

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 3, 2005

AtriCure, Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction
of incorporation)

000-51470
(Commission File Number)

34-1940305
(IRS Employer
Identification No.)

6033 Schumacher Park Drive
West Chester, OH
(Address of principal executive offices)

45069
(Zip Code)

Registrant's telephone number, including area code: (513) 755-4100

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On November 3, 2005, AtriCure, Inc. issued a press release and is holding a conference call regarding its financial results for the third quarter of fiscal year 2005 ended September 30, 2005. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

The information in this Form 8-K is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section. The information in this Form 8-K shall not be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in any such filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits. The following exhibit is filed pursuant to Item 601 of Regulation S-K:

| <u>No.</u> | <u>Description</u> |
|------------|---|
| 99.1 | Press Release of AtriCure, Inc. dated as of November 3, 2005. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATRICURE, INC.

By: /s/ Thomas J. Etergino

Thomas J. Etergino
Vice President and Chief Financial Officer

Dated: November 3, 2005

EXHIBIT LIST

| <u>No.</u> | <u>Description</u> |
|------------|---|
| 99.1 | Press Release of AtriCure, Inc. dated as of November 3, 2005. |



Contacts:

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Press Release

AtriCure Reports Third Quarter 2005 Financial Results

Business Highlights

- **Generated quarterly revenue of \$7.2 million, up 59.3% year-over-year**
- **Received 510(k) clearance for Isolator™ endoscopic ablation system**
- **First patient enrolled and treated in minimally invasive sole-therapy clinical study for the treatment of atrial fibrillation**
- **Launched Isolator™ bipolar pen**
- **Announced establishment of European subsidiary**

WEST CHESTER, Ohio – November 3, 2005 – AtriCure, Inc. (Nasdaq:ATRC), a medical device company focused on developing, manufacturing and selling innovative surgical devices, announced today financial results for the third quarter ended September 30, 2005.

Third quarter 2005 consolidated revenue was \$7.2 million, a 59.3% increase over \$4.5 million for the third quarter of 2004. As expected, sequential revenue was down 7.3% from \$7.7 million reported in the second quarter of 2005 due primarily to seasonality. Third quarter 2005 revenues from domestic open-heart products represented 73% of consolidated revenue, revenue from domestic minimally invasive sole therapy products accounted for 18% and international revenue accounted for 9%.

Gross profit for the third quarter 2005 was \$5.2 million with a gross margin of 71.9%. Gross profit for the same period in the prior year was \$3.3 million with a gross margin of 74.2%. Gross profit for the second quarter of 2005 was \$5.8 million with a gross margin

of 74.4%. Third quarter gross margin was negatively impacted by certain one-time indirect manufacturing costs associated with the Enable acquisition completed in August 2005 and the mix of domestic and international revenue.

Research and development expenses were \$2.6 million for the third quarter 2005, compared with \$1.2 million for the third quarter 2004. The year-over-year increase is attributable primarily to the recruitment of additional full-time engineers and the expansion of product development and clinical trials.

Selling, general and administrative expenses were \$6.3 million for the third quarter 2005, compared with \$3.9 million for the same period in the prior year. The year-over-year increase is attributable primarily to the expansion of the sales and marketing organization. The Company has recently named Steve Cambridge as Vice President of Sales in order to lead our domestic sales organization.

On a GAAP basis, the Company reported a third quarter net loss of \$4.0 million, or \$0.50 per share. On a pro forma basis, assuming the acquisition of Enable Medical Corporation had occurred on January 1, 2005 and the conversion of all AtriCure's 6,012,020 shares of preferred stock into 6,012,020 shares of common stock occurred on January 1, 2005, the third quarter 2005 net loss was \$3.5 million. On a basic and fully diluted basis, giving affect to the recently issued common shares from the initial public offering, pro forma net loss per share was \$0.30.

Cash and cash equivalents at September 30, 2005 were \$38.3 million inclusive of the proceeds from the Company's August 2005 initial public offering and after the acquisition of Enable Medical Corporation.

David Drachman, President and Chief Executive Officer, said, "During the quarter, we made significant progress towards achieving our new product and clinical regulatory milestones. The recent launch of the Isolator™ bipolar pen and the 510(k) clearance of our Isolator™ endoscopic ablation system is expected to help us expand the market in 2006. Additionally, we are pleased about the progress we have made in our Restore SR-II clinical trial. We anticipate completing the enrollment of the feasibility phase of Restore SR-II during the first quarter of 2006 and initiating discussions with the FDA concerning the development of a pivotal study."

Conference Call

AtriCure will also host a Web cast and conference call today at 4:30 pm ET to discuss third quarter 2005 results. A live Web cast of the conference call will be available online from the investor relations page of AtriCure's corporate Web site at www.atricure.com. The dial-in numbers are (866) 362-4831 for domestic callers and (617) 597-5347 for international callers. The reservation number for both is 32538487. The recording of the conference call will remain available on Atricure's Web site through February 3, 2006. A telephonic replay of the call will be available until December 3, 2005. The replay dial-in numbers are (888) 286-8010 for domestic callers and (617) 801-6888 for international callers. Please use reservation code 85109345.

