AtriCure

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Danielle Antalffy: Well, good afternoon, everyone. Thanks for joining us. I'm Danielle Antalffy, the U.S. med tech analyst here at UBS. Very lucky to have with us the AtriCure team. We have CEO, Mike Carrel, CFO, Angie Wirick. Thank you, guys, both, for joining us.

Angela Wirick: Thank you.

Mike Carrel: Thanks for having us.

Danielle Antalffy: And I guess, maybe, let's start, obviously, Q3 just ended. You guys had another strong quarter. Sales upside, raised guidance. Maybe just talk about what's happening out there and remind us where we're falling out for 2025, and then we can start the Q&A.

Angela Wirick: Yes. Great third quarter, I'd say, the full year and especially pronounced in the third quarter, showed the strength of our new product launches. Within each franchise, we can look at something very specific within innovation that's driven really nice results. When you think about our appendage management franchise, the introduction of FLEX-Mini in the second half of 2024, more pronounced driver of growth in 2025, and we continue to see strong uptake of that device within our open appendage management market.

Within our pain management franchise, the cryoSPHERE MAX, big exclamation point on an already really fast-growing franchise, seeing wonderful execution from the team in terms of driving really robust adoption of that device. Obviously, taking time out of our procedure helps. The innovation is really pronounced there.

And we also have the continued tailwind of EnCompass within our open ablation franchise. I mean launched in the U.S. a couple of years ago. What we saw in the third quarter was continued really steady growth in the U.S., but then also a really nice uplift in our European markets, as that device launches and starting to take hold.

So the framework, I think you've got multiple different business drivers throughout our franchises. I mean, it sets up for a really nice construct for kind of mid- to upper digit growth in 2025 and then a continuation into 2026.

Danielle Antalffy: Yes. And so I want to see what you guys will give me on 2026. But before we go there, let's touch on each of the business units, if we could. So open ablation. I mean, that's the workhorse piece of your business and it's been growing mid- to high teens-ish?

Mike Carrel: Yes.

Angela Wirick: Yes.

Danielle Antalffy: And I guess, so number one, you did launch EnCompass a few years ago. So what's the runway left for EnCompass contributing to that? And what has been the driver, I think. And maybe, Mike, you could talk about the three different areas and where we are from a penetration perspective.

Mike Carrel: The driver for EnCompass is that it's so easy to use, and you can do the procedure in less than 10 minutes. And so what you've seen is, and I hate to use this word, but it's the best way to describe it, we've democratized the procedure. Everybody thinks of cardiac surgeons as being incredibly technical and they can pretty much do anything, but not all of them truly get behind the heart when they're doing a procedure. So what this has done is made it easy for a surgeon to actually approach the technology and utilize it on every single patient that hits their operating room table today that has Afib in long term for pretty much everybody that hits the operating room table. And so what EnCompass has done is, and why it's got such a long runway, is that we're still in less than 10% of all CABG patients that have Afib today. And so that's the market, and those are the people that are now starting to adopt it. We used to be pretty much almost all in valvular technologies, in mitral valve and aortic valve. The larger portion of the patients, almost 75% that undergo cardiac surgery, are CABG patients. And those patients that have Afib, they weren't getting treated.

And that number has come up dramatically because of the EnCompass clamp and has enabled it from that standpoint. So just the ease of use, the simplicity of it and being able to approach it is really what's kind of enabled that to grow. And then long-term, not only are we going to be able to go after CABG, but you may have read or heard our BoxX-NoAF trial, which is for postoperative Afib and long-term clinical Afib patients that go into the operating room today and they do not have Afib, which is about 70% of all those patients.

And our belief is that if you prophylactically ablate them, and put the AtriClip on, that you can significantly reduce their post-op Afib, which is a very big deal, and then you can also long-term effect their Afib. That's all being done with an EnCompass and an AtriClip. So long term, the market is severely under-penetrated, if you start to think about 2 million patients around the globe that could benefit from that.

