

Advancing Radiation Oncology Together

# Accuray Incorporated

Euan S. Thomson, PhD  
President & CEO

June 28, 2012

# Forward-Looking Statement

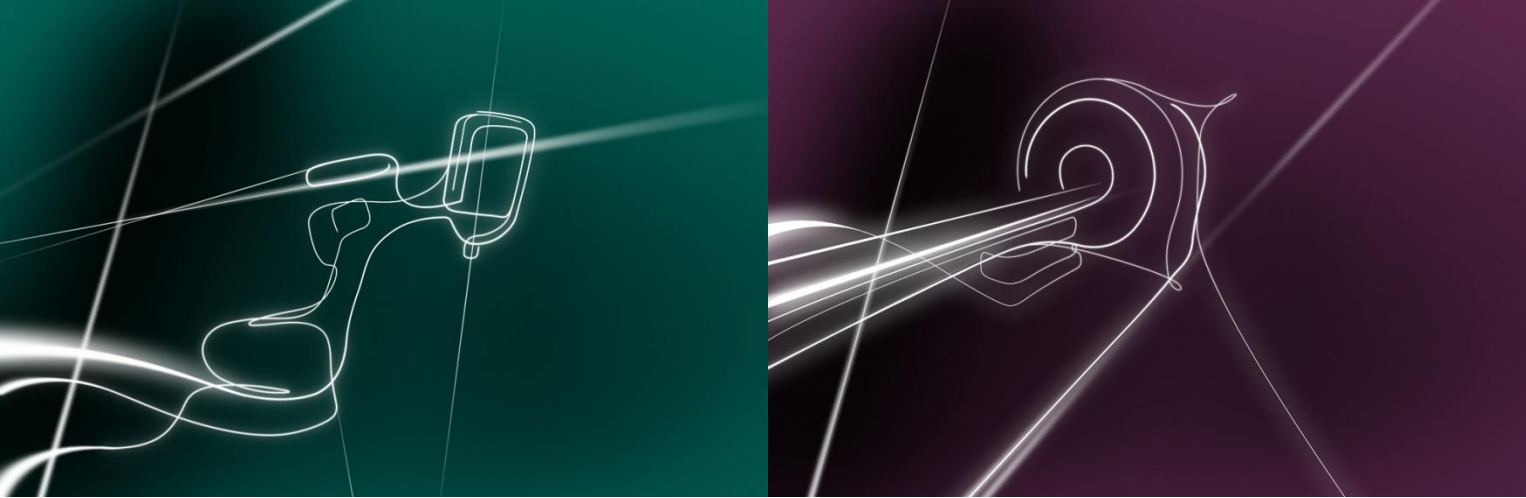
## Safe Harbor Statement

This presentation may contain certain forward-looking statements that involve risks and uncertainties, including uncertainties associated with the medical device industry. Except for the historical information contained herein, the matters set forth in this presentation, including market growth, demand for cancer treatment, projected Accuray growth, expansion in replacement business, the integration of TomoTherapy, synergies and economies of scale following the acquisition, improvements in service business, financial prospects and guidance, profitability and corporate strategy, are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements speak only as of the date the statements are made and are based on information available at the time those statements are made and/or managements' good faith belief as of that time with respect to future events. You should not put undue reliance on any forward-looking statements. Important factors that could cause actual performance and results to differ materially from the forward-looking statements we make include: market conditions; the risk that Accuray will not realize the anticipated benefits of the acquisition of TomoTherapy; the potential inability to successfully operate or integrate TomoTherapy's business; general industry and economic conditions; and other factors beyond the companies' control and the risk factors and other cautionary statements described in Accuray's filings with the SEC. Please refer to the Risk Factors section of Accuray's Form 10-K year ended June 30, 2011, as updated in the Quarterly Report on Form 10-Q for the first, second, and third fiscal quarters of 2012 for a further list and description of additional business risks, uncertainties, and other factors that may affect these statements. Accuray does not intend to update these statements and undertakes no duty to any person to provide any such update under any circumstance.

# Investment Thesis

- **Differentiated, clinically advanced technologies**
  - Premier Radiosurgery and Radiation Therapy products
- **Successful acquisition of TomoTherapy**
  - Achieving integration milestones
- **Clear strategy to deliver growth**
  - Sales to new customers expands installed base and drives revenue growth
- **Near-term return to profitability**
  - Increased revenue and improvement in margins

**Outlook For FY 2013 Shows Return To Profitability**



# **DIFFERENTIATED, CLINICALLY ADVANCED TECHNOLOGIES**

# The CyberKnife® System

## - Unique robotic radiosurgery system



- 1) Only image-guided robotic radiosurgery system treating tumors throughout the body
- 2) Automated real time management of tumor and patient movement
- 3) Three dimensional treatment delivery

