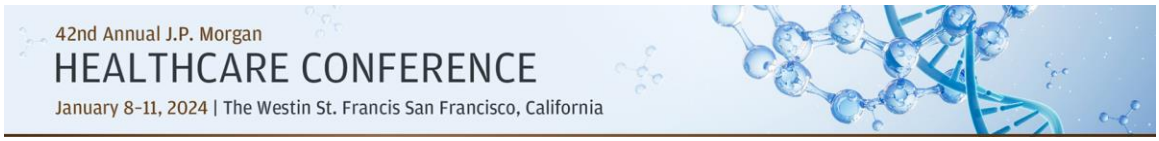

AtriCure Inc

AtriCure Inc presentation delivered at the 42nd Annual J.P. Morgan Healthcare Conference on Wednesday, January 10, 2024 at 7:30 AM

Robbie Marcus: Good morning, everyone. Happy to introduce our next session to kick off day three of the J.P. Morgan Healthcare Conference. I'm Robbie Marcus.

Pleasure to introduce Mike Carrel, CEO of AtriCure. Mike will do a little bit of presentation, then we'll do some Q&A on stage.

Mike Carrel: Thanks, Robbie, and thank you, J.P. Morgan, for having us at the conference this year. It's always a great time of year to kind of kick off and explain kind of what we're doing as a business and where we are in the progression of the company. I'll just kick it off, go through our forward-looking statements here for a moment. I'd like to start on this slide because I think it's really important.

What does AtriCure do? AtriCure is really focused, passionately focused, if you just meet any of our 1,200 people in our business, on healing the lives of people that have atrial fibrillation and post-operative pain.

Now, how big are those markets? I'm going to go into some more detail in just a little bit. These are over $5 billion worth of market opportunities sitting in front of us today. Actually, our TAM continues to expand.

What's incredibly unique about AtriCure is the way that we focused on our markets. In every one of the markets that we're in today, we are number one in the world. Let me repeat that. We are number one in the world in every one of the markets that we are in today. Every one of them are underpenetrated.

We select markets where they are underserved patients, patients who have the most advanced Afib, the most risk of heart failure, the most risk of stroke. We focus on, can we provide solutions that other people are not providing today? These are the kind of markets that we go after and that we continue to grow. These are large, underserved markets that are there.

We support that with an incredibly strong portfolio of products, but it's not just products. We also have clinical science to back it as well. We make major investments. When you think about AtriCure, you're going to think about us really...We make investments in three major areas that we believe create long-term sustainability for a company like ours.

First, if you've got the large market, that's great. You have to create innovative products. You have to keep creating and investing in R&D and innovative products. Two is you've got to do the clinical work behind those products.

We do lots of PMAs on purpose because we believe it is a disease-centric area. We need to make sure that if we are going to use our products, that you can actually treat and effectively affect the lives of the people that have that.

Finally, you've got to build a great training organization for people to be able to utilize those products safely and effectively.

Why is Afib a big deal? If you don't know what Afib is, it's a heart arrhythmia where your heart basically fibrillates. Instead of beating normally, like you learned in your biology class, boom, boom, boom, it's not doing that. It's fibrillating. Therefore, your body is not getting enough oxygen throughout.

Therefore, it can lead to a lot of things, such as dementia, heart failure, and other really bad health problems. You're not getting enough oxygen to major organs and major parts of your body in the efficient manner that you should be getting it. It happens over a long period of time. In addition to that, when your heart is fibrillating, the other thing that happens is the blood pools.

The blood pools because it gets stasis. When that pooling effect happens -- it normally happens in something called the left atrial appendage on the side of your heart -- you have a higher risk of stroke for that to become a clot to go up to your brain, which leads to a five times greater risk of having a stroke, having heart failure, and a greater risk of mortality if you've got Afib.

This is not a benign disease. It's also one of the reasons why, in MedTech today, this is one of the hottest growing areas across all aspects of MedTech.

There's a lot of people that have it. It is not only not benign. We're talking about 37 million people worldwide. We've got the number on the 37 million. I think that number may actually be an old number because nobody's actually published recently. I've seen numbers now 55, 60 million

patients around the globe that have this. This number is growing.