Danielle Antalffy: Yes, yes. Just on the surgeon side of things, I mean, you mentioned democratizing and I like how you use that. So are you in all the -- are all surgeons, like where are we from a penetrating the surgeon perspective?

Mike Carrel: We are in- from- before surgeons, if you just look at the number of sites that are using the EnCompass clamp today, it's about 75% of all sites. In the United States that do cardiac surgery utilize the EnCompass clamp. Now to give you some feeling on that, about 100% use the AtriClip. So we're not quite -- we're still room to grow from 75% to 100%. So there's still room there. But more importantly, I think the next part of your question is from the depth of getting within the number of physicians. We can't get an exact number of physicians, but I would suggest that we're at a fairly lower- much lower percentage, less than 50% of surgeons are utilizing the technology.

Danielle Antalffy: Okay. So there is still runway to go, even from a surgeon perspective.

Mike Carrel: Absolutely. But I think the -- what we look at is a procedure standpoint, what's -- what number of procedures are we involved in because that's actually also incredibly important. Are they -- let's say you've got a surgeon that might use it once or twice and they use it on just their complicated patients or someone has been in a super advanced Afib, but they're not using it on their earlier stage. How do you get them to use it on every patient that has Afib and then eventually use all of their patients that hit the operating room table. That's kind of- it's not just getting to the surgeon, but also getting them to utilize it in all their cases.

Danielle Antalffy: Yes. Okay. All right. And let's talk about the appendage management business. And what the growth drivers are there. Obviously, a very under-penetrated market. I think there is some

misperceptions out there as to is it competing with WATCHMAN and some of these left atrial appendage closure devices. So maybe talk a little bit about the competitive landscape as well.

Mike Carrel: Yes. They can comment you- just doesn't compete at all with WATCHMAN or Amulet because they're -- someone that's getting that is somebody that has Afib, they've got no other issues and they're-

Danielle Antalffy: Just getting that procedure.

Mike Carrel: Just getting that procedure. And depending on all the -- there's like 55 new trials going on within that space around anticoagulants versus non. And so there's a lot of change that's happening there. But for ours, it's a captive audience. People are hitting the operating room table. And the question is, do you put an AtriClip on those patients? First, do they have Afib? The data, the guidelines, everything says absolutely. Obviously, we're running a trial for the non- the patients don't have Afib right away, but we can reduce that Afib. That's the LeAAPS trial. That opens up to the full two million patients. So there's a ton of room for penetration within that market. We, again, don't compete against those kind of plugs for lack of a better word, in that space at all. I mean every once in a while, you'll see -- like really once in a while, you'll see a WATCHMAN that is on a patient that undergoes cardiac surgery, but it's fairly rare.

Danielle Antalffy: Yes. Okay. But you are competing with Medtronic's Penditure. There might be another device coming to market at some point in time.

Mike Carrel: That's why we're here.

Danielle Antalffy: So maybe talk about the competitive moat that you've built around the AtriClip.

Mike Carrel: Sure. I mean, first, Medtronic has been in the market for almost two years now. And I think we've shown and demonstrated that when you've got superior technology, and when I say superior technologies, the way the technology works, combined with the quality of that product, the safety profile of that product, combined with the clinical evidence that we have supporting it and behind it. We've got over 16,000 patients that have been studied. We've got- that demonstrate pretty much 100% closure with no flow whatsoever and an incredible safety record.

We look at this data every single week. I think our record is like 0.0004% complication rate with it. So pretty much 0 on a number that's 750,000 or so AtriClips that have been implanted over the lifetime of the device. So I think safety, efficacy. We've also got a clinical team that knows these relationships, is in every one of these cases, it's typically combined with an ablation. So now you start to think about, okay, I've got an EnCompass clamp, and I have an AtriClip. Why am I going to use somebody else's clip on that front? That being said, Medtronic's come into the market. And as we talked about probably when they first came in. I said, this is validation for the overall space that you've got a big player that thinks the market big enough to make an investment in this particular area. And I think we've got a lot of leverage and better technology that we can basically win with. And whether a competitor comes in, I think there's several competitors that have thought about coming in over the years. There's all these rumors about one of the big competitors that is in the cardiac surgery space coming into the space. We welcome that opportunity to compete against them.

