



BofA Health Care Conference 2024 - AtriCure Inc

Speaker 1 ([00:07](#)):

Thank you for joining us for the AtriCure presentation. We have Angie Wirick, the Chief Financial Officer, and now I'll turn it over to her.

Angie Wirick ([00:21](#)):

Thank you and good morning. On behalf of our CEO, Mike Carrel, I want to thank everybody for the opportunity to be here today as well as your interest in AtriCure. AtriCure was founded over two decades ago with a mission to advance the treatment of afib in patients undergoing cardiac surgery by creating new device technology, studying the clinical benefit of that technology, and also supporting in a commercial effort with robust training and education programs. Our goal was simple, to make treatment accessible to more physicians and therefore more patients. And, over the last decade, we've taken that strategy of combining innovation, clinical science, and education to broadly expand the markets in which we operate to a bigger opportunity today than when we started.

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So as you think about AtriCure today, I want you to take away the idea that we operate in very large markets. There's an unmet clinical need in each one of our markets and our technology has a proven solution. We also have a very broad base of technology in our portfolio giving us multiple vectors for growth, which is why we sit here today and say it's an even stronger future ahead. I think we could all agree that afib is probably one of the most exciting markets within medical technology to today, and that's for a good reason. Afib is a very serious disease. It's an irregular heart rate, which is caused by errant electrical signals within your heart. As you can see from some of the statistics on this page, if left untreated it can lead to higher risk of stroke, higher risk of heart failure, dementia, and a lot of other really critical things for a patient, impacting the outcome of their life and their health and a big impact on the overall healthcare system.

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The other thing is, afib is a progressive disease. Most patients start with paroxysmal afib so intermittent, it resolves itself within a period of seven days or less, but if left untreated it can progress and where AtriCure really focuses our work is on the longstanding persistent afib patients, which is a big component of the overall population. Another reason that this market is so exciting is that the number of people who are impacted by afib. This number shows 37 million people impacted worldwide by afib. This is a dated number but consensus for all estimates is that a-fib is an area that is expected to grow. Diagnosis will improve but as the population ages you tend to get afib. In AtriCure's big market, which is the United States, it's estimated that eight million people have afib. Just under half are in the longstanding, persistent afib category where AtriCure really specializes. And since we're in Vegas we'll give an odds number here, which is the statistic to the far right.

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One in four adults over the age of 40 will develop afib in their lifetime. That means you have a great chance or someone that you know will be impacted by this disease at some point in your life. So this

differentiated focus for our company, focusing on the longstanding, persistent a-fib patients, they present in two different fashions. You can see on the far right side a structural heart issue, meaning that the patient is undergoing cardiac surgery and the primary concern is a valve repair or a coronary bypass. You're treating afib secondary to that primary procedure and AtriCure offers ablation and appendage management tools as a complete solution for that patient.

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This is a great market but in reality most patients aren't going to undergo cardiac surgery, which as we look at on the right. Over time, AtriCure has started to develop minimally invasive tools for the treatment of afib. In this particular market, so the standalone treatment of afib, the standard of care today is catheter ablation. Hundreds of thousands of catheter ablations occur each year in the US and even more globally. A catheter ablation works exceptionally well for early stage afib patients. As the disease progresses, it tends to be less effective for longstanding, persistent afib patients and we've created a solution which is highly complementary to all catheters on the market that combines the EP doing catheter ablation with a surgeon doing a more robust epicardial procedure using our devices. This is a combination of epicardial ablation as well as appendage management as a standalone treatment for that market.

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What does this all lead to? Today, within the orange box, you can see the market opportunity for AtriCure, over \$5 billion of market opportunity globally. I've touched on the cardiac surgery area as well as hybrid therapy but, interestingly, our expertise in cardiac surgery using cryoablation as well as a desire in our hybrid AF therapy treatment, in thoracic procedures, to reduce pain in those surgical procedures, led to the organic development of our pain management franchise. Pain management uses cryoablation to ablate intercostal nerves in thoracic procedures and has led to over a billion dollar market opportunity for the company today.

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While this is exciting, the size of the markets that we're operating in today, we continue to unfold and unlock new markets by using innovation, clinical science, and education efforts. And you can see that's pain management in a sternotomy procedure, so applying the same pain efforts to an open chest procedure, it's developing a hybrid therapy for the treatment of inappropriate sinus tachycardia or IST. It's also studying, in cardiac surgery, the impact of prophylactically managing the appendage for patients who do not have a pre-op afib diagnosis, so expanding and continuing to unfold and only adding to the opportunity for sustained growth at AtriCure.

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I'd like to touch on each of the markets in some of the areas of focus or interest within each of our core markets and then wrap up with financials and the outlook for the company. So starting with cardiac surgery ablation in appendage management, this area of our business has seen a bit of a renewed interest, given a market competitor who's joined this market. We view competition as a great validation of the overall opportunity of our market and say you wouldn't be playing in this space if there wasn't broad opportunities still left. What's also given a resurgence in this business is our Encompass Clamp, so technology that we've developed, which is the Encompass Clamp, which has made treatment of cardiac tissue ablation in an open chest setting much more accessible to an even broader base of physician by making the procedure much easier.