There's a lot of talk, back last summer, about GLP-1s and the effect on, really, cardiovascular disease as people lose weight. Interesting enough, it has no effect on our ability for the number of patients that have atrial fibrillation. It has very limited effect.

In fact, we believe that the GLP-1s might actually help. As people lose weight, we've done research with cardiologists to show that they actually may refer more patients, if they lose the weight, who had Afib that they otherwise would not have gone through. It was too risky to do the treatment for those patients.

In the work that we've done, we've actually seen that this patient population could actually grow as a result of that. To break that down though, in the United States alone, there's eight million patients that have atrial fibrillation today. That number is to grow to 12 million patients by the end of the decade.

What we're focused on is the really complicated and difficult-to-treat patients. I talked about the underserved market before. The 4.5 million are the easier to treat patients the catheters work well with.

When you have to add something to the catheter, patients that are in atrial fibrillation for more than 12 months, the sickest of the sick, the most fibrotic hearts that you have out there, that's almost 45 percent of all the atrial fibrillation patients that are out there, and they don't have a solution today. There is no solution on the market for them. I'll walk you through that here in a moment.

I'm going to walk you through the patient flow, because it's incredibly important to understand our business. I'm going to break out the Afib part first. Then, I'll get into the pain management in a second. The referral pattern for patients, they're talking to their general cardiologist, they're talking to their GP.

Our first business is somebody who has major structural heart disease. That means they have to undergo valve procedure or coronary bypass procedure. You have to open up the chest, do a sternotomy and treat that patient.

Now about one-third of those patients, globally, have atrial fibrillation at the time that they're undergoing that surgery. We are the number one player in the world in this area, continue to

innovate in this area to actually treat that one-third of the patient population. Today, that number is 30 percent of that one-third gets treated.

70 percent still do not get treated, yet the guidelines in 2017 changed. The good news is that over the last 10 years, we've moved it from 10 percent to 30 percent. The next move is to go from 30 percent to 100 percent. Every one of these patients should be treated when they are in the operating room table. There's absolutely no doubt about it, the guidelines said.

All the data that has been published using our technology has also demonstrated and changed the guidelines overall in this, and not only guidelines but reimbursement. If you're not undergoing a coronary bypass procedure, you get $10,000 additional to do an ablation on that patient.

Why is that? Because they know that if you treat, CMS knows that's going to help the healthcare system long-term as well, obviously help the patient also. This is a big market for us.

In that market, we have both ablation tools. We also have, and I'm going to talk in detail about those in a moment, but we also have left atrial appendage tools as well. We have large clinical trials going on in that area.

The second part of our population and flow is that you're a patient. You have atrial fibrillation, but you don't have any other structural heart disease. For that particular patient, drugs work really well. They work really well at first.

However, they do break down, and they only work in about 50 percent of the patients. The other 50 percent, they're going to try something. You have to look at the continuum of care. If you think about cancer in stages one, two, three and four, and you look at the continuum of care somebody might have in cancer, Afib is a progressive disease just like that.

What I mean by that is that the earlier stage Afib, the catheter-based companies, massive markets, $6 billion market today. They've got mapping systems and catheters that work well at treating that early-stage atrial fibrillation.

I talked about that earlier, that's that four and a half million patients in the United States. It's a massive market opportunity. Guess what? The catheters work incredibly well in that area. There's more and more technology coming out to make it even faster and more efficient for the catheters to work in that area.

What they don't work well on is the long-standing persistent patients, the patients that have been in Afib for over a year, because their heart has completely remodeled. They're incredibly fibrotic. They need an approach in which you're coming from both the outside and the inside to effectively help that patient.

We are the outside portion of that part, focused on that part of the patient population. We call that the hybrid solution because you're combining the technologies that these great companies, the J&J's, the Medtronic's, the Boston's do with ours to actually treat that very difficult to treat patient population.

No differently than in cancer, you're not just going to have one drug, you're going to go immunotherapy, and chemotherapy, and surgery to possibly treat and make sure you've covered that very sick patient population. Think about that. That's our patient flow in terms of how that works.