Extreme accuracy and automated precision  
**= BETTER PATIENT TREATMENTS**



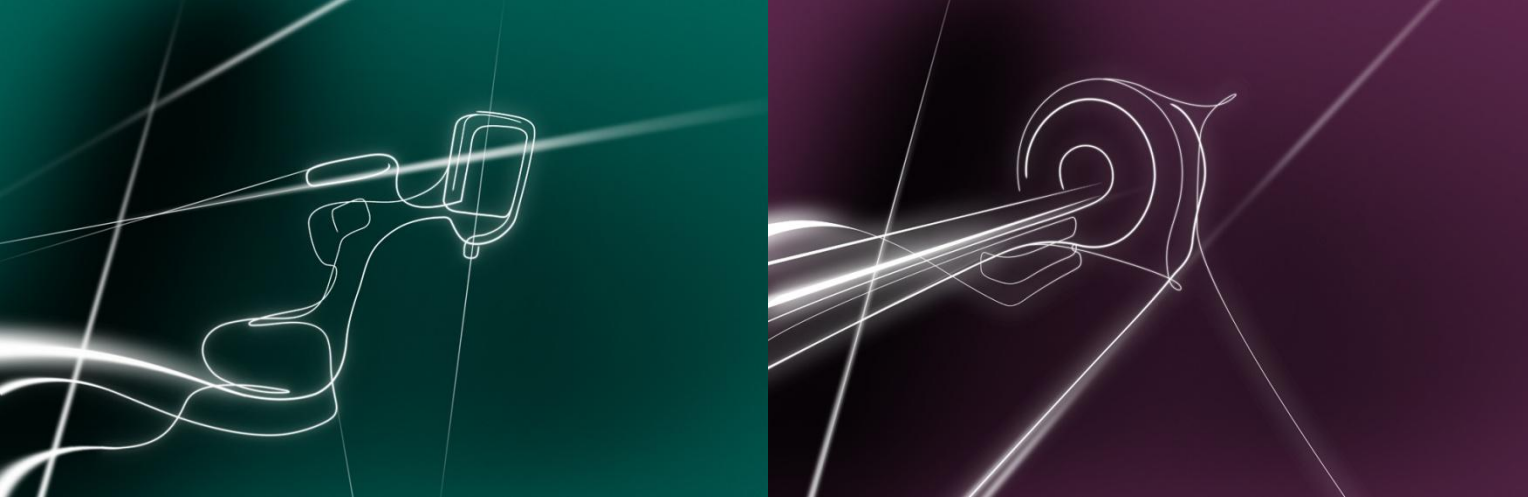
# The TomoTherapy® System

## - Groundbreaking radiation therapy system



- 1) Ring-gantry geometry with integrated imaging
- 2) Three dimensional image before every treatment enables highly accurate alignment
- 3) Unique architecture (binary collimation and helical delivery) reduces radiation to healthy tissue effectively targeting the tumor

Extreme accuracy and automated precision  
= **BETTER PATIENT TREATMENTS**



# TRANSFORMATIVE ACQUISITION OF TOMOTHERAPY

# Transformative Acquisition of TomoTherapy

**Greater Scale**

Installed Base	240	→	600+
Sales Force	40	→	80
Pro Forma R&D Investment	>20% Increase		

**Expanded Market Opportunity**


- **Full Service To Radiation Oncology Departments**
  - Radiosurgery + Radiation Therapy Products
- **Cross-Selling Multiple Products To Customers**
- **Stronger Sales Presence In Global Markets**

