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Capstone Turbine Corporation Q2 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Sanjay Shrestha from Lazard. Please proceed.

Sanjay Shrestha -- Lazard Capital Markets

Thank you. Congratulations on a good quarter, guys. A couple of quick questions. First off, you know, in this backlog number, again a point of clarification that does not include that service contract, right?

Edward Reich

That is correct.

Sanjay Shrestha -- Lazard Capital Markets

Okay –

Darren Jamison

Accessories, parts or service or training revenue, that is correct.

Sanjay Shrestha -- Lazard Capital Markets

Okay, and that is usually about 30% of the backlog.

Darren Jamison

25 to 30, correct.

Edward Reich

As the revenue is going up we are starting to see it become closer to 25% of the total.

Sanjay Shrestha -- Lazard Capital Markets

Okay, great. And in terms of this backlog number, right, how much of that is going to get recognized over the next 12 months?

Edward Reich

The current portion of the backlog, which is the majority of it, we expect to turn into revenue over the next 12 months.

Sanjay Shrestha -- Lazard Capital Markets

Perfect. Now have you guys gone and looked at this existing backlog and sort of evaluated the mix of customer, and do you really think that given what is going on in the credit market or the macroeconomic environment, it could actually have a potentially negative impact or any cancellation or anything like that? Or in other words, do you guys see any potential slowdown to this fantastic momentum from a business growth standpoint that you are seeing given the current environment?

Darren Jamison

Sanjay, that has obviously been of our bigger concerns. We have been – first of all, let me clarify, we have not seen a project cancellation or slowdown yet. We have reached out to our largest customers and distributor partners, asking what they are seeing in the marketplace, and again, they are not seeing any major slowdowns or issues, especially on landfills and (inaudible 00:27:32) municipal projects been funded quite a while ago that are moving forward. But as I said in the call, because our average selling price is low enough, a lot of customers are paying for this product out of their own internal working capital. And if the payback periods are short enough, they are better off moving forward.

So, again, also because we are very small in our market share, we have got a great opportunity to continue to grow the markets in these multiple markets we serve and gain market share even in a declining market. So we have not seen in yet, knock on wood we won't, but we are still very aggressive moving forward, going to trade shows, marketing the product, and full steam ahead.

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