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TomoTherapy Incorporated Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Ben Andrew of William Blair. Please proceed.

Ben Andrew - William Blair

Good morning. I have a couple of quick questions that come to mind, particularly the guidance for the fourth quarter. There is a very wide range of about 7 or so units, it looks like maybe 8.

Can you talk about what is going to push it to one end to the other? Is this just the ability to finish the installed validation, or is there some uncertainty about whether some of these orders are going to get even shift in the period?

Fred Robertson

This is really about the actual timing of the installed validation. These are all firm. As we approach the end of any fiscal year, we look at the potential for something to slide in to next week of the flowing quarter, but we feel pretty good of this.

Ben Andrew - William Blair

Okay. To the extent that you can comment on it, is this pulling anything forward from Q1 or should we expect a relatively strong installation schedule for Q1, Q2 as well as you worked down that backlog?

Fred Robertson

No, we are going to be giving our guidance for 2009 at the time we release our '08 results. We are really trying to manage our backlog relative to customer demand.

Ben Andrew - William Blair

Okay. As you think about Q4 order targets, I mean obviously we have got revenue numbers, but you did not guide to a backlog target. How do you see initial demand other than the anecdotal comments you made for the TomoDirect driving order flow as we go through the fourth quarter and not yet looking at '09?

Fred Robertson

Again we felt we had a strong ASTRO in terms of interest in TomoDirect and in the sales leads that we picked up both at ASTRO and at ESTRO in Sweden, the prior week. While on one hand the market seems weak, but we are concerned about the economy and the impact that that could have on slowing purchase decisions from customers.

We think that with TomoDirect, we have now a much more competitive offering and giving us access to a single linac market segment that previously really were not competing effectively.

Ben Andrew - William Blair

Do you see pricing stable on the contracts you are negotiating now, I mean you made anecdotal comments that things are relatively stable, but is that worsening. Can you drive pricing at TomoDirect or what are you seeing as that competitive pressure increases in a tough economic environment?

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