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Officers and Speakers
Jeff Tryka; Investor Relations
Daryl Adams; President and Chief Executive Officer
Jon Douyard; Chief Financial Officer

Analysts
Matt Koranda; Roth Capital
Steve Dyer; Craig-Hallum Capital
Mike Shlisky; D.A. Davidson

Presentation

Operator: Good morning, and welcome to The Shyft Group's First Quarter 2022 Conference Call and Webcast.

[Operator Instructions]

This call is being recorded at the request of The Shyft Group.

[Operator Instructions]

I would now like to introduce Jeff Tryka, Investor Relations for The Shyft Group. Mr. Tryka, you may proceed.

Jeff Tryka: Thank you, everyone, and welcome to The Shyft Group's First Quarter 2022 Earnings Call. Joining me on the call today are Daryl Adams, our President and Chief Executive Officer; and Jon Douyard, our Chief Financial Officer.

For today's call, we have included a presentation deck which will be filed with the SEC and is also available on our website at www.theshyftgroup.com. You may download the deck from the Investor Relations section of our website to follow along with our presentation during the call.

Before we start today's call, please turn to Slide 2 of the presentation for our safe harbor statement. You should be aware that certain statements made during today's conference call, which may include management's current outlook, viewpoint, predictions and projections regarding The Shyft Group and its operations may be considered forward-looking statements under the Private Securities Litigation Reform Act of 1995.

I caution you that, as with any prediction or projection, there are a number of factors that could cause The Shyft Group's actual results to differ materially from the projections. All known risks that management believes could materially affect the results are identified in our forms 10-K and 10-Q filed with the SEC. However, there may be other risks that we cannot anticipate.

On today's call, we will provide a business update, including the ongoing impact of a variety of factors to our operations, before moving on to a more detailed review of the results and our outlook for the remainder of 2022. We will then open the line for questions.

I would also like to remind everyone that with the divestiture of the emergency response business on February 1, 2020, the revenues and expenses associated with the ER business, as well as the assets and liabilities, have been reclassified as discontinued operations for all periods presented. With this reclassification of the ER business, the results discussed today will refer to continuing operations unless otherwise noted.

At this time I am pleased to turn the call over to Daryl for his comments, beginning on Slide 3.

Daryl Adams: Thank you, Jeff. Good morning, everyone, and thank you for joining us to discuss our first quarter 2022 results.

As we've previously communicated, conditions were challenging in the first quarter, as we faced ongoing supply chain disruptions affecting the entire industry vehicle -- vehicle industry, my apologies -- including a deterioration of chassis supply in March. Our team remained resilient, and while our FVS business started the year slowly, the value of our investments we made in our Specialty Vehicles business was clear, as the team delivered a solid quarter.

Turning to Slide 4. The need for our products continues to be unquestioned as we remain confident in the long-term outlook for the company. Our strategy to focus on higher-growth markets resulted in record order intake of $500 million in the quarter, which also increased our backlog to a record $1.3 billion, up over 90% versus prior year. We achieved revenue of $206.9 million in the quarter, with the results of pricing actions more than offsetting the decline in unit volume due to intermittent chassis supply. Profitability was consistent with our previously communicated expectations, as variability in chassis supply and OEM plant shutdowns created inefficiencies in our operations.

We continue to focus on what is in our control, as evidenced by the strong performance in our Specialty Vehicles business. We remain diligent in managing our operations and controlling costs in this time of uncertainty, and are well positioned to execute when the supply chain recovers.

Please turn to Slide 5 for our provided business update. Let me start by addressing the considerable supply chain uncertainties that have affected our entire industry. It has been well over a year since we started to talk about the semiconductor chip shortage that has affected the vehicle industry in particular. That shortage lingers today, and we expect these conditions to remain throughout 2022, directly impacting our production, as the chassis supply is critical to our products.

During March, we saw an unexpected production disruption from a key chassis supplier that affected our ability to produce vehicles. As we look back at the month, we received approximately 10% of the chassis that had been scheduled for delivery just four weeks earlier.

Overall, this chassis deficiency contributed to a slower pace of revenue growth in the quarter and will persist into the second quarter.

As I mentioned earlier, the strength of our strategy and product offerings resulted in record order intake of $500 million in the first quarter, leading to our record backlog of $1.3 billion. We remain confident in these orders and the underlying demand for our products.