Now, let's talk about the markets. It's an over $5 billion overall market. When you look at this slide and look at the orange box that you see there, I've just touched upon a couple of these different areas. The first one is, I'm going to go to the bottom left, cardiac surgery, open ablation, and left atrial appendage management.

This is the part of the market. You see the darker blue gray down at the bottom. That says that's what the penetration is. That's that 30 percent that we know is going to continue to grow.

With a combination of the R&D that we've done, we came out with a new product last year called The EnCompass Clamp that reduces the time from 40 minutes down to less than 10 minutes for them to do an ablation. A coronary bypass surgeon can do an ablation in a very quick and time-effective manner.

On top of that, we've got our AtriClip product, that is in this area for these patients, that you put on while you're doing that procedure as well. We've made great progress in that, and it's continued to grow our business. In the United States alone, there are 300,000 people that undergo cardiac surgery. Of those, about one-third have atrial fibrillation.

If you look over to the left of that, though, we've also started a trial. I mentioned there are 300,000 patients in the United States, but there's 1.5 million patients -- let me repeat that, 1.5 million patients -- every year around the globe that undergo cardia surgery. Every single one of them have a risk of getting a stroke. A patient, whether you have Afib going into surgery or not, you've

got a 50 percent chance of getting Afib in your lifetime.

There have been multiple studies done over the last eight years that demonstrate that if you manage the left atrial appendage, even in the patients that don't have atrial fibrillation, you are going to significantly reduce their stroke rate.

We have embarked on a trial called the LeAAPS trial, which is the largest cardiac surgery randomized trial in the world ever done. 6,500 patients. Half the patients will get our AtriClip. Half the patients will get nothing. There's excitement behind the trial. It's a 250-site trial. 6,500 patients. We've already enrolled 1,400 patients in the first nine months of the trial. 1,400 patients in the first nine months of the trial.

Over 60 sites have already signed up on it in the United States. We've got 25 sites lined up, and we've got about 150 sites ready to go in the United States as well. We will likely enroll this trial over the course of the next year and a half, so we should be enrolled fully sometime in 2025.

This trial will demonstrate stroke reduction for all patients that undergo cardiac surgery. I'm telling you this because it absolutely expands the size of the market opportunity. It means that one and a half million patients should have their left atrial appendage managed while their undergoing cardiac surgery.

There's another benefit to a trial like that. The level and amount of data that we're going to grab on 6,500 patients is unheard of in the medical device world. We are also going to show things such as hypertension.

We are also going to demonstrate the economic value for these patients so that we can go back to the reimbursement agencies, across the world as a global trial, to get additional reimbursement specifically for the AtriClip product in this area.

We're making a major investment in R&D to expand that market quite a bit.

On the pain management side, this is where you're undergoing a thoracotomy. When you undergo a thoracotomy, you've got lots of pain because you're going in through your ribs where you have intercostal nerves. Incredibly painful.

Just think about if you ever got punched or fell on your ribs, you feel the pain. If you stick a port in there or you move it open, what happens? It disrupts, and you get really angry nerves at that

point in time.

We have ablation products, cryoablation, very specifically. It's nitrous oxide. That's incredibly important. It's at the exact right temperature -- between negative 60 and 70 -- that kills the inside, all the axions, but does not hurt the sheath. Why that's important is it allows it to regenerate and grow back.

What you've done is you've blocked the pain signals to the brain for about four to eight weeks after surgery, which significantly reduces the pain, improves recovery. We started this process about five years ago, and we have basically stood up this business from nothing to something to almost $50 million in revenue this year. It's been growing over 20 percent for the last several years.

A very good business for us, and we are still less than 20 percent penetrated in the thoracic market. There's 150,000 patients in the United States undergo thoracotomies. Of those 150,000 patients, we're less than 20 percent penetrated.

The next piece is we're actually beginning to expand. You're hopefully beginning to get a little bit of thought here. "Wait. AtriCure likes to expand these markets, leverage the existing technology and the existing channels they have."

