Q4 and Year-end 2021 Accuray Incorporated Earnings Call
August 11, 2021

CORPORATE PARTICIPANTS

Joshua H. Levine, Accuray Incorporated - CEO & Director
Ken Mobeck, Accuray Incorporated - VP of Finance & IR
Shigeyuki Hamamatsu, Accuray Incorporated - Senior VP & CFO
Suzanne Winter, Accuray Incorporated - President

CONFERENCE CALL PARTICIPANTS

Anthony Charles Petrone, Jefferies LLC
Brooks Gregory O'Neil, Lake Street Capital Markets, LLC
Jason Hart Wittes, Northland Capital Markets
Marie Yoko Thibault, BTIG, LLC
Joshua Jennings, M.D. Cowen and Company, LLC

PRESENTATION

Operator

Good afternoon, and welcome to the Accuray Reports Fourth Quarter Fiscal 2021 Financial Results Conference Call. All participants will be in a listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded.

I would now like to turn the conference call over to Ken Mobeck, VP-Finance and Investor Relations. Please go ahead.

Ken Mobeck, Accuray Incorporated - VP of Finance & IR

Thank you, Chad, and good afternoon, everyone. Welcome to Accuray's conference call to review financial results for the fourth quarter and fiscal year 2021, which ended June 30, 2021. During our call this afternoon, management will review recent corporate developments. Joining us on today's call are: Josh Levine, Accuray's Chief Executive Officer; Suzanne Winter, Accuray's President; and Shig Hamamatsu, Accuray's Senior Vice President and Chief Financial Officer.

Before we begin, I would like to remind you that our call today includes forward-looking statements. Actual results may differ materially from those contemplated or implied by these forward-looking statements. Factors that could cause these results to differ materially are set forth in the press release we issued just after the market closed this afternoon, as well as in our filings with the Securities and Exchange Commission. The forward-looking statements on this call are based on information available to us as of today's date, and we assume no obligation to update any forward-looking statements as a result of new information or future events except to the extent required by applicable securities laws. Accordingly, you should not put undue reliance on any forward-looking statements.

A few housekeeping items for today's call. First, during the Q&A session, we request that participants limit themselves to two questions and then re-queue with any follow-ups. Second, all references we make to a

specific quarter in the prepared remarks are to our fiscal year quarters. For example, statements regarding our fourth quarter refer to our fiscal fourth quarter ended June 30, 2021. Finally, there will be a supplemental slide deck to accompany this call which can be accessed by going directly to Accuray's investor page at Accuray.com.

With that, let me turn the call over to Accuray's Chief Executive Officer, Josh Levine. Josh?

Joshua H. Levine, Accuray Incorporated – Chief Executive Officer

Thanks, Ken, and thank you to everyone joining us today. I look forward to reviewing our fiscal 2021 highlights and our outlook for this coming year. I'm pleased to report that despite the challenging environment caused by COVID-19, we finished the fiscal year 2021 on a strong note with 17% year-over-year revenue growth in the fourth quarter along with 19% year-over-year gross order growth, both of which were ahead of our expectations. Given the external environment, we are encouraged with our fiscal -- full fiscal year 2021 performance that resulted in positive 3.5% year-over-year revenue growth.

In addition to the positive revenue growth, we aggressively managed expenses and working capital, refinanced our debt with favorable terms and believe that we have positioned the business for future growth through the successful commercial launch of high impact technology upgrades.

Other fiscal 2021 highlights include the beginning of Type A system revenue recognition in China, which totaled $54 million for the full year, as well as construction completion of our China JV manufacturing facility and training center, which will support the market launch of our China Type B platform in the second half of fiscal year 2022.

Additionally, during the fourth quarter, we improved our capital structure through successful refinancing of both our convertible notes and bank debt for an additional five years to 2026. With respect to the new bank debt, we reduced interest costs significantly over the old facility and expect to save more than $2 million in cash interest cost in fiscal year 2022.

In summary, despite the challenging operating environment, we executed well both operationally and financially and showed resiliency in our business model, while continuing the cadence of meaningful technology innovation to help drive future growth.

Revenue for the quarter came in at $110.9 million, which was an increase of 17% in the prior year fourth quarter. Overall fiscal Q4 revenue included strong contributions from all of our regions especially EIMEA and APAC with approximately $16 million of China-related system revenue consisting of five Type A and two Type B systems.

Gross order volume for the quarter was $112.7 million, which is the highest quarterly order volume in our history consisting of 51 systems and represented 29% sequential quarter-to-quarter growth from our fiscal third quarter. Driving Q4 order growth was strong system demand across both of our platforms and strong performance from our Americas region, which grew 8% year-over-year.
During the quarter, we received additional market clearance for our ClearRT imaging upgrade with CE Mark certification which allowed us to expand our broader global commercial launch. We continue to see early order momentum from ClearRT during the fourth quarter and we have received a total of 44 orders for

ClearRT as an option or upgrade to existing installed base systems in the short period of time since its introduction. We believe the strong uptake of ClearRT shows that its improved imaging capability which allows clinicians to deliver the highest quality treatment plans with confidence and precision is resonating with our customers.