Looking at our business segments, in Fleet Vehicle and Services, our team managed through significant challenges in the quarter due to intermittent chassis supply that negatively affected our production. While capacity utilization decreased, we operated our plants in a strategic manner by flexing production to maintain our quality workforce while trying to minimize inefficiencies. This section, while negative to the quarter -- sorry, this decision, while negative to the quarter, was an investment in our stability of our workforce to support our growth over the long term. We have maintained a similar approach in April, knowing the team will be ready to ramp up quickly once the chassis supply improves.

In the first quarter, we continued to execute on the Velocity growth strategy, beginning production of the Velocity M3, built on a Mercedes Sprinter chassis in our Charlotte facility. We also formally introduced the Velocity R2 walk-in van, built on a Ram ProMaster chassis, at the NTEA Work Truck Week in early March, which was very well received. We expect to begin production of the Velocity R2 in the second quarter. We also commenced production in our Landisville, Pennsylvania, truck body plant in the last week of February, marking the culmination of the strategic transition to a larger, more efficiency facility that will support our growth. After two months in operation, we are already exceeding daily output in our new plant compared to the previous facility. We are excited by the opportunity this represents and we look to expand the business and penetrate new markets such as the consumer leasing and rental business.

Turning to our Specialty Vehicles segment, the business performed extremely well as we continued to execute on our growth strategy. We saw a strong growth in market share improvement in our motor home business, as well as a solid growth in our service body business despite chassis supply constraints. The team's efforts generated significant growth in sales and adjusted EBITDA to start the year. We continued to gain share in the motor home market, which increased to 33.7%, continuing a string of sequential quarterly growth. Overall, our target segment of the RV market remains healthy, with motor home dealer inventory at historic lows, which gives us confidence throughout the remainder of the year.

Across our service body business, we increased share as we continued to execute on our strategy of growing our position as a national service body player. We saw solid volume running through our GM Ship-Thru location, and in the light-duty pickup truck market, we saw improvement in chassis availability as the quarter progressed, which we expect to continue in the second quarter.

As it relates to innovation, our DuraMag go-to-market brand recently introduced the S-series aluminum service body at NTEA, with a single sheet of aluminum on the outside panel to provide a smooth OEM look, combined with flush-mounted doors and internal hinges for best-in-quality fit and finish.

Please turn to Slide 6, where I'll provide an update on our electric vehicle initiative. Over the past nine months, we have talked about supporting our customers' transition into electric vehicles. By leveraging our half-century of experience in building purpose-built custom chassis and bodies, at NTEA in early March, we introduced the Blue Arc EV Solutions go-to-market brand, creating a new EV ecosystem encompassing three new products: an industry-first, commercial-grade, purpose-built EV chassis; a fully reimagined, all-electric Class 3 delivery walk-in van; and a portable, remote-controlled charging station, which we call the Power Cube. We also introduced that North America -- sorry, North Carolina-based Randy Marion dealer group will be the first dealer in the U.S. to sell our new all-electric Class 3 delivery vehicle.

We saw a surge in interest during and after the show from potential customers for Blue Arc products, ranging from last-mile-delivery fleet operators and long-lasting customers to other emergent industries. Customers were particularly impressed with the intelligent design, simplicity and engineering. This extended to their impression on the specifications, equipment, performance and flexibility of the chassis and body. They viewed the vehicle design as one that adds value and improves operator safety and efficiency.

These new products offer a variety of innovations that will mark a great advance in the commercial EV space. The new chassis includes a modular design that will accommodate multiple weight ratings. This chassis will be highly adaptable and can accommodate last-mile delivery, work truck, mass transit, recreational vehicles and other emerging EV markets. The Blue Arc delivery van is a 100% battery-powered, Class 3, electric commercial delivery vehicle designed for high-frequency last-mile-delivery fleets and features extensive cargo space, lightweight design and an integrated solar roof package. Lastly, the Blue Arc Power Cube will provide a portable remote charging solution for a variety of commercial vehicle needs. We believe this solution will address the lack of EV infrastructure that has been a roadblock to more widespread adoption among commercial fleet operators. March was a busy month for our EV efforts, and we are very excited for what the future holds in this area.

With that, I'll turn the call over to Jon to discuss Shyft's financial results for the first quarter in more detail, beginning on Slide 7, as well as provide an update on our 2022 outlook.

