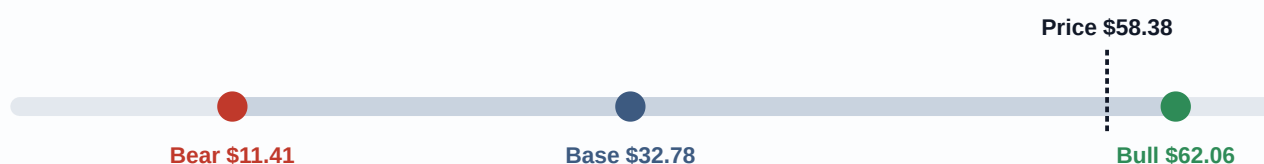


Initiated 2026-09-27 · Price \$58.38 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$2.97bn · Healthcare / medical devices (cardiac surgery) · Model: verified

Rating: Sell — Conviction: Low

AtriCure has finally turned profitable. Revenue is growing ~13%, gross margin is 77%, and adjusted EBITDA rose 78% in Q2. The stock is up 62% in a year to ~85x trailing GAAP EBITDA (after stock compensation), and the model's bull case lands only 6% above the price. The market is already paying for the LeAAPS trial to open a new appendage market. Conviction is Low because that readout is a genuine binary, and a positive result would widen the addressable market beyond what the bull case assumes.

MODEL VALUE RANGE VS PRICE



Business overview

AtriCure sells devices used during cardiac surgery. Its franchises are open ablation for atrial fibrillation (\$52.1mm in Q2 2026), minimally invasive/hybrid ablation (\$8.0mm), appendage management with AtriClip (\$64.0mm) and cryo nerve blocks for post-operative pain (cryoSPHERE, \$29.5mm). Q2 revenue was \$153.6mm (+12.8%); the US was \$125.6mm (+13.6%) and international \$28.0mm (+9.6%). Earnings turn on three things: attach rates in cardiac surgery (ablation and clip per open-heart case), pain management adoption beyond thoracic surgery, and opex leverage against stock compensation of ~\$47mm a year. FY2026 guidance is \$602–610mm of revenue and \$85–89mm of adjusted EBITDA, which excludes SBC.

Competition

The pressure is showing up in minimally invasive ablation, down 23.0% in the US in Q2, where catheter pulsed field ablation has become the default for stand-alone AF. Boston Scientific's Farapulse and Watchman businesses both slowed sharply by mid-2026: BSX guided flat second-half EP growth and flat Watchman sales as rival products arrived. So catheter-based AF therapy is now a crowded, price-competitive market. AtriCure's core, clips and ablation added onto open-heart surgery, faces no direct device competitor in the sources retrieved, so the risk there is substitution by catheter treatment later, not share loss in the operating room. On one definition (stockanalysis TTM EV/EBITDA, 2026-09-25), Boston Scientific trades at 13.3x, Stryker at 15.8x and Medtronic at 12.7x.

Bull case

- Pain management and appendage keep compounding.** US pain management grew 27.9% and appendage management 14.5% in Q2. Plays out if cryoSPHERE MAX expands into more surgical specialties and growth stays in the teens. *Model: rev_growth*

2. **LeAAPS opens a new market.** The trial tests whether clipping the appendage in cardiac surgery patients *without* AF prevents stroke. A positive readout would expand the AtriClip market and support a premium multiple. Plays out on positive data (readout timing n/a, unverified). *Model: rev_growth, exit_ev_ebitda*
3. **Operating leverage.** Gross margin rose 269bp to 77.2% and GAAP operating income turned positive (\$9.7mm in Q2). Plays out if GAAP EBITDA margin reaches ~20% by 2030. *Model: ebitda_margin*