As for Synchrony on Radixact, approximately 62% of new Radixact orders during the quarter included Synchrony as an option, which is a significant increase from the prior year and we believe demonstrates the growing clinical value of Synchrony's proprietary real-time motion tracking and delivery adaptation capability. With respect to the CyberKnife platform, approximately 70% of the quarter's CyberKnife orders and 73% for the full year consist of our latest generation S7 platform indicating continued strong customer uptake related to this latest generation product.

Additionally, we continue to see solid performance in trade-in and trade-up orders, representing 27% of global orders in Q4 with a strong percentage of the order mix in our developed markets like the Americas and EIMEA regions where we are targeting our older systems for upgrade to our latest generation CyberKnife and Radixact platforms.

With that, I'll turn the call over to Suzanne Winter, our newly appointed President who will cover additional commercial and innovation highlights. Suzanne?

Suzanne Winter, Accuray Incorporated – President

Thanks, Josh. We are very pleased with the Q4 performance and our momentum heading into fiscal year 2022. As we enter the New Year it's worthwhile to reflect on this past year. FY 2021 was a foundational year for the company and we are exiting the year in many ways as it transformed Accuray, one that we believe is in a stronger competitive position, able to drive consistent top line growth, and gain market share.

Although, we, like all companies were challenged by the COVID pandemic, the team executed well against the things that were within our control and delivered improved quarterly performance throughout the year. In addition, we focused our resources and investment in new product development to deliver on high impact innovations like ClearRT, Helical Imaging on Radixact, which with Synchrony, real-time motion detection and adaptive delivery, has proven to be a powerful combination of tools that provide physicians with the confidence to deliver ultra-hypofractionated SBRT treatments with greater precision, minimizing dose to healthy tissue, and expanding treatments to a wider range of patients.

Since our broader market introduction in Q4, the market has shown strong enthusiasm for ClearRT and we believe this will differentiate Radixact from conventional LINAC platforms and drive market share gains moving forward. As a company, we strengthened our leadership team, invested in people development, business process improvements, and built a strong foundation to support future growth. We refined our vision and focused the organization on our mission of expanding the power of radiation therapy with a goal of extending life and improving the quality of those lives.

The entire organization is focused on pushing the boundaries of our capabilities so that we will be recognized as best-in-class in delivering therapies with greater precision, improved patient experience, and targeted treatments that we believe will change the competitive landscape in radiotherapy.

Expanding on our strategy in FY 2022, we believe our addressable market for new global radiotherapy systems represents a $2.6 billion market opportunity that will grow at approximately 3% to 4% in FY 2022. We expect to grow faster than the overall market with a focus on driving adoption of our new product innovations that enable ultra-hypofractionated treatments and advanced clinical protocols that provide more personalized treatments, greater efficiency and expanding technology capabilities further to provide more therapeutic options to patients.

This year, we will increase our investment in R&D because we recognize that a continued cadence of meaningful innovation will drive market share, accelerate upgrades within our installed base and allow us to penetrate new and emerging markets. All of which, we expect will drive faster revenue growth than we have seen in a decade and significant margin expansion.

In our developed markets, we will focus on driving trade-in, trade-up opportunities in our older installed base. In emerging markets, we will expand our product portfolio and invest in high impact commercial strategies designed to penetrate new market segments like the Type B segment in China, as well as other underpenetrated markets like India and Latin America.

We will have a continued focus on leveraging strong partnerships that will allow us to enhance our solutions in radiation oncology with RaySearch treatment planning and in neurosurgery with Brainlab's neurosurgical planning, both of which can positively impact the positioning of our product platforms.

Finally, we will continue to invest in our people and operational infrastructure to create a solid scalable foundation to support growth in both the near-term and beyond.

I want to speak a little bit about how we will measure ourselves in FY 2022. The key performance indicators that we will use to measure our success include the following. First, orders growth compared to the market. As you heard from Josh, we ended FY 2021 with 19% year-over-year Q4 orders growth. All regions executed extremely well and we are very pleased with the performance of the Americas region in Q4 and in our full-year performance in Japan and EIMEA which grew 7% and 3% respectively.

The second metric will be revenue growth and customer installations. While orders and backlog are important leading indicators of a sustainable growth model, we have also made significant improvements in partnering with our customers to improve visibility and drive customer installations. The number of systems put into active clinical use is a primary performance indicator we are focused on, because this metric is the catalyst that drives the growth of our installed base, future upgrades and recurring service revenue. In fiscal year 2021, we installed 76 new systems at customer sites which exceeded our expectations especially in the context of the pandemic. When compared to other radiation therapy technologies, for example the MR-linac segment, the relative comparison of our FY 2021 installations represents a performance indicator that we believe reflects market excitement for Accuray technology, provides us with a strong reference base of customer advocates and is a predictive indicator of sustained growth and market penetration.