Danielle Antalffy: Yes. What have you seen with Medtronic? I mean, did you lose any accounts with the Penditure launch?

Mike Carrel: We didn't necessarily lose accounts, but you definitely have accounts that will utilize both of us. So Medtronic is selling their product. But you'll tend to see probably like what they do with the valves. They keep both valves on there, so they're going to use TAVR, like they're going to use a SAPIEN value. They are going to use the CoreValve today and they may segment that and different surgeons may have different relationships for why they might utilize one technology. But

obviously, we've maintained fairly robust market share in this space, and we feel really comfortable with our ability to defend going forward.

Danielle Antalffy: So I was going to ask you if you have a sense of what your market share is?

Mike Carrel: In the U.S., our market share -- I mean, globally, it's outside the U.S., it's almost 100%. But in the U.S., our market share is kind of in that- kind of 95 to -- 92 to 95.

Danielle Antalffy: OK, OK. So I was going to say 90, but okay, okay. That's better than I thought. All right. So what about the pain management business. So that's been a business that has been also delivering very robust growth. So, how sustainable is that? Maybe talk about the phantom limb pain and potential TAM expansion in pain?

Mike Carrel: I'll let Angie talk about the overall market and cryoMAX and what's happening there, and then I'll talk about XT.

Angela Wirick: Yes. What's been exciting in the pain management. We launched this area of the business in 2019 with our original cryoSPHERE device. We saw kind of a steady and nice acceleration in growth as we were penetrating thoracic procedures. The market size overall in the U.S. around 150,000 or so thoracic procedures, that market in and of itself is a growing market. And we saw a nice uptick in that market. We developed the cryoSPHERE+, which launched in the middle of 2024. You saw an immediate acceleration of growth. Same ASP is the original device. It was just driving volume growth, came with a slight reduction in the procedure time, more pronounced acceleration when we launched the cryoSPHERE MAX, which took the freeze time, the procedure time and basically cut it in half. So I think adding time into a procedure to do a pain management, we knew was something where we get an area where we got push back and very clearly doing that, delivering that within the cryoSPHERE MAX device made a difference, and you saw an acceleration in growth. Still under-penetrated in this market, we also- I talked about the sternotomy market around 250,000 or so patients a year in the U.S. Time is a big deal in those procedures. So the MAX is giving us a place to go back to customers who had interest, but said the time that it's taking for us to do the pain management is too long. So, we feel optimistic about that on a long-term basis, which says, when you're working in big markets, you're the really only player you've got differentiated technology. We think the runway for growth is very long.

Mike Carrel: And the XT is for the amputations and that we're just starting to get in that market. The data so far and the feedback has been exceptional. So there's two reasons that you're doing it. Number one is for the acute pain right after surgery, so they can recover more quickly. They get to the hospital faster. They feel almost zero pain, they can put the prosthetic on, begin to walk and recover. I mean, these are big, big deals for patients that are undergoing amputations.

On top of that, we're also starting to see people that are actually having a reduction in long-term phantom limb pain. So a lot of people that undergo amputations, you hear 70% of them wind up having like they feel like their leg is still there and it hurts. And a lot of that's because they develop, what they call, the neuroma, like a pain point at the end of it because the signals don't know where to go. And so this kind of blocks that signal for a long enough period of time that they're not actually having some of that phantom limb pain. So this is a really big market, and we're just starting, 185,000 or so in the United States alone. We'll obviously grow globally after that. And so far, the rollout has been great. Not big revenue yet, but it will be longer term.

Danielle Antalffy: Right. Okay. And then we do have to talk about MIS, minimally invasive. That has been-

Mike Carrel: We don't have to shy away from that. She says in a quiet voice.

