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FLUX POWER HOLDINGS, INC. (NASDAQ: FLUX)
EDITED TRANSCRIPT OF FIRST QUARTER FISCAL YEAR 2021 FINANCIAL RESULTS AND COMPANY UPDATE CALL

INTERCALL CONFERENCING SOLUTIONS

Moderator: Ron Dutt
November 12, 2020
4:30 p.m. ET

COMPANY PARTICIPANTS:

Ronald Dutt – Chairman and Chief Executive Officer
Chuck Scheiwe – Chief Financial Officer
Justin Forbes – Director of Marketing and Investor Relations

PREPARED REMARKS:

OPERATOR: This is Conference #: 7063928.

Operator: Ladies and gentlemen, thank you for standing by and welcome to Flux Power's First Quarter Fiscal Year 2021 Financial Results and Company Update Conference Call.

At this time, all participants are in a listen-only mode. After the speaker presentation, there will be a question and answer session. Please be advised that today's conference is being recorded. If you require any further assistance, please press “star,” “0.”

I would now like to hand the conference over to your speaker today, Mr. Justin Forbes. Thank you. Sir, please go ahead.

Justin Forbes: Hi. Good afternoon. Welcome to Flux Power's earnings call. This is Justin Forbes, Director of Marketing and Investor Relations for Flux Power. I'm joined by Ron Dutt, our CEO and Chuck Scheiwe, our CFO, who will present the results of operations for our first fiscal quarter of fiscal year 2021 ended September 30th.

I'd like to now read our safe harbor statement:

Our discussion may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially.

You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revisions to these forward-looking statements in light of new information or future events.

Throughout today's discussion, we will attempt to present some important factors relating to our business that may affect our predictions. You should also review our most recent Form 10-K and Form 10-Q for more complete discussion of these factors and other risks particularly under the heading 'risk factors'.

A copy of our press release and financial tables can be viewed and downloaded on the Flux Power Investor Relations website at fluxpower.com/investors.

And with that, I'll now turn it over to Ron Dutt.

Ron Dutt: Good afternoon and thanks, Justin, for the introduction. Well, it's been only six weeks since our last earnings call where we discussed fiscal year 2020 full-year results ending June 30th. I do want to provide an update on our first quarter this new fiscal year 2021 for us along with our latest remarks.

Our fiscal year 2021 revenue increased by 135 percent to \$4.5 million from \$1.9 million last year. This more than doubling reflects traction from several of our new products, our new Class II LiFT Pack also referred to as M36; and secondly, our new S24, narrow aisle walkie pack, and finally, our stationary power pack, which is part of our new C-Series lithium packs.

Our full product line is now ramping including year-over-year increases in our Class III, Class I, and ground support equipment product lines. Our private label product continues to generate regular monthly orders, currently pacing at over 10 percent of our quarter sales.

Our new Class II entry for the growing high efficiency narrow aisle forklifts accounted for over 30 percent of our quarterly sales and we anticipate continued strength with this model.

Our C-Series packs are shipping monthly to our partner, Beam Global, who uses these packs for energy storage of their solar-powered mobile EV charging stations. We are optimistic this product will support increasing demand of stationary power applications from Beam Global.

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While the airport ground support equipment sector has been impacted by reduced passenger air travel due to COVID, our GSE or ground support equipment sales revenue did account for 25 percent of the quarter sales. However, this level of sales from GSE is likely to decline over the coming months due to continuation of the COVID epidemic.

We believe our current December ending quarter is picking up a more seasonal pacing similar to our experience in past years. As part of our strategy to achieve UL listing certification on our products, we recently received certification for our Class II M36 pack and our S24 narrow aisle walkie pack.

We are close to certification on our redesigned lithium-ion pack for the high volume Class III end rider.

I will say, we believe that some of our customers have been more cautious in their ordering plans due to COVID and the presidential election outcome uncertainties. It is very difficult to quantify this impact, although we have noticed some effect.

Our new product roll out along with the demand, continued demand for lithium-ion products are offsetting effects from those externalities.

Our relationships with forklift OEMs continue to grow including potential business across the U.S. and Mexico. We did announce during the September ending quarter, a supply agreement with CLARK Material Handling, who is a top 10 forklift OEM, and we look forward to supplying our packs, especially for one of their new marquee forklifts.