In sternotomy, you have the same level of pain when you're opening up the chest as well. There's 255,000 sternotomies around the globe, and we're now beginning to roll out and actually talk to surgeons about opening up that market and expanding in that. Those are just the US numbers that I just quoted.

I talked briefly about the size of the hybrid market, which is that three and a half million patients that we have in our business are in the United States alone that are going after that. You can see that in the...that is a very small box at the bottom there.

Just to give some context to it. Of the three and a half million or so patients, we treated 3,000 last year. Yet we're the only company in the world and just got our approval with randomized control data to show incredible efficacy with this.

Right now we're doing what you do, which is you go build programs. We go build those programs out, and we've started to see great results. We saw great results in this quarter. This is a market that is a multi-multi-billion-dollar market to add on to the other ones that I just talked about.

I'll go a little bit deeper into each one of these here momentarily.

On the cardiac surgery side of our business, that part that I mentioned before, we've continued. I mentioned it. Innovation, clinical science, and awareness and education.

On the innovation side, over the last two years, we've been rolling out the EnCompass product. You can see it there on the slide. What that enables you to do is that enables you to go around through the different transverse and oblique sides of the heart so that you don't have to get behind the heart. Getting behind the heart is the most difficult part of this procedure, which is why many cardiac surgeons have not done it.

We developed this innovated technology over the last couple of years. That has actually had a significant effect on our growth rate in this area and also on treatment, most importantly where we've seen more and more patients getting treated.

We think this, combined with what we're doing on the reimbursement side that you've seen recently, is going to improve that penetration rate over the next five years quite dramatically by the end of the decade.

In addition to that, we continue to innovate on the AtriClip side of our business. We've got a new product coming out, actually at the end of this year. The feedback we get from our customers is, "We want a smaller and smaller product." There's been a lot of conversations from investors over the last two months, because a competitor came into the space and is coming into this area.

We view that as a very positive thing. When competitors come into your space, that's validation of your market. It means your market is big enough that it's worthwhile for large companies to make those investments to help you grow and expand that market.

I talked about the size of left atrial appendage market from before, how it's one and a half million patient’s total. We are less than 10 percent of that penetrated today. There is a huge market opportunity there, and we continue to innovate in this area.

We'll have another new product called the FLEX Mini coming out later on this year that is an even smaller profile product that'll be about a third the size of our existing product, which is already the smallest profile product on the market today.

As I mentioned, we're investing in clinical evidence and clinical science. The guidelines have changed. I just think these numbers are really fun to look at and impressive, which is that we hit our 500,000th AtriClip implanted in 2023. We have done over 400,000 ablations.

We know this market. What's as good is that the efficacy rates are exceptional with these products and the safety rates are, basically, we don't have any safety events utilizing our products in this area.

Very, very few, as low as any medical device that is out there on the market today, so we're very proud of what we've done in this area.

On the hybrid side of our business is the large opportunity for those long-standing persistent patients that nobody is serving today.

We've invested a lot in clinical evidence in this area. It's incredibly important. The EPs who are the referring physicians in this area would say, "You need clinical evidence to demonstrate. If I'm going to refer my patient, I need to see it."

There have been three randomized controlled trials that have read out over the last two years. Every single one of them have demonstrated at least 100 percent improvement between the catheter only arm and the catheter arm plus doing an epicardial ablation on the outside.

We're the epicardial ablation on the outside. It's a minimally invasive procedure that you add on to the internal procedure that the catheter ablation does. We've seen amazing results.

Don't just trust our data. There's actually data out there. You see catheter study on there where the catheters tried to do this themselves and they showed, guess what, the same efficacy that we saw in all of our randomized trials for just the catheters. Very consistent data we get lots of good feedback on.

Now the biggest thing for us is to go build out those programs to focus on how do you actually create that referral pattern to be appropriate. That's what we're building on now. We've made major investments in this. This is going to be a major growth driver for us over the course of the rest of the decade.

To give you some context, I think it's important to understand. I talk about these different areas, the early stage or paroxysmal patients, the persistent patients, and then these longstanding

persistent patients.