Danielle Antalffy: That's been the one area where you have not been growing. And maybe talk about, first of all, what are the growth drivers in that business? I think international has actually done fairly well. But

can international ultimately serve as a proxy for what to expect in the U.S? Is U.S. -- are we ever turning around? What's going to help it turn around?

Angela Wirick: A couple of parts to that question. Let's start with our international experience. PFA was on the market in Europe well before the United States. And I think initially the feedback we got from EPs where we felt like PFA would solve AFib for all of our patients. And so it was very difficult for our teams to start any type of convergent program. I think what the experience in Europe told EPs where there are failures. It doesn't work universally for every single patient. It's great technology. But when you think about where CONVERGE is really differentiated in long-standing persistent Afib patients, EPs are having the experience that those patients were coming back. The catheter ablation alone wasn't enough. And we saw kind of once they went through that experience that they moved into, I need to do something more and that's something more was with CONVERGE. We're going through a similar experience in the United States at this point in time. Maybe a differentiator is that the willingness to do multiple repeat catheter ablations in the U.S. is a bit higher. So we are going through that. We have plenty of account proof points that say, look, they're understanding EPs are seeing that maybe this doesn't work universally the same way for every single patient, and there might be a need for more. Our accounts are- across the board aren't in the same place. So I think until we kind of get through that experience broadly across the customer base, where they're seeing more and more repeat/redo patients where they need to go back and do something I think eventually, they move on to CONVERGE.

So the biggest growth driver, I think that was the first part of your question, is we need time, I think here for the experience to be there. And I think EPs have to be willing to move to refer a patient on to something more- you know, realize, look, that doesn't matter the PFA catheter, the specifics around which device they're using, that it doesn't universally work for every single long-standing persistent Afib patient, I think, is where we need to go in advance. Mike, go ahead.

Mike Carrel: Yes. I mean what I'd add to that is if you think about PFA, it's a great technology. It makes that procedure a lot faster. I mean it's easier, it's faster, and you talk to EPs, absolutely. It presumably makes it safer – especially- it does make it safer for fistulas and other items like that. So it solves both of those things. But what the data is showing you is that the failure rate is pretty much the exact same as it was before. Even though they're doing a lot more ablation now than they were before, but the failure rate is almost the exact same in almost every segment of categorization of that Afib patient. So what's happening? They're going to do one procedure, then they're going to follow up and try to do it again, and say maybe I missed it. But after that, we do think that they're going to wind up going into a convergent or hybrid because they've just done everything they can possibly do. And we feel like that's obviously an advantage relative to us. And if you look at the rates of failure, the rates of failure in a long-standing persistent patient are still greater than 50%. So- and even to the tune of like 20%, 25% in some of these studies for these patients. Well, that's a lot of patients. And if you actually do the math on how much of the market we're getting today, it's like 0.25% of the ablation market. So there is going to be a day when all those patients, you're going to realize I've ablated them two or three times, and then we're the solution after that. And we still feel that, like I feel really good about the data, the efficacy, the work we do with it. We've worked on how do you get this down to like a 24- or 36-hour procedure, meaning you can get home within like one or two days, so that it's not nearly as adverse to sending somebody into surgery. We've worked on all those things, and we're ready for those patients to come through, but we have to have patients. I mean, as Angie said, I think that's what the- the growth will come. I just can't tell you what quarter it's going to come. So we will guide conservatively and continue to do so. Set expectations really low on this part of our business. But I do think those shareholders that are in this for the long term, they're going to win and benefit from the fact that it's going to come back.

Danielle Antalffy: Okay. Do you think that just with the advent of PFA, the mix of patients being treated it has changed, so fewer long-standing persistent patients are even being treated almost like push to the side because you've got so many paroxysmal patients getting treated with PFA or is that not?

