Q3 2021 Accuray Inc Earnings Call
SUNNYVALE April 27, 2021 -- Edited Transcript of Accuray Inc earnings conference call or presentation
Tuesday, April 27, 2021

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Anthony Petrone, Jefferies LLC
Brooks O'Neil, Lake Street Capital Markets, LLC
Joshua Jennings, M.D., Cowen

PRESENTATION

Operator

Good afternoon, everyone and welcome to the Accuray Report's Third Quarter of 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. We also note, today's event is being recorded.

At this time, I'd like to turn the conference call over to Ken Mobeck, Vice President of Finance and IR. Sir, please go ahead.

Ken Mobeck, Accuray Incorporated – Vice President-Finance & Investor Relations

Thank you, Jamie. And good afternoon, everyone. Welcome to Accuray's conference call to review financial results for the third quarter of fiscal year 2021, which ended March 31, 2021. During our call this afternoon, management will review recent corporate developments. Joining us on today's call are Josh Levine, Accuray's President and Chief Executive Officer; Shig Hamamatsu, Accuray's Senior Vice President and Chief Financial Officer; and Suzanne Winter, Accuray's Chief Commercial Officer and Senior Vice President of R&D.

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 third quarter refer to our fiscal third quarter ended March 31, 2021. Finally, there will be a slide presentation accompanying this call, which can be accessed on the link provided in today's earnings release or by going directly to Accuray's investor page at accuracy.com.

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

Joshua H. Levine, Accuray Incorporated – President and Chief Executive Officer

Thank you, Ken, and thanks to everyone joining us on today's call. Accuray's fiscal 2021 third quarter performance continues to reflect the positive momentum our business is making, despite the headwinds created by the COVID-19 environment. Positive highlights from our third quarter include the continued conversion of China Type A system revenue, excellent progress in the phase and introduction for our ClearRT™ Helical kVCT Imaging upgrade on Radixact®, including regulatory approval for that in Japan and the continued adoption of our latest innovations like Synchrony, real-time motion tracking and delivery adaptation on Radixact and our latest generation, CyberKnife® S7™ System.

Revenue for the quarter came in at $102.6 million, which was an increase of 3% from the prior year. Overall, fiscal Q3 revenue included approximately $25 million of China-related system revenue consisting of nine Type A and one Type B systems. The third quarter saw continued execution related to China Type A revenue conversion. While the number of Type A system shipments will vary from quarter-to-quarter, we expect revenue related to the remainder of Type A licenses will be recognized over the course of the next several quarters. Regarding the Type B product segment, our China JV continues to make operational progress in advancing the manufacturing validation and qualification process. And we believe that we are on track to have our China manufactured Type B product ready for market introduction in approximately 15 months. Gross order volume for the quarter was $87.4 million, which included 37 system orders, was up $12 million or 16% sequentially from prior quarter, and in line with our internal expectations. Despite the COVID headwinds, we saw positive order growth in Japan and EIMEA where growth orders grew 19% and 7% year-over-year, respectively, primarily driven by strong demand for Radixact, as well as the adoption of new technologies like Synchrony® on Radixact. On a global basis, approximately 44% 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, 57% of the quarter CyberKnife orders and 73% of CyberKnife orders year-to- date consist of our latest generation S7 platform indicating continued strong customer uptake related to this product launch.

Additionally, we continue to see solid performance in trade-in, trade-up orders representing 22% of global orders in Q3 with a strong percentage of the product mix in our developed markets like EIMEA and AMS where we are targeting older systems for upgrade to our latest generation CyberKnife and Radixact platforms.

From a financial perspective, as mentioned in our last call. with the increased EBITDA we are generating, we have started to increase our investments in R&D in the third quarter and expect this trend to continue into the fourth quarter as we adjust our R&D investment run rate back to pre-COVID levels. On the product innovation front, we are seeing early order momentum from clear ClearRT, Helical kVCT Imaging on the Radixact platform, gaining four orders for ClearRT as an option on Radixact Systems, and 10 upgrade orders for existing installed base systems.

