



Q2 FY23 Accuray Incorporated Earnings Call

February 1, 2023

CORPORATE PARTICIPANTS

Suzanne Winter, Accuray Incorporated – President and Chief Executive Officer

Ali Pervaiz, Accuray Incorporated – Chief Financial Officer

Jesse Chew, Accuray Incorporated – Senior Vice President, General Counsel and Corporate Secretary

CONFERENCE CALL PARTICIPANTS

Marie Thibault, BTIG

Josh Jennings, Cowen

Brooks O'Neil, Lake Street Capital Markets

Jason Wittes, Loop Capital

Neil Chatterji, B. Riley

PRESENTATION

Operator

Good day and welcome to the Accuray Second Quarter Fiscal 2023 Financial Results Conference Call. Please note, this event is being recorded.

I would now like to turn the conference over to Jesse Chew, Senior Vice President, General Counsel and Corporate Secretary. Please go ahead.

Jesse Chew, Accuray Incorporated – Senior Vice President, General Counsel and Corporate Secretary

Thank you, operator and good afternoon, everyone. Welcome to Accuray's conference call to review financial results for the second quarter of fiscal year 2023, which ended December 31st, 2022. During our call this afternoon management will review recent corporate developments. Joining us on today's call are:

Suzanne Winter – Accuray's President and Chief Executive Officer

Ali Pervaiz – Accuray's 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 close 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 “second quarter” refer to our FISCAL second quarter ended December 31st, 2022. Additionally, there will be a supplemental slide deck to accompany this call, which can be accessed by going directly to Accuray’s investor page at investors.accuray.com.

With that, let me turn the call over to Accuray’s Chief Executive Officer, Suzanne Winter. Suzanne...

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Thank you, Jesse.
Good afternoon and thank you for joining the call.

I am very pleased with our excellent performance in the second quarter and our position going into the second half of the fiscal year. During the quarter, we delivered strong revenue and EBITDA performance, delivered a robust book of orders across all regions, and made significant progress on our FY23 strategic agenda of driving above-market revenue, margin expansion and profitability initiatives, and the formation of strategic partnerships that can create value for all stakeholders. We are doing this while navigating persistent macroeconomic and foreign exchange headwinds, which Ali will elaborate on later in the call.

I'd like to start by expressing my thanks to the Accuray team that continues to deliver new levels of performance. While we have seen some improvements in the supply chain environment over the course of the past year, our teams continue to battle and rise to the challenge every day driven by accountability to Accuray’s higher purpose of ensuring that our customers have access to the highest precision radiotherapy tools available so that they can provide advanced cancer care to improve lives. Over this past year, we have taken actions to improve the flexibility of our supply chain and customer facing teams so that we fulfill new demand as well as maintain smooth operations and satisfaction in our installed base of customers. These initiatives have put Accuray in a better position to manage the ongoing headwinds with teams performing at the highest levels. This is why I am especially proud of a couple of key accomplishments within the quarter. The first, we delivered a record in system shipments in the second quarter with 29 new systems delivered which represents a historical milestone for the company. Second, we are proud to be recognized by the 2022 IMV ServiceTrak report for achieving “Best in Service in Radiation Oncology” based on IMV’s annual survey of U.S. Radiation Oncology professionals. These are shining examples of the talent, agility and dedication of our global Accuray team.

We continue to make significant progress in advancing our innovation-driven growth strategy. Our product pipeline is the strongest in the company’s history and we continue to focus on solving clinical challenges and enhancing the value of our portfolio. I am very pleased with the Q2 orders performance which included 34 new systems and represents a 13% sequential orders dollar growth. These results reflect both growing customer demand for Accuray solutions and the positive impact from our commercial initiatives. We believe these factors will continue to grow Accuray’s revenue faster than our addressable market for FY23 and beyond.

Sharing key highlights from the regions, the Americas region delivered another quarter of outstanding order performance with 92% YOY growth driven by the adoption by our latest innovations. ClearRT™, the industry’s only helical CT imaging technology and Synchrony™, Accuray’s exclusive, real time adaptive radiotherapy delivery are capabilities that are differentiated and driving win rates. In the US in Q2 we saw that 100% of Radixact® orders included the options for ClearRT and Synchrony up from 80% in Q1.