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We're also excited to see that the AtriClip platform will continue to expand with new technology, the AtriClip Flex Mini, being put onto the market later this year. This will be the lowest profile appendage

management device in cardiac surgery, and that's the most consistent feedback we hear from physicians as we've iterated on this device. Also in the area of appendage management, I mentioned studying the benefit of prophylactic management of the appendage. That's our LeAAPS clinical trial, the largest clinical trial, cardiac surgery clinical trial at 6,500 patients, studying the benefit of prophylactically managing the appendage, with the hope that we can prove stroke prevention and reduction in those patients. As you can see from the bottom right-hand corner, we know this market incredibly well. Over 500,000 AtriClip devices were sold as of the end of 2023 and over 400,000 thousand ablations performed in the same timeframe.

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Next, which is a big exciting opportunity, you saw that that took up quite a bit of real estate on the overall market opportunity slide, which is our hybrid therapy ablation. This is standalone treatment for patients who have afib so what matters most is what you see in that middle box, which is understanding the clinical science behind treating these longstanding persistent afib patients. Why does that matter? These patients are in the hands of an EP today so what we are asking EP to do is say catheter ablation is great for patients but when you think about a more complex disease state, which is longstanding persistent afib, you need more than just catheter ablation to effectively treat those patients. So showing the data that proves that combining an epicardial approach with our devices with any catheter ablation is a better solution to patients, has been a key area to unlock this market.

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And the data that you see on this screen is only a sample of what's available. Evidence continues to prove that the combined approach, a hybrid procedure combining an EP and a surgeon, is the best treatment for those patients. So our focus in this year and then beyond is to continue to drive awareness of this combined procedure and building programs within systems that are scalable to lead to accelerated growth for the company. And I like this slide, our marketing team put this together to give a representation. I think later this week many of you probably will be attending HRS where the focus will be on PFA catheters, and what this slide shows is company-sponsored clinical trials mapped to the disease state of afib.

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What you can see at the far right, AtriCure has a unique place, the only company studying the impact of treating longstanding, persistent afib patients. And finally, our pain management franchise. As I mentioned earlier, this was an organic opportunity for AtriCure and it started with the development of a cryoSPHERE device, a purpose-driven probe to prevent pain management in patients undergoing thoracic surgery. That probe launched in 2019 and we're happy this quarter to be launching our cryoSPHERE+ Probe and a cryoSPHERE Max Probe, both iterations off the original device later this year. Both the cryoSPHERE+ and the cryoSPHERE Max are expected to lead to time reduction in procedures, taking a two minute per nerve freeze down to 90 seconds or even 60 seconds with the cryoSPHERE Max.

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But technology alone is not enough for us to penetrate this particular market. We're also surrounding this particular therapy with a number of investigator-led studies, so broad base of clinical evidence showing the value that this procedure has in a variety of different patients. And since I'm the CFO, naturally I like the number slide the most here and we like to see this nice, upward trajectory here. Two weeks ago we announced our first quarter results and started the year with a strong quarter and our outlook remains very strong for the year. We're continuing off of an excellent track record of growth in our company and also crossed over in 2023 into profitability. And what we tell investors, the way that

we're managing the company is to continue to expand profitability because we believe it's important at this point in the company's life cycle to drive an enhanced bottom line.

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Doing that requires a very strong top line growth, excellent gross margins, and leveraging SG&A while we continue to make investments in R&D, which will fuel the pipeline of products for the next decade to come. So I'd like to leave with this. The work that AtriCure has done over the past two decades has been to build a robust pipeline of products surrounded by compelling clinical evidence, expanding markets, which ultimately lead to multiple vectors for the growth of the company. We've not only achieved significant revenue growth in the past but would expect that to continue with profitable growth in the future. And I appreciate everybody's time. Thank you.

Speaker 1 [\(12:27\)](#):

Sure. So I think we have time for maybe one question, and you touched on this earlier but a big focus for investors has been the launch of the competing product to AtriClip. So maybe if you could just touch on what you're seeing in the field so far, what's factored into your guidance, and maybe some other growth opportunities that you would point investors to focus on.

Angie Wirick [\(12:50\)](#):

Yeah, that's great. So the Medtronic Penditure Device was launched in late 2023. What we're seeing is they are trying to put this particular product, in many accounts, throughout the United States so when Mike talks about Penditure is everywhere, Medtronic is trying aggressively to get surgeons to try the product. We would expect surgeons to try new technology, that's what our market is made of. In reality, I'd say it's a much more limited number of accounts who have actually used the device so if there are 1,000 to 1,100 cardiac surgery centers in the US this does not mean that the Penditure is in all 1,000. What we're seeing is a pretty broad spectrum of responses. Some physicians who say, "Look, I'd like to try the device," or are participating in the trial, all the way to the other end of the spectrum, which is AtriClip is so far superior. You have the technology, you've got the clinical science to support. We're not interested in trying at all. And then, some within the middle of that spectrum as well.

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I'd say where our team is focused is making sure that surgeons feel open to trying the device. There's an opportunity to try the device. We want to sell on the superiority of our product and differentiation of our technology over the Penditure Device so relative to the guidance we did bake in the assumption that Penditure is here to stay and that there would be continued trialing activities and usage throughout 2024. And when we give guidance for the overall company, we gave a range of 15 to 17% growth for 2024. Our expectation is, even if we've misjudged the Penditure pressure that we might expect in 2024, that there are other areas of growth that will lift the overall number to get to our achieved guidance range.

Speaker 1 [\(14:32\)](#):

Great. Thank you so much.

Angie Wirick [\(14:33\)](#):

Okay. Thank you.