

AtriCure, Inc.
Form 10-Q
April 26, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from _____ to _____

Commission File Number 000-51470

AtriCure, Inc.

(Exact name of Registrant as specified in its charter)

7555 Innovation Way

Delaware
(State or other jurisdiction
of incorporation)

34-1940305
(IRS Employer
Identification No.)

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Mason, OH 45040

(Address of principal executive offices)

(513) 755-4100

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.001 par value	ATRC	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES NO

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 24, 2019
Common Stock, \$.001 par value	38,623,450

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ATRICURE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Per Share Amounts)

(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 20,720	\$ 32,231
Short-term investments	79,910	92,171
Accounts receivable, less allowance for doubtful accounts of \$549 and \$547	26,662	25,195
Inventories	24,122	22,484
Prepaid and other current assets	3,605	2,592
Total current assets	155,019	174,673
Property and equipment, net	27,050	27,080
Operating lease right-of-use assets	1,778	—
Intangible assets, net	48,770	49,254
Goodwill	105,257	105,257
Other noncurrent assets	486	495
Total Assets	\$ 338,360	\$ 356,759
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,375	\$ 9,659
Accrued liabilities	17,051	25,840
Other current liabilities and current maturities of leases and long-term debt	8,039	4,717
Total current liabilities	35,465	40,216
Finance lease liabilities	12,004	12,172
Long-term debt	32,737	35,571
Operating lease liabilities	1,338	—
Other noncurrent liabilities	17,524	19,419
Total Liabilities	99,068	107,378
Commitments and contingencies (Note 8)		
Stockholders' Equity:		

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Common stock, \$0.001 par value, 90,000 shares authorized and 38,658 and 38,604 issued and

outstanding	39	39
Additional paid-in capital	492,177	496,544
Accumulated other comprehensive (loss) income	(286)	(199)
Accumulated deficit	(252,638)	(247,003)
Total Stockholders' Equity	239,292	249,381
Total Liabilities and Stockholders' Equity	\$ 338,360	\$ 356,759

See accompanying notes to condensed consolidated financial statements.

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ATRICURE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenue	\$ 53,966	\$ 46,994
Cost of revenue	14,095	12,491
Gross profit	39,871	34,503
Operating expenses:		
Research and development expenses	8,176	9,057
Selling, general and administrative expenses	37,015	34,876
Total operating expenses	45,191	43,933
Loss from operations	(5,320)	(9,430)
Other income (expense):		
Interest expense	(862)	(820)
Interest income	720	76
Other	(107)	88
Loss before income tax expense	(5,569)	(10,086)
Income tax expense	66	48
Net loss	\$ (5,635)	\$ (10,134)
Basic and diluted net loss per share	\$ (0.15)	\$ (0.31)
Weighted average shares outstanding—basic and diluted	36,976	32,926
Comprehensive loss:		
Unrealized gain (loss) on investments	\$ 66	\$ (8)
Foreign currency translation adjustment	(153)	86
Other comprehensive (loss) income	(87)	78
Net loss	(5,635)	(10,134)
Comprehensive loss, net of tax	\$ (5,722)	\$ (10,056)

See accompanying notes to condensed consolidated financial statements.

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ATRICURE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands)

(Unaudited)

	Three-Month Period Ended March 31, 2018				Accumulated	Total
	Common Stock		Additional	Accumulated	Other	Stockholders'
	Shares	Amount	Paid-in Capital	Deficit	Comprehensive Income (Loss)	Equity
Balance—December 31, 2017	34,586	\$ 35	\$ 386,963	\$ (225,866)	\$ 34	\$ 161,166
Issuance of common stock under equity incentive plans	453	—	(1,877)	—	—	(1,877)
Share-based employee compensation expense	—	—	3,890	—	—	3,890
Other comprehensive income	—	—	—	—	78	78
Net loss	—	—	—	(10,134)	—	(10,134)
Balance—March 31, 2018	35,039	\$ 35	\$ 388,976	\$ (236,000)	\$ 112	\$ 153,123

Three-Month Period Ended March 31, 2019

Additional	Accumulated	Total
	Other	