So, our business momentum is strong.

A word about our sales cycle and quarterly results. As I've said in the past, the first quarter, which in our case is the quarter ending September 30th, has historically been a seasonally slow revenue-generating quarter for us reflecting customers not purchasing or installing new equipment over the historically slow summer months of July and August. December can also experience some seasonality due to the holidays.

Hence, to assess our progress, we encourage investors to compare the results of our current quarters with comparable quarters on prior years rather than consecutive quarterly results.

Turning to gross margins - Our 2020 calendar year initiative that we have to increase our gross margins has been experiencing anticipated traction, increasing the fiscal first quarter to

19.4 percent from 6.1 percent a year ago. Improved vendor pricing has come from volume increases on battery cells sourced in China, steel sourced in U.S. and Mexico along with other electronic components.

Roll out of our next generation BMS has provided per pack cost reductions for our smaller packs and larger reductions for our larger packs. And the next generation of technology, which has also provided expanded and improved functions such as managing extreme temperature in the operating cases.

And we have now been rolling out our telemetry product now named SkyBMS, which is driven by our BMS electronics with extensive pack data now accessible from our cloud-based Amazon platform.

Customers continue to be very excited, making comments such as, and I quote, from a household name, "this is our best telemetry we have ever seen and we have to have it on all our packs."

Now a comment about the COVID-19 pandemic - As reported previously, Flux Power was designated as an essential business as a manufacturer of power sources for material handling equipment supporting the flow of food and other goods during the pandemic. And we remained open throughout the pandemic and diligently followed CDC and State of California guidelines.

We continue to have experienced only minimal disruptions to our supply chain including sourcing our batteries from our two suppliers in China and have had very minor disruptions to our employee-base.

However, we have all seen an uptick in cases in certain areas of the country as well as numerous areas around the county near our customers. Sorry. Let me restate that. We have seen an uptick in cases in certain areas of our county as well as numerous areas around the country nationwide near the customers we serve.

We continue to monitor COVID conditions closely, avoiding all unnecessary travel including visits to customers and vendors. Extensive use of Zoom and Microsoft Teams has been very useful for our business continuity.

I will now hand it over to Chuck Scheiwe, our CFO, to provide an update on our financials and our capital structure and he will also mention the improvements to our balance sheet achieved since the end of September. So, Chuck.

Chuck Scheiwe: Thank you, Ron. Well, regarding our balance sheet and financial footing, we have accomplished several more positive steps in that direction. We discussed on our last earnings call in September the Nasdaq up-listing and the $12.4 million capital raise that closed in August.

Additionally, during Q1, we raised $3.2 million in a private equity raise just prior to the up-listing. And we also paid down $2.6 million in LOC debt with some accrued interest leaving the LOC debt at $4.4 million as of the end of September 30th.

Subsequent to the September 30 quarter end, we had a few additional significant financial events we want to share with you. The first one was a conversion of an addition $2.2 million of the short-term debt and accrued interest to equity. That was part of the LOC debt having a convertible debt right.

After that conversion, there's approximately $2.4 million outstanding under the LOC. The only additional debt we had at this point is the PPP loan of $1.3 million that we anticipate will be forgiven. We're still waiting for the loan forgiveness process to be open for us, but we believe that will come soon.

The second event – significant event was securing a $4 million line of credit with Silicon Valley Bank this past week. The borrowing availability on the credit line is tied to Flux's outstanding accounts receivable and on-hand inventory. This line will help significantly with the company with working capital needs, which we anticipate to increase with our revenue ramping and the line can increase along with those needed capital needs.

The last significant financial event we're going to talk about was our S3 registration of $50 million shelf note. That went effective at the end of October and provides the company with additional options to capital as we move forward.

To add to Ron's mentioned progress with our gross margin initiative including current quarter reported at 19.4 percent, we believe continued implementation of the gross margin initiative program we have, along with diligent management of our operating expenses, that will drive us to our goal of becoming cash flow breakeven.

In regards to operating expenses, we have stated before that much of our initial foundation building has been put in place as necessary to meet our sales and operational strategy of serving large customers.

We continue to work on integrating best in quality with best in efficiency and continue in our quest to have industry-leading, durability, technology, and ease of use.

Now, I'll turn it back to Ron.