Next, is how effectively we are upgrading our aged installed base or IB. We have discussed our focus on upgrading our older IB systems in developed market regions to our latest generation devices so that customers can benefit from new technologies that will allow them to offer advanced treatment protocols like ultra-hypofractionation and position them to compete under new reimbursement models like ROAPM in the US. The percent of new orders coming from our aged IB through trade-in, trade-up orders will be an

important metric to gauge our success. In Q4, our global trade-in, trade-up activity represented 27% of orders, but was even stronger in our developed markets. In the US, trade-in, trade-up activity represented over 50% of our Q4 orders. And in Europe, 43% of our Q4 system orders were trade-in, trade-up of systems greater than 10 years or older.

Finally, the attachment rate of new product innovations defined as the percent of new systems sold that includes Synchrony and ClearRT as an option and the number of upgrades ordered from our existing Radixact installed base. Both will be strong performance indicators demonstrating market adoption of our clinical value proposition in providing advanced patient care.

In Q4, the market has shown very high enthusiasm for ClearRT. Q4 results showed a greater than 75% attachment on new systems sold in Japan and US, for example, beating our internal expectations. ClearRT is helping to build interest in Radixact and is opening doors to places that didn't consider Accuray previously. Feedback from one of our installed sites, Hong Kong Sanatorium, indicated that ClearRT provided enhanced image quality and better soft tissue visualization. They indicated a 77% reduction in scanning and image registration time which drove enhanced patient throughput and an overall reduction in treatment time. Other installed sites have indicated the superior image quality they are seeing from ClearRT, provides imaging performance comparable to their planning CT systems. We believe the resulting improvement in soft tissue resolution will drive an expansion of patients treated and strongly position customers for new reimbursement models such as the RO-APM in the US.

In summary, we exit Q4 with one of our strongest quarterly performances ever and meaningful momentum driven by a strengthened product portfolio, a robust product pipeline, and very energized regional commercial teams who are focused on supporting our customers and delivering advanced patient care which we believe provides a solid foundation to drive our strategic growth agenda moving forward. We are optimistic about our ability to win against the competition, grow faster than the market and gain share with momentum that we believe will extend through FY 2023 and 2024.

Now, I'd like to turn the call over to Shig for his review of the financial details. Shig?

Shigeyuki Hamamatsu, Accuray Incorporated – Senior Vice President, Chief Financial Officer

Thank you, Suzanne, and good afternoon, everyone. I'll begin with some additional details on our financial performance for the fourth quarter, as well as our fiscal year 2021 and then focus on some of the highlights for those periods.

Gross orders for the fourth quarter were $112.7 million, which was up 19% from the prior year. For the fiscal year 2021, gross orders totaled $326 million which was down 14% from the prior year, primarily due to the impact of the pandemic and normalization of China Type A system orders. Despite facing this challenging backdrop, we are pleased with our order performance that improved sequentially every quarter during fiscal year 2021, highlighted by a very strong finish in Q4.
From a product mix perspective, the TomoTherapy platform accounted for approximately 65% of gross orders for the fourth quarter and CyberKnife accounted for the remaining 35%. For the full-year TomoTherapy platform accounted for approximately 60% of gross orders and CyberKnife accounted for 40% which was consistent with the prior year.

Net age-outs for the quarter were $46 million and included $2 million of age-in activities. During the fourth quarter we had approximately $5 million of cancellations and FX and other adjustments of $1 million. As a result, on the net basis, we generated $63 million of orders in the fourth quarter. While the amount of age-outs remained higher than normal throughout fiscal 2021, due to the pandemic we had $27 million of age-ins for the year, which was the highest we ever reported. We ended the fourth quarter with backlog of $616 million which was also the highest we ever reported.

Turning now to our income statement. Total revenue for the fourth quarter was $110.9 million up 17% compared to the prior year led by strong year-over-year growth in EIMEA, Japan and China. On a full-year basis, total revenue was $396.3 million up 3.5% from the prior year as a growth in China and EIMEA offset the impact of the pandemic growth in China and EIMEA offset the impact of the pandemic in other regions. Product revenue for the quarter was $56.1 million, an increase of 38.9% compared to the prior year. On a full year basis, product revenue was $176.6 million, an increase of 5.6% from the prior year.

From a product mix perspective, CyberKnife accounted for approximately 25% over the quarter's revenue unit volume, while the TomoTherapy platform accounted for the remaining 75%. For the full year, CyberKnife accounted for approximately 25% of the total product revenue and TomoTherapy platform accounted for 75%, which was consistent with the prior year.

Service revenue for the quarter was $54.8 million, which was relatively stable compared to prior year. On a full year basis, service revenue was $219.6 million, an increase of 1.9% from the prior year.

Turning now to gross margin, our overall gross margin for the quarter was 39.4% compared to 42% in the prior year. As a reminder, the prior year fourth quarter gross margin meaningfully benefited from the cash preservation actions we took in response to the pandemic. On a full year basis, our overall gross margin was 40.3% compared to 39.1% in the prior year.

Product gross margin for the quarter was 41.5% compared to 45% in the prior year. Full year of product gross margin was 42.2% compared to 42.7% in the prior year. Service gross margin for the quarter was 37.3% compared to 39.5% in the prior year. On a full year basis, service gross margin was 38.7%, compared to 36.3% in the prior year.