Jon Douyard: Thank you, Daryl, and good morning, everyone. Please turn to Slide 8 and I'll provide an overview of our financial results for the first quarter.

As Daryl indicated, The Shyft Group had a slow start to the year given the chassis supply issues, achieving mid-single-digit revenue growth and near-breakeven profitability. These results remained in line with our expectations when we announced the fourth quarter, despite an unanticipated acceleration of chassis supply issues near the end of the quarter.

Revenue for the first quarter was $206.9 million, up 4.5% from the year-ago quarter. Loss from continuing operations was minus $3.9 million, compared to income from continuing operations of $11.5 million a year ago. Adjusted net loss was $2.1 million, compared with adjusted net income of $12.8 million in the prior year. Diluted earnings per share from continuing operations was a loss of $0.11 per share, compared to a profit of $0.32 per share in the first quarter of 2021.

Adjusted EPS from continuing operations decreased to a loss of $0.06 per share from a profit of $0.36 per share a year ago.

First quarter adjusted EBITDA fell to a loss of $600,000 from a profit of $19.2 million, while as a percent of sales, declined to minus 0.3%, compared to 9.7% percent of sales in the same period last year. These results include EV investment of $4.4 million.

Let me now take you through the results by operating segment, beginning with Fleet Vehicles and Services, on Slide 9. As we discussed on our prior call, we expected FVS to have a slow start to the year, driven by OEM shutdowns impacting chassis supply, as well as our Landisville plant startup. While Landisville has ramped in line with our plans, chassis supply issues accelerated in March, impacting our revenue and profitability further than previously expected.

The business delivered revenue of $112.7 million, compared to $123.8 million a year ago. The decline was primarily due to reduced production volume as a result of lower chassis supply, partially offset by higher pricing.

FVS adjusted EBITDA was a loss of $900,000 versus a profit of $17.9 million a year ago. The decrease was primarily driven by lower volume and productivity inefficiencies as a result of intermittent chassis supply, material and labor cost inflation, partially offset by pricing actions and mix.

With record orders in the period, FVS ended the quarter with a backlog of $1.1 billion, a new high. FVS backlog was up 34% sequentially and nearly double last year at this time.

Please turn to Slide 10 for the Specialty Vehicles segment overview. The momentum that Specialty Vehicles experienced to end 2021 continued to start this year, which helped offset some of the FVS headwinds. Sales were $94.2 million, an increase of $20.1 million, or 27%, with strong performance in luxury motorhome chassis and service truck body, driven by both higher volumes and the favorable impact of higher pricing.

Adjusted EBITDA was $10.1 million, or 10.7% of sales, compared to $7.4 million, or 9.9% of sales, in the same period last year, primarily driven by higher sales volume, pricing actions and improved product mix, partially offset by material and labor cost inflation.

SV backlog was up 52% to $124 million, which included 43% growth in motorhome chassis backlog and a 63% increase in our service body backlog.

Please turn to the liquidity and outlook update on Slide 11. Overall, our balance sheet remains strong and our liquidity is robust. While we typically see a seasonal cash outflow in the first quarter, this was further enhanced in the quarter by chassis delays. Cash flow from operating activities increased to an outflow of $27.8 million from an outflow of $1.3 million in the first three months of last year. CapEx for the quarter was approximately $5.5 million. At the end of Q1, we had total liquidity of $276 million, which includes $3.7 million of cash on hand. Our current leverage ratio stands at just 0.5x adjusted EBITDA, which provides us with ample liquidity to fund our operations and to continue to invest in our growth strategy. We returned

$28.7 million to our shareholders in the quarter in the form of our regular dividend, and a repurchase of approximately 600,000 shares.

Turning to our guidance. While first quarter results were soft, as we anticipated, chassis delays and other supply chain issues accelerated in March, adversely impacting our performance for the month. We expect that these industry-wide challenges will continue in the near term, requiring us to adjust our 2022 guidance.

The change in our guidance is primarily isolated to walk-in van and Velocity chassis supply shortages in our FVS business. The midpoint of our updated guidance represents a chassis reduction of approximately 25% versus our prior full year estimate, weighted more heavily toward the second quarter, based on the OEM shutdowns we recently experienced in March and April. Our assumptions include sequential improvement in the second half, which is partially informed by our visibility to a significant number of OEM-produced but unreleased chassis that are currently awaiting components. We continue to monitor and support the efforts required to release these chassis and are poised to produce when they arrive.