About AtriCure, Inc.

AtriCure, Inc. is a medical device company focused on developing, manufacturing and selling innovative surgical devices to create precise lesions, or scars, in soft tissues. Medical journals have described the adoption by leading cardiothoracic surgeons of the AtriCure, Inc. bipolar ablation system as a standard treatment alternative during open-heart surgical procedures to safely, rapidly and reliably create lesions in cardiac, or heart, tissue to block the abnormal electrical impulses that cause atrial fibrillation, a rapid, irregular quivering of the upper chambers of the heart.

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements that address activities, events or developments that AtriCure expects, believes or anticipates will or may occur in the future, such as earnings estimates, other predictions of financial performance, launches by AtriCure of new products and market acceptance of AtriCure’s products. Forward-looking statements are based on AtriCure’s experience and perception of current conditions, trends, expected future developments and other factors it believes are appropriate under the circumstances and are subject to numerous risks and uncertainties, many of which are beyond AtriCure’s control. These risks and uncertainties include the rate and degree of market acceptance of AtriCure’s products, AtriCure’s ability to develop and market new and enhanced products, the timing of and ability to obtain and maintain regulatory clearances and approvals for its products, the timing of and ability to obtain reimbursement of procedures utilizing AtriCure’s products, competition from existing and new products and procedures or AtriCure’s ability to effectively react to other risks and uncertainties described from time to time in AtriCure’s SEC filings, such as fluctuation of quarterly financial results, reliance on third party manufacturers and suppliers, litigation or other proceedings, government regulation and stock price volatility. AtriCure does not guarantee any forward-looking statement, and actual results may differ materially from those projected. AtriCure undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

AtriCure, Inc.
Condensed Statement of Operations
(unaudited)

**Three months ended
September 30,**

| | 2005 | 2004 |
|--|---------------|---------------|
| Revenues | \$ 7,169,748 | \$ 4,499,894 |
| Cost of revenues (a) | 2,015,458 | 1,161,784 |
| Gross profit | 5,154,290 | 3,338,110 |
| Expenses: | | |
| Research and development expenses (a) | 2,612,977 | 1,166,798 |
| Selling, general and administrative expenses | 6,308,516 | 3,881,154 |
| Total expenses | 8,921,493 | 5,047,952 |
| Loss from operations | (3,767,203) | (1,709,842) |
| Preferred stock interest expense | (379,669) | (976,292) |
| Interest income (expense), net | 106,943 | 24,442 |
| Other income | 84,868 | — |
| Income tax expense | (9,375) | (284) |
| Net loss available to shareholders | \$(3,964,436) | \$(2,661,976) |
| Basic and diluted loss per share (b) | \$ (0.50) | \$ (1.46) |
| Weighted average shares outstanding: | | |
| Basic and diluted | 8,151,220 | 1,822,696 |

(a) Includes the following expenses resulting from transactions with Enable Medical Corporation prior to our acquisition as of August 10, 2005:

| | | |
|-----------------------------------|-----------|-------------|
| Cost of revenues | \$943,313 | \$1,094,785 |
| Research and development expenses | \$139,365 | \$ 340,964 |

(b) For purposes of calculating EPS, the net loss as reported was increased by approximately \$98,000, which was the amount of unamortized offering costs associated with the preferred stock at the date of conversion.

AtriCure, Inc.
Condensed Statement of Operations
(unaudited)

**Nine months ended
September 30,**

| | 2005 | 2004 |
|--|----------------|----------------|
| Revenues | \$ 22,397,927 | \$ 13,426,770 |
| Cost of revenues (a) | 5,913,099 | 3,637,127 |
| Gross profit | 16,484,828 | 9,789,643 |
| Expenses: | | |
| Research and development expenses (a) | 6,320,371 | 2,918,378 |
| Selling, general and administrative expenses | 16,670,850 | 9,971,480 |
| Total expenses | 22,991,221 | 12,889,858 |
| Loss from operations | (6,506,393) | (3,100,215) |
| Preferred stock interest expense | (2,332,254) | (2,928,876) |
| Other interest income, net | 122,552 | 80,025 |
| Other income | 84,868 | — |
| Income tax expense | (42,225) | (16,972) |
| Net loss available to shareholders | \$ (8,673,452) | \$ (5,966,038) |
| Basic and diluted loss per share (b) | \$ (2.20) | \$ (3.29) |
| Weighted average shares outstanding: | | |
| Basic and diluted | 3,981,354 | 1,811,460 |

(a) Includes the following expenses resulting from transactions with Enable Medical Corporation prior to our acquisition as of August 10, 2005:

| | | |
|-----------------------------------|-------------|-------------|
| Cost of revenues | \$4,259,269 | \$3,614,074 |
| Research and development expenses | \$1,201,583 | \$ 837,018 |

(b) For purposes of calculating EPS, the net loss as reported was increased by approximately \$98,000, which was the amount of unamortized offering costs associated with the preferred stock at the date of conversion.