Moving down to income statement, operating expenses for the quarter were $39.6 million, an increase of $5.1 million or 14.8% from the prior year. That year-over-year increase in operating expenses was mainly due to the fact that the prior year operating expenses were lower than normal due to the cash preservation actions we took in response to the pandemic. In addition, a higher OpEx level in the fourth quarter is consistent with the seasonality we saw in the past fiscal cycles and included some catch-up spend as we started to see increase in business activities.

On a full year basis, operating expenses were $137.3 million, which was relatively consistent compared to that – to the prior year. Operating income for the quarter was $4.1 million, compared to $5.2 million in the prior year. On a full year basis, operating income was $22.2 million, compared to $12.5 million in the prior year. Operating impact of the China JV for the quarter was a loss of $0.1 million. This item is being reported on our income statement as a single line item called income or loss on equity investment, right below our operating income line. On a full year basis, the operating impact of the JV was an income of $0.9 million.

Investor Relations Contacts

Ken Mobeck
Accuray
(408)789-4281
kmobeck@accuray.com

Joe Diaz
Lytham Partners
(602) 717-7804
diaz@lythampartners.com

Adjusted EBITDA for the quarter was $6.7 million as compared to $10 million in the prior year. Again, the prior year fourth quarter adjusted EBITDA benefited meaningfully from the cash preservation actions we took in response to the pandemic. On a full year basis, adjusted EBITDA was $38 million compared to $27.4 million in the prior year. The adjustments between GAAP net income and adjusted EBITDA are outlined and quantified in a press release issued today.

We ended the quarter with $117 million of cash and short term restricted cash which increased from $108 million as of June 30, 2020. For the full fiscal year, we generated $36 million of free cash flow as the team did a great job in managing working capital while implementing cash preservation actions earlier in the fiscal year.

In terms of our debt, as Josh mentioned earlier, we successfully refinanced both the convertible notes and bank debt for an additional five years to 2026 in the fourth quarter. In addition to extending the maturity for substantially all of the convertible notes previously outstanding, we also reduced or deleted underlying share exposure through a combination of a higher conversion price and share repurchase. As for a new bank debt we believe the new terms which include significantly lower interest cost and less restricted financial covenants, will benefit us both financially and operationally going forward.

And with that, I'd like to hand the call back to Josh for our fiscal 2022 financial outlook. Josh.

Joshua H. Levine, Accuray Incorporated – Chief Executive Officer

Thanks, Shig. Relative to financial guidance in fiscal year 2022, we believe our addressable market for global radiotherapy equipment and treatment planning will grow at approximately 3% to 4% in fiscal year 2022. While some watch out remains with uncertainty related to the COVID recovery, we believe with uncertainty related to the COVID recovery, we believe that we can and will exceed market growth rates and are setting our expected revenue growth in the $410 million to $420 million range with the midpoint of that range representing 5% year-on-year growth versus fiscal year 2021.

For fiscal year 2022 adjusted EBITDA, we are setting our expected range at $32 million to $35 million. While that might seem low relative to our $38 million finish in fiscal 2021, we believe that our fiscal 2019 adjusted EBITDA finish of $23.7 million is the best comparison to our forward guidance as it represents the last full pre-COVID year-end adjusted EBITDA reference point. As you're aware, we've had the last two fiscal cycles impacted by COVID-related spending cuts and aggressive cash preservation actions that made comparability against fiscal 2021 unusually challenging, especially related to adjusted EBITDA.

Our fiscal year 2022 midpoint for the adjusted EBITDA range of $33.5 million represents a 40% increase at similar revenue levels versus fiscal year 2019, which demonstrate the material improvements in operating leverage created over the past two fiscal cycles. These efficiencies have been realized primarily in the SG&A functions where we expect to spend approximately $17 million to $18 million less in aggregate in fiscal year 2022 compared to the run rate we had for those functions in fiscal year 2019. Additionally, improved operating leverage in SG&A has allowed us to increase our planned R&D spend materially in fiscal year 2022 by reallocating a significant portion of OpEx into innovation-related investments, focused on accelerating top line revenue growth like those that Suzanne highlighted in her earlier remarks.

Before we open the call to questions, I'd like to address the CFO leadership transition that was included in our press release. Shig Hamamatsu, Accuray's Chief Financial Officer has accepted a CFO role with a public company outside of the healthcare space. Shig's last day with Accuray will be September 3, 2021. On behalf of our Board and leadership team, I want to thank Shig for his service, dedication and contributions to Accuray over the past several years and wish him continued success in his new opportunity. The company has appointed Brandy Green, Accuray's Vice President and Corporate Controller as Interim Chief Financial Officer effective September 4, 2021, and has initiated a national search to identify a permanent replacement.

And with that, operator we're ready to open the line for questions.

QUESTION AND ANSWER SECTION

Operator

Thank you. We will now begin the question-and-answer session. The first question will come from Josh Jennings with Cowen. Please go ahead.

Question – Joshua Jennings: Hi. Good evening. Thanks for taking the questions and congratulations on the strong order growth performance and good luck Shig on your -- in your new seat. Josh, I wanted to -- I know you guys don't provide guidance on new orders, but I was just hoping to understand any type of qualitative commentary you can provide just in terms of the sales funnel and the new order outlook for fiscal 2022?

