trained? I'd just love a little more color on that.

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

Actually, maybe I'll give us a little more color about the Cryo Nerve Block therapy in general and our excitement about that. What percentage of sales, I think, I'm not going to -- I don't know that I can pinpoint that specifically because I'm also hopeful as things kind of get back to the growth that we expect out of the hybrid conversion longer term, that's going to obviously have an impact on it to some degree as you look out over the next several years. But Cryo Nerve Block has been a fantastic business for us. We're still just scratching the surface in terms of access into the U.S. market. There's over 150,000 or so thoracic procedures in the U.S. market. There are double that when you start to look internationally. And so far this year, maybe we've treated about 7,500 or so patients. So we're just scratching the surface. We're not penetrated. We're less than 10% overall or around 10% in terms of the penetration that you annualize those numbers. I think we've got a long way to go, and the feedback we're getting is great. We're in over 400 sites in the United States already.

We're starting to get traction outside of the United States. And that doesn't include the expansion of the TAM that can possibly occur as we get into other areas where Cryo Nerve Block can be used.

If you recall on the call before, I've been hesitant to explain or talk about the expansion of the TAM relative to other areas because we wanted enough confidence to work through and make sure we are patient, about how we took care of this therapy to get it right and make sure people are doing it safe and effectively. And so we're starting to look at sternotomy and other areas where Cryo Nerve Block can be used. And I do anticipate that, that should impact revenue in future years.

Operator

And our next question comes from the line of Marie Thibault with BTIG.

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

Congrats on a really strong quarter. I wanted to ask my first question here on the legacy minimally invasive ablation business. You mentioned it was down, I think, 13% year-over-year or versus pre-pandemic levels, I forget which. Is that something that you expect to continue? Or do you think that eventually it could get back to pre-pandemic levels? What's sort of the dynamic happening there?

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

That's a really good question, Marie, because the most impacted part of our business because of the elective nature of the procedure is the MIS legacy. It's a group of customers that do really good work to help patients out with the most complex forms of the disease. It works incredibly well, and they're not places that will adopt CONVERGE. So when they get hit by some of the elective procedure issues or staffing or COVID at it, they definitely were hit probably the most -- most of them are other issues or staffing or COVID. They definitely were hit probably the most. Most of them are still excited about that procedure. We anticipate that it will come back. But I do think it will be under pressure for the short period of time that we're looking at right now.

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

Yes. And Marie, just to follow-up, it's a 13% decline year-over-year. But that being said, that leads to revenue that's still trending at a level that's below our pre-pandemic kind of run rate for that business.

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

Okay. So one way to sort of try to triangulate the CONVERGE revenue is to go back to 2019 levels and think about any increase there plus some what would be coming from CONVERGE essentially?

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

I think that's a fair way to think about it.

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

Yes.

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

Okay. That's really helpful. And then, Angie, I think you mentioned on gross margins, that U.S. product mix was influencing some of that. Can you remind us which products have more beneficial gross margins versus not?

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

Yes. I'd say in the quarter, where you see an uptick with EPi-Sense product revenues and then any of our V-Clip AtriClip products, those are very beneficial to margin. I'd say that the impact that we felt this quarter probably had more to see with the EnCompass launch as that's becoming a bigger -- really the first quarter of meaningful revenue contribution to our open ablation franchise. This is a new product as we work through kind of first full year of production, we fully expect that product costs would lead themselves out. But in the first year, it is a margin that's below our standard ablation margins for the rest of the portfolio.

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

Congrats again on the broad-based strength here.

Operator

And our next question comes from the line of William Plovanic with Canaccord.

William John Plovanic ***Canaccord Genuity Corp., Research Division - Analyst***

So a couple of maybe different types of questions. As you start the LEAPS trial, and that gets moving along that's a lot of patients, will the device be paid for by the customers considering it's already an FDA-approved device?

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

Yes. The device will be -- the device will be paid for, yes. We're not paying for the device. The sites will be paying for the device because we obviously already have a 510(k) product out there. And so both in the U.S. and O.U.S., we anticipate that they're going to be paying for.

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

This is also a randomized Bill to all 6,500 patients won't necessarily get the Clip. And then with any multiyear trial, that will take time. So don't expect the 6,500 to be added in the next year in terms of volume.