Based on these chassis assumptions, our revised guidance is as follows: revenue to be in the range of $900 million to $1.1 billion; adjusted EBITDA of $50 million to $80 million, including $30 million of EV development expenses; adjusted earnings per share of $0.75 to $1.41 a share.

Overall, the long-term outlook for the company remains positive, driven by strong underlying market trends and robust demand, and we will continue to look for opportunities to leverage our strong balance sheet and invest in our future.

Now I'll turn the call back to Daryl for closing remarks.

Daryl Adams: Thank you, Jon. Please turn to Slide 12. Our results for the quarter demonstrate the value of nimbleness in our approach toward operations and the tremendous efforts by the entire Shyft team. Despite the industry-wide challenges that impacted our operations, we remain committed to innovation and meeting the evolving needs of our customers, as demonstrated by our new Blue Arc EV Solutions. We will continue to invest in these growth initiatives, as we remain confident in the long-term future of The Shyft Group.

In summary, while the first quarter was soft, we met our expectations, even with some unexpected disruptions in key supply chain areas, and we remain well positioned to quickly respond with increasing production as the supply chain returns to more normal conditions.

With that, operator, we're now ready for the Q&A portion of the call.

Questions & Answers

Operator: [Operator Instructions]

Our first question is from Matt Koranda of Roth Capital.

Matt Koranda: So just wanted to start off with the guidance for the year. And Jon, it sounded like you said just a moment ago that the cut to guidance is related to chassis supply being cut by 25%. Is that relative to your prior expectations or year-over-year? And then could you just talk about sort of how that fits into the 13% cut to the revenue guide at the midpoint? It sounds like maybe some price offsets that, but if you could speak to that.

And then the other component of chassis that I wanted to cover was just what's changed over the last 30 to 60 days? It sounded like you guys were reasonably confident that you had visibility into the chassis supply. Could you just put a finer point on sort of where you're seeing the excess sort of stress in the system in terms of chassis supply and then what eroded over the last 30 days to 60 days?

Jon Douyard: Sure. On the first part of the question, the 25% is in relation to our prior guidance, and as I mentioned in the prepared remarks, it's really isolated to our walk-in van and Velocity business, where we saw, basically from March 1 on through the middle of April, essentially no deliveries. Daryl highlighted 10% of what we expected to receive at the beginning of the month. And so there's a number of issues and challenges that we continue to work with the OEMs on to release those chassis, but that's really the biggest driver here, particularly in the second quarter. We do see production back up here in the second half of April, and so we are starting to see a flow of chassis, but it is at reduced production rates, which is where we have taken down the second half from our previous expectations as well, albeit second half will be better than the first half of the year.

I think, as we talked about, when we look at what's out there right now, there's approximately 2,000 chassis that are just on the ground waiting for either components or waiting for delivery, that are just caught up in the system. And so we continue to work to try to accelerate that and get them in our production -- into our production lines. Unfortunately, there's pieces of that that are out of our control and are delaying some production, and the reason for the reduction in guidance.

Matt Koranda: Okay. It sounds like -- you were telegraphing in the prepared remarks that the majority of the cut to the guide should be impacting the second quarter, but just any color on sort of the cadence? I know it's tough to get visibility, obviously, in this environment, but just to kind of level-set folks in terms of expectations for the second quarter versus the second half of the year, and will be ramping, but just how much should we be taking out of the second quarter versus the second half?

Jon Douyard: Yes. And so as we look at the second quarter, we'll see sequential improvement from a couple items that we're having, of course in the first quarter, which we'll have upfit back online in Saltillo, we'll have our truck body facility that Daryl talked about back -- or online in April, executing at a high level, and so we've got some tailwinds from that.

But as we look at the year, the second quarter's probably 20% of profitability for the year, with a ramp into the second half. I think when you look at that second half, and the ramp that's assumed, it's not anything that's necessarily heroic versus what we've been able to do historically. I think you take the remaining average over those two quarters, and we've done that level of activity or more than that level of activity in four out of the last six quarters. And so I think our expectations are based on the visibility that we have to chassis supply today, and we do see the impact predominantly here in the second quarter.