Answer – Shigeyuki Hamamatsu: Yes. So, Josh, this is Shig. I'm going to start and maybe Suzanne want to add some color to it. But from numbers perspective, you're right. We're not providing forward guidance. But right now we believe that order will grow to similar rate as we said for the revenue which was midpoint 5%. So I think that's a good kind of a target that we're thinking about for next year. And I think additional color that I can give you that -- is that historically about 40% of annual orders fell into first half and then remaining 60% fell into second half. And I think we're going to continue to see that kind of a more second half heavy trend to continue into FY 2022. And also last color I can give you financially is that we continue to anticipate Q1, Q2, Q3, Q4 the sequential order improvement within that color that I gave you. So maybe, Suzanne, do you add anything?

Answer – Suzanne Winter: No. I think you're exactly right. Customers are busy right now. I would say that we're starting to see them reengaging with us. And, again, many patients that were delayed are starting to get treatment now and so what we're seeing is there's movement. And we believe that the market still is going to be in recovery mode, and certainly, there's still a lot of moving pieces. But I think that 3% to 4% is what we're expecting from an order standpoint as well. And we believe we'll grow faster than the market.

Question – Joshua Jennings: Great. Thanks for that incremental color. And it was great to see the return of the Americas to growth in terms of new orders and wanted to see if you could help us better understand the replacement opportunity in the US and just how much success you're having or in the sales funnel even in the single and dual center segment of the US market? I'm just trying to figure out if this momentum sustainable as we move into fiscal 2022 in the Americas.

Answer – Suzanne Winter: Yeah. Yeah, we're very pleased with how we landed in Q4 and we see the momentum going into FY 2022 in the US market, much of it due to the innovation, the ClearRT with Synchrony and sort of the market forces moving toward ultra-hypofractionation, as well as a new reimbursement environment. And so, approximately 40% to 50% of the installed base in the US is eight years or older. So there's absolutely an opportunity to bring those customers up to the latest performance enhancements. And so we're very focused in both the US and our developed markets in Europe on bringing those customers and upgrading them to the latest performance. So I think it's sustainable for a while. I would say, overall, as we look at the market, in general, the global radiation therapy market, 80% is replacement, 20% is new. We're participating obviously in both with what we're doing in China as well as emerging markets and focusing on the replacement markets in the developed regions.

Question – Joshua Jennings: Great. One last question just on the China JV. I apologize if you've already reviewed this. But just any updated timing for Type B system approval and launch in China to the JV and then just how should we be thinking about the timing of the China JV turning profitable. The loss that came through the income statement was minimal this quarter. Any help there would be fantastic. Thanks for taking the questions.

Answer – Joshua H. Levine: Josh, the answer to the first part of your question is that we don't see any – from where we are right now, we don't see any change in what we've been communicating over the last several quarters relative to Type B market launch. We still believe it'll be towards the second half or at the end of the second half of the fiscal 2022 year. So we're inside of the 12-month window at this point or will be soon. And all of the manufacturing facility qualification and validation testing is continuing. I think there probably was some delay in the BIMT testing which is part of that qualification process that was related to COVID earlier this calendar year. But I think we believe the things are back on track at this point for that. So, I think we're still in a good place relative to the Type B launch. On the China JV situation, I'm going to pass it back to Shig.

Answer – Shigeyuki Hamamatsu: Yes. Thanks, Josh. Yes. The way we are thinking about right now on JV financial impact looking forward to FY 2022 is that we'll likely see that contribution to be neutral. Meaning, they are likely to remain around the breakeven point in the near-term as they continue to invest into the anticipated ramp for the Type B that Josh talked about et cetera. And so, I think it's more about some required investment preceding that revenue ramp that we're anticipating. And I think we've been saying that this is our third year of operation going in from JV perspective and we always thought that third year, we should be starting to see some breakeven point, and looking forward from that point on be profitable. So, again, this year, the third year, we anticipate them to be close to breakeven point which is similar to what we reported this past year.

Operator

Thank you. And the next question will come from Brooks O'Neil from Lake Street Capital Markets. Please go ahead.

Question – Brooks O'Neil: Good afternoon. First, Shig, I'm going to miss you. I wish you well. I've always enjoyed working with you and I appreciate everything you've done to help me understand the company and the business.

Answer – Shigeyuki Hamamatsu: Thank you, Brooks.

Question – Brooks O'Neil: Sure. Two questions. First, you all did a great job of articulating all the positive, the things going on in the marketplace, the things you've done with your product line up, your organization, your financial structure, etcetera. So what I'm trying to understand is the negatives. What is holding you back? I personally have to just say I'm disappointed with 5% growth guidance. And I just trying to understand why you can't do better.