William John Plovanic ***Canaccord Genuity Corp., Research Division - Analyst***

I understand. And then on the SG&A spend, it was a pretty big jump up. I know on a percent of sales that it was down a little. But on a dollar basis, it was a pretty big jump. But I'm just kind of curious, is there anything onetime in nature, conferences, I don't know, that might have influence had as we kind of think about the next couple of quarters?

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

Yes, there are conferences that happen in the second quarter. I think those tend to be more front-loaded into the first part of the year. And we've seen just in general, more activities resuming to an in-person format than virtual than you would have seen in the past couple of years.

When you think about the step-up in revenue in the second half of the year, what we typically see is a decent step down or better leverage in your SG&A expenses compared to kind of the growth that you see in the second half of the year, which is really the calculus when you think about kind of the bottom line and how we will turn to EBITDA profitability for the balance of the year.

William John Plovanic ***Canaccord Genuity Corp., Research Division - Analyst***

Okay. And then I just want to clarify on the CONVERGE in the commentary that your thoughts were -- I'm paraphrasing you, so please correct me. But that as we hit into the fourth quarter of this year and into 2023, we should start to see kind of that adoption and acceleration in growth. Is that how we should think about it? And if that's the case, is this -- because you've been out there for a year with it now, kind of what's going to change between now and then?

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

I think you're already starting to see some of that even in this quarter as we came out of, really a heavy hit that it took. And we got a lot of programs going at the end of last year. COVID and other aspects affected kind of our ability to -- and we did accelerate, but it didn't accelerate as much as maybe I think everybody would have liked and ourselves included. But as we looked at -- we did accelerate into this quarter, 20% from Q1 to Q2, and we anticipate a combination of a lot of things. One is a lot of these major large centers are getting involved. Two is the level of education and training and programs that we're aware of. We've got more sites than we've ever had before. That number continues to increase in terms of the net new sites that are actually getting trained and then converting that into actually helping them treat patients longer term.

We're adding and have a greater adoption of the clip and attachment rates that we're getting than we've ever had before. You start to combine all of that and begin to start to see things continue to accelerate, again, fourth quarter and into next year, for sure.

Operator

And our next question comes from the line of David Saxon with Needham.

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

Congrats on the quarter. Maybe on cryoSPHERE and EPi-Sense, I mean it seems like cryoSPHERE is emerging as maybe a more significant driver for AtriCure, at least in the near term. So maybe over the next 12 or 18 months, do you think that can continue? Or do you expect Epi-Sense adoption and revenue contribution to kind of outpace cryoSPHERE?

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

I think both are going to grow fast. Cryo Nerve Block will continue to grow at a very fast pace. Adoption continues. We have almost 50 people -- about 46 people or so in the field today, up almost double from where we were maybe 18 months ago or so. They're well trained and we're now expanding into other new markets as we look out over the next several years as well. So we anticipate continued penetration in the Cryo Nerve Block area. But I also believe that CONVERGE is going to begin to accelerate. And I think that that's going to become a major contributor to the business based on, as I mentioned, just to Bill earlier, you're going to continue to see those sites get deeper within those areas, start to market to their referring physician base, you're going to start to see more and more sites come online from the trainings that we've been doing and then watching them progress to that. In fact, one of the reasons that we're hosting this hybrid session in September is we want to show a few examples of sites in terms of kind of how they've developed the therapy over the years and where they started with several and then how that kind of has cascaded into really large sites that it's a part of their core practice and a part of their standard of care. And so they're going to be well known, well-recognized sites, and EPs from both the East and West Coast. So it's going to kind of give you a real good feel for broad around the country on that front to kind of show you how that's going to continue to be a big driver for us long term and why I'm confident in that. And yes, Cryo Nerve Block is great, but I think also Convergent Hybrid is going to be a really big contributor for us as well.

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

Okay. That's helpful. And we'll look forward to that session in September. Maybe my follow-up is just on HEAL-IST. Maybe can you talk about that market for inappropriate sinus tachycardia. I mean we've tried to do some work around just prevalence and sizing the market. It seems like it could be potentially a very significant opportunity for you. So maybe just some color on how you're thinking about that market from a patient population perspective, but also on a dollar basis?