Mike Carrel: The data wouldn't suggest that. I'd say that the data would suggest that you're still sticking at around 10%. I mean everything that- it's around- even though 45% of patients are long-standing persistent, 10% of those that get treated are long-standing persistent.

Danielle Antalffy: Are long-standing, yes. Okay.

Mike Carrel: And more of the repeat catheters are in the long-standing persistent, because they're the ones that are failing more often, so they're having to come back.

Danielle Antalffy: Right. Okay. All right. So taking everything that you just talking about the different businesses, different growth drivers as we look ahead to 2026, and we have had this debate a number of times, and I look at your core open ablation business, and I'm like, I don't see why that wouldn't be able to grow sustainably mid-teens. Tell me why I'm wrong?

Mike Carrel: I don't have a good reason to tell you why you're wrong. I mean, we feel really good about the business overall. It's a strong business that we've committed to. I think you've got both short and long term. And when you look long-term, and you start to see the data that will come out with LeAAPS and our BoxX study. This is a very big market opportunity. I think by the end of the decade, that actually could be expanding. I mean, if those trials are positive, that part of our business is going to grow even faster at some point.

Danielle Antalffy: Yes. And then if we look at appendage management, I'm curious -- let's say, this other big competitor does launch in 2026. Should we think of -- like what would be your approach, if you're me, and you're like, "oh, I have to model this." Do I look at when Medtronic launched and how you guys grew through Penditure, like how would you-

Angela Wirick: Yes. I think the Medtronic Penditure launch is certainly a relevant example. I would think more about the specific competitor and where their strength is in cardiac surgery. I mean, if you compare and contrast different reasons why companies are in different procedures and where they might have more of a foothold versus less. I think that's a good way to start kind of parsing out the market and saying, where could they be highly relevant and most likely to be successful. If they are successful, that's probably a good starting point from this. I think our expectation would be a competitor comes in, yes, they likely are successful in selling devices. I think it's a question of, are they taking from you or in a market that in and of itself is completely underpenetrated. So we aren't talking about a market where every patient has their appendage managed today, right? There's still room within the market to grow. I think, you know, the idea that you have more awareness, you have another very loud voice and important voice talking about managing appendage. Our view of competition has been this is going to help market growth overall.

Mike Carrel: And I would have -- look, when you think about the segmentation she talked about, when you think about the competitors. What advantages do we have? We sell ablation tools that go along with the clip. So that's -- you're doing both at the same time in a vast majority of the cases. I mean, most of them have an EnCompass clamp plus something else.

Danielle Antalffy: When you say vast majority, were you talking 75%, 50%, 90%.

Mike Carrel: Closer to 75%. I mean at least a minute- probably around that number. I don't know what would you- for the total kind of combination of those, plus on top of that, though, if you think about the focus on where we're going and you think about EnCompass and what we're going to be doing in that space around CABGs, if there's no valve in that procedure, and so why would you be in that procedure for a device that is 1/3 of the price of what you're selling a valve for in another- So there's -- like you have to look at incentives. When you have to segment it and say, "And oh, by

the way, 70% of all cardiac surgery is in the coronary bypass area." And so there's a huge opportunity there for not only the clip, but also the EnCompass. Yes, that's the segmentation you look at like what part of the market are they going to win it? That's a little different than the previous competitor. Medtronic does have an ablation tool that we compete with every day in the market as well. So that was a different kind of competition. So they've got a little bit of a broader -- or maybe another reason, maybe there because they want to get an ablation tool along with their clip or something along those lines.

Danielle Antalffy: Right. Okay. And then looking at -- so again, if we're talking about high-level 2026, MIS. I mean you're going to have such easy comps. Can MIS grow in 2026, or is it still going to be declining?

Angela Wirick: I -- of course, there's the potential to grow, I would say, until we see growth, we're not likely going to guide that it will be. I mean I think this is the point in time in this particular franchise, we need to see it to have the confidence to be able to guide there.

