Mako Surgical tumbles on 1Q results, Rio outlook

The Associated Press

Shares of Mako Surgical Corp. plunged Tuesday after the company reported weak sales of its Rio system, a robotic device used in orthopedic surgeries.

THE SPARK: Mako reported its quarterly results after the market closed on Monday. The company said it lost $11.7 million, or 28 cents per share, after losing $11 million, or 27 cents per share, in the first quarter of 2011. Revenue jumped 51 percent, to $19.6 million from $13 million.

Analysts expected Mako to post a smaller loss of 19 cents per share on $23.8 million in revenue, according to FactSet.

The Fort Lauderdale, Fla., company said it sold six Rio systems in the first quarter. President and CEO Maurice Ferre said that total was "at the low end of our expectations."

THE BIG PICTURE: Mako now expects to sell 52 to 58 Rio systems in 2012, down from its previous forecast of 56 to 62 systems. Rio systems include software, a robotic arm, and other surgical instruments. They are used to help plan and execute hip and knee surgeries.

The company said 118 Rio systems have been installed worldwide. In the first quarter, surgical procedures grew 2 percent to about 2,300, and Mako said it still believes 11,000 to 13,000 surgical procedures will be performed on its devices in 2012.

THE ANALYSIS: Mizuho Securities analyst Michael Matson and William Blair & Co. analyst Matthew O'Brien both downgraded the stock to the equivalent of "Neutral" from "Buy." Both analysts said Rio sales may fall short of Mako's lowered expectations.

Matson said Mako struggled to sell the Rio hip surgery applications to clients who already owned the system and used it in knee surgeries. He added that Rio system sales and surgical procedures were both disappointing.

O'Brien wrote that he is confident the company's technology will eventually "dominate" the market for robotically assisted orthopedic surgical procedures.

SHARE ACTION: Mako Surgical stock dropped $14.95, or 36 percent, to $26.45 in afternoon trading. The shares had advanced 58 percent in 2012.

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