In Japan, Accuray has gained the #2 market share position, and in Q2 we continued our strong competitive win rates. Nearly 50% of Q2 orders in Japan were replacements of the competitor's aged installed base. Additionally, the Japan team won a 7 Radixact system public tender in a highly, competitive battle against the #1 market share leader. Our Japan team continues to drive share gain in this largely replacement market.

We also had strategic wins in the EIMEA region with a competitive replacement Radixact win in Belgium at Charleroi University hospital. Additionally, we celebrated a 2nd CyberKnife system win and strategic endorsement at the prestigious European Radiosurgery Center Munich. Dr. Alexander Muacevic, Director of the facility is quoted saying he "believes that the CyberKnife is the #1 technology for delivering radiosurgery" and purchased the additional CyberKnife so that they could accommodate the growing patient demand for ultra-precise radiosurgical care.

Turning to China, our Joint Venture continues to be a long-term value driver for Accuray and we continue to dominate market share in the premier Type A radiotherapy market segment with greater than 75% market share. In Type B, we advanced our progress completing our NMPA regulatory submission of Tomo® C. Tomo C will be our domestic China-made, JV product that will compete in the Type B segment which is the largest segment of the China market with an estimated annual market potential of \$600M. We expect Accuray's premier brand reputation and awareness in the Type A segment will also help drive success and share gain of Tomo C in the Type B value segment upon introduction. Further, we believe our success with the Tomo C product in China will have translation potential globally as we enter new geographies with a value segment product allowing Accuray to compete in the large, \$1.3B annual global value market segment.

Additionally, in November, the Ministry of Health's central bidding process for Type A licenses resumed after a delay due to COVID lock down. 18 Accuray systems were awarded to customers during the central bidding process and are expected to convert to revenue over the next few quarters.

Despite the impact of challenges of the COVID lockdown in China, demand for radiotherapy system installation and training remains very high. We saw this firsthand at Accuray's 10th annual CyberKnife Users Meeting in November, where training participation rates were tremendous with over 100 participants attending in-person and 850 participants joining the training online.

As we continue to accelerate our top line through our growth initiatives, we are equally laser-focused on profitability. We made solid progress on our margin and profitability expansion plans and saw early indicators of a positive impact to our service margins in Q2, an area where we think we have tremendous opportunity. As we have mentioned on recent calls, the leadership team and I are focused on 3 main pillars: pricing discipline in our commercial efforts, including new value-added service offerings; reducing product and service costs through efficiencies and optimizing operating expenses which will have a meaningful impact in the mid-term.

Finally, establishing strategic partnerships are central to our growth agenda allowing us to provide best in class solutions and expand the scope of our commercial access. In Q2, we advanced key strategic partnerships, most recently with C-Rad, introducing the VitalHold™ breast package that will allow Accuray to offer the most comprehensive breast package in the marketplace. RaySearch also continues to be a very strong partner for us in treatment planning solutions, Oncology Information Systems, and with the



development of ARTEMIS, adaptive radiotherapy that combines ClearRT imaging, and RaySearch's industry leading digital technology and auto-contouring algorithms. This solution will further differentiate Accuray as the only company that offers a comprehensive, Adaptive Radiotherapy solution that can correct for patient changes both DURING treatment with ARTEMIS and BETWEEN treatments...with precision, speed and patient experience.

Finally, we are very excited to have announced a commercial partnership with GE Healthcare. This partnership pairs two industry technology leaders together with the aligned goal of providing personalized, ultra-precision solutions throughout the care continuum from diagnosis to treatment to survivorship. Our commercial teams are engaged, leveraging our respective strengths and developing customer pipelines. We believe the GE partnership will be a powerful value driver for patients, providers, and shareholders.

I will now turn it over to Ali who will speak more about our financial performance.

Ali Pervaiz, Accuray Incorporated – Chief Financial Officer

Thank you, Suzanne, and good afternoon, everyone. I'd like to begin by thanking our Global cross-functional teams who executed with intensity to deliver a strong second quarter of fiscal 2023 despite ongoing macroeconomic challenges including supply chain shortages, global inflationary pressure, and FX headwinds in our non-US markets.