You can see where the major device players are playing. They're playing in the early stage. Every single trial that's been done or started is in that area on the catheter-based side of it. Why? Because you do need the combination for these longstanding persistent patients. There is benefit regardless of the energy source you use.

You could use Cryo, PFA, or RF. They do great work on those early-stage patients. On the later stage patients, the combination is actually super effective. We're the only one that have done trials. We've invested in these trials, and we've seen great results with it.

Finally is the pain management business, which I talked about earlier. We've got great evidence in this area. We've seen great growth since we've launched this in 2019. We have a new product coming out this coming year that is going to actually hopefully reduce the time that they're going to have to actually spend doing this. That's the biggest pushback that we get.

We see this as a continued growth driver, not only in thoracotomy, but in sternotomy, and then in other extremities over time.

Let me just give you a brief highlight on 2023. One of the most important ones I'd like to look at in the slide is the one right in the middle.

We've served over a million patients to date in the lifetime of AtriCure. It's something that everybody at our company is incredibly proud of. We crossed that barrier this year and we anticipate that obviously that number is going to grow quite dramatically.

We've done 500,000 AtriClips, as I mentioned, and we had 21 percent growth. 21 percent growth, and I'm going to hit on this in the slide or two, is our three straight years in a row where we've been north of 20 percent growth. As the business has grown, the revenues have grown, have gotten larger, we have organically driven that type of acceleration for our business.

As I mentioned, the other number on there is the LeAAPS trial, that 1396. We had anticipated that in the first year, just getting sites up and running, we might be able to do 650 patients.

The excitement in the market for this trial, for the treatment of these patients was so great, we got more sites signed up faster and they're treating almost every patient that they see. It's just fantastic.

One of the other things that we're proud of for the year is that we had adjusted EBITDA positive for the first time and we'll do about $18 to $20 million for the year. At the beginning of the year, we expected to do about zero percent, or basically zero dollars. We were saying, "Hey, we're going to cross through." Now, we're doing $18 to $20 million.

As we look into 2024, you can see, as I mentioned, over the last three years, we've had great top-line revenue growth, over 20 percent for each of the last three years. We actually accelerated from 2022 to 2023 in the overall growth rate because of these innovations.

We've got six new products coming out over the next 18 months that we think are going to continue to advance and innovate in this market. We've got more clinical evidence and clinical science, and we're obviously becoming profitable. We feel really good about the foundation of the business.

And with that, I'm going to turn it over to Robbie to come on up and ask me some questions.

Robbie: Great. Thanks, Mike. Maybe we could start with the quarter. You grew 20 percent constant currency. Any details you want to provide of where the sources of growth came and US versus OUS?

Mike: Yeah, sure. That's a great question. Thanks. I'm sure you saw the press release, Robbie. Our growth this quarter, the number one growing piece of our business was actually Convergent, the minimally invasive part that I talked about, that hybrid that I just mentioned. That was the fastest growing part of it.

You start to see some of the traction that we've been talking about, the building out those programs and doing that market development work that we're doing. That was by far the largest growing part of our business.

Number two was the AtriClip, and then it was the other ones were around, I'll call that corporate average that we did overall. We feel really good about the progress that we've made on Converge. Last year at this time, everybody was nervous about Converge in general, and we have reset expectations at the beginning of the year.

We feel like we have beat expectations throughout the year and we've seen that accelerate now. We're cautious. One quarter doesn't make the entire next year, but we definitely saw more cases

and more patients being treated, so we feel really good about the quarter from that standpoint.

Robbie: If we take that excitement, we move it to 2024, 15 to 17 percent constant currency growth. I guess same question in those ranges, what do you see at the low end, what do you see at the high end, and any comment on Convergent as a component of that?

Mike: We kid about this, but basically if you look at all of our franchises in the areas of our business, they're all converging upon a similar growth rate. We anticipate similar growth rates across all the franchises this year in that 15 to 17 percent range.

I would say that conversion's going to be within that range and approaching and around there, as is Cryo Nerve Block, the Clip and then also the open part of our business as well encompass. We feel like it's all converging around that same number.

Give or take a percentage or two here or there, you might see Convergent maybe at the lower end of it and then maybe...but we'll see. Obviously as the year goes on, we'll progress from that.