Ron Dutt: Thanks, Chuck. To wrap up our remarks, I'd like to comment on the impact of our up-listing in August and our improved balance sheet that Chuck has taken you through. We're getting more evidence of the beneficial effect of a brand and reputation built not only on leading technology and quality packs and service, but the sustaining relationships with Fortune 500 customers and leading OEMs of forklifts.

Our improved financial footing, along with the visibility for being listed on Nasdaq, provide tangible credibility to thrive in the midst of uncertainties from COVID and the geopolitical environment.

To repeat something I've said numerous times – some people may be tired of hearing – we are in the right place at the right time with our lithium-ion products.

And that concludes our prepared remarks. Now, I'll turn it over to questions.

Operator: As a reminder, to ask a question, you will need to press “star,” “1” on your telephone. To withdraw your question, press the pound key. Please stand by while the compile the Q&A roster. Again, that's “star,” “1” on your telephone.

We do have your first question from (Craig Irwin). Your line is open.

(Craig Irwin): Hi, good evening and congratulations on a really nice quarter.

Ron Dutt: Thanks (Craig).

Chuck Scheiwe: Thanks (Craig).

(Craig Irwin): Ron, I wanted to ask about the gross margins, if you could maybe give us a little bit more color on what's driving the success here. You're quite a lot higher than what we are looking for and even up sequentially in a quarter that had difficult sequential comparisons, right.

You know, seasonality is always a little tricky in the September quarter but you still came in 240 basis points up quarter over quarter.

Can you talk about the specific items in there? Was mix a heavier contribution given the new product launch? Any color to help us understand sustainability and the potential for additional traction over the next couple of quarters?

Ron Dutt: Yes, (Craig), great, thanks. Let me identify some of that and then Chuck can stand by to fill in anything to enhance that. But as we mentioned, we have this initiative that really we kicked off last January for this year and we outlined a number of actions we could take and we didn't know exactly when they were going to be first of all implemented, secondly, get into production and thirdly getting you the financials which our system takes average cost.

So, the timing was a little bit – a little difficult but I was always confident based on my prior life, that there's a lot of opportunity doing the things that a very early stage company with low volumes, with their first design pioneering a new product area, new sector can go after, and those are the things we went after.

We redesigned some of our packs for the steel blades and other components. Our vendor pricing was able to be improved dramatically by our sourcing guys with vendors that we could order higher volumes and get lower pricing from what was essentially, I don't want to say prototype level volumes, but very low volume. So, some of that, a measure that's kicked in, a lot of it’s kicked in. I don't think all of it’s kicked in. Chuck can correct me on that in a minute.

We've also seen mix shifts. You know, we started out just having the walkie, the small walkie pack several years ago and now we've been shipping out the larger packs and so we've seen this mix shift happening again which is always difficult to forecast exactly how that's going to come, but getting benefit from higher margins with the larger packs and – so that's happened.

Secondly, we've been working on our second generation of battery management system which is our firmware, software, brain of the pack, does the balancing, does the charging, communicates with the truck and of course with our SkyBMS I mentioned. And finally, rolling that into production which is only partway in terms of all of our – seeing the effect in our financials. So, we've been very excited about that. It's been quite some time in coming but I'm very pleased to see that.

In fact, we have some work to do with these initiatives. We had earmarked a 12-month plan. Of course, some of those are going to – are going to take into at least the first quarter next year to realize but, you know, it's on our path as we said to reach cash flow breakeven and this is – this is the real opportunity to get there.

We will – we have established management incentive objectives for this year and we will in each year - we will always include gross margin improvements because I believe we can achieve those. But to summarize, yes, the pacing is good. A lot of those we got in a little earlier than we thought.

So Chuck, could you – do you have anything beyond that to mention?

Chuck Scheiwe: Yes, just – Ron hit on most all of it on the pack size, but kind of what also comes out of all this work has been a lower labor cost in terms of assembling the product. We made it more simplistic in terms of putting them together, so we got some lower labor out there.

And in all truth, we're doing it way better, so I've been able to pull back on some warranty expense that normally hits COGS as well. So, that helps margins as well, so that kind of wraps up the whole picture.

(Craig Irwin): Excellent. That's really solid execution. Thank you.