**Improved Operating Leverage**

- **Improving service Gross Margins**
- **Pro Forma SG&A cost reductions**

**Platform for Growth and Profitability**





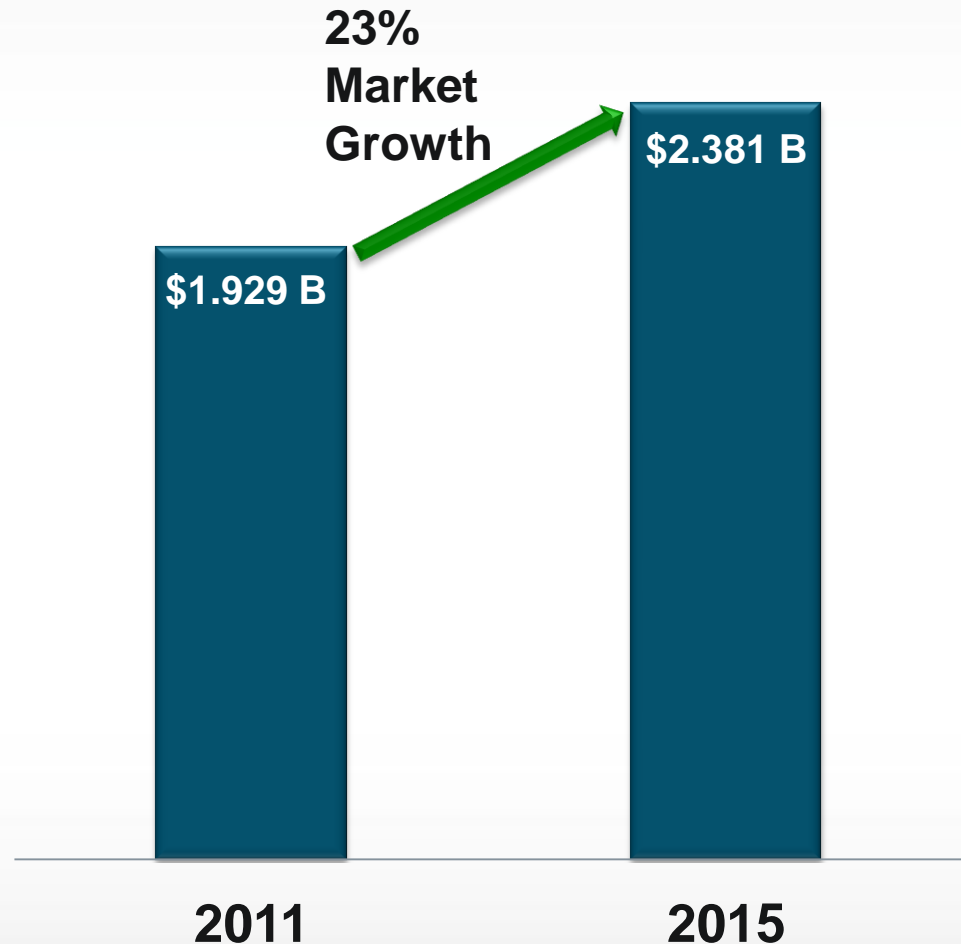
Advancing Radiation Oncology Together

## **CLEAR STRATEGY TO DELIVER GROWTH**

# Radiation Oncology Is A Growing Market

## Sales of linear accelerator systems

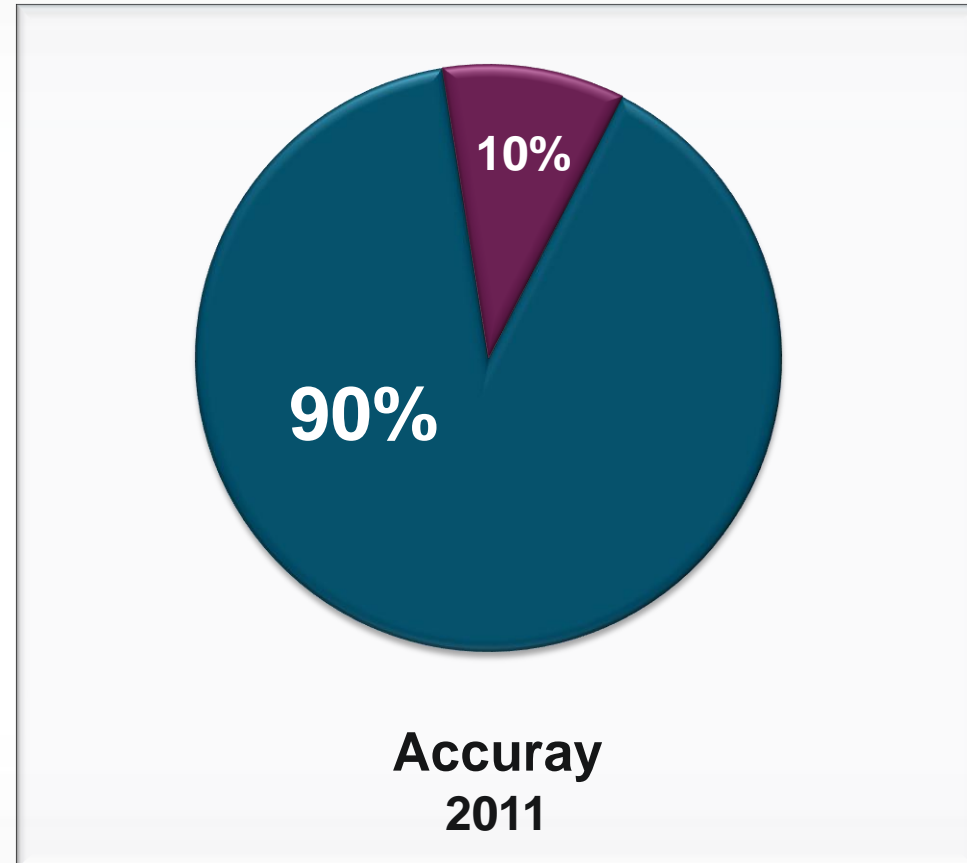
- Key growth drivers
  - Aging population
  - Greater access to advanced medical care in emerging markets
  - Radiosurgery as alternative to surgery



*Linear accelerator growth projections based upon information contained in:  
Radiation Therapy Equipment – A Global Strategic Business Report (October 2010)*

# Accuray Capturing Market Share

- **Sales to new customers**
  - Replacement of competitors' linacs in existing vaults
  - Newly constructed vaults
  