Danielle Antalffy: Okay. Understood. All right. And international. If we didn't really touch on international, but you have been seeing great growth internationally as well. What are the drivers there? And sort of what's the runway for your different markets internationally or different businesses?

Angela Wirick: Yes. I mean, internationally, grossly, I'd say across the board, you have a very, very long runway. Any penetration rate we talk about in the U.S. significantly less than that anywhere else in the world we're at. Within our different markets, if you were to break down our international business, probably the highest potential in Europe. Majority of our products are already on market there. They're already being sold there, some of them earlier innings than other, and we're seeing kind of a cross franchise really broad-based and good growth within our European markets. Beyond Europe, you start to get into different levels of products being on market today.

Again, very low penetration rates, which they look very long runway in terms of continuing to penetrate existing markets, and we're looking to continue to get devices approved in different markets where it makes sense, where we think we can be successful, which would extend the runway there. So we feel really good that the international part of our business has a very long runway for growth.

Danielle Antalffy: Okay. And I guess, I'm not sure if you'll answer this, but I'm going to try. So why would growth decelerate in 2026 versus 2025?

Angela Wirick: I mean I wouldn't be doing my job if I didn't point out law of large numbers. So if we're talking about growth rates and percentages, I think that's something just to keep in mind. We feel confident in the trajectory of the business and that you're going to see continued really strong contribution, particularly when you think about the new product launches in the U.S. and how some of them are starting to create tailwinds in our international business, we feel like those are good things and drivers that will continue on.

Danielle Antalffy: And so you brought up new product launches. And that is something AtriCure. You guys have done a very good job of continuing to innovate. You have had EnCompass for a few years now, what's next in the open ablation business? Where are you investing your organic R&D dollars right now?

Mike Carrel: On the open side of the business, what you'll see on the EnCompass clamp is kind of a two step of, first, we'll have some advanced RF, which is a faster ablation and even more robust than we've already got in the market, which is the market leader in that particular space. And we've got a PFA platform that will come down the EnCompass clamp. So those are two things that we'll have first in human on that by the end of this year and will be in the clinical trial either late next year or early 2027. That will be kind of the next innovation relative to kind of open ablation in EnCompass. The biggest deal in that area is the clinical evidence.

Danielle Antalffy: I was going to say BoxX-NoAF.

Mike Carrel: Yes. BoxX-NoAF is going to -- that will change the game for basically everybody on the operating room table getting the EnCompass clamp with the existing technology that we know is going to work incredibly well because it works great.

Danielle Antalffy: Yes. Remind us when that is?

Mike Carrel: We just started, just launched it. We've had our first patient enrolled, and we anticipate I think it will take about two years to enroll. And then there's 2 endpoints in that trial, which is -- and the good news about that is that the first endpoint is a pretty quick endpoint, which is have -- in the first 30 days after surgery, do you reduce that postoperative Afib. Today, 35% of all patients that undergo cardiac surgery going to postop Afib. We think we can reduce that significantly. So we can win the trial first with that. And then we're also putting loop recorders in every one of those patients. So we can look it out over 3 years and say, did you reduce Afib clinically over that three-year period.

But to win, we're going to have an answer to that probably sometime in 2028 from a data standpoint. So it's not as long as like a LeAAPS where you have to wait for strokes and events to happen on that front.

Danielle Antalffy: Right. And I want to touch on LeAAPS. But before that, when you talk about the appendage management business and innovation there and where the focus is? Is it just getting smaller? Is it-

Angela Wirick: Yes. I think about the FLEX-Mini device, we took the original AtriClip and shrunk it down tremendously that went back to kind of closed-loop design and made other improvements. I'm short selling our engineers that put a lot of work into building an incredibly good device, but we also have been highly successful with our open-ended FLEX-V device. So thinking about how do you make that product even smaller. I'd say those are the type of innovations that we're looking for. This is coming from customer feedback. I mean this is what we hear consistently from surgeons. Smaller is better. They know the technology works incredibly well, but smaller is better, so likely continue to try and shrink the size of the device.

