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Cepheid, Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from the line of Brian Weinstein of William Blair. Please proceed.

Brian Weinstein - William Blair

Hi, good afternoon. Maybe you guys can discuss a bit how you go about building up to your revenue guidance given the lack of visibility, how we can get comfort a bit this revenue guidance is something that is achievable?

John Bishop

Certainly. As we have indicated we talked about what happened with the hospitals in the fourth quarter, that data comes directly from the American Hospital Association information that gives some specific parameters on hospital cost constraints and reductions with regard to the admissions. That data along with information directly coming from our field regional management about their existing experience in the field is fully taken into consideration and reflected in the guidance that we are talking about.

Now as you will with the guidance we have specifically indicated that system placements as you would expect in the current economic environment will be lower in 2009 versus what we saw in 2008.

On the other hand, offsetting this we expect significant growth in our test sales and that will stem from one, leveraging the install-base; two, activity with the sales force focused on test sales only versus just on system sales; and thirdly brand new products coming into the market in the second-half of the year not the least of which is the C-diff product which is now receiving as much or more [variety] versus MRSA.

Lastly, the initiatives that we have seen com in frankly, I think are an additional positive relative to the National Legislation and these things were put in even in the face of the economic environment. And as I have indicated at a Federal level looking at the activity focused on healthcare, HAI is going to figure prominently in those particular areas.

So, as we in summary look at overall expansion of the initiatives, expansion on our product portfolio in addition to the initiation of the initiative for NHS in England, that's the basis of which we have derived our guidance that we see for the year driving the \$164 million to \$174 million in overall revenue.

Operator

Our next question comes from the line of Bill Quirk of Piper Jaffray. Please proceed.

Bill Quirk - Piper Jaffray

Great thanks. Good afternoon. John two question, first I just wanted to pick up on your comments concerning some of the legislative activity. Last session we saw actually quite bit of activity across candidly a number of it. Eventually a number of these builds obviously saw by the rate size. So now flash forward a year, there is a lot more states that are quite a bit in some cases financial pressure. So, how should we think about that as compared to obviously a number of state centers and house members and such wanting to [tighten up traction control].

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