- **Sales to current customers**
  - New units replacing existing Accuray systems



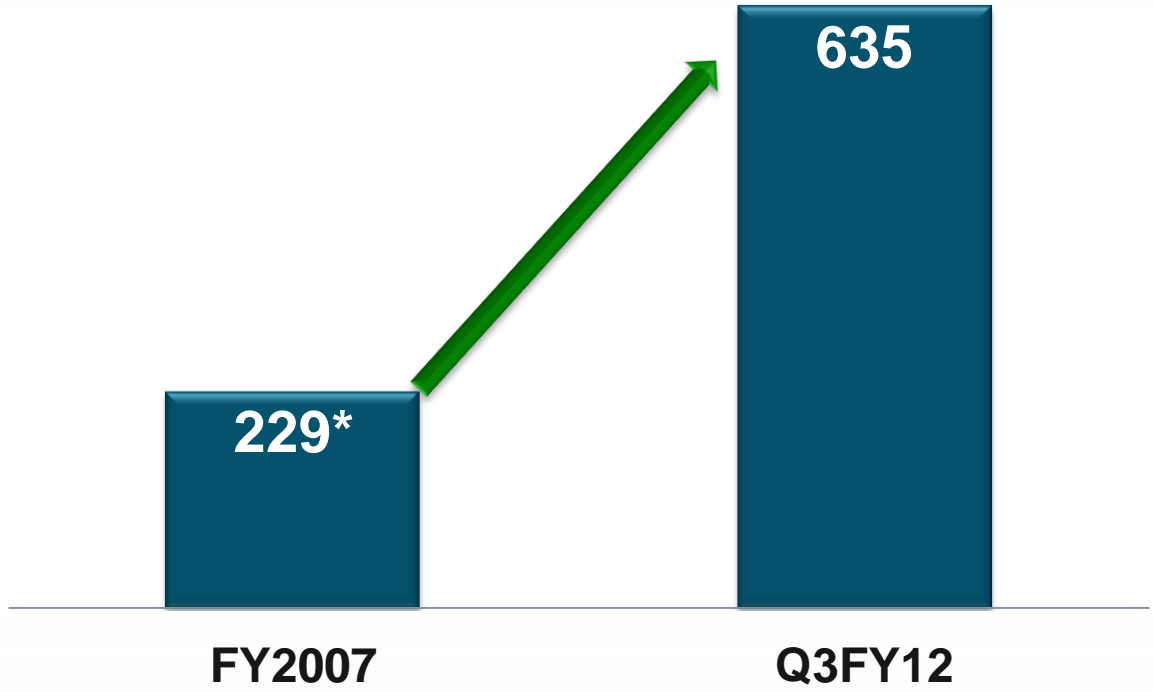
**NEW** customers drive growth in installed base

*References:*

IMV 2011 Radiation Therapy Market Summary Report (Feb. 2012); Radiation Therapy Equipment – A Global Strategic Business Report (October 2010); MD Buyline Deals Database (Jan. 2010 – Mar 2012)

# Significant Increase in WW Installed Base

## CyberKnife® AND TomoTherapy® Combined Pro Forma



26%\* Compound Annual Rate FY07 – FY11 of Increase  
(18% Annual Increase in FY11)

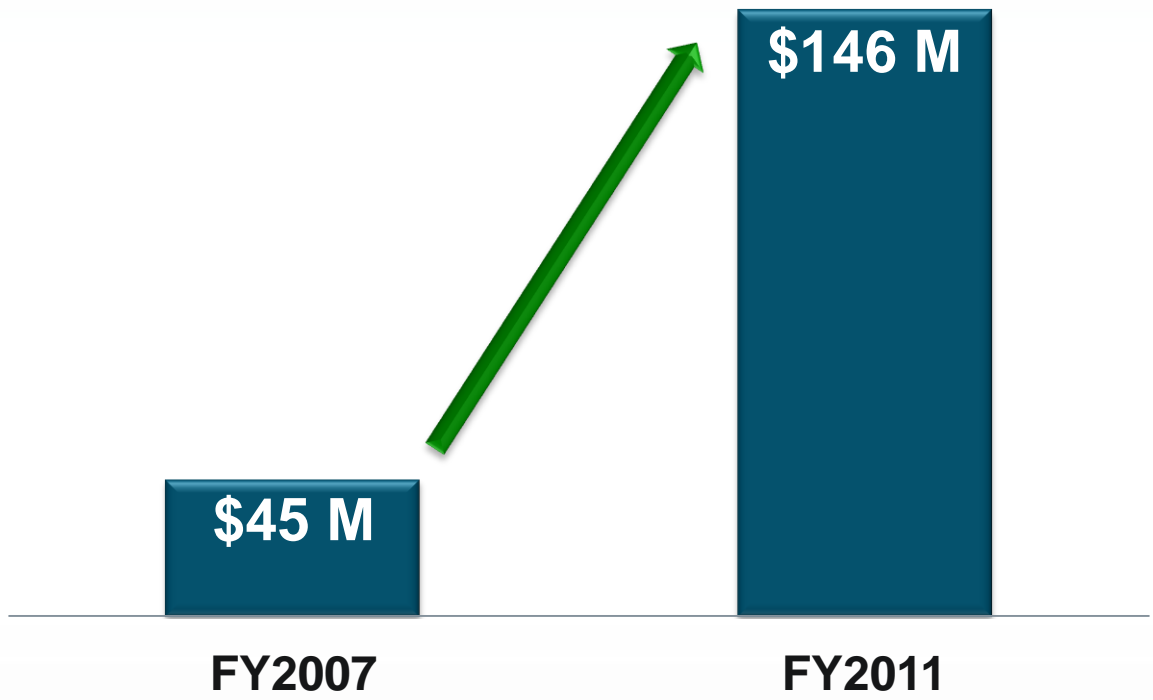
**Installed base growth drives service revenue**