Danielle Antalffy: Okay. Got you. And I do want to talk about LeAAPS because I think that's really important. So remind us where we are with that. And if it does work, like what's a realistic way to think about the adoption ramp here?

Mike Carrel: Well, high-level trials, just over 6,500 patients, randomized 1:1. These were patients that preoperatively did not have any diagnosis of Afib. The concept behind it is that those patients have a very good chance of going into heart failure and also Afib over the next five-year period of time. And so the idea here is to significantly reduce the stroke rates in that particular patient population, but prophylactically managing the appendage and getting rid of it. We are fully enrolled, enrolled through July. We're accumulating events rights now. It's event-driven trial. We have to get to 469 events. And at that point, we can unlock it, look at it and did we have fewer strokes in one arm versus the other arm, which we believe will be the case. We anticipate that's probably sometime in 2028 and without giving an exact obviously, I can't -- the events happen -- when the events happened, originally we thought it was going to be in 5 years.

They're accumulating at a little bit faster pace than we had predicted from that standpoint, which we think is actually a good thing for us overall. I do think that if the data is positive, like we think it's going to be that this changes the game. It takes us from doing -- there's two million patients. And it's a global trial. We are in 15 different countries. So we have a very good recognition to be able to kind of get it. So it's not just something that -- even though it's an IDE trial in the U.S., we will get benefit from this trial overseas for reimbursement for, obviously, adoption at that point. I think adoption could be fairly quick after the data comes out.

Danielle Antalffy: Okay. Got you. All right. Let's talk about financials now, Angie. Margin expansion. What are the drivers going forward? You guys are adjusted EBITDA positive at this point. So how do we think about, I guess, just the drivers, but also if you want to tell us where we're going.

Angela Wirick: I'd be happy to tell you where we're going. Drivers on margin expansion, I think strong top line growth is, one, continued, I'd say, steady expansion of gross margin. New products are going a long way to help us kind of expand gross margin. Our goal with the new product launches is to improve both the cost profile, but then also the pricing on a device. We're building in new technology innovation, so I think that's another component. I'd say that's a little bit more steady of a contribution. But then you're also continuing to see leverage within SG&A in the near-term.

Longer term, we will start to see natural leverage within R&D. That's LeAAPS concluding. That's the BoxX-NoAF trial concluding. Even while continuing to fund a really robust pipeline, I think you start to- back half of the decade, you're going to start to see leverage out of R&D, SG&A more in the near term. So earlier this year, we put out a couple of stakes in the ground when you think about our LRP. We're performing ahead of plan at this point in time. So I think it says, look, we'll be well ahead of the 20% adjusted EBITDA margin in 2030, which was our target.

Danielle Antalffy: Yes. How expensive are these clinical trials?

Angela Wirick: They're pretty expensive. A good way to calibrate on LeAAPS when you look at the increase in R&D over the past couple of years, I think that will tell you how much because that was fully incremental trial spend. We weren't really replacing something else at the time because I think we had a year or two of a lapse between the CONVERGE trial and the LeAAPS trial. So I think you've got -- that's -- and we ramped R&D pretty quickly as a result of that trial.

Danielle Antalffy: Okay. That's good to know. All right. And then capital allocation. And you guys are starting to generate free cash flow. And so how do we think about how your capital allocation strategy will evolve over the next few years.

Angela Wirick: I mean, I think it's going to look a lot like it has over the past couple of years, which is a very big focus on internal organic R&D efforts. That's -- I said earlier, one through five, it could be 1 through 10. Those are the main priorities here. I mean finding ways to win, finding ways whether that's short term when you think about, okay, cryoXT in a new market launch. The work has been done on the device. We're opening up that market. There might be more of an investment within the field team. I think time will tell us whether or not we need to put down the pedal there.

We've got a really good, robust pipeline in terms of product development as well as clinical activities, so very much focused on the markets that we've got, the expansion efforts that we've got and bringing those to completion.