Answer – Joshua H. Levine: So Brooks, I'll take the first attempt at that. The bottom line is this. I think that it's very possible. We can do better than that. I think one of the things that we believe is still relevant in the current context, current environment is, some unknowns obviously related to the COVID environment. Although, again, as you heard Suzanne talk about earlier, through the last fiscal cycle we've put 76 devices in the ground that ended up going into active clinical use. For a company of our size, I kind of stack that up quite frankly against any of our competitors for – on a size-adjusted basis. And I think we're trying to be thoughtful about the fact that there are still some elements here that we don't control and can impact. I mean, resurgence in COVID in different strains and what have you are things that are, I'd say they're out there. We don't – we're going to continue on the path that we have been in fiscal 2021 with regards to focus on the things that we think are the right drivers of the business. I think though that midpoint in the range of 5% is a starting point. And we hope that and believe that we're going to continue to grow faster than the market and may be able to outperform that. But we want to make sure that doesn't happen coming out of this is, that we're too far out over our skis if you want to call it that way, with still some unknowns out there. And so I'd say that's probably the best way to be thinking about this. We are -- we have never been more bullish on this business, on every aspect: product portfolio, quality of the team. And again, the external environment to the degree that we don't control it, we will adapt to it and we'll flex as we need to. But I think that we have very visible momentum coming out of a fiscal 2021. And we are being cautiously optimistic, I'll call it that, the things that you're seeing from this business right now are very likely going to continue.

Question – Brooks O'Neil: Great. I'm a big believer in under promise, over deliver. And hopefully we'll end up at the end of next year feeling like that's what you did.

Answer – Joshua H. Levine: Agreed.

Question – Brooks O'Neil: Yes. So second question then. I know it's a public call and there's a lot of people on here. But, as you know, Josh, I've now gone through two CFOs, I think, we're very capable people. So just share with us your perspective on why CFOs keep leaving. And we're not quite at the permanent yet, and -- it feels like we're close. But here goes another one.

Answer – Joshua H. Levine: Yes.

Question – Brooks O'Neil: Brooks, in fairness, I -- we've been pretty transparent with the fact that Shig is pursuing an opportunity outside of health care, outside of our space. We live obviously in a world -- especially here in the Bay Area, Silicon Valley where it's a very, very robust job market. Free agency prevails. And -- but Shig, as we said in his own words and I can confirm this again, there's nothing here that Shig is -- this is an opportunity external to the company that Shig is pursuing. This decision is his and his alone. And there's nothing related to the business per se that's a catalyst -- a catalyst in any way for this decision for him. And I should let him talk about this in his own words in that regard if he'd like to.

Answer – Shigeyuki Hamamatsu: Yes. Thanks, Josh. And, Brooks, it's purely a personal decision. I was just happen to be presented with the opportunity to be part of the industry that I was previously interested in and there's nothing more. I think I can say with confidence that if I think about three years ago when I took over the CFO compared to that situation to here, now that we accomplish as a team a lot of things, I think we're in a better position from balance sheet perspective. Again, I think we're more profitable than ever before. And we got a new team that I thoroughly enjoyed working with. And so, there's a lot of exciting things ahead for Accuray. So, just independent of that, I just made a personal choice to pursue another industry and it's just simple as that.

Question – Brooks O'Neil: Absolutely, I appreciate the color. Thank you very much.

Operator

And the next question comes from Anthony Petrone with Jefferies. Please go ahead.

Question – Anthony Petrone: Thank you very much, and hope everyone's doing well. Shig, I want to extend my congratulations as well. Very much enjoyed working together and hope we cross paths in the future. So good luck on the next shift here in your career.

Answer – Shigeyuki Hamamatsu: Thank you, Anthony.

Question – Anthony Petrone: In terms of the installation cycles, maybe we can shift over to just an update on installs and the installation cycles at hospitals. The announcement out of Texas earlier this week on a potential slowdown in elective procedures, obviously, that could suggest access to hospitals at least in the State of Texas could be compromised a bit. So, when you think of installation cycles for radiation therapy and linacs, where are we on install cycles and how do you think it's going to trend into the second half? And I'll have a few follow-up questions. Thanks.

Answer – Suzanne Winter: Yes, Anthony. I would say, what we're seeing is customers are reengaging with us actually. So, we have a number of projects that we're working on and so we have, as an organization, learned to be incredibly resilient in sort of understanding where the hotspots are, and who -- and customer readiness. And so I would say, I think we're in a better position than we were a year ago. And we do expect it to slowly improve. And part of the reason why we expect it to improve is our customers are very, very busy. I mean, in many places, they're at capacity. They've got older technology, so there's catalysts to upgrading the equipment. And so we are seeing customers eager to accept install. And so, again, as things change and there's a lot of moving parts, we are going to pivot to those customers that are ready to go and be in a position to be able to deliver.

Answer – Joshua H. Levine: Anthony, one other point to what Suzanne's comments just alluded to. In the current environment, especially in those really, really busy locations, throughput and workflow are absolutely critical. And I think the functionality of our workhorse product in the form of Radixact right now is making a big difference in terms of treatment speed, throughput, efficiency, setup -- patients setup time, we're kind of firing on all cylinders at this point with that device. Setup time, overall efficiency is really making a difference. And in the context of what the busy locations are dealing with relative to patient volume, that's a difference maker, especially if they're dealing with constraints from older generation equipment.