*\*Based on estimated installed base of TomoTherapy® Systems*



# Rapid Growth in Service Revenue

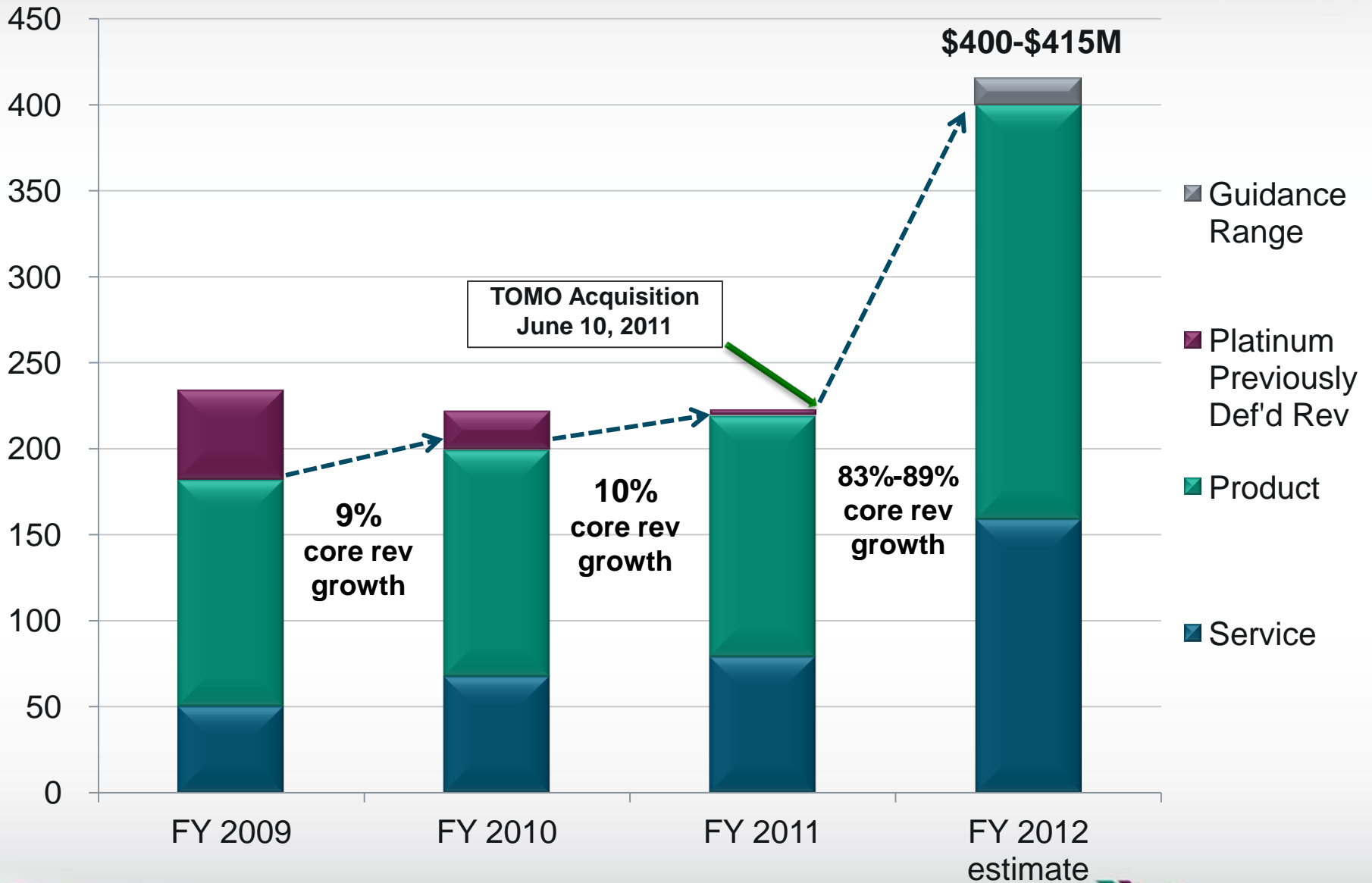
## CyberKnife® AND TomoTherapy® Combined Pro Forma