So, my next question I wanted to ask is, out there in the broader market, people buying forklift trucks are sometimes not able to get delivery, right? There has been a shortage in certain areas this past quarter really because of COVID. Some of the – some of the big OEMs are working hard to catch up. Batteries usually go hand in hand with the lift truck sale.

Have you seen any impact from some of these situations where the customer is waiting for the truck to actually go out there and take the battery alongside? Is there any maybe pent-up demand that might help us out over the next six months?

Ron Dutt: You know, I don't think anything has totally escaped the impact of COVID. You know, material handling, we've always felt we've been fortunate to be in the industry that food, beverage products still has to move. And all of our OEMs and all of our supply base, all of the OEM supply base has been categorized as essential business.

However – and we continue to get our batteries from China on time. However, there have been companies where they had a breakout of COVID, temporary closure. Many of the companies have everybody working from home as possible and that can have some impact too.

I'd say as I alluded to in my formal remarks, of course there's a degree of caution where there can be on the timing of deliveries and expand to a lot of these companies, have expansions – have planned expansions to grow but yet are uncertain because of the environment we're in, so I think there's caution there.

The other thing that we have noticed is that there's been a real strain on shippers and shipping and they struggle sometimes to line up a trucking firm to take our batteries out to deliver to customers. So, we've had a few cases where there had been some delays with that. And then, your reference to the OEMs, we had seen some caution there.

Chuck Scheiwe: Yes, I think if you look through the press release we did mention some – just some industry comments about the market being (down) about 10 percent this year for 2020, and bouncing back up 10 percent for 2021. So, that's in the press release to reference as well.

(Craig Irwin): Yes, I actually saw that, that was going to be my last question, so thank you. So you said in the press release, specifically you expect the current trajectory to continue, right, and your growth this quarter is just amazing, well over 100 percent. Do we have a shot at triple digit growth rates in the next fiscal quarter? I mean is it possible that we see these really impressive growth rates continue for a while or are we looking at a more moderate trajectory for the next couple of quarters?

Ron Dutt: Yes – it's a good question. Thanks, (Craig). I know you always try to get guidance out of us and I would if I were in your shoes too. But – well let me say, let me give you color on that – where you can come to your own conclusion.

About a year ago, we booked to the September 30th, $1.9 million, it was a weak quarter. We did – there were a number of models such as the X48, the L-Series, the S-Series. The M24 wasn't selling, it was begging to be redesigned to take cost out, that were not available a year ago. So, you know, it's like when they say a plane goes down there's never just one reason. The underlying availability of product to go out, particularly the large products increased significantly year over year.

So, our kind of underlying capability really ratcheted it up and then against that, you have COVID but you have in favor of that continuing – continued growth in demand for lithium to replace lead-acid and for frankly for lithium to replace propane. So, I think what we've seen here is a kind of a recalibration from having a very partial product line to a full product line. So, I don't think you're going to see that kind of effect going forward.

Chuck Scheiwe: Yes, absolutely – yes and the other thing is …

(Craig Irwin): Sorry, Chuck, I interrupt you, but I – but Ron what you're saying kind of dovetails with what I was thinking and I did interrupt you, Chuck, sorry, if you want to continue please.

Chuck Scheiwe: Yes. I think the only thing I was going to add we mentioned in our – as we were talking here is the GSE, the ground support equipment for the airports is definitely hit heavy by COVID. That's definitely coming off the books for a little bit just because of – nobody is flying and we mentioned that. So that's going to have some impact away from the group of – that we've seen in the past.

(Craig Irwin): Understood, understood. The other thing I just wanted to ask is you had two pretty big action items in the quarter. One was the amount of spending for pack certifications and making sure you launch successfully with new partners and then the other was the offering that you did.

Can you can maybe share with us what the – what the pack certification expenses were in the quarter and whether or not this continue as we step in to the next quarter? And do you have an estimate or number for us on what the one-time expenses were on your P&L related to the equity offering?

Ron Dutt: Yes, you know, let me start off with just a comment on the pack certification. I'm going to hand this off to Chuck to finish it off. But we start certifying these packs, first walkie pack was in December 2015 and it costs a lot of money. I mean it can cost over $100-grand for each basic model and – so we have incurred a fair amount of that expense. We still have a little more expense to go on that with the models that we – that we want to get certified.

