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Response Genetics, Inc. Update Call Transcript

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question and answer session. (Operator Instructions) One moment please, while we pull for questions. Our first question comes from Zarak Khurshid with Caris & Company. Please proceed with your questions.

Zarak Khurshid-Caris & Company

Thanks. Hi Kathy and Tom, congratulations on the launch of Response DX and your progress in other aspects of the business. First question, just on housekeeping; the R&D line looked pretty good sequentially versus in the third quarter of '07. Can you just maybe describe what was the improvement there and how should we think about that playing out for the rest of the year?

Thomas Stenkovich

Sure, Zarak. Thank you for your question and your remarks. The increase in the R&D expenses primarily resulted in a couple things; we are processing more and more research samples which adds to the cost. This year versus last year we also had expenses that did not occur last year such as expenses related to stock option expense and some patent costs that were previously accounted for in G&A expenses. So you know the increase year on year of approximately 1.2, \$1.3 million is a sizable increase, but there are expenses in there that did not exist last year.

Zarak Khurshid-Caris & Company

Sure. I was a little more interested in the improvement that we saw versus last quarter.

Thomas Stenkovich

The fourth quarter R&D?

Zarak Khurshid-Caris & Company

Yes.

Thomas Stenkovich

Yes it increased a lot for the same reasons. We are processing more research samples this year versus last year. We did not have the stock option expense which is a big number for us this year.

Zarak Khurshid-Caris & Company

Got it, okay great and then just moving onto the diagnostics side of the business; what has sort of been the initial, I guess interest from the clinical community, what is the current price of the test and how should we be thinking about the total addressable market there?

Kathleen Danenberg

Initial interest is, you know we have received from some strategic institutions, lung and colon samples as it's only been really available for a very short time, but we have processed some of those successfully, go them back out. There continues to be interest in that area from the physicians. As far as the pricing goes, we're competitively right now we really don't want to publicly disclose the price, we are using CPT codes that exist and we feel that there's 160,000 colorectal cancer patients in this country that will see a platinum based therapy and could use our test as well as the approximate 200,000 lung cancer patients that could benefit from the test. So there's a very big market out there and we're just getting started now with these strategic institutions understanding the best way to take their orders, make it very easy for the physicians. And, I might mention that some of these CME courses that are being offered, our test is, in lung cancer patients, with lung cancer physicians, there is a very high percentage, up towards around 80% of doctors that will push the button on their voting, what do you call it, and vote that they would use these tests. So we believe there is going to be uptake, we just have to get out there and get it.

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