
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): August 4, 2016

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.)

7555 Innovation Way
Mason, OH
(Address of principal executive offices)

45040
(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))
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Item 2.02. Results of Operations and Financial Condition.

On August 4, 2016, AtriCure, Inc. issued a press release regarding its financial results for the second quarter ended June 30, 2016. The Company will hold a conference call on August 4, 2016 at 4:30 p.m. Eastern Time to discuss the financial results. 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 Item 2.02 of Form 8-K and in the press release attached as Exhibit 99.1 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 Item 2.02 of this Form 8-K and Exhibit 99.1 shall not be incorporated by reference in any filing or other document under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in any such filing or document.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

No. Description

99.1 Press Release dated August 4, 2016 relating to financial results for the second quarter ended June 30, 2016

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.

Dated: August 4, 2016

By: /s/ M. Andrew Wade

M. Andrew Wade

Senior Vice President and Chief Financial Officer



Contact:

AtriCure, Inc.

Andy Wade

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AtriCure Reports Second Quarter 2016 Financial Results

- Revenue of \$39.7 million – up 21.8% as reported, 21.5% constant currency
- U.S. sales of \$30.9 million – up 19.9%
- International sales of \$8.8 million – up 28.7% as reported, 27.4% constant currency

MASON, Ohio – August 4, 2016 – AtriCure, Inc. (Nasdaq: ATRC), a leading innovator in treatments for atrial fibrillation (Afib) and left atrial appendage (LAA) management, today announced second quarter 2016 financial results.

“We are pleased to report second quarter results which reflect many accomplishments – we launched two new products, made progress with our clinical trials and made strides in positioning AtriCure for long term success,” said Mike Carrel, President and Chief Executive Officer of AtriCure. “We also had strong gross margins and better than expected bottom line performance, while refining and expanding our commercial organization as part of our integration of nContact, which will help support our long term growth objectives. We remain confident in our path to EBITDA profitability in 2018 and our long-term revenue growth prospects remain solid.”

Second Quarter 2016 Financial Results

Revenue for the second quarter of 2016 was \$39.7 million, an increase of \$7.1 million or 21.8% (21.5% on a constant currency basis), compared to second quarter 2015 revenue. Domestic revenue increased 19.9% to \$30.9 million, driven by strong sales of ablation-related open-heart products, ablation-related minimally invasive products, and AtriClip® products. International revenue was \$8.8 million, an increase of \$2.0 million or 28.7% (27.4% on a constant currency basis). International revenue growth was driven primarily by increases in product sales in Japan, China, Germany, the United Kingdom and France, across all applicable product lines.

Gross profit for the second quarter of 2016 was \$28.8 million compared to \$23.1 million for the second quarter of 2015. Gross margin for the second quarter of 2016 increased to 72.6%, compared to 70.9% in second quarter of 2015.

Operating expenses for the second quarter of 2016 increased 30.9%, or \$8.6 million, compared to the second quarter of 2015. The increase in operating expenses was driven primarily by an increase in selling, clinical, product development, marketing and training expenses, with most of these areas impacted by the changes in our operating structure to support our acquisition of nContact in late 2015.

Loss from operations for the second quarter of 2016 was \$7.7 million, compared to \$4.8 million for the second quarter of 2015. Adjusted EBITDA, a non-GAAP measure, was a loss of \$2.4 million for the second quarter of 2016, compared to a \$1.0 million loss for the second quarter of 2015. Net loss per share was \$0.26 for the second quarter of 2016 and \$0.18 for the second quarter of 2015.

Updated 2016 Financial Guidance

Management projects 2016 revenue growth of approximately 20 to 22% over full year 2015 at current exchange rates.

Adjusted EBITDA, a non-GAAP measure, is projected to be a loss in the range of \$14 to \$15 million for 2016 as the Company continues to make strategic investments to drive the long-term growth plan, including several clinical trials, modest expansion of the U.S. field sales team, and ongoing product development efforts. In terms of EPS, this EBITDA range translates into a loss of between \$1.12 and \$1.22. Significant improvements in the adjusted EBITDA loss are expected for 2017, turning to a positive adjusted EBITDA for 2018.

Conference Call

AtriCure will host a conference call at 4:30 p.m. Eastern Time on Thursday, August 4, 2016 to discuss its second quarter 2016 financial results. A live webcast of the conference call will be available online on the Investor page of AtriCure's corporate website at www.atricure.com. You may also access this call through an operator by calling (855) 307-9214 for domestic callers and (330) 863-3275 for international callers using conference ID number 44527948.

The webcast will be available on AtriCure's website and a telephonic replay of the call will be available through August 11, 2016. The replay dial-in numbers are (855) 859-2056 for domestic callers and (404) 537-3406 for international callers. The conference ID number is 44527948.

About AtriCure, Inc.