Net revenue for the second quarter was \$114.8 million dollars which was down 1% compared to the prior fiscal year primarily due to supply chain constraints and \$6.1 million dollars of foreign exchange headwind. Net Revenue on a constant currency basis was \$120.9 million dollars which represents a 4% increase versus the same period in the prior fiscal year.

Product revenue for the second quarter was \$63.3 million dollars, which was up 4% from the prior year and up 8% after adjusting for the impact of FX. As Suzanne mentioned, this product revenue represented 29 systems and upgrades which is a record number of system shipments in the company's history. It's important to note that this was achieved while continuing to navigate unprecedented supply chain issues which really speaks to the hard work of our cross-functional teams.

Service revenue for the quarter was \$51.5 million dollars, which was down 7% from prior year, but flat once adjusted for the negative impact of FX which was \$4.1 million dollars.

Gross orders for the second quarter were \$79.0 million dollars which is an increase of 13% sequentially and a decrease of 7% from the same period in the prior fiscal year and represented a healthy book-to-bill ratio of over 1.2. As mentioned on prior calls, we believe the book-to-bill ratio is the right metric to monitor to ensure healthy growth of our backlog and to focus our teams to book orders that will convert to revenue within 30 months. Gross orders on a constant currency basis were \$82.6 million dollars.

Moving to backlog, we ended the second quarter with backlog of approximately \$515 million dollars which is 11.4% lower than prior year due to \$41.4 million dollars of orders that aged beyond 30 months within the quarter, mainly driven by customer installation timelines. We had no order cancellations within the quarter. As discussed in prior quarters, our global commercial teams continue to be focused on converting all orders



regardless of age to revenue. In Q2, this resulted in \$6.5 million dollars of orders converting to revenue within the quarter that had aged-out previously.

Our overall gross margin for the quarter was 37.4% compared to 36.7% in the prior year which is an increase of 70 basis points despite the FX headwinds. This showcases our focus on margin expansion through pricing and cost discipline is starting to take shape.

Operating expenses in the second quarter were \$40.3 million dollars which included nonrecurring charges of \$1.9 million dollars for restructuring charges and \$0.5 million dollars of ERP and ERP related expenditures, compared to \$38.6 million dollars in the second quarter of prior fiscal year. Excluding non-recurring charges total operating expense was down 2% compared to the same period in prior year illustrating good cost control as we continue to push our teams to focus on return on investment.

Operating income for the quarter was \$2.7 million dollars compared to \$4.0 million dollars from prior year.

Adjusted EBITDA for the quarter was \$8.5 million dollars compared to \$6.8 million in the prior year which represents a 24% growth year over year despite the FX headwinds which impacted our topline by \$6.1 million dollars. The reconciliation between GAAP net income and Adjusted EBITDA is described in our earnings release issued today.

Turning to the balance sheet, total cash, cash equivalents and short-term restricted cash amounted to \$68 million dollars, compared to \$81 million dollars at the end of last quarter. Net accounts receivable were \$89 million dollars up \$12 million dollars from last quarter as we had quite a few shipments in the last month of the quarter. Our net inventory balance was \$156 million dollars up \$3 million dollars from prior quarter primarily due to 3 units in finished goods which we expect to ship out to customer sites in early Q3. Although we continue to battle supply chain constraints, we are taking firm actions to bring our inventory back to healthier levels in the coming quarters to optimize our cash and working capital.

While we delivered strong results in Q2 and continue to navigate through supply chain constraints, the headwinds associated with foreign exchange have had a \$12 million-dollar impact on our top-line in the first half of fiscal 2023. Currently, we are reiterating our full year guidance with Revenue in the range of \$447 - \$455 million dollars and an EBITDA target range of \$26 - \$30 million dollars. We will continue to closely monitor the impact of FX and supply chain as we enter the second half of our fiscal year.

Those are our key financial highlights, and with that, I'd like to hand the call back to Suzanne.

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Thank you, Ali.

In summary, I'd like to again thank our teams for their unwavering support of our customers so they can provide the highest level of care to patients. While we expect to continue to navigate the uncertainty of the macroeconomic conditions we've seen over the last year, we remain encouraged by continued customer demand for Accuray technologies and our robust product pipeline as well as market trends that favor Accuray technology and where we are positioned to win and take share. As an organization we are



strengthening our fundamentals, advancing multiple growth catalysts, and creating new, strategic partnerships.