Additionally, we're excited about the feedback from our initial clinical evaluation site where the staff is successfully treating patients guided by high fidelity, helical kVCT images. Our ClearRT imaging upgrade provides improved ability to visualize both the tumor as well as surrounding healthy tissue, allowing the staff to plan and deliver the highest quality treatment plans with confidence and precision. Quoting Dr. Lane Rosen, Director of Radiation Oncology at Willis Knighton Cancer Center who is our collaboration partner, "ClearRT exceeded our expectations and provided noticeably superior image quality compared to the cone-beam CT systems on our conventional linear accelerators. We believe the Radixact System and ClearRT imaging will allow our team to improve the care we provide our cancer patients significantly." From a regulatory clearance perspective during fiscal Q3, we received additional market clearance with Shonin approval for ClearRT in Japan and we believe we are on track for CE Mark certification sometime in our fiscal fourth quarter. With these additional clearances, we believe that our ClearRT imaging upgrade remains on track for a broader global commercial launch in our fiscal fourth quarter.

The importance of the ClearRT introduction on Radixact cannot be overstated in terms of clinical impact and expanded clinical utility. In order to provide a sense about the overall image quality of ClearRT and how it compares to diagnostic CT, I have a visual to share as I walk through my prepared remarks.

This slide contains a set of same patient images courtesy of the team at Willis-Knighton Cancer Center, our first clinical evaluation site. The image captured on the left was acquired using ClearRT Helical kVCT imaging, and the one on the right is from a diagnostic CT. Clinicians who see these images find it difficult to discern the difference. Like the diagnostic CT, ClearRT Helical kVCT has excellent uniformity across the image, accurate spatial resolution, and provides easy visualization of low contrast anatomy throughout the largest field of view available in the market.

For background, unlike conventional cone beam CTs, ClearRT does not suffer from noise in the image that can obscure a critical anatomy. And unlike MR images, ClearRT is not hampered by deformation of structures within the image which can make accurate patients setup and adaptive workflows very challenging.

Finally, ClearRT acquires these high-quality images fast. Less than 20 seconds for a standard scan link, and only 1 minute to scan a full meter. And patient dose exposure is very low. Basically 1 to 3 cGy depending on the area of the image. As shown in the sample images, ClearRT combines the Radixact images, ClearRT combines the Radixact's system unique helical platform architecture with kVCT Imaging capability which provides near diagnostic CT quality image resolution. Additionally, Radixact's unique architecture provides the largest transverse field of view in the industry and marries it with best-in-class image acquisition speed that allows clinicians to quickly and efficiently acquire uniform high quality images during the treatment.

ClearRT represents a significant improvement in engine capability over conventional cone beam CT. And when added to Radixact's other unique capabilities like Synchrony's proprietary real time motion tracking

and delivery adaptation capability, we believe it makes Radixact a truly unique highly versatile and efficient workhorse platform for radio therapy departments both large and small due to its competitive total cost of ownership.

Turning to our CyberKnife platform, we are very pleased with the continued demand for the CyberKnife S7 specifically in healthcare systems that are building world-class SRS and SBRT programs, offering ultra hypofractionated treatment for their patients.

During the quarter, we received CyberKnife S7 orders at the China International Import Expo including the PLA General Hospital where this specific S7 order represents the third CyberKnife system at their facility. Additionally, we had the first installation of the S7 in Japan this quarter at Kumamoto Radiosurgery Clinic and in the US at Mount Carmel Health in Columbus, Ohio which is part of the Alliance Oncology Network.

CyberKnife S7's unique non-coplanar delivery combined with Synchrony motion tracking and real time adaptation provides the highest level of precision needed for higher dose SBRT treatments with treatment times under 15 minutes. The most recent retrospective study published in the February 2021 publication of *Frontiers in Oncology* demonstrates significantly fewer grade III and above toxicity outcomes for patients treated with CyberKnife and Synchrony. Accuray has been a pioneer in the development of high persistent technologies that enable hypo and ultra-hypofractionation. And we believe that the innovations we are bringing to the market like Synchrony and ClearRT on Radixact and CyberKnife S7 will be catalysts for long-term growth and ensure that our differentiated radiotherapy platforms maintain their position as the gold standard choice in hypofractionationated SRS and SPRT treatments.

Highlighting news from a press release we put out yesterday, we are pleased to announce that Dr. Jean-Philippe Pignol has joined Accuray as Chief Medical and Technology Officer. In his role, Dr. Pignol will serve as a member of the company's executive leadership team and will lead the company's scientific and clinical research functions, work to develop strategic collaborations with global key opinion leaders that support technology assessment and development activities and serve as our executive representative with important industry partners including medical societies and regulatory and legislative agencies that influence health care policy and reimbursement. Dr. Pignol is a globally recognized and respected board-certified radiation oncologist with both an M.D. and a Ph.D. in nuclear physics from Université Louis-Pasteur in Strasbourg, France. We are thrilled to have Jean-Philippe as part of our team and look forward to leveraging his expertise to expand Accuray's impact in the global radiation therapy market.