AtriCure, Inc. provides innovative technologies for the treatment of Afib and related conditions. Afib affects more than 33 million people worldwide. Electrophysiologists and cardiothoracic surgeons around the globe use AtriCure technologies for the treatment of Afib and reduction of Afib related complications. AtriCure's Isolator® Synergy™ Ablation System is the first and only medical device to receive FDA approval for the treatment of persistent Afib. AtriCure's AtriClip Left Atrial Appendage Exclusion System products are the most widely sold LAA management devices worldwide, with more than 75,000 implanted to date. For more information, visit AtriCure.com or follow us on Twitter @AtriCure.

Forward-Looking Statements

This press release contains "forward-looking statements"—that is, statements related to future events that by their nature address matters that are uncertain. For details on the uncertainties that may cause our actual results to be materially different than those expressed in our forward-looking statements, visit <http://www.atricure.com/fls> as well as our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q which contain risk factors. We do not undertake to update our forward-looking statements. This document also includes forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.

Use of Non-GAAP Financial Measures

To supplement AtriCure's condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, AtriCure uses certain non-GAAP financial measures in this release as supplemental financial metrics. Non-GAAP financial measures provide an indication of performance excluding certain items. Management believes that in order to properly understand short-term and long-term financial trends, investors may wish to consider the impact of these excluded items in addition to GAAP measures. The excluded items vary in frequency and/or impact on our continuing operations and management believes that the excluded items are typically not reflective of our ongoing core business operations. Further, management uses results of operations before these excluded items as a basis for its strategic planning. The non-GAAP financial measures used by AtriCure may not be the same or calculated the same as those used by other companies. Reconciliations of the non-GAAP financial measures used in this release to the most comparable GAAP measures for the respective periods can be found in tables later in this release. Non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for AtriCure's financial results prepared and reported in accordance with GAAP.

ATRICURE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands, Except Per Share Amounts)
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|-------------------|----------------------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Domestic Revenue: | | | | |
| Open-heart ablation | \$ 14,721 | \$ 13,648 | \$ 28,689 | \$ 26,002 |
| Minimally invasive ablation | 7,990 | 5,057 | 14,715 | 9,404 |
| AtriClip | 7,348 | 6,286 | 14,196 | 11,789 |
| Total ablation and AtriClip | 30,059 | 24,991 | 57,600 | 47,195 |
| Valve tools | 813 | 753 | 1,544 | 1,472 |
| Total domestic | 30,872 | 25,744 | 59,144 | 48,667 |
| International Revenue: | | | | |
| Open-heart ablation | 5,438 | 4,088 | 9,910 | 8,304 |
| Minimally invasive ablation | 2,186 | 1,858 | 4,350 | 3,826 |
| AtriClip | 1,024 | 789 | 1,889 | 1,460 |
| Total ablation and AtriClip | 8,648 | 6,735 | 16,149 | 13,590 |
| Valve tools | 152 | 104 | 319 | 212 |
| Total international | 8,800 | 6,839 | 16,468 | 13,802 |
| Total revenue | 39,672 | 32,583 | 75,612 | 62,469 |
| Cost of revenue | 10,854 | 9,466 | 20,880 | 17,617 |
| Gross profit | 28,818 | 23,117 | 54,732 | 44,852 |
| Operating expenses: | | | | |
| Research and development expenses | 9,124 | 5,862 | 17,687 | 11,471 |
| Selling, general and administrative expenses | 27,432 | 22,074 | 54,202 | 43,344 |
| Total operating expenses | 36,556 | 27,936 | 71,889 | 54,815 |
| Loss from operations | (7,738) | (4,819) | (17,157) | (9,963) |
| Other expense, net | (451) | (64) | (751) | (180) |
| Loss before income tax expense | (8,189) | (4,883) | (17,908) | (10,143) |
| Income tax expense | 17 | 8 | 22 | 14 |
| Net loss | \$ (8,206) | \$ (4,891) | \$ (17,930) | \$ (10,157) |
| Basic and diluted net loss per share | \$ (0.26) | \$ (0.18) | \$ (0.57) | \$ (0.37) |
| Weighted average shares used in computing net loss per share: | | | | |
| Basic and diluted | 31,575 | 27,304 | 31,466 | 27,187 |