Robbie: What's impressive is the open business, which historically was a good but not double-digit grower. Last year you launched a new product there. I believe it was last year. It got a nice mix benefit, yet we're seeing that double-digit growth continue this year.

Maybe spend a minute, talk about what you're seeing in the open business. How much is volume, how much is mix, and how long this double-digit growth can be sustained here?

Mike: We think we've moved it from a single digit to a double-digit growing business. I think that with the guideline, not only guideline, but reimbursement combined with the Encompass technology, the Encompass technology has been hit out in the market. It's been a great launch.

We're in almost 600 sites now in the United States and just almost, we're not even at two-year mark within it. We're basically 60 percent of all the sites in United States with that product. We feel like there's a lot of room for growth, both getting deeper in there and also expanding at the price though difference.

At this point we've lapped any kind of price benefit. Everything that we're getting now is volume benefit, but the volume we're doing is at a higher ASP. It's not like you're lapping it against something else and stealing from anything else, but it is all at a higher ASP than we used to get before.

Robbie: You're in 60 percent of centers, and I know you have some slides on this, but where do you see yourself in terms of penetration into where you could be in terms of open procedures with patients that have atrial fibrillation?

Mike: We're in 60 percent of the centers for Encompass specifically, but we're in 100 percent of the centers or like 98 or 99 percent of the centers for all of our open procedures.

We're still only at 30 or maybe a little bit north of 30 percent penetration at this point in time. We think with the Encompass clamp we should be able to get to 70, 80 or 90 percent by the end of the decade.

Robbie: I imagine that number is very different in the US versus outside the US.

Mike: In terms of penetration?

Robbie: Yeah.

Mike: Yes. That is a US number. OUS, it's early sitting around 20 percent. Our EnCompass Clamp actually is not in Europe yet and we anticipate rolling that out sometime in year by the later this year into 2025.

Robbie: AtriClip, that's been a really good multi-year growth story for you. I feel like as of late with a competitor entry here, it's become the focus, it's hit the stock price a bit. I want to spend a few minutes here because I think it's really important.

You and I were talking before the session about how you can break down AtriClip into different components. Maybe just for investors, talk about where's AtriClip used today and what are the different clip sizes and how that's relevant?

Mike: Great question. A competitor did come into place. I like to state this. We've been the only one in this space for 10 years. We've established the footprint, we've got to work 500,000 implants and we know our products work incredibly well and incredibly safe.

We've been waiting for competition for a long time to enter into space because it's a great space and we think people have found out, call it that it's a good space. That's fine.

We think that'll help grow the space and help us, everybody, ourselves and others obviously get into it, because they wouldn't be doing it unless we feel like we could have a much larger market opportunity.

If you actually just look at our business more specifically, Robert, to your question, which is if you take 100 percent of our revenue and you say 100 percent of your revenue's AtriClip, of that, 30 percent is minimally invasive. The new competition that just came into the market does not have a minimally invasive product, so that is typically done along with our hybrid solution.

When you're doing Convergent, you actually have AtriClip added on to that. That's 30 percent of the overall 100 percent that you've got there. Now you have 70 percent of your revenue. Of the 70 percent of revenue there, we have really two primary products today. You've got our V product, which is our more expensive product. That's the one the competitor came after.

Then we've got our lower-priced product, which is the original products that's out there. The original product is significantly lower on the price standpoint and represents 30 percent of our overall revenue. You're now talking about 70 percent of the 70 percent, so 50 percent of the overall revenue is the market that effectively, the competition has come out with a new product in that area.

They've come out with a competitive product, but they're also coming in at a higher ASP price than what we've actually had in the market, as well. We feel like we've got a really good footprint in that area.

In addition to that, if you look at that patient population, you don't typically -- some people do, but -- you don't always do just the AtriClip. You're doing an AtriClip with an ablation. In the US market, we have about 85 percent market share relative to the competition in that area today.

As we were just talking about, that number's growing in terms of...we're the ones growing the ablation market, so our share is actually continuing to grow on that side as well. You're going to get an AtriClip along with our technology.