Looking back over the past 12 to 15 months, clearly the COVID-19 challenges have created headwinds for many companies, and Accuray has been no exception. Despite these challenges, Accuray has navigated through this period comparatively well, and I believe we are emerging from the COVID pandemic a stronger company overall. We have an improved product portfolio with meaningfully differentiated technology upgrades that we believe will allow us to retain our installed base of customers and compete more effectively for new bunkers going forward.

In terms of existing growth catalysts, we are seeing the tangible revenue impact of the China Type A radiotherapy opportunity that we've been working to activate for quite a while, and directional line of sight in our fiscal Q4 to continued commercial momentum. From a financial perspective, as a result of actions we took at the outset of the pandemic, we are showing an improvement in financial leverage and a stronger cash position. Lastly and perhaps most importantly, we have a vastly improved, very focused executive

leadership team that we firmly believe is positioned to effectively execute our strategic growth agenda going forward.

And with that, I'll turn the call over to Shig to review our Q3 financial results in greater detail. Shig?

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

Thank you, Josh, and good afternoon, everyone. I'll begin with some additional details in our financial performance for the third quarter, and then focus on certain highlights for the period. Gross orders for the third quarter were $87.4 million, an increase of $12 million or 16% from the second quarter but down from $106 million in the prior-year third quarter as we continue to see some headwinds due to the pandemic, particularly in the Americas region, which has affected the timing of order placement in the near term. In terms of the sequential increase from the second quarter of this fiscal year, it was driven by double-digit order growth from each of the regions outside of the Americas.

From a product mix perspective, the TomoTherapy platform accounted for approximately 80% of order unit volume for the quarter and CyberKnife accounted for the remaining 20%. As Josh highlighted earlier, we continued to see strong innovation-driven order momentum during the third quarter as we saw a significant portion of our gross orders included Synchrony on Radixact, as well as CyberKnife S7. Additionally, we see the first batch of ClearRT orders as we executed well on its phased commercial launch.

Net age-outs for the quarter were $16 million and included $9 million of age-in activities during the quarter, $7 million of which related to China Type A orders previously aged-out. Although the depth and extent to which COVID-19 will impact individual markets will vary based on a number of factors, we expect to see a higher-than-normal level of age-outs in the near term due to this pandemic-driven timing disruption.

During the third quarter, we had $8 of cancellations and FX and other adjustments of $0.6 million. As a result, on a net basis, we generated $62.8 million orders in the third quarter. We ended our third quarter with a backlog of $611 million which is an increase of 7% from March 31, 2020.

Turning now to our income statement. Total revenue for the second quarter was $102.6 million, an increase of 3% from the prior year as we continue to execute on revenue ramp related to China Type A systems. Product revenue for the quarter was $47.4 million. It included $25 million of system revenue to China of which $23 million was for Type A products.

From a product mix perspective, CyberKnife accounted for approximately 30% of the quarter's revenue unit volume while the TomoTherapy platform accounting for the remaining 70%. Service revenue for the quarter was $55.1 million, an increase of 2% from the prior year.

Turning now to gross margin. Our overall gross margin for the quarter was 38.6% compared to 39.3% in the prior year. Product gross margin for the quarter was 41.6% compared to 39.4% in the prior year. The improvement in product gross margin for the prior year was primarily driven by a higher mix of CyberKnife units during the quarter in connection with China, Type A revenue ramp.

Service gross margin for the quarter was 35.9% compared to 39.2% in the prior year. The lower service gross margin for the quarter was primarily due to two factors that are considered infrequent in nature. First, as we

announced back in last November, we have partnered with DHL to upgrade our global service parts logistics that is expected to further strengthen our aftermarket supply chain and expand the company's high quality customer service, service globally as the installed base continues to grow. During the quarter, we incurred certain investments in connection with going live with this new logistics platform. While this investment negatively impacted our service gross margin for the third quarter, we expect to realize meaningful benefit both operationally and financially in the future periods from the new platform. Another item that negatively impacted third quarter service gross margin related to a bulk sale of service parts to our China JV for which we were required to defer recognition of a portion of gross margin until future periods given our ownership and the JV. This is purely a timing issue as imposed by the JV accounting rule and we expect to recognize the margin deferred this quarter in the next couple of quarters as the JV consumes the parts sold. As the JV continues to ramp its system installation and service activities, we may see similar, brief margin deferral from time to time in the future. Excluding the impact of these two infrequent items our service gross margin for the third quarter would have been approximately 38% which is more in line with our historical range in the high 30s.