I will now turn it back over to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator

Our first question comes from Marie Thibault with BTIG.

Marie Thibault – BTIG

Congrats on a very nice quarter. I wanted to start here and try to understand a little bit more about what drove that record product revenue, the record shipments that you mentioned in the quarter. Was this a bit of a backlog that had been building up in some geographies? What really drove kind of the strength in that metric this quarter?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Hi, Marie. Thank you for the question. Yes, I would say our revenue was really driven by 2 regions, the EIMEA region as well as the Japan region. But we did start to see some recovery in China as well. And so again, really working through our supply chain to be able to manufacture as much product as possible and be able to fulfill that demand. Our customer demand continues to be very, very strong. And again, working through our supply chain to make sure that we can fulfill demand. It was at the top of our priority list.

Marie Thibault – BTIG

And while we're talking about supply chain challenges, I know you're navigating quite well right now. But what are the specific components or issues you're dealing with there? And I guess, as a partial follow-up on China, are you expecting any impact in the fiscal third quarter from sort of the reopening, the Lunar New Year, any of the COVID dynamics around that quarter?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes, in general, just from a supply chain standpoint, I would think that we are seeing over the course of this past year, some easing of supply chain. And certainly, from our standpoint, instead of dealing with 2 dozen supply chain vendor issues, I think we've narrowed it down to less than half a dozen. Now those half a dozen -- those challenges are still real. We're working very closely with those suppliers. We are micromanaging those operations. We're helping to source materials. We're building in the flexibility, I think, overall in our supply chain. We're redesigning where we need to. At the same time, it continues to be a headwind and we battle it every single day.

In terms of China, I would say that we are seeing some recovery with opening up since the COVID lockdown. Our orders have been very strong in the first half. So that is a good indication, I think, of things



starting to turn in China. And so we are expecting that the second half of the year, we're going to see some recovery.

Operator

Our next question comes from Josh Jennings with Cowen.

Joshua Jennings – Cowen

I wanted to just start off and ask about the Americas order growth, the big performance for that region. And I wanted to just get a reminder or better understand the strategic initiatives that are in place to kind of drive growth of orders in the Americas region. I know you have the technology portfolio that's in play but any other strategic initiatives that were successful and that could continue through the remainder of fiscal '23 and beyond?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes, Josh. Thanks for the question. The Americas region is obviously the largest healthcare market globally. We have doubled down in terms of our investment in commercial organization and initiatives. One of the big growth catalysts is the very large replacement market. This is largely a replacement market in the U.S. It's a mature market. We have an older aged installed base. I would say our sales teams are firmly focused on ensuring customer satisfaction within that installed base but also encouraging upgrading those systems through trade-in, trade-up to our latest performance capabilities, so that they can start to provide advanced care like ultra-hypofractionation and in CyberKnife radiosurgical capabilities. So we do expect to continue to see the return on those investments and that focus.

Joshua Jennings – Cowen

And I wanted to ask about the Type A wins in China and the revenue conversion cycle here. It seems like that's a great revenue opportunity in the back half and in the early fiscal '24. But one, just any more details you can share just on the November bidding process? And just within the Type A award channel, just what should we expect next? Is -- are there more rounds to go? And is there more opportunity for Accuray?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes. Again, thanks for that question. Yes, the Type A, we were very encouraged to see the bidding, the central bidding process resumed after a period of time during COVID, where it was delayed. And so this is very encouraging and I think it's a good sign of recovery in China. This is -- the bidding process is the next step to being -- achieving the funding for the systems and beginning of the installation. And so for us, it's very strategic. It is the opportunity to place 18 more systems into the China market which, again, just is that critical mass of premier systems at premier institutions within the market that we think will drive the branding for Accuray within that subregion.

We do expect there'll be additional bidding -- central bidding processes that will happen throughout the year. We don't have any visibility at this time into timing. And certainly, there's a new 5-year plan that will be announced that will give a better indication, I think, of Type A and Type B market sizes.