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

Yes. I think you're right. I think it has the potential to be a very large market, much like the way we took the Cryo Nerve Block or we took it slow at first. We want to make sure that we get the right clinical data that we make sure that we've trained everybody effectively. We get them to do the procedure correctly, safely and effectively. That's our core focus really over the next 18 to 24 months relative to the trial and getting things running.

That being said, as it does get success, as we've seen in the single centers that have actually done this procedure where they've seen both incredible results for the patients, but then it's also been very safe. Those are 2 critical things. The prevalence of this is millions of patients around the globe have inappropriate sinus tachycardia, and they could benefit from a procedure like this. And so I do believe that once we're able to prove that out with the clinical data, you're going to start to see a meaningful, talk $300 million to $500 million type TAM long term for this procedure. If you did the millions of patients, it's obviously a lot larger. Obviously, you're not going to get that right upfront. You've got to train and educate. But I'd say look at Cryo Nerve Block and how we develop that. And I think that you'll see something similar over the next 3 to 5 years as we begin to kind of get this trial out there, get the data and then you'll start to see some uptick in the back half of that.

Operator

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

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

So Mike, a lot of information provided on the call. Obviously, cryoSPHERE, the growth trajectory seems to be the standout in the quarter. Maybe I missed it on the call or Angie, if you could provide us just give us some guidepost on the number of sites. How should we think about utilization for cryoSPHERE?

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

We did not give a specific number of sites on this call, but previously, we talked about we're in well over 400 sites in the United States today, and we're just getting started in Europe. There are more thoracic centers than cardiothoracic centers in the United States. So there are, call it, 1,100 or so cardio centers in the, cardiac surgery centers. You probably got about another 200 to 400 or so sites that are doing thoracic or pediatrics, et cetera. So I think that that kind of adds to the numbers that we can kind of get from that standpoint in terms of sites. But right now, we're in about -- we're in over 400 or so. And we are getting both -- we're adding additional sites, but probably more importantly, right now, we're just getting deeper within the sites that we have because what you're starting to see is word of mouth within hospitals beginning to talk to their fellow surgeons so new people are adopting. And adaptation of this is actually very easy for these surgeons. It's very easy to train. Now that we know it. We've done it with a lot of surgeons around the country. They can pick it up very quickly, and that's why it's able to adopt so fast.

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

Got it. And Mike, CONVERGE again. I know a number of questions have been asked on CONVERGE. Maybe let me just ask it a slightly different way. Roughly 200 sites were doing CONVERGE pre-data release. You talked about going deeper into a lot of the sites. As we exit FY '22, how do you characterize -- how should we think about utilization in sites? And part of the reason I also asked is if you look at MIS, there are 2 different buckets, right? Or a legacy MIS is going down, but CONVERGE's picking up. I'm not sure how the outlook is incorporated for second half '22. But just if you could tie all of these together for us, how should we think about utilization for CONVERGE so that we can triangulate in terms of what this line item will look like exiting FY '22?

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

It's a very fair question. We continue to expand the number of sites. So we're in more sites today than we were pre-PMA by quite a bit, and we're getting deeper within those sites for CONVERGE, whether doing more cases per site. We anticipate both of those numbers to go up as we kind of progress throughout this year, which would obviously build into the acceleration to get into next year as well. We're doing more per quarter than we've done in terms of number of sites, pre-PMA, and we're doing more per site. So that's -- those are on the CONVERGE. On the legacy MIS side, look at it as that's the area that's getting most elective procedures. We don't anticipate really any growth there. There may be some slight pressure on that part of the business kind of as we move forward. But I'd say it's kind of flat to down slightly as kind of how we would anticipate thinking about that business on a go-forward basis. Thank you.

Operator

And our next question comes from the line of Matthew O'Brien with PSC.

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

So Mike and Angie, I mean, just to follow-up on what everybody else is kind of asking about here. I mean this is deja vu, Q2 versus Q1, you beat pretty much across the board. MIS was softer than what people were modeling. So what -- can you just be more specific on some of the headwinds maybe that we're carrying over from Q1 into Q2 as far as COVID staffing, you got a (technical difficulty)

Operator

Mr. O'Brien give them just a moment so to get reconnected.