Bear case

1. **Catheter ablation erodes the surgical franchise.** PFA has already cut minimally invasive ablation by 23%. Plays out if fewer AF patients reach surgery and growth halves by 2027. *Model: rev_growth*
2. **Stock compensation is the margin.** SBC was \$47.3mm TTM against GAAP EBITDA of \$33.8mm; adjusted EBITDA excludes it. Plays out if SBC rises with the share price and GAAP margin stalls below 10%. *Model: ebitda_margin, wacc*
3. **A premium multiple with no cushion.** At ~85x TTM GAAP EBITDA and 245x forward earnings, any slowdown compresses the multiple toward peers at 13–16x. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM GAAP, lease-inclusive)	85.2x	n/a (EBITDA negative FY2021–FY2024)	BSX 13.3x · SYK 15.8x · MDT 12.7x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$2.86bn, no leases / TTM GAAP EBITDA \$33.8mm)	84.8x (FY2025: 258x, not meaningful)	n/a	n/a (peers not restated)	model-inputs.json
EV / FY2026 guided adjusted EBITDA (before SBC, \$87mm midpoint)	32.9x	n/a	n/a (peers not restated)	q2rel, 2026-07-23
EV/Sales (TTM)	5.05x	n/a (unverified)	BSX 3.61x · SYK 4.51x · MDT 3.53x	stockanalysis.com, 2026-09-25

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$11.41 · Base \$32.78 · Bull \$62.06 per share, i.e. implied returns of –80.5% / –43.9% / +6.3% vs \$58.38. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits just below the bull case, so the market is already paying for teens growth, a 20% GAAP margin and a lasting premium. The Base-case return is consistent with the Sell.

Re-rating. FY0 EBITDA is too small for a meaningful multiple. Against TTM (84.8x), the base exit of 25x is a 71% de-rating, applied to Y5 EBITDA about four times TTM (est.). It gives \$45.64. The Gordon method gives \$19.93, 56% lower, because an 11.3% WACC with 4% terminal growth embeds an even lower terminal multiple. The bull exit method (32x) gives \$86.05, the price's best argument.

Balance sheet: net cash \$106.8mm (\$167.8mm cash and investments against a \$61.0mm ABL drawing); net leverage not meaningful; coverage 2.8x FY2025 EBITDA (model Credit); liquidity \$167.8mm plus ~\$61.9mm of unused ABL availability (FY2025); nearest maturity is the ABL in 2030 after its January 2026 three-year extension; ratings n/a (unrated).

Model note:

- Tier `full`, status `built`, verification `verified` (LibreOffice recalculation matched every formula cell). No unverified inputs and no assumptions without basis. Scenario consistency is `OK` on all 14 rows.
- Base Y1 EPS of \$0.29 sits inside the adjusted EPS guide (\$0.24–0.32) and above GAAP (\$0.05–0.13), which carries other charges.
- The ABL coupon (6.5%) is an estimate; it affects EPS only.
- Shares are the 50.87mm outstanding, not the 48.9mm Q2 diluted average (conservative).
- No tail run: no franchise is ≥50% of revenue.