Moving down the income statement operating expenses for the quarter were $35.1 million, an increase of $2.5 million sequentially from the second quarter as we started to see a normalization of certain expenses as previously anticipated. As compared to the prior year, the third quarter operating expenses increased $4 million or 13%. As a reminder the prior year operating expenses included a one-time benefit with a bonus accrual reversal of $4.5 million which was part of the cash preservation actions we took in response to the pandemic.

As we look forward to the fourth quarter we anticipate our quarterly operating expense run rate to continue to normalize in the range of $37 to $38 million dollars as we restore certain expenses and continue to invest in our R&D pipeline. As mentioned in our last call, our higher operating expense run rate in the second half of this fiscal year is consistent with the seasonality we have seen in the past fiscal cycles.

Operating income for the quarter was $4.4 million compared to $8 million in the prior year. Adjusted EBITDA for the quarter was $8.7 million compared to $11.3 million in the prior year. The prior-year third quarter GAAP operating income and adjusted EBITDA both benefited from a onetime favorable impact of $4.5 million bonus accrual reversal.

On a trailing 12 months' basis, through March 31, 2021, we have generated GAAP operating income of $23 million and adjusted EBITDA of $41 million as we continue to demonstrate our ability to consistently generate profits and positive cash flows using our operating leverage.

The 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 gain or loss on equity investment right below our operating income line. As our China joint venture continues to ramp its operational and commercial activities, we expect this – we expect our share with JV's quarterly income or loss will continue to fluctuate in the near term.

Our cash and short-term restricted cash position improved $21.5 million from the start of the fiscal year to $130 million as of March 31, 2021 despite paying down $10 million of term loan as the team continues to focus on managing our working capital. We also generated $31 million of free cash flow in the first nine months of this fiscal year.

Investor Relations Contacts

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

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

As we look ahead to the fourth quarter on the revenue front, we remain cautious on revenue conversion timing given the current state of the pandemic, although we believe that visibility we're gaining on China Type A revenue conversion will soften the potential impact of the pandemic-driven timing disruptions. As we manage the near-term headwinds in revenue conversion, we plan to continue focusing on operational efficiency, investments to innovation, margin expansion and working capital management. We are also focused on inventory and supply chain management as we execute on China Type A revenue conversion, while maintaining appropriate levels of inventory.

With that, we are ready to open up the call for questions. Operator?

QUESTION AND ANSWER SECTION

Operator

Ladies and gentlemen, at this time, we'll begin the question-and-answer session. Our first question today comes from Joshua Jennings from Cowen. Please go ahead with your question.

Question – Joshua Jennings: Hi, good afternoon, gentlemen. Thanks for taking the questions. I wanted to start off just Shig, your last kind of segment there, in your prepared remarks talking about the headwinds in revenue conversion outside of China. But China obviously, Type A license revenue conversion being super strong and buffering the revenue conversion disruption caused by the pandemic. Can you help us understand? I know it's a wild card scenario to a degree in terms of trying to predict, but the backlog that could have converted to revenue here in fiscal 3Q and fiscal Q4 into the – in fiscal 2022, I mean, that will ultimately convert. I just want to make sure that there isn't risk of the revenue conversion disruption leading to age-outs and that we should see that bolus or that backlog really start to flow through even stronger in all the regions outside of China in the coming quarters.

Answer – Shigeyuki Hamamatsu: Yeah. No. I think you're seeing this the right away, Josh. Appreciate the question. I think my comment really refers to we certainly have a visibility to China which has given us a pretty good baseline on revenue conversion, and we continue to see that over the next several quarters with respect to China. I think we'll just – as we look at AMS – excuse me, at the Americas, we're referring to, and places like India, I think we're just being cautious with respect to what's going on.

But I think in other areas, we see improvements as well. So I'm just talking about a little bit of balance there amongst the regions, and we are really glad to see us returning to year-over-year growth in Q3, 3% growth. I think we've got a pretty good feel for Q4, again but cautious for good reasons. And especially as we look to next year, we like where we are to start to deliver more consistent growth year-over-year.

Answer – Joshua H. Levine: Hey, Josh, just to add emphasis to Shig's comments, just to be clear, we're not seeing orders cancel out of the back backlog. That's just – I want to be definitive about that. This is really more just kind of the reflection of timing differences perhaps from what we originally expected with regards to some of the other regions. And again, just given where you see flare ups right now in other parts of the world, we just think we're being prudent around taking that into the thought process. But again to Shig's point earlier, China, China is creating some real buoyancy for us relative to offset in the other regions.