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

So I love all the comments from our Buyside friends right now, but we did pay our phone bill for what it's worth. But so this is kind of deja vu on Q2, right, versus Q1. You beat across the board with the exception of MIS on the top line. And so there's a lot of good stuff going on here. Everybody is going to focus on MIS. They're going to say something's wrong with the launch. So can you talk a little bit more specifically and specifically on Convergent, can you talk about some of the things that carried over at the end of last year through the first half of this year that were a headwind, be it the pandemic getting into hospital staffing, you got to coordinate everybody. How much of that did you feel? Are you still feeling? And then on all these new centers you're talking about in training and utilization, is there a way to give any kind of quantitative figures to have people confident that this isn't a failed launch that things are going to really come shooting out here in the back half of the year into '23. I don't know if it's like a percentage growth in new centers or training or utilization numbers, something along those lines just to give folks a little bit more confidence about Convergent late this year into next year?

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

Yes. I mean I guess I may use different language, I don't think it's deja vu personally. I think that we grew 20% sequentially, Matt, from Q1 to Q2. So I feel actually very good coming off of it. It is the most elective of procedures. So the things you talked about are exactly it. You've got staffing. You've got COVID to continue to linger to some degree to kind of get those centers back up and running. But we did make really good progress within those centers and saw a really good growth from Q1 to Q2 after COVID hit Q1 quite dramatically across the board, again, in the most elective area of it.

So I don't think it's a failed launch at all. I think we're launching in the middle of a pandemic. And the way that we view this is we've got really disruptive, great technology with incredible data. I mean the data is absolutely rock solid, and centers are not pushing back on the need to have this in their centers. It just takes time to get it going and we're trying to launch in the middle of a pandemic. I think we made great progress this quarter. We've trained well over 100 cardiac surgeons and electrophysiologists across the board, many more when you include kind of APPs and other nurses, and we are making really good progress on that particular front as well and feel like we're also getting deeper within the accounts that we've got on top of that. And I think I mentioned in my comments, when you look at just the types of centers that are now coming on board, we've always talked about and we've had lots of strength in community-based centers that were easier to get up and running and into, we've made great progress, as I mentioned, Mayo Clinic, Johns Hopkins, UCLA are just a few of the major centers, Northwestern, of the major centers that are getting involved and actually getting Cleveland Clinic, getting Convergent programs up and running, and they are marketing to their referring base.

So we've got lots of confidence relative to that. I think we've got to -- yes, we are faced with the fact that it's an elective procedure and is affected by COVID. So when people cancel the cases because they've come down with COVID or staff has come down with COVID, that's definitely affecting us, which is why you're not back to complete normal and we're trying to launch in the middle of that. But I feel like we've made great progress and that there's nothing that will indicate to me that both in the back half of this year and in the long term that this isn't going to be a standard of care over the coming years.

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

Okay. And then just to kind of put another finer point on this. And Mike, I know you think convergent is going to do a lot better than what we say here, and I don't disagree with you, your thought process. But say that you get through the legacy headwinds on the MIS side. Convergent, say, it's just a 10% grower the next couple of years because it's difficult to get all these centers going. Can you still be a 15% grower, just with the remaining open business and then the strength that you're seeing in clip plus pain management, even if MIS doesn't put up 20% as top line growth?

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

I mean I'm not going to play what-if scenarios on convergent. I think it's going to grow significantly north of what you're talking about long term for this business. So I feel really confident in our ability to kind of grow at those kinds of levels. And so I don't have any concerns on that front. We've talked about accelerating the growth rate and being above the historical averages, which we've proven this year, now raising guidance to the 18% to 21%, and we anticipate that we're going to have very strong growth for many years to come across all the platforms. So yes, I feel really confident in all of ours, but I also have great confidence in CONVERGE growing at a very strong growth rate as well.

Operator

Thank you. And this does conclude today's question-and-answer session. And I would like to turn the conference back over to Mike Carrel for any further remarks.

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

Great. Well, again, I apologize for the phone issue there for a moment. We kind of got cut off. But a great quarter. We're really proud of the progress that we've made across all fronts of the business. As we mentioned, growth of 18% to 21% for the year in terms of our guidance, raising that guidance on both bottom and top line, and we feel really good about how we're going to both end the year and roll into 2023.

So thank you for your support, and we look forward to talking to you on the next conference call. Have a great night. Bye now.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a good evening.