ATRICURE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)
(Unaudited)

| | June 30, 2016 | December 31, 2015 |
|--|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash, cash equivalents, and short-term investments | \$ 42,427 | \$ 34,578 |
| Accounts receivable, net | 21,354 | 19,409 |
| Inventories | 19,311 | 17,659 |
| Other current assets | 3,373 | 3,106 |
| Total current assets | 86,465 | 74,752 |
| Property and equipment, net | 30,902 | 31,279 |
| Long-term investments | 5,525 | 7,706 |
| Goodwill and intangible assets, net | 158,210 | 159,032 |
| Other noncurrent assets | 411 | 323 |
| Total assets | \$ 281,513 | \$ 273,092 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 24,716 | \$ 31,138 |
| Other current liabilities and current maturities of capital leases | 473 | 450 |
| Total current liabilities | 25,189 | 31,588 |
| Capital leases | 13,504 | 13,710 |
| Long-term debt | 24,969 | — |
| Other noncurrent liabilities | 40,851 | 41,109 |
| Total liabilities | 104,513 | 86,407 |
| Stockholders' equity: | | |
| Common stock | 33 | 32 |
| Additional paid-in capital | 361,023 | 352,900 |
| Accumulated other comprehensive loss | (490) | (611) |
| Accumulated deficit | (183,566) | (165,636) |
| Total stockholders' equity | 177,000 | 186,685 |
| Total liabilities and stockholders' equity | \$ 281,513 | \$ 273,092 |

ATRICURE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

| | Six Months Ended June 30, | |
|---|---------------------------|-------------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net loss | \$ (17,930) | \$ (10,157) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Share-based compensation expense | 5,869 | 4,141 |
| Depreciation and amortization of intangible assets | 4,500 | 2,693 |
| Amortization of deferred financing costs | 86 | 31 |
| Loss on disposal of property and equipment | 117 | 63 |
| Realized (gain) loss from foreign exchange on intercompany transactions | (15) | 302 |
| Amortization/accretion on investments | 74 | 339 |
| Change in allowance for doubtful accounts | (49) | 117 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (1,897) | (468) |
| Inventories | (1,595) | (1,977) |
| Other current assets | (236) | (538) |
| Accounts payable and accrued liabilities | (5,542) | (1,068) |
| Other non-current assets and liabilities | (338) | 128 |
| Net cash used in operating activities | (16,956) | (6,394) |
| Cash flows from investing activities: | | |
| Purchases of available-for-sale securities | (21,940) | (10,302) |
| Sales and maturities of available-for-sale securities | 12,404 | 20,460 |
| Purchases of property and equipment | (4,341) | (4,077) |
| Increases in property under build-to-suit obligation | — | (4,806) |
| Net cash (used in) provided by investing activities | (13,877) | 1,275 |
| Cash flows from financing activities: | | |
| Proceeds from debt borrowings | 25,000 | — |
| Payments on capital leases | (218) | (25) |
| Increases in build-to-suit obligation | — | 4,806 |
| Payment of debt fees | (120) | (62) |
| Proceeds from stock option exercises | 2,301 | 1,854 |
| Shares repurchased for payment of taxes on stock awards | (1,033) | (572) |
| Proceeds from issuance of common stock under employee stock purchase plan | 987 | 906 |
| Net cash provided by financing activities | 26,917 | 6,907 |
| Effect of exchange rate changes on cash and cash equivalents | 69 | (185) |
| Net (decrease) increase in cash and cash equivalents | (3,847) | 1,603 |
| Cash and cash equivalents - beginning of period | 23,764 | 28,384 |
| Cash and cash equivalents - end of period | \$ 19,917 | \$ 29,987 |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 577 | \$ 3 |
| Cash paid for income taxes | — | 20 |
| Noncash investing and financing activities: | | |
| Accrued purchases of property and equipment | 306 | 1,652 |
| Assets acquired through capital lease | 43 | 36 |
| Capital lease asset early termination | 9 | — |

ATRICURE, INC. AND SUBSIDIARIES
RECONCILIATION OF GAAP RESULTS TO NON-GAAP RESULTS
(In Thousands)
(Unaudited)

Reconciliation of Non-GAAP Adjusted Loss (Adjusted EBITDA)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|------------------------------------|-------------------|----------------------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net loss, as reported | \$ (8,206) | \$ (4,891) | \$ (17,930) | \$ (10,157) |
| Income tax expense | 17 | 8 | 22 | 14 |
| Other expense, net (a) | 451 | 64 | 751 | 180 |
| Depreciation and amortization expense | 2,289 | 1,382 | 4,500 | 2,693 |
| Share-based compensation expense | 3,027 | 2,417 | 5,869 | 4,141 |
| Non-GAAP adjusted loss (adjusted EBITDA) | <u>\$ (2,422)</u> | <u>\$ (1,020)</u> | <u>\$ (6,788)</u> | <u>\$ (3,129)</u> |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---------------------------------------|------------------------------------|--------------|----------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| (a) Other includes: | | | | |
| Net interest expense (income) | \$ 417 | \$ (26) | \$ 637 | \$ (51) |
| Grant income | — | — | — | (35) |
| Loss due to exchange rate fluctuation | 34 | 46 | 114 | 209 |
| Non-employee stock option expense | — | 44 | — | 57 |
| Other expense, net | <u>\$ 451</u> | <u>\$ 64</u> | <u>\$ 751</u> | <u>\$ 180</u> |

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