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TomoTherapy Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions). And your first question comes from the line of Thomas Gunderson with Piper Jaffray. Please proceed.

Thomas Gunderson

Hi, good afternoon.

Fred Robertson

Good afternoon.

Thomas Gunderson

Fred, maybe we can start with Europe, others that have reported in your area have also shown some weakness there. Do you have any color that you can add to what might be going on in Europe, do you think it's a Q1 phenomenon or is there something else going on in Europe and if you can pull that into rest of world? I know you talked about un-penetrated markets, but as far as where you see your sales coming for rest of year, is Europe still a strong place to go or is Asia going to have to make up for it?

Fred Robertson

Yeah Tom, we have every reason to believe that we will be successful in Europe. We have a strong pipeline and I don't want to break the statistics out by pull. However, we did have a very weak quarter in the Europe in Q1. Our new Managing Director just started a few weeks ago, so he is getting up to speed as well as the issues we think that again, we try to look at this business from an annual basis and we believe that Europe has significant opportunity, and we are going to continue to drive the execution of the organization to maximize our performance there. In December, we announced an additional six distributors as we continued to expand our global footprint, but I am not sure how much of this was market relative to own execution, but we are addressing our piece of it now.

Thomas Gunderson

And rest of world?

Fred Robertson

Again we're -- each market is different and we think that ultimately our orders and ultimately revenues will mirror the global market opportunity, which today is somewhere in the 50 to 60% US, 40 to 50 rest of world.

Thomas Gunderson

Okay, thanks. And then Steve on the Linear Accelerator OEM that you've got in China now you told us on the pre-call that you would be able to talk a little more about maybe the timing of when that could be accretive to margins. Are you able to have some visibility on that now?

Steve Hathaway

A little bit more visibility from the standpoint, you know, we expect this product to start impacting the production towards the end of this year, and we believe based on the current cost for that system that it will have a positive impact on margins next year.

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