Question – Joshua Jennings: No, that makes a lot of sense to the environment to be a little bit cautious. That makes a lot of sense to us. So, Josh as a second question and then I'll get back in the queue. Just your announcement on naming a chief medical and technology officer. I believe this is the first chief medical officer for Accuray since Dr. Adler was in that seat. Just wanted to see if you could help us understand what you're signaling here? I think, I think Dr. Pignol is the first radiation oncologist as the chief medical officer at Accuray and should we be thinking about a pursuit of more clinical evidence behind Radixact, behind CyberKnife and also you have been on an innovation crusade and him being the chief technology officer, how should we be thinking about next steps in the evolution of these platforms? Thanks with him on the team. Thanks for taking the questions, guys.

Answer – Joshua H. Levine: No. Josh, thank you for that question. Quite frankly what you just, what you just articulated is exactly right. That's exactly why this is – we're so excited about this. For people in the space, from a clinical perspective this is a world class, not just world class radiation oncologist, this is a world class technology person. He's got a Ph.D. in nuclear physics. He's done a lot of research across many, many dimensions both clinically within the space, as well as with different products, collaborated with a lot of different companies. So he's uniquely qualified in those areas. And quite frankly, it's really – the perfect degree of the moment in time for us to have this come together from a timing perspective, you are correct in your assessment that this is the first time we've had a Chief Medical Officer in the role since John Adler led the company back literally decades ago. And we think that that Jean-Philippe is uniquely qualified to help really leverage and power up areas – the areas that you actually highlighted, Josh. The first is the clinical evidence piece. Our products are different. The way they operate is different. And we need to be able to show people what those differences translate into relative to clinical outcomes and the reduction of toxicity and how we fare relative to some of the things that are getting a lot of press lately, things like MR-linacs and biologically-guided products. And so we are – I can't – I cannot speak highly enough about Jean- Philippe. And I can't communicate more excitement than I am right now. We're thrilled to have this happen at this point. Jean-Philippe's going to make a major impact for us.

Question – Joshua Jennings: Well, that's great. Congratulations on bringing him in. Thank you.

Operator

Our next question comes from Brooks O'Neil from Lake Street Capital Markets. Please go ahead with your question.

Question – Brooks O'Neil: Hey, good afternoon, everyone. As you highlighted the importance of ClearRT, could you just talk a little bit about how you anticipate that manifesting itself in the income statement. And not only I guess how but also the timing of what you expect to see from ClearRT.

Answer – Shigeyuki Hamamatsu: Yeah. And Brooks, thanks for the question. And maybe I take that question first and maybe Suzanne can chime in if she wants to. The – so, what you heard earlier today in the prepared remarks in Josh's section that we actually got 14 orders on ClearRT in Q3 and he gave us a little flavor of it. But the 4 units forward is out of 14 related to customers trying to buy a new Radixact and they actually choosing an option to include ClearRT. So, that's one flavor of the how this going to get sold, right, as a new option to newly delivered Radixact or the other one that we have 10 orders really which is the upgrade orders, really for the existing install base for Radixact and they wanted to upgrade and buy the stand-alone upgrade to their installed base. So, I'm not going to get into the timing of those 14 units going to revenue necessarily right now, Brooks. But as you can imagine over the next course of next, I would say, a few quarters, we're going to start to deliver some of those as we get into full commercial launch. I mean Suzanne, do you want to add anything?

Answer – Suzanne Winter: No, that's correct. We're going to start to see shipments in our Q4 going into Q1. So, that's – we'll start to realize. There are some tremendous pent-up demand.

Question – Brooks O'Neil: That's great. That's great. Okay. I'll just ask my second and I guess Shig, I want to pick on you again. You talked about the improvement in the cash flow and the balance sheet. I think there's still maybe one tranche of your convertible securities out there. How are you thinking about the balance sheet and dealing with that tranche over the next number of months.

Answer – Shigeyuki Hamamatsu: Yeah. Thanks for the question, Brooks. Yeah. I'm really pleased to see that the team has done a tremendous job of managing the working capital and we ended with $130 million cash. And as I consistently said in the past, as we get into a one-year window of the convertible notes maturity, it's due July 2022, we're going to start looking potentially refinancing. And I think quite frankly the cash position that we just reported end of Q3 position us very well to do that successfully when we are ready to do it. So I think we're on a good track to actually accomplish that at the right time.