Matt Koranda: Okay, great. Very helpful. And then just last one from me, just on the bookings front, maybe for Daryl, I mean, still very exceptional demand when we kind of look at it on a quarter-by-quarter basis, across both segments, but at this point I guess backlog's looking a little bit stretched relative to kind of what production levels will be for the remainder of the year. And so just curious if you're hearing from customers in terms of sort of cancellations, any churn expected in the backlog, and then near-term, obviously, people need chassis and probably can't get it in many other places. So just curious your thoughts on sort of the length of the backlog and if and when that may start to impact incremental demand.

Daryl Adams: Sure, Matt. I think if we go back to some of our previous calls, we've talked about -- even in conferences we've had, the inability of our customers since COVID started to do a number of things given the chassis constraints. One is they've not been able to fully replace their outdated vehicles, right, so the replacement cycle is a little bit -- I'll say held up, if you will, because of chassis constraints. And if we look at the regular growth that they would have seen over years typically, that would drive their replacement cycle, it's probably increasing because of the demand on last-mile delivery. And then they haven't been able to really get all the vehicles they've needed due to the surge in e-commerce due to COVID.

So we believe the $500 million that we mentioned in the quarter as a record is still leading us to believe that the demand is there. We continue to see it. And to your point, right, if they do get out of line, they go to the back of the line, because all these customers already have chassis ordered. So if somebody backs out, they're going to give it to the next man up. So it is a little bit of a quandary, but I think as soon as they break loose, as Jon mentioned, right, we're not stretched in the second half, and we still have second shift available at most of our plants, right, that we can catch up fast if they can get these 2,000-plus chassis, get components on them and get them broken loose. We can make that volume up. It all depends on when they start flowing chassis through. But again, Matt, we may see some churn in the backlog, but we haven't seen it yet, and it's been at record highs since COVID started, so we're pretty positive about it.

Operator: The next question is from Steve Dyer of Craig-Hallum.

Steve Dyer: The guidance for the back half of the year sort of implies that these chassis loosen up relatively -- I don't want to say quickly, but when the spigot turns on, they're going to flow pretty freely, I guess. Given how quickly things have just sort of changed and the ongoing disruption, I mean, what's your confidence level that you're going to have unabated flow of chassis in the back half of the year?

Daryl Adams: I'll start with that, Jon, and maybe you can jump in. Steve, we're seeing positive -- I'll say attitudes, comments, in results from the recent shutdowns and how they're starting up, so we're seeing positive news there. We're very close with all the OEMs on helping them and working with them to try to break the supply issue, right? And it's mainly components and some quality issues, especially like the 1,500, I believe, or plus or minus 1,500, chassis for walk-in van are stuck at a yard hold due to a couple of components. And working with them, we know what the rework is going to be, we think it's going to have positive results, so we're seeing some of that, and then that's cleaning up the yard, and then the regular production, we're seeing them ramp up over the last few weeks with their output. So that's where we have some positives.

But look; it could change just as fast as it changed for us right after our earnings call when we couldn't receive any chassis. We only added 10% for March. So we're hearing positive things and we're feeling and we're seeing the chassis flow again. I mean, we're just hoping that the supply chain can continue to supply them with the high-quality parts that we expect in the industry.

Steve Dyer: That's helpful, Daryl. Thanks. Just going in a different direction, you've had Blue Arc out and about a little bit at trade shows; what are you hearing qualitatively from potential customers there? And then how would you say your solution stacks up in the last year or two? There's been a bunch of different potential competitors coming to market with -- we're seeing they're coming to market with some sort of EV solution, but what's the initial feedback you're getting, and then how would you say that stacks up and fits in with other competitors?

Daryl Adams: A couple of things on that, Steve, before I get into the feedback. So remember, we're in Class 3 only right now. So a lot of the entrants into the EV space are in Class 2, and that's why we went into Class 3, because we didn't want to compete against our customers like Ford and Stellantis, who are coming out with their EV cargo van. So I think that's important to note, and we like to keep reminding people when you talk about EV that we're in Class 3. That Class 3 is the same as the Velocity, right? So we're the only person in that space. So if you take -- and I think we also talked about later next year, we'll start working on our Class 5s, and that should be in initial testing late '23, early '24, on the Class 5.

And then the other piece is our customer feedback. So we're not out selling this vehicle with a PowerPoint presentation. We know our customers, we designed the vehicle for our last-mile-delivery customers, and we want to have our prototypes, which we're receiving parts today.