Does that...?

Robbie: Yeah, that's great. Up to 50 percent, right? The 70 percent of the 70 percent? What percentage is concomitant AtriClip plus surgical ablation versus just the AtriClip alone?

Mike: I can't give an exact number on that front, but it's probably around 80/20 or so. That's a guess, to some degree. We do have also, remember, the LeAAPS trial is going on.

A lot of people have already made the conclusion that they want to treat the appendage prophylactically in non-Afib patients, so we do have a portion of that that is non-Afib patients that are actually getting treated as well. A large portion of that is combination with an ablation.

Robbie: The reason I bring it up is more in a positive light, because the doc's we spoke with -- and granted, it's extremely early and it's hard to find doc's who have used it so far, and especially in a commercial setting -- they were saying that you bundle AtriClip and your surgical ablation tools.

Especially when an AtriCure rep is in the room winning the surgical ablation sale, almost 100 percent, they're going to win AtriClip as well. Is that a fair statement?

Mike: Partially. We don't bundle. We actually don't bundle. In fact, we don't...

Robbie: Good correction.

Mike: We sell them separately on that front, so we're not bundling any of our products on that front. They buy them separately, but the second part's true. Which is that when we are in the operating room, we are helping guide them towards that, and it does make a lot of sense for them to use an AtriCure solution, which is a combination of those. It's not bundled, like, from a pricing standpoint.

We're in the room helping them out, giving them advice and guidance as they're going through it, about what the maze looks like, etc. That's where you're seeing, kind of, when you're hearing from the doc. I think that's what they're talking about is that they're looking at the AtriClip.

" Hey, I'm doing my surgery right now, and I need help from you, and you're the most...," kind of, "You know more about this than anybody else in the world." They're looking at them for guidance and consultation at that point.

Does that help? I don't know if that's...

Robbie: Yeah, no. That's great.

Maybe the last question on this specifically. This is a market where you have an extremely long track record of use, and you have a good body of clinical data. How important is clinical data and past experience to the physicians here versus just, let's say, price?

Mike: Clinical data, in my mind, is everything, at the end of the day. You're going to have some places that will get pressure from their administration to put pressure on you for price, because maybe they're...and most of those have gone to our lower-cost product. It's a lot lower cost that what's out there today, but we have clinical evidence on both.

I think clinical evidence is absolutely critical. It's also one of the reasons we're doing the LeAAPS trial. We, in addition to having, call it, 15,000 patients that have studied in our [inaudible] with the existing product we have today, now we're going to do another trial to show stroke reduction. We think that's going to be absolutely critical for this long term, to get after the whole 1.5 million patients globally.

Robbie: I have my own opinions here, but I want to get them from you.

Mike: [laughs] OK.

Robbie: A lot of investors are more familiar with whether it's left atrial appendage closure or catheter ablation relative to the surgical options. A question I get a lot is with WATCHMAN from Boston doing so well, how does that impact AtriClip?

Then, with pulsed field ablation now launching and approved in the US, how does that impact your business? I'd love to get your thoughts on both of them separately.

Mike: On the WATCHMAN/Amulet product that are [indecipherable], that has been a huge boost in benefit to us, to our AtriClip franchise, because ours is being done concomitant with cardiac surgery. We don't compete at all with them. We don't get any revenue, really, from stand-alone AtriClips because that's an off-label product for us. We don't sell competitively against them at all on that front.

The fact that people realize managing the appendage is a good thing has helped us out overall and helped our franchise tremendously, which is why, as you mentioned earlier, we've seen such a long tenure of growth. Part of that, I would give some credit to the fact that the whole market overall has said that managing that's important, and the surgeon's looking right at it.

We think that there's a lot of benefit to that. We don't directly compete. Nobody's putting a $16,000 WATCHMAN into a cardiac surgery procedure. Our products sell for $1,750, so you're talking about 10 percent of the pricing of that. You're not putting one in cardiac surgery.

Robbie: The access is totally different.

Mike: The access is different, as well.