Question – Brooks O'Neil: Great. Perfect. Thank you very much.

Operator

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

Question – Anthony Petrone: Hi and good afternoon. Maybe, Josh, just to sort of go back and revisit the RO-APM bundle, just latest thoughts there on timing and rollout and sort of how you think that impacts capital sales, just some renewed thoughts there. And then surely when we think about sort of overall China trends just in relation to COVID, obviously, there's still momentum on the Type A side. Type B reiterating the timelines here. Should – if we could just maybe just recap the opportunity a bit, how many licenses have been issued so far? How many are in the Type B opportunity? And again, this goes back to the 2018 tender. And then maybe just thoughts on when this tender will actually really get into full swing? Thanks.

Answer – Joshua H. Levine: Sure, Anthony. So just taking it in the order that you posed those so as far as the timing of the RO-APM there is no update or no change in timing from what we've communicated and what the industry has heard from CMS most recently which basically puts the essentially the implementation of the RO-APM model in the January 1 calendar 2022 time. And so again change to that from what we've heard or what we expect. And in the context of is this what impact would this have on capital purchases. It's – it would again as we've talked about in the past it would lead you to believe that if a facility that knows they're going to be participating in the model they're in a zip code that they know that's been identified as for inclusion in the model and the reimbursement approach. If they are dealing with equipment that is either functioning at capacity or is not necessarily in a place where they are as confident as they should be or could be in delivering high dose SBRT and fractionated or ultrahigh for fractionated treatment regiments, then one would assume that it could be a catalyst for them to want to think about a different mix of equipment. But again, that's going to vary – it's going to really probably not possible to paint the entire market with the same brush on this. It's got to vary from facility to facility. And I think so, that's kind of the answer around the RO-APM piece.

The other wild card here again is that while I think we see and are optimistic about the evolution of the COVID environment again, if there are flare-ups or there are things that are beyond the market's control relative to market – facility access or things related to COVID, those are also impacts obviously that could affect the capital – the capital side of equipment market purchases.

But again from where we sit right now, we think this is a relatively improving situation. We don't see orders canceling out of the backlog. We see facility access improving for our people both on the service and the commercial side. And so, knock on wood, it's moving directly in the right direction.

With that said, there are some markets that obviously are going to continue to be challenged. India would be a good example of it. Big opportunity there, but they have more than they can handle right now vis-à-vis the COVID situation.

With regards to your question on China and China trends, if you go back to the original quota in the previous five-year plan, there were 1,200 Type B devices and 188 Type A devices identified in the very original quota. On the – the current licenses issued to date, I'm going to shift to Shig here and let him answer the details on that one.

Answer – Shigeyuki Hamamatsu: Thank you, Josh. So, Anthony, I'm going to go with A first, Type A. And so the quota originally was 188. And today 90 of 188, how many issued, 74 in which we won. So that's the 82% win rate that we talked about before. So that even 98 remain to be issued. And, to our understanding that the issue is a Type A license seems like they're following about a once-a-year issuance in cadence. So it's hard to say when this calendar year they're going to issue. But we think sometime the next three to six months they should be announcing another batch of Type A license. And I know that the – some of our customers apply for that batch as well. So, we are all anxiously waiting for that announcement as well. So that's Type A.

Type, B, Josh is correct that originally there is a quota of less 1,200. I believe they increased by additional 200 subsequent to that. So, it's actually 1,400 Type B licenses were originally the variable under the quota. Type B is a bit hard to track centrally. How many of the 1,400 have been issued. Only because, as we said before, the loads are issued, I think it's quarterly at the provisional level. And so there's a little bit of lack of a central data to say how many. But to our understanding, it has been flowing. And as you see on our P&L, every quarter we are reporting a few units, not a large unit yet for us until we have a locally manufactured products in 15 months. But to our understanding, the Type B has been flowing at the provisional level without much disruption.

Operator

Ladies and gentlemen, at this time and showing no additional questions, we'll conclude our question-and-answer session. I'd like to turn the conference call back over to Josh Levine for any closing remarks.

Joshua H. Levine, Accuray Incorporated – President and Chief Executive Officer

I want to thank everyone for joining us on the call this afternoon. And we look forward to speaking with you again in August when we report our full year fiscal 2021 results. Thanks very much.

Operator

Ladies and gentlemen, the conference has now concluded. We do thank you for attending today's presentation. You may now disconnect your lines.