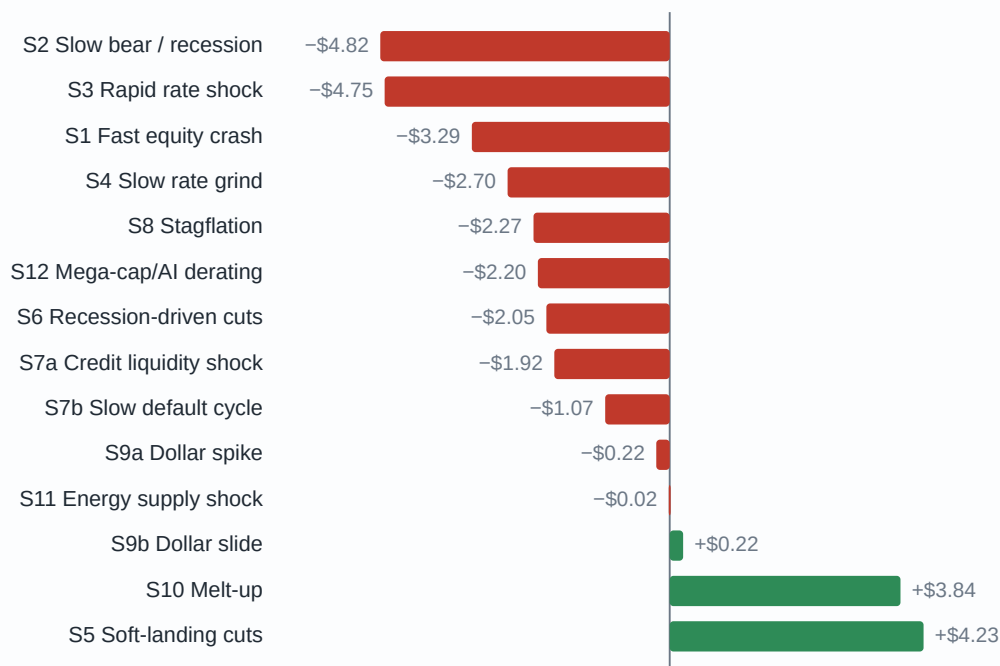
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	High-beta (1.26), high-multiple stock de-rates; surgical volumes unaffected	Med	–\$3.29
S2 Slow bear / recession	–	Cardiac surgery is largely non-deferrable, but hospitals scrutinize add-on devices and the multiple compresses. Milder than Base – Bear (\$21.37) on purpose: transitory, while the bear case is permanent substitution	High	–\$4.82
S3 Rapid rate shock	–	Higher discount rate on long-duration cash flows that are small today	High	–\$4.75
S4 Slow rate grind	–	Same channel, grinding	Med	–\$2.70
S5 Soft-landing cuts	+	Lower discount rate re-rates long-duration growth	High	+\$4.23
S6 Recession-driven cuts	–	Growth de-rating and hospital budgets outweigh the lower discount rate	Low	–\$2.05
S7a Credit liquidity shock	–	Net cash; forced selling of high-beta growth	Low	–\$1.92
S7b Slow default cycle	–	Stressed hospitals slow add-on adoption; floating ABL cost rises slightly	Low	–\$1.07
S8 Stagflation	–	Higher discount rate; input and wage inflation against fixed hospital pricing	Med	–\$2.27
S9a Dollar spike	–	International ~18% of revenue; translation drag	Low	–\$0.22
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.22
S10 Melt-up	+	High-beta momentum name extends	Med	+\$3.84
S11 Energy supply shock	–	Freight and input costs; no demand channel	Low	–\$0.02
S12 Mega-cap/AI derating	–	Premium-multiple growth names de-rate in a leadership unwind	Med	–\$2.20

Currently active/on watch per the playbook: `state.md` lists S3 as partially active, and the macro log records all three legs crossed on 2026-09-25 (10Y 5.17%). S8, S10 and S11 are on watch. S3 is a High row here, S8 and S10 are Med, and S11 is Low.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- LeAAPS reads out positive with a label path, which lifts the long-run growth ceiling beyond the bull case; or
- The price falls toward ~20x adjusted EBITDA (before SBC) with growth intact.

Downgrades (conviction up) if:

- US open ablation or appendage growth falls below 10% for two quarters, showing that catheter substitution is reaching the surgical franchise; or
- FY2027 guidance implies revenue growth below 10%.

Watch items

- **W1:** Q3 2026 revenue by franchise against the \$602–610mm FY2026 guide, especially US minimally invasive ablation (Q2 ~23.0%) and pain management (Q2 +27.9%). Source: Q3 2026 release (late October 2026). *Model: rev_growth*
- **W2:** GAAP operating margin and SBC (Q2: \$9.7mm operating income). Source: Q3 2026 release. *Model: ebitda_margin*
- **W3:** LeAAPS and BoxX-NoAF readout timing and results. Source: company releases and conferences, date n/a (unverified). *Model: rev_growth, exit_ev_ebitda*
- **W4:** FY2027 guidance. Source: Q4 2026 release (February 2027). *Model: rev_growth, ebitda_margin*

Sources

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- AtriCure Form 10-K FY2025 (ABL facility and amendment) — <https://www.sec.gov/Archives/edgar/data/1323885/000132388526000007/atrc-20251231.htm> — accessed 2026-09-27 (via search summary)
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- Peer statistics: BSX <https://stockanalysis.com/stocks/bsx/statistics/> · SYK <https://stockanalysis.com/stocks/syk/statistics/> · MDT <https://stockanalysis.com/stocks/mdt/statistics/> — accessed 2026-09-27
- Daily macro log (10Y, S3 status), `logs/macro-2026-09.md`, 2026-09-25 entry

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.