On the PFA side, the PFA for the catheters that is really exciting and interesting technology. I think what we saw from the data that has come out so far is that it's basically an equivalency in efficacy, an equivalency on safety, and a lot faster. We think that's actually good, because that means they're going to treat more patients.

If they're treating more patients and busy with those, that means that they're going to need to have somebody to deal with the more difficult-to-treat patient population. PFA coming into there is just going to help them treat those patients faster. They're going to focus on the earlier stage.

There are obviously some physicians who say, "Oh, well, I'll just do the back wall and try it with the PFA because it's safer." What we saw is the safety's actually relatively equivalent. I think they're going to have to learn that from clinical evidence and clinical science. You may have some EPs trying it, but you're still going to get failure.

We saw in the most recent data, in the easier-to-treat patients, they still had 35 percent failures, which means, what do you do when you've actually done a complete back wall with PFA? Let's say they go down that path, and now you've got to have an [indecipherable] to purchase.

We actually think that awareness in the market and the excitement around Afib and the referral pattern and better solutions should lead to more patients being referred, which is going to lead to us actually benefitting from that.

Robbie: If I shift gears, right? Good top line. We started to see last year positive adjusted EBITDA in 2023. I believe it was 25 to 29 million in adjusted EBITDA for '24.

Mike: 26-29.

Robbie: 26-29. Sorry.

Mike: That's OK.

Robbie: Bracketing the street around 27 and change. How do we think about your spending priorities and where that capital's going and where we're seeing leverage down the P&L?

Mike: Very simply -- you probably heard it in my presentation -- we are investing in R&D. Our R&D percentage of revenue will stay similar or go up slightly, with the LeAAPS trial being enrolling so heavily this year. Where you're seeing the spend is 100 percent R&D. We will get leverage from SG&A. From everything else beyond that, we'll get leverage.

Our gross margins should stay relatively the same. We should be about the same on that front. Really, increased spend is going to be in R&D particularly because we're going after these massive markets and expanding them. We can do it now while also staying profitable.

We make that trade-off, as a company, to basically say, "Hey, we think we're profitable. We're going to stay profitable. We're going to improve profitability, but we're still going to invest in R&D because these markets are so large."

Robbie: To be clear, is that a tick up in a percentage of sales for R&D or just that it's growing year over year, and should stay the same?

Mike: It'll grow year over year. It'll be within percentage points, so it's around that.

Robbie: As we think down, adjusted EBITDA is a proxy for free cash flow, but free cash flow is the most important. How do we think about your free cash flow generation abilities in '24 and then beyond?

Mike: We don't anticipate being free cash flow positive in 2024. Part of that is just as we do things like expansion, we're building out new manufacturing and getting our facilities ready for the growth that we're seeing in front of us, but we do anticipate very shortly thereafter that you're going to start to see cash flow positive.

Robbie: Just quickly want to check the room. Any questions? Maybe last one. There's so many new devices and drugs out on the market for generating awareness for atrial fibrillation.

I'd love to get your view of how you see these markets trending both US, where you have the majority of sales, but also outside the US where there's such a large untapped population both for

the market and for AtriCure specifically. Can this be a double-digit growth market for the foreseeable future?

Mike: We do see it as a double-digit growth market for the foreseeable future. I'll start with that. Absolutely. We feel really confident that our markets are real. It's why we're making the investments in the R&D in those areas.

We absolutely feel like there's double-digit revenue growth for a long, long period of time, so we're very confident in that. You actually bring on a great point on the international front. You saw this year was the first year we grew faster internationally than we did in the US.

We're now really getting our legs underneath us internationally to be able to expand into those markets. We've gone direct in Australia. We're seeing progress in Japan. We're seeing progress throughout the European market.

We've got great leadership there. We've built out a team. We feel like we can continue to grow on the international front too.

To your point, it's even less penetrating in those markets. We feel really good about that.

Not all of our products that are in all those markets, as I mentioned earlier, Encompass the fastest growing piece in our open business in the US. It isn't even outside the US at this point.

Robbie: All right. Great. Well, we're just about out of time. Thanks so much. Great to have you here. Thank you everybody for joining today.

Mike: Thanks for inviting me. Thank you.