AtriCure, Inc.
Condensed Balance Sheets
(unaudited)

| | <u>September 30, 2005</u> | <u>December 31, 2004</u> |
|---|-------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash & cash equivalents | \$ 38,335,926 | \$ 5,175,177 |
| Accounts receivable, less allowance for doubtful accounts of \$81,900 and \$56,779 as of September 30, 2005 and December 31, 2004, respectively | 3,769,495 | 3,520,621 |
| Inventory | 2,424,719 | 1,087,408 |
| Prepaid expenses | 1,084,617 | 112,740 |
| Deferred tax asset | 186,000 | — |
| Total current assets | <u>45,800,757</u> | <u>9,895,946</u> |
| Property and equipment-net | 3,551,038 | 2,410,051 |
| Deferred offering costs | — | 412,005 |
| Intangible asset | 1,040,278 | — |
| Goodwill | 3,702,837 | — |
| Other assets | 215,327 | 12,618 |
| Total assets | <u>\$ 54,310,237</u> | <u>\$ 12,730,620</u> |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable (a) | \$ 2,191,349 | \$ 733,444 |
| Commissions/bonus payable | 1,174,233 | 791,639 |
| Accrued liabilities | 2,331,727 | 1,780,690 |
| Short-term debt | 323,585 | — |
| Total current liabilities | <u>6,020,894</u> | <u>3,305,773</u> |
| Capital lease obligations | 44,178 | — |
| Long term debt | 1,201,540 | — |
| Deferred tax liability | 48,000 | — |
| Redeemable preferred stock: | | |
| Preferred stock, \$0.001 par value; designated Series A, 2,182,521 shares authorized, issued and outstanding as of December 31, 2004 | — | 7,979,396 |
| Preferred stock, \$0.001 par value; designated Series B, 4,059,720 shares authorized; 3,829,499 issued and outstanding as of December 31, 2004 | — | 28,776,745 |
| Total redeemable preferred stock | <u>—</u> | <u>36,756,141</u> |
| Shareholders' deficit: | | |
| Common stock, \$0.001 par value, 90,000,000 and 10,526,315 shares authorized as of September 30, 2005 and December 31, 2004, respectively; 12,060,414 and 1,880,169 issued and outstanding as of September 30, 2005 and December 31, 2004, respectively | 12,060 | 1,880 |
| Additional paid-in capital | 86,079,220 | 3,281,447 |
| Unearned compensation | (669,383) | (981,612) |
| Accumulated deficit | (38,426,272) | (29,633,009) |
| Total shareholders' deficit | <u>46,995,625</u> | <u>(27,331,294)</u> |
| Total liabilities and shareholders' deficit | <u>\$ 54,310,237</u> | <u>\$ 12,730,620</u> |
| <hr/> | | |
| (a) Includes the liabilities resulting from transactions with Enable Medical Corporation prior to our acquisition as of August 10, 2005: Accounts payable | \$ — | \$434,869 |

AtriCure, Inc.
Condensed Statement of Cash Flows
(unaudited)

| | Nine months ended September 30, | |
|--|--|---------------------|
| | 2005 | 2004 |
| Cash flows from operating activities: | | |
| Net loss | \$ (8,673,452) | \$ (5,966,038) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation | 1,006,566 | 664,744 |
| Amortization of intangible asset | 29,722 | — |
| Amortization of deferred financing costs | 24,462 | — |
| Stock compensation | 497,898 | 705,594 |
| Preferred stock interest | 2,332,254 | 2,928,876 |
| Changes in assets & liabilities: | | |
| Accounts receivable | 1,188,002 | (1,399,937) |
| Inventory | (483,136) | (392,345) |
| Prepaid expenses | (949,167) | 109,460 |
| Other assets (a) | 412,420 | (7,132) |
| Accounts payable | 975,896 | 428,092 |
| Commissions payable | 161,478 | 192,387 |
| Accrued liabilities (a) | (135,198) | 361,683 |
| | (3,612,255) | (2,374,616) |
| Cash flows from investing activities: | | |
| Purchase of property & equipment | (1,486,948) | (1,263,578) |
| Cash paid for acquisition, net | (6,420,681) | — |
| | (7,907,629) | (1,263,578) |
| Cash flows from financing activities: | | |
| Short-term borrowings, net | 281,093 | — |
| Long-term borrowings, net | 1,201,540 | — |
| Proceeds from stock offering | 43,176,994 | — |
| Proceeds from stock option exercise and warrants | 21,006 | 79,952 |
| | 44,680,633 | 79,952 |
| Net increase (decrease) in cash and cash equivalents | 33,160,749 | (3,558,242) |
| Cash and cash equivalents—beginning of period | 5,175,177 | 10,399,338 |
| Cash and cash equivalents—end of period | \$ 38,335,926 | \$ 6,841,096 |
| Supplemental cash flow information: | | |
| Warrants issued in connection with line of credit | \$ 216,083 | |

(a) Cash flows from operating activities excludes non-cash costs related to the initial public offering in other assets and accrued liabilities