Drivers: growing installed base & premium service programs

34% compound annual increase in service revenue

# Track record of core revenue growth







Advancing Radiation Oncology Together

## NEAR-TERM RETURN TO PROFITABILITY

# Improvement in TomoTherapy Service Gross Margin Key to ARAY's Profitability

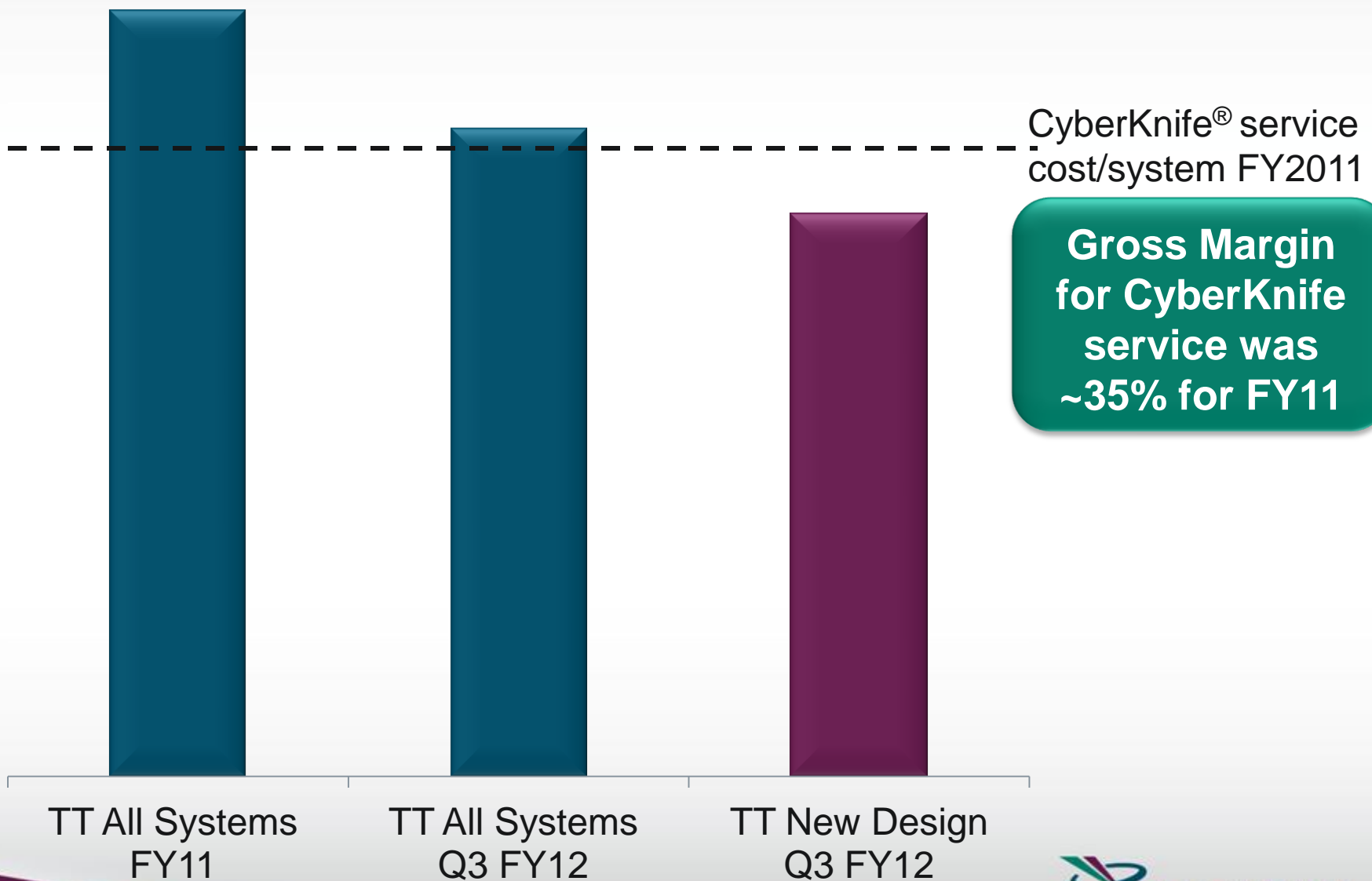


## Key Steps:

- Improve reliability
  - Lower service costs
- Increase revenue per contract to market levels