Joshua Jennings – Cowen

If I could just sneak one more in, just while we're on China, just seems like everything you downloaded today on the progress with the regulatory submission and some of the completion of production and testing at the manufacturing facility, things are on track. But should we still be thinking about a fiscal '24 kind of approval and launch? Maybe just to refresh any timelines you'd have us thinking about for the Tomo C through the JV in China?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes. I think no additional information from what we've discussed in the past. A typical regulatory cycle is about 12 months. And again, we can never predict the regulatory cycle. But if we assume that it will be typical, yes, we have -- we're still holding to potential impact in the back half of FY '24 from an approval for the Tomo C product.

Operator

Our next question comes from Neil Chatterji with B. Riley.

Neil Chatterji – B. Riley

Congrats on a strong quarter. Maybe just first off, you talked about the Munich Center, adding the second CyberKnife. Just curious if you could just remind us how often you see that dynamic of centers adding multiple iterate systems.

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes, that's a great question. I think we're seeing it more and more. We're also seeing centers that are starting to get the combination of the CyberKnife and the Radixact. And I think that, that is a commercial strategy that our teams are showing how our sites can really build up their patient referrals, how they can build their business by having this combination of a radiosurgery system in the CyberKnife but also a workhorse system like the Radixact. So I think we're going to continue to see it more and more. But we're absolutely thrilled with the center in Munich, primarily because they're very well known for radiosurgery. The first system was really bought for intracranial type of applications and he is buying the second system now for more extra cranial more full body SBRT type of applications. And so again, we think it's a strong endorsement and a site that we can use for strategic reference.

Neil Chatterji – B. Riley

Maybe just one follow-up here. So regarding kind of the customer installation delays or the aged outs. Just curious if there's any updated insight on the construction environment, whether that's related to worker shortages or supply issues? Just any update there?



Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes. I think that's a great question. I would say the aged out is really driven largely by systems that we had in the backlog that are in Russia that have aged out, still orders that we hope will go to installation. But because of the timing and what's going on there, they have aged out. Also, I think that in general, COVID had an impact on the length of time for some of our backlog. We are firmly focused on our new orders, trying to put them through the lengths of orders that we believe will go to installation within 30 months so that we don't have this sort of dynamic. But I would say, in general, we're not seeing increased length of time for installations. And I think it's very region independent. But there's some good research that is out there on the capital equipment spend. And I think that there's a couple of key catalysts. One, radiation oncology is a revenue generator for the hospital. So it's well positioned for priority and capital equipment spend. It's also a strategic service line oncology, the key care area.

And then the third is there is a large replacement market opportunity and in that research that was done, how old the equipment seems to be a key -- one of the key points of prioritization of capital equipment funds. So again, we think that that will drive priority amongst the installation dollars that are needed.

Operator

Our next question comes from Brooks O'Neil with Lake Street Capital Markets.

Brooks O'Neil – Lake Street Capital Markets

And congratulations on what I think is a terrific quarter under the circumstances. I have -- I am pleased to hear you talk about competitive wins, Suzanne, and I wonder if you could just amplify a little bit on sort of what you think the dynamics are that are leading to competitive wins and not necessarily expecting you to call out the victims, but if you could just highlight what you think is leading to your wins versus established competitors, that would be great.

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Thank you for the question, Brooks. Yes, we're excited. I think about our competitive wins. I think, obviously, a lot of it is driven by our new product innovations. We talked a little bit on the -- in the basic this part of the call on how many systems are ordering ClearRT, for example, in Synchrony and VOLO™ Ultra as well, that is driving a lot of the differentiation of our products compared to competition. And I think that, that's gaining traction. We're seeing the increase in growing demand for our products. Same thing in -- for the CyberKnife. It continues to be a very unique product that just based on the technology is able to do things that other platforms are not able to do. That being said, I think there's disruption in the competitive landscape that is allowing us to get the second look that maybe we wouldn't have gotten 5 years ago. And we are in a very strong position. And I think that with the growing use of SBRT and ultra-hypofractionation, the need for precision has never been more important. And we bring unique product innovation to the table that others cannot.

So all of those things, I think, are just helping us along with commercial focus and a little bit more of a commercial swagger, I think, in knowing that we can win against previous market leaders.