There's also expense involved in meeting the government mandated and they called it UN38.3 guidelines, which is certifying the robustness or the product to be transported in the distribution system in the United States, so that goes with it and then, of course, all the resource, personnel expense, extra packs around that.

So, it gets to be a significant number, but we believe that it's absolutely essential and will pay back in the near future because the customers we're going after expect this, want it, number one. Number two, for us it does – over the years it's helped us ensure that we've looked at every corner case, every possible way, because we know our customers don't want any downtime.

Chuck, let me pass it off to you for the other – the rest of his questions.

Chuck Scheiwe: Yes, in terms of the expenses related to the up-listing and that whole thing, from an accounting standpoint most of that gets booked against paid-in capital in terms of legal fees, accounting fees, all that is part of getting the deal done and you follow through.

So what actually hits the P&L is more outfall from opportunity cost that we were spending doing that rather than doing something else. It's a little gray, but there probably was at tops, maybe $100K to $150K in expenses that were for consulting or other things that are a little gray as to whether they fell into the up-listing or not that we might not have had hit the P&L.

And then I think for you from an R&D perspective, if you look at the prior quarter, we were doing very little UL work as a comparison to this last quarter. And that'll give you a good feel for what changed because that's the main thing that changed.

(Craig Irwin): Understood, understood. Well, hey, guys, congratulations on a really solid quarter here and really impressive execution in this environment. Thanks for taking my questions.

Ron Dutt: Yes. Thanks, (Craig). Appreciate it.

Operator: Your next question is from (Allen Klee). Your line is open.

(Allen Klee): Hello. During your beginning talk, you mentioned a couple situations where you were getting monthly orders from, which I think is pretty important given this can be kind of maybe a lumpy business. Could you go over that a little more and give us a sense of like the magnitude of that as a percentage of your revenue?

Ron Dutt: Yes, I think when I was talking about monthly orders I was referring to our V-Force sales, which is the private label relationship we have with a top five OEM. And I think I'd actually mentioned in there for the past quarter, it was a bit over 10 percent of our total sales. And we fully expect that to continue.

Those packs are run through their nationwide dealer system. We expect that to continue and if just indications are that that's going to continue to grow.

I think to one of your implications about we all want to get away from lumpiness and let's just talk a moment about that. We – to the extent – we are focused on these large customers that have very large fleets across the United States. In fact, I mean, United States but across the world. And now have fleets from 500 to 30,000 pieces of forklifts. And so, we're anxious as a top priority to go after them. As a footnote, we also are interested in that middle market as well. But for that top priority, getting ingratiated with supplying packs to their fleet.

Well, the primary revenue source is putting one of our packs on a new forklift that they're shipping to their customers. And so customers that run these fleets stage and batch the lifecycle and replacements of their trucks, and even for growth, it kind of stays. So what we're experiencing with some of these large fleets are orders each month or each quarter or every two quarters, reflecting whatever their order cycle is.

And as they – particularly for the companies that once they demo'd our packs, trial the pack, have some modest orders, then the typical model was to replace their fleet on an ongoing basis. So that, if to the extent we get more of those customers, we are able to further reduce any lumpiness in our revenue pattern.

I think private labels are, which was what I was referencing with that monthly order, can be helpful with that, but we're certainly keeping an eye to that as part of strategically and ensuring that we have a wide distribution channel to not just one but many of the top 10 OEMs. Allen does that answer your question?

(Allen Klee): That's great. And then you talked about how you're moving to larger forklifts and larger breadth of products and you get better – you make more money on the bigger ones. How do you feel about where you are in for the newer products and the larger ones? Are there still new ones coming out or did you feel like they're just in like the beginning of ramping up or that they're sort of at a, well, just tell me how you feel about that.

Ron Dutt: Yes. No, when you roll out a full product line in this forklift industry, there's variations of model. First of all, everything is made probably as what, a small, medium, large, and then there's variations in the material handling world for different types of jobs where some equipment you may stand on, some you may ride up to the top to be an order picker as they call it. Sit down, three wheels, forklifts, 36 volt, 48 volt, 80 volt.

So you'd have really an array of variables that results in quite an array. Now, what we do like probably everybody else, we study the sales volumes of all those and certainly go out to the high volume models first, which is what we've done. And we now have certifications, both by UL listing and the OEMs, because they got to prove your packs if they're going to put it on one of their forklifts, for what I call the bulk of the product lines.