Question – Anthony Petrone: That's helpful. And then a couple of follow-ups would be. One, just on the RO, radiation oncology bundle, CMS proposals came out. It look like there's some minor tweaks there, but maybe updated views as we approach implementation on the RO bundle on the US side. And then lastly on China JV manufacturing, just to follow-up there a bit, specifically on the manufacturing side. Maybe just to sort of clean up the timelines. We were under the impression and I still believe it's intact that you'll be able to manufacture out of the JV Type B system specifically entering 2023. I just want to see if we got those timelines straight. Thanks.

Answer – Joshua H. Levine: Sure. So let me take them in the order that you pose them. RO-APM, you guys probably saw as we did CMS' has announcement in roughly mid-July about the release of that proposed PPS rule. There is no reason at this point unless there is some -- again, some really, really significant macro level impact to this. And again I'm not naive, I think that the pandemic and resurgence, what that looks like and the impact that it could have, could change the timelines. But at this point it feels like CMS is trying to get this thing rolled out once and for all on January 1 of 2022. They still believe that there's about a third of all the radiation oncology activity or episodes that are being currently paid under more traditional fee for service Medicare reimbursement that will fall under the model. There were some minor modifications to the number of disease sites reduction, if you will in one or two from where they had been in the original thought process and rollout or the announcement initially. And perhaps some minor tweaks to site point-of-care, site of delivery, if you will, on the free-standing center side. But I think Anthony, our view is that this is this not a matter of if, it's only a matter of when. I think that if the world kind of holds together relative to the pandemic and we're not going to see major, major lockdowns again and major disruption in that context. I think that we should expect that – and we do expect that this will roll out in January of 2022. And again, our -- just to remind the listeners, our view is that we are really, really uniquely positioned here given the emphasis and the likely influence that the rollout of RO-APM will have on driving hyper fractionated and ultra-hypofractionated procedures. It kind of swings the pendulum exactly in the way that our portfolio lines up to help customers treat patients more efficiently. So that's kind of the update on the RO-APM.

On the China JV, again I think that from a timing standpoint there really isn't any change in timing. The thing that that probably was a little bit of a longer term, a longer time impact for us was the engagement for BIMT to do. And now they're the in-country testing arm that does the qualification and manufacturing, validation, testing in the Tianjin plant. They're actually engaged today and doing things on in some areas of their work on a virtual basis. But our view of the ultimate market launch timing for Type B hasn't changed at this point.

Question – Anthony Petrone: And then just one last housekeeping one if I could squeeze it in. Just on the China backlog as it sits. I think, from getting the math right, there's -- exiting last quarter there were still 74 Type A or is it in the backlog licenses, it was valued around $150 million. It sounds like now to-date you've realized $54 million. And that balance, let's call it, a little bit less than $100 million now, $94 million, $95 million or so is still expected to be realized over the next 15, 20 months. Is that -- are those numbers still accurate and intact? Thanks again.

Answer – Shigeyuki Hamamatsu: Yes. You got the math right. That 74 licenses as of last quarter that we had won had $150 million system revenue value, of which – Anthony, as we just announced $54 million of which has been recognized. So remaining would be $96 million, $95 million round number left over to be recognized over the next several quarters.

Question – Anthony Petrone: Thanks again.

Operator

The next question will be from Marie Thibault with BTIG. Please go ahead.

Question – Marie Thibault: Hi. Thank you for taking the questions. And Shig, let me add my congrats to you, but we are going to miss you and appreciate the hard work you put in over the last few years. I wanted to ask a two-part question here on China. First, just as a follow-on to Anthony's question. I wanted to try to figure out if we should continue to expect kind of variability in some of that revenue recognition? By my math, it looks like about $13 million of Type A licenses in revenue this quarter. So just want to check that math and whether we can expect variability? And secondly, we've seen a press release on the China Isotope's Investor Relations site a few days ago, seemed to announce a third tranche of licenses. I wondered if you – if that was accurate or what you could tell us about that?

Answer – Shigeyuki Hamamatsu: Yes, Marie. Thanks for the comment and I'll miss working with you as well. So, thanks for your earlier comment. Anyways, I'm going to answer the first part. So you got the math right on that, we had $13 million of Type A system revenue recognized in the fourth quarter. That is correct. And we do anticipate quarterly variability in FY 2021. Again it's mostly driven by customer installation requirement on a timing, so it's mostly related to that. Third tranche, I guess, I'll let Suzanne speak to it.

Answer – Suzanne Winter: And the press release was correct. I mean, again we're working very closely with our customers in China on applications. And the third tranche, yes, we had 26 out of the 28 radiation therapy licenses. And so, obviously, we're very pleased with that. It was expected. But it's great to see it come through, because it provides greater clarity into what we had planned as we go into the next couple of years. But, again, overall when we look at the five-year plan we have 78% share of the Type A licenses. So we're very pleased with the brand recognition in the China market and we only think it's going to be translated when we get into the Type B segment as well.