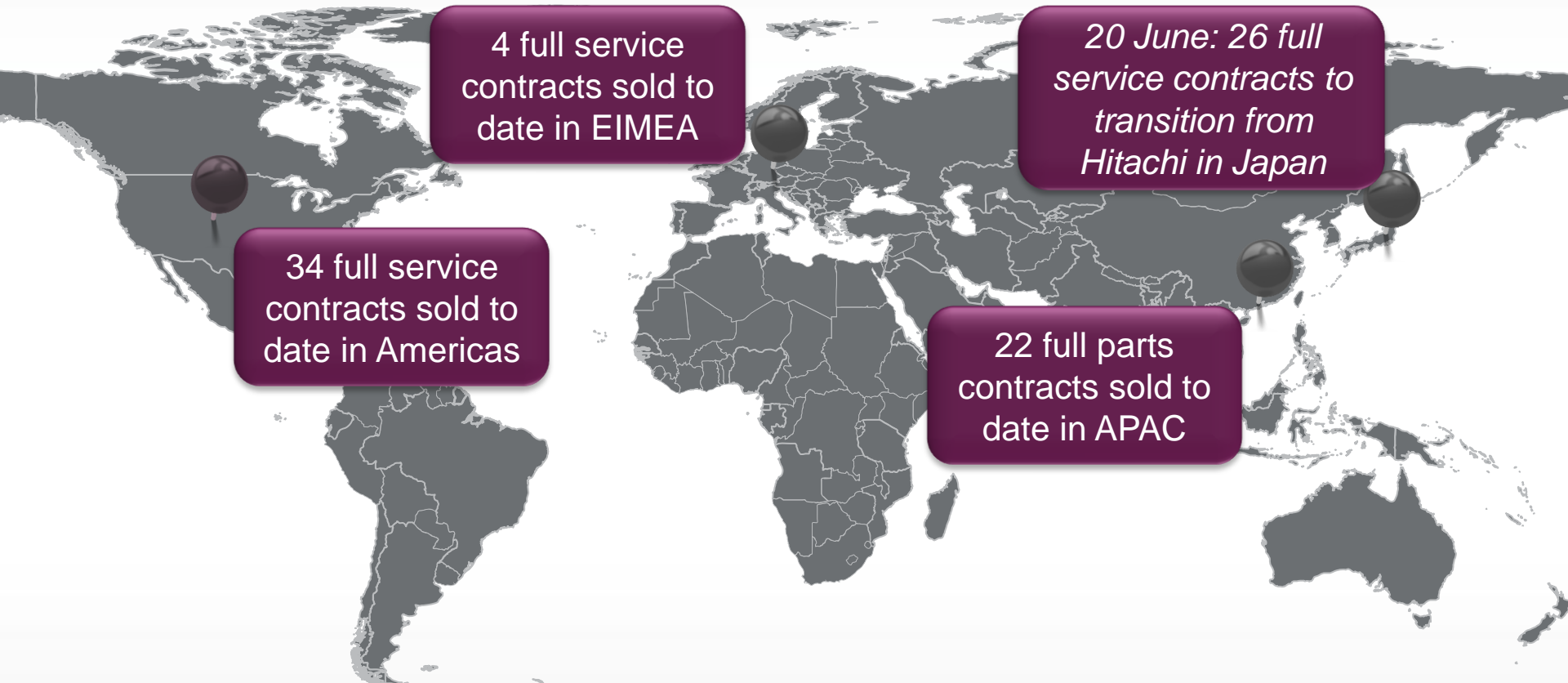
**Significant improvements Service Gross Margin in FY12**