So proof of concept was that NTEA truck show. We have a number of parts coming in to build up our prototype vehicles, test vehicles that we'll get into testing, and we want to make sure the vehicle works, Steve, before we take it out for our customers and ask them for orders. Because if there's some changes we have to make, we have to make it, because they look at us as we know what their needs are, so we don't need to give them a vehicle that doesn't function. So if you take the 50 years of us building custom chassis and the 50 years of our last-mile-delivery knowledge, we're very confident that the vehicle we put in front of them will be exactly what they need, and then the range, right, is probably a little bit on the high side to their needs, but when you start turning on electronics in the vehicle, it's going to drain some of the battery. And that's an issue that you've seen from other people entering that space, is they think the range is correct with the battery size, but then they come in short.

So I think with the team we have and the -- what we've seen in the vehicle so far, we're very confident that as we get the prototypes in front of them and let them start testing them, that they will like the vehicle, like they like the rest of our vehicles. And we should see some orders start flowing once they start to test them.

Steve Dyer: Great. Last one from me and then I'll turn it over. Historically you've been pretty opportunistic with some smart tuck-in acquisitions; is that still on the radar, or is it head down, job one is getting our product out the door right now? Thanks.

Daryl Adams: Yes, I would agree with that.

Jon Douyard: Yes. I think, fortunately, particularly in a time of uncertainty, we can -- we're sitting here with a strong balance sheet today, and so we're pretty comfortable from that perspective, but our strategy continues to be to look for opportunities from an M&A perspective, and I think we've been able to prove over the last number of deals that's been successful, and has allowed us to continue our growth trajectory even as you look at this quarter with SV. And so we continue to build that funnel and engage potential parties. And so yes, M&A continues to be high on our list in terms of our growth strategy.

Operator: [Operator Instructions]

Our next question is from Mike Shlisky of D.A. Davidson.

Mike Shlisky: Can we talk about supply chain questions beyond just the chassis supply? So maybe some more general supply chain questions. I know you guys aren't selling chassis in the Ukraine or in Russia, to my knowledge, you have products there, at least, to my knowledge, but that issue has more recently caused an uptick in sale prices, prices of aluminum and other materials. Have you had any challenges there recently or have you had to put any extra pricing out there to offset?

Jon Douyard: We're constantly evaluating input costs and looking at opportunities or evaluating whether we need to take pricing actions. I think we have seen, outside of some of the commodity prices that you discussed, we haven't seen, really, any further impacts coming out of that crisis. And I think that, at this point, extends to some of the China shutdowns as well. There's been some noise in the system in terms of part supply, but our teams have been successful and creative in their ability to work through that, and so we haven't seen any disruption from that perspective.

That said, we continue to look at price. We talked about repricing the backlog multiple times; we did it in the fourth quarter, we did it a couple times in different parts of the business here in Q1, and we'll continue to evaluate that as the commodity prices change, but thus far we've proven to be successful, and to Daryl's point, we haven't really seen any fallout as we've executed.

Mike Shlisky: Excellent. I wanted to turn to some of those Class 2 EVs that you mentioned, Daryl, a few minutes ago, from Ford, the Transit. I know you guys had been updating some of those, to my knowledge. Have you had any issues with some of the earlier units falling off the line, and getting your updates on there, or have they been relatively smooth compared to the ICE versions and it's just a different underpinning? Any color on margin also.

Daryl Adams: Yes. Thanks, Mike. Appreciate the question. Right now it's at a really slow pace, so we're not seeing influence by any chassis issues or component issues. And I think the other piece means that we're working very closely with Stellantis on their upfitting on their EV vehicle that will go through our plant down in Mexico, which is our ship-through plant down there. So we're excited about both of those coming to market, and I think if you -- in retrospect, right? You and I probably talked about this a couple of years ago, and that's one of the reasons why we stayed out of the Class 2 space.

Mike Shlisky: Got it. And maybe just lastly, a quick question housekeeping-wise. Did guidance include any additional share repurchases beyond what we saw in the first quarter, or is that -- it's not a separate --

Jon Douyard: No, there's nothing additional contemplated in the guide.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Jeff Tryka for closing remarks.

Jeff Tryka: Thank you, Kate. We plan to participate in the Craig-Hallum conference on June 1, so we hope to see many of you there, but please keep an eye out on the upcoming events section of our website for future events.

With that, I'd like to thank you for participating in today's call. Have a great day.

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