But there's always – we have an L-Series that's in process. We have a X36 that's in process. And as we go forward and expand our footprint with the industry, we of course use a business case to see – does it make sense to spend another $100 grand to get something new UL listed. What's the reward? What's the win that we can achieve on that?

And so, that's how we approach it. So, I think there's more – I think there's a little more room to go on the impact of larger packs. Like cars, when I was at Ford Motor Company, a finance guy there, we lost money on Escorts, but the strategy was to get the people into buying Escorts then you upsell into SUVs and other products that have much higher margins because of the dynamic of the revenue cost relationship on them. So, we're not altogether different.

(Allen Klee): OK. And then in terms of just the longer term effort to lower battery costs, can you talk about what you're doing and how you're thinking about that? Battery pack cost overall.

Ron Dutt: Yes, yes. We have – we hired a really good head of our material planning and sourcing and inventory and our COO has a good perspective and experience on this in terms of negotiating with vendors for lower price and lower costs. So, that's going to continue as long as we can grow and we intend on growing for a long time.

That's somewhat related to what I mentioned earlier about its second generation of design as well. These batteries are not like your car battery that's a black box in the engine compartment of your car. These things have a brain. They do a lot. There's a lot of complexity. So there's so much opportunities to grow with the industry, particularly because a very important opportunity for us is the software to help manage the fleets of these large fleets.

And so we – really excited about what we're seeing here in the early days with that and think that – I think that's one of the keys to our future, as a key to our differentiation that we have that we can certainly thrive on having that focus.

So, to summarize, I say the – it's the vendor pricing from larger volumes – look what Tesla's done with buying their batteries – redesign actions that are normal, customary, and in any design and manufacturing company I've ever been in.

And we're going after those. And with a vengeance and as we talked earlier, we're making progress on that, but that's going to continue. This isn't just a 12-month drill on this. This is a mindset that we have in everybody that's ongoing. We're going to get more competition as this sector grows and people see what a great business opportunity is.

And the last thing we're going to do is stand here flat footed saying, well, we accomplish some gross margin input and cost reductions. There's an ongoing source of many opportunities there as we go forward. So I hope that helps.

(Allen Klee): Yes, thank you so much. My last question is, is it reasonable to think that your operating expense costs, the level of them in this quarter is a kind of reasonable run rate going forward or is there anything we should think about that may move it up or down?

Ron Dutt: Well, let me start with the basic principle, which we looked at here. We had a strategy to be able to sell products and services to very large companies that are very demanding. I spent most of my career with those companies so I understand that. You just can't push a product out with a weak manufacturing and service organization.

So we've had to invest in that and we're just now starting to reap the benefits of that. So, a lot of that is in our operating costs with our R&D, our marketing expense, our sales expense, service expense. And so, we have a fair amount of that in place. I see very modest growth growing as a future. And so we certainly look to monitor and track looking for a strong relationship between increasing revenue much faster than operating expense. Chuck, you'd probably get some more color on that.

Chuck Scheiwe: Yes. I think to the degree of Ron talked about, we've got a lot of stuff in place. There are certain things that are going to increase that we've ran into that is just out of our control. Let me just bring up one as like DNO insurance for everybody that's in the public markets has gone through the roof recently. We can't control that so we're going to see a hit from that.

The other place in the operating expenses that – there's a couple places that will grow with the business such as outbound shipping as we continue to ship more and more grow revenue that's a G&A type cost from a GAP standpoint. That's going to see an increase, but it's tied to the business performing better.

Outside those type of things, we're going to be very consistent going forward with like 2 percent to 3 percent type increase a year for the most part.

(Allen Klee): Thank you so much. Congrats on a great quarter.

Ron Dutt: Yes. Hey, thanks (Allen).

Operator: There are no questions over the phone. Please continue. There are no questions over the phone. Please continue.

Ron Dutt: OK. This is Ron. Do we have any more questions before we wrap up our session?

Operation: There are no questions over the phone, sir. Please continue.

Ron Dutt: OK. Thank you, Faith. And with that, our session has come to an end. Chuck, Justin and I thank you for your time. Appreciate your interest as well. Goodbye.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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