Brooks O'Neil – Lake Street Capital Markets

So my second question, I know you talked a little bit about it in the prepared remarks but increasing your service revenue and driving margin improvement are key strategic objectives. Can you just give us any additional color on where you feel you are, how fast we might be able to see progress in some of the key priorities?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes, it's absolutely a key priority. We also think we have tremendous opportunity in the service business as well as margin expansion. I'll let Ali talk a little bit more about what we're doing in those areas.

Ali Pervaiz, Accuray Incorporated – Chief Financial Officer

Yes, absolutely. Hey, Brooks. On the service side, we are -- we think there's a massive opportunity to continue to increase the top line on that annuity business. It's through enhanced offerings that could be around training that are more tailored to our customers' needs. And we think the bigger opportunity in service beyond just the topline growth is around margin expansion. And really, it's focused on just really optimizing that business and making sure that we focus on 2 of the big cost drivers over there which is really around parts consumption. Take a look at our parts consumption, understand that a little bit better and really focus on parts that we're utilizing quite a bit and actually try and optimize those. And then when it comes to utilization, really drive that down.

Operator

Our next question comes from Jason Wittes with Loop Capital.

Jason Wittes – Loop Capital

First off, 2 things in terms of what's driving this quarter and it looks like it should drive through the rest of the year. One, I think you guys have mentioned replacement cycle or replacement at least. I mean where are we in terms of a replacement cycle? And I don't know if you can even give us any kind of color in terms of how many of the systems sold regionally were replacements? And then secondly, you do have quite a bit of new innovations you're offering at this point. Can you give us any kind of indication in terms of what the take rate is for those and what that might be doing to ASPs?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes. And I'll start and then I'll hand over the ASP question to, Ali. But yes, I'd say in our mature markets, in our developed markets like the U.S., like Western Europe, like Japan, it is largely a replacement market. And so the goal really for our teams is heavily on bringing our aged IB up to the latest performance. I would say, through COVID, the average use of systems have gone from 10-year life to 12 to 12.5-year life. And so there is -- this is a growing demand, a growing -- growth catalyst for us to be able to bring those customers to the latest revision. And certainly, our NPIs, they're supporting that as well as the clinical trends with that, it drives higher value and higher pricing. And I'll let Ali speak a little bit more to that.



Ali Pervaiz, Accuray Incorporated – Chief Financial Officer

Yes. So just to reiterate, Suzanne's point, the majority of the trade-in, trade-up and activity is really happening within our mature markets. But going to your pricing question, that's part of our margin expansion initiative, right? Pricing is the cornerstone of our margin expansion initiative. And we've actually done quite a bit over there in terms of changing things around commercially. Number one, we've actually aligned our commercial team's incentive to ensuring that we can reach the profitability targets for new incoming orders. And we've actually armed them with tools so that -- as they are positioning configurations to our customers, we can optimize it so that we meet our customers' needs but then we're also optimizing our margins. So I think those 2 things coupled together are really driving the focus not only on bringing in orders volume but bringing in profitable orders volume. And actually, we are starting to see some pretty positive signs of that reflect in our overall ASP quarter-over-quarter. So that is very encouraging. And so all of that fills our backlog with good healthy orders and those are -- we're just focused on converting those orders into revenue.

Jason Wiffes – Loop Capital

And maybe just a quick follow-up. Maybe at the exception of China, I wouldn't say we're in a post-COVID world but we did -- we have been talking to hospitals and a lot of them are saying, look, we've kind of held back in the last 3 years and we're now kind of going back and reinvesting where we have and notably in some capital equipment products. I mean, is that your sense as well in terms of what's going on, especially in the mature markets?

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Yes. I would say it's highly dependent on the institution. I think a big factor is also how old is their equipment because I do think that that's what's driving certain institutions to be able to upgrade their equipment. But I would say, and again, I go back to the research that was done in this area that really surveyed the C level in capital equipment. I would say about 1/3 of them have already seen some capital equipment leasing but the rest are feeling like, at least by the second half of calendar year '23 and into '24, we should get back to pre-COVID level.

Operator

This concludes our question-and-answer session. I would like to turn the conference over to Suzanne Winter for any closing remarks.

Suzanne Winter, Accuray Incorporated – Chief Executive Officer

Thank you very much. This concludes our earnings call. We look forward to speaking with you again in April for our fiscal 2023 third quarter earnings release.

Operator

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