Danielle Antalffy: Okay. So less about -- because you guys have been acquisitive in the past to smaller type deals, but it seems like that is just very much not the focus.

Angela Wirick: Yes. Definitely not the focus. I mean we have people who are trying to understand what's out there, trying to understand different technology. I think a big difference as we've moved into profitability, the willingness to take on kind of losses, particularly when you think about the profile of companies we've acquired in the past. Very early stage, not driving a lot of top line, but there's an investment to get it to kind of the end state, less of a willingness there. We do not want to take a step backwards on profitability.

So could you do a deal, yes, you might have to sacrifice some of the organic activities that we're doing today. I think ultimately it says when that screen is applied, you're looking for unicorn and not likely to find something.

Danielle Antalffy: Yes. All right. And maybe in the last few minutes here, Mike, as you look -- you guys did host a very helpful, thorough Analyst Day back in, was that March?

Angela Wirick: Yes.

Danielle Antalffy: Yes. March. And you outlined a bunch of innovations, the clinical trials, what do you think is, in your mind, most important for AtriCure, if you had to pick one. Who's your favorite child?

Angela Wirick: Good luck there.

Mike Carrel: Gosh, I don't know that I think the holistic nature of our business is my favorite child overall. I just think that we kind of bring a lot to the table. That being said-

Danielle Antalffy: That's not an answer.

Mike Carrel: But I mean, if you look at the ability to have an impact on the broadest number of patients. It's going to be what you're going to see LeAAPS and BoxX-NoAF. The combination of those two -- the combination of those two really unlocks 2 million patients every year that we're going to be able to go after globally. I'd say that's probably kind of the lead-in on that. but it's tough to not be excited about some -- about our cryo business and what's happening there and helping patients that.

I mean, when you see these patients recover more quickly, the videos that the docs send us about those recoveries, and you just feel awesome about yourself, you're contributing in a way, and that's going to be a big market for us as well. There aren't as many of them. So your impact on your top line isn't going to be as great but the impact on people's lives is pretty dramatic and awesome.

Danielle Antalffy: Yes. Do you have a favorite?

Angela Wirick: No, I would agree with his answer. There's too much to like. There's too many things to pick from to have a favorite here.

Danielle Antalffy: What do you -- I mean I acknowledge there's a, I think, based on what I believe, top line growth can be and profitability profile can be. There is a disconnect from a valuation perspective. What do you think people are missing?

Mike Carrel: I think that people get very nervous about competition.

Danielle Antalffy: I was going to say, I think your ability to compete.

Mike Carrel: Yes. And I think we're exceptionally well-positioned to compete. I think we've made the investments and thank you to investors for allowing us to because like we've had a lot of investment over a period of time that is now coming to fruition over the next two to three years, whether it's in these big trials or these product launches that we're doing right now, and I think people don't recognize kind of how strong we are from a competitive standpoint to be able to weather that storm and they're probably not appreciating the fact that also that, that leverage is also coming in a really big way right now, too. I don't know what you would add, but.

Angela Wirick: I would agree with that. I think there's so many different drivers within the business that you can have the fear of competition, but the reality, the execution, the performance of this business over a very long period of time says AtriCure will win.

Mike Carrel: And some of it's just a different perspective. I view competition and say, let's look at several -- just look at the left atrial appendage market on the occluder side. What happened when Amulet came in to compete against WATCHMAN. The market grew faster and so when a big company-

Danielle Antalffy: And it usually does.

Mike Carrel: Usually, markets that have just one player in it, like they don't grow as fast. And so having big players believe that market and validating that, we view this as -- I know at a micro scale on each individual like Clip that we lose, yes, that's frustrating and more competitive. But we also think that it also makes us all better and more patients are going to get treated and that's going to help us out.

Danielle Antalffy: Yes. All right. Well, with that, we're out of time. So thank you, Mike and Angie.

Angela Wirick: Thank you, Danielle, thanks.