# Lowering Service Cost...



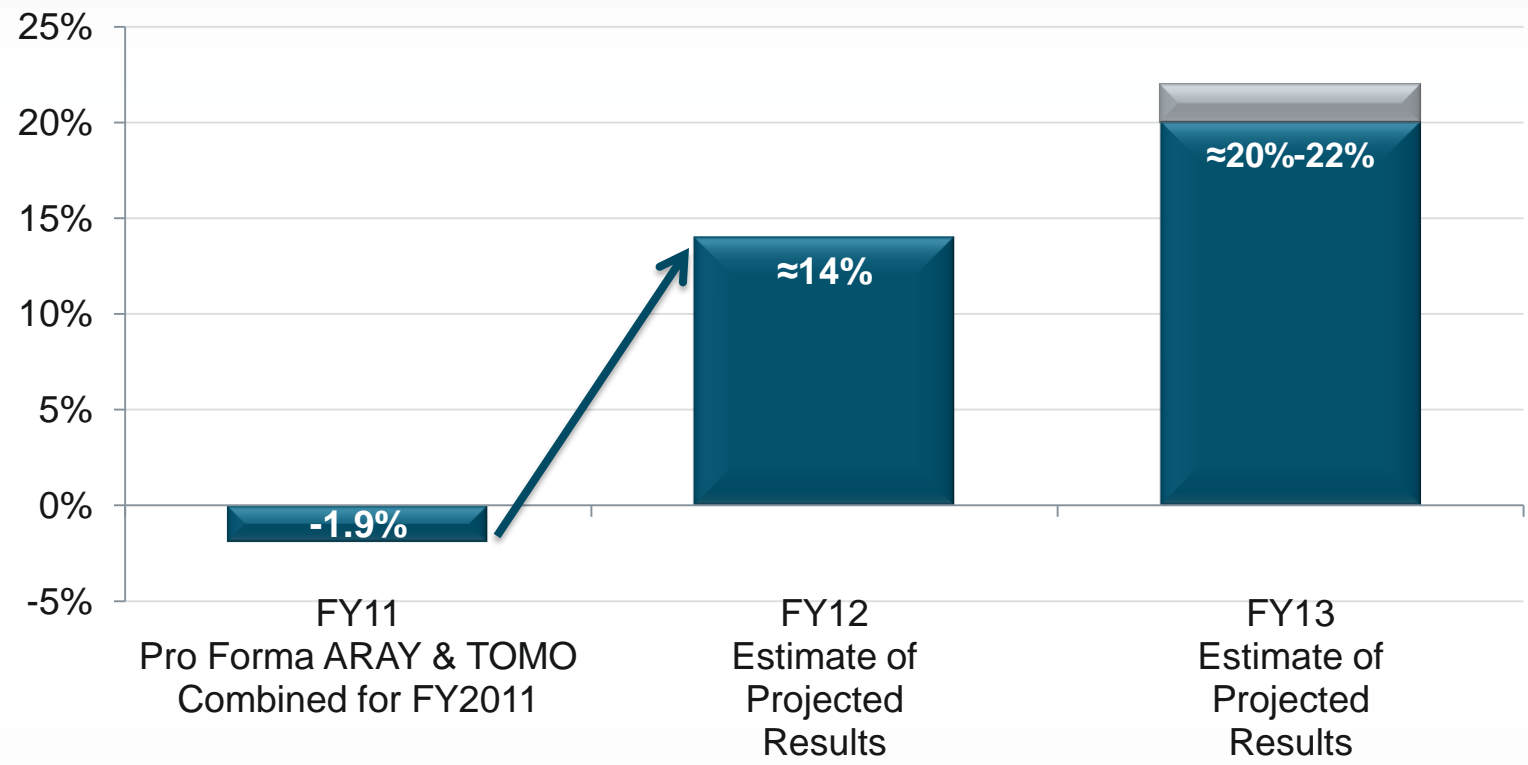
# Profitability of TomoTherapy® Service

Revenue per contract transitions to “Market Rate”






**Significant penetration of new MARKET RATE contracts**

# Significant Improvement in Service Gross Margin



**Significant progress made...more projected**

# Accuray Metrics – First Look at FY 2013

Acquisition Milestones	Targets	FY12 On Target	FY13 Targets*
Maintain or modestly increase revenue in FY2012	Revenue guidance FY12 (Non-GAAP) <ul style="list-style-type: none"> <li>• \$400M to \$415M</li> </ul>		<b>Enhanced Revenue Growth</b> <ul style="list-style-type: none"> <li>• <b>Guidance at Q4FY12 release</b></li> </ul>
Create profitable services business in FY2012	Service gross margin (Non-GAAP) <ul style="list-style-type: none"> <li>• 10% by end of FY12</li> <li>• 20% by end of FY13</li> </ul>		<b>Further Service Gross Margin Improvement</b> <ul style="list-style-type: none"> <li>• <b>20 - 22% for full year FY13</b></li> </ul>
Return to profitability by end FY2013	Operating Expense (Non-GAAP) <ul style="list-style-type: none"> <li>• 45% of revenue by end FY13</li> <li>• 40% long-term goal</li> </ul>		<b>Profitability on Track</b> <ul style="list-style-type: none"> <li>• <b>Return to profitability by Q4</b></li> </ul>

**Met or Exceeded Targets In FY12 ... Further Progress in FY13**



# Our Vision at 1,000 Systems...

- Revenue Growth
  - Continue market penetration
  - Replacement business grows
- Service Significantly Profitable
  - From pro forma loss in FY2011 to healthy profit
- Operating Expenses Benefit from Scale
  - Significant R&D but increasing more slowly than revenue

		1,000 Systems	
Revenue	Product	\$	400-450
	Service	\$	250-300
		\$	650-750
Gross Margin	Product		55-60%
	Service		30-35%
			45-50%
OpEx (% of rev)			35%
Pre-Tax Inc (% of rev)			10-15%


....a very **PROFITABLE** business



# Investment Thesis

- **Differentiated, clinically advanced technologies**
  - Premier Radiosurgery and Radiation Therapy products
- **Successful acquisition of TomoTherapy**
  - Achieving integration milestones
- **Clear strategy to deliver growth**
  - Sales to new customers expands installed base and drives revenue growth
- **Near-term return to profitability**
  - Increased revenue and improvement in margins

**Outlook For FY 2013 Shows Return To Profitability**



Advancing Radiation Oncology Together

# Accuray Incorporated

Euan S. Thomson, PhD  
President & CEO

June 28, 2012