Question – Marie Thibault: All right. Very good. Looks like a high win rate there again. Follow-up here then on net orders, looks like approximately $60 million below kind of the growth order number. Were there more age-outs than usual or what was kind of to explain that dynamic? And I appreciate the questions tonight.

Answer – Shigeyuki Hamamatsu: Yes. We did – so, I think what I said in the earlier remark we had a $46 million net age-out, Marie. So that was a driver for sure. And if I think about that, more than half of that $46 million net age-out was China. And so again, I think, while we wait for the remainder of the license wins to be recognized into revenue over the next several quarters, as I've said earlier, we're going to see some of those age-out occur particularly in China. But, again, we had a $27 million of age-in for the year, which was the highest in FY 2021. So despite having the age-outs higher than normal in near-term that we are confident that we'll get a good chunk of that back looking forward.

Question – Marie Thibault: Got it.

Answer – Joshua H. Levine: Marie, the interesting thing about the age-outs, especially when they're China dependent or China influenced, if you will, is that those customers are still holding a license, which is the important aspect of this. It really kind of makes it more of a matter of not if, but when from a timing perspective. So while you might see again quarter-to-quarter variability, as Shig talked, about relative to

age-out activity. Those that are -- from a dependency standpoint, those that are China-related are a much higher level of likelihood or confidence factor that they're going to age-in, they're going to go to revenue. Just a matter of timing.

Operator

And the next question will come from Jason Wittes with Northland. Please go ahead.

Question – Jason Wittes: Hi, thanks for taking the questions, and I will echo sentiments earlier about the quarter end, year-end and also, obviously, pleasure working with Shig, and best of luck in your new endeavor. But with that, just a couple of questions here. One, I guess Josh, you made it pretty clear that the guidance is somewhat conservative. At least, that's my read on one of the earlier questions. But, I guess, you've got ClearRT and Synchrony actually starting to also show up as a greater percentage of sales. How does that incorporate into the guidance you gave? I mean shouldn't – is there a boost from those two product cycles, or is that offset by COVID concerns?

Answer – Joshua H. Levine: So the answer is that there's no question that the market reception to ClearRT and Synchrony have – looking at the performance in the second half and especially in the fourth quarter of fiscal 2021, they've been a catalyst, Jason, relative to order activity and momentum and we expect that to continue. These are probably the two most meaningful product and technology upgrades we've made to a core platform in, I think, probably my time here, maybe except for the MLC initially back on CyberKnife back in 2013-2014. But these are really – because this is on our workhorse platform, these are really meaningful upgrades. So I don't expect that the tailwind, if you want to describe it that way, that they're creating or that they've created in the last quarter or two, I don't think that's going to go away anytime soon.

The COVID situation is it is what it is. I think you heard Suzanne say, and I agree completely with her, we are showing a high degree of adaptability and flexibility on continuing to do what we need to do to get equipment installed, to get equipment in the ground, and get it ATP-ed, and get it into use – clinical use. And no one can predict for sure one way or the other. But I think unless we end up back in a – kind of situation that resembles where we were a year ago with really, really end-to-end lockdown in hospitals where their sole focus is in ICU and critical care medicine, really focused solely and dedicated to treating COVID patients, which again, I don't think that's where we're headed. But, again, I'm no better qualified than you are or any of the other listeners are to answer that question. Unless we end up there, I think that our momentum and the tailwind that you see is very likely to continue.

Question – Jason Wittes: So related to that. What's your sort of turnout turnaround rate or turnover rate for order to installation? I mean is it possible if you've got a strong first quarter, we see some of that in the fourth quarter or is that really going to be a 2023 -- fiscal 2023 event given installation times?

Answer – Joshua H. Levine: And I think the variability there is that the last part of that is customer readiness. Again, I think as you heard in prior conversation from Suzanne, customers are really busy right now. And many of them are at approaching or at capacity kind of levels relative to patient flow which is why device capacity, improved throughput and workflow efficiencies are having big positive impacts on -- as a catalyst in customer decision making on how rapidly they want to be able to get new equipment installed. And, I again, I hope and believe that that's likely to continue. Again, there were a lot of patients during the lockdown that were -- that could be deferred, that were deferred. And I think that the catch up mode that

people are in right now from a radiation oncology standpoint is it's not isolated to just one city, one facility, one region. I mean it's -- there are examples of that I can point that in all of our developed markets quite frankly at this point. And so, again, I'd say at a macro level of kind of assessment, the indicators would tell me that, again, that need is going to continue to be there for people who can and need to trade up to more efficient, faster -- faster equipment, more capacity that's created through better efficiency and throughput. I think that's a tailwind that could continue.

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Josh Levine for any closing remarks.

Joshua H. Levine, Accuray Incorporated – Chief Executive Officer

I'd like to thank everyone for joining us on the call this afternoon. I want to take this opportunity to thank all of our Accuray teammates around the world for their perseverance in the face of challenges related to the COVID pandemic and for their collective contributions in support of how we performed as a company in fiscal year 2021. I'm extremely proud of the way we executed and believe we've strongly positioned this business for an exciting future. We look forward to speaking with you again in October when we host our annual ASTRO Investor event and report our fiscal 2022 first quarter results. Thank you very much.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.