Ecology and Environment Inc.
Investor Review for Fiscal Year 2019 Q3
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Corporate Speakers:

- **Marshall Heinberg; Ecology and Environment Inc.; Executive Chairman**
- **Todd Musterait; Ecology and Environment Inc.; President of US Operations**
- **Peter Sorci; Ecology and Environment Inc.; Acting Chief Financial Officer**
- **Kurt Zmich; Ecology and Environment Inc.; Senior VP Operations**

Participants:

- **Randall A. Mehl; Stewardship Capital Advisors, LLC; Analyst**
- **Peter Rabover; Artko Capital LP; Analyst**
- **Charles Neuhauser; Mainwall Investments; Analyst**

PRESENTATION

Operator: Welcome to Ecology & Environment Inc.'s Fiscal Year 2019 Q3 Investor Conference Call. Today's webcast is being recorded. A slide deck can be accessed on the Investor Relations page of E & E's corporate website at ene.com. At this time, I would like to turn the call over to Mr. Marshall Heinberg.

Marshall A. Heinberg: Thank you, operator, and good morning, everyone, and thank you for joining us to discuss Ecology & Environment's financial results for the third quarter of FY19.

I'm Marshall Heinberg, E & E's Executive Chairman. And joining me on our call today are Todd Musterait, E & E's President of U.S. Operations; and Peter Sorci, our acting Chief Financial Officer.

After finishing our prepared remarks, we will be happy to open up the call to take your questions. Please note that certain statements made on the course of today's conference call may include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve certain risks and uncertainties and it is important to note that the Company's actual future results could differ materially from such forward-looking statements. The Company cautions investors not to place undue reliance on any forward-looking statements made during the course of this conference call. Ecology & Environment disclaims any obligation to update any forward-looking statements made today.

And with that, I am happy to report that we are back on a regular filing schedule. We have been notified by NASDAQ that our filing delinquencies have been remedied, and we are in compliance with all applicable listing standards and that the potential delisting has been favorably resolved.

Our third quarter, as you note, was a difficult one, due in large part to expected nonrecurring costs. The results reflect employee severance and termination expenses related to the staff reduction programs largely completed in the quarter. Approximately $800,000 in Q3, and an additional $100,000 is expected by the end of the fiscal year.

In addition, increased audit and legal expenses associated with the deconsolidation and restatement of results from our Chilean subsidiary cost the Company approximately $600,000 in the third quarter and totaled $900,000 during the first 9 months of our fiscal year. At the same time, the actions that we've undertaken to stimulate growth, many of which Todd will address today, are not yet apparent in our financial results.

With that, I would like to turn the call over to Todd to discuss some of those ongoing growth initiatives, and we will be happy to take your questions at the end.

Todd M. Musterait: Thank you, Marshall. Please turn to Slide 3.

Our leadership team continues to implement improvements that were initiated over the first 2 quarters of FY19 to set us on a path for growth. Our restructured U.S. business is better aligned with our core lines of business in practice areas and set us up to expand further into emerging markets. Our new business line structure integrates sales and project delivery functions that create efficiencies, improve communication and foster a more collaborative approach to capturing work and delivering services.

We are developing strategic plans at the business line level for FY20. Those plans are rooted in market insight and competitive analysis and will guide critical decision-making as we look ahead to the upcoming fiscal year and beyond. Part of our restructuring includes a new sales and marketing strategy that supports the growth of our business lines with a fresh perspective of our Company in the marketplace.

We previously announced our new enterprise program sales director who brings over 25 years of environmental market experience. I am pleased to announce that we have brought on board a new sales director for our energy business line as well, who will join E & E this summer, bringing deep sales experience and a fresh perspective for growing our energy business line.

Our new marketing director has built out a marketing team to implement our strategic marketing plan and build E & E's visibility in the marketplace. We have implemented cost-reduction initiatives to improve our profitability and create better alignment of our staff resources for growth.

As we have previously communicated, the staff reduction programs include voluntary retirement and involuntary separation programs are being implemented, along with other expense reduction initiatives that have resulted to date an annual pretax cost savings of approximately $6 million.

These activities are expected to result in pretax charges and cash expenditures of approximately $1 million during the fiscal year ending July 31, 2019, consisting primarily of employee severance and termination benefits. These initiatives were substantially completed by April 30, 2019, and are expected to be completed by July 31, 2019.

We have also redefined E & E's U.S. operations organization and are bringing needed clarity to key roles within that structure. This allows us to set clear expectations and role-specific KPIs and provides for efficient resource management. These critical roles will have more visibility to our clients, directly contribute to improved business performance and provide professional growth opportunities for our valued workforce.

Now I'd like to turn it over to Peter Sorci to review our financial results.

Peter F. Sorci: Thank you, Todd, and good morning, everyone. Before I review our financial results, please note for purposes of this presentation, that gross revenue less subcontract costs is the key revenue metric for our business because it represents revenue that we generate strictly from our consulting services and it excludes pass-through revenue that we collect from clients and pay out to subcontractors.

When we refer to revenue or revenues during this call, we're generally referring to gross revenue less subcontract costs. Also, our management team generally assesses operating performance and make strategic decisions based on the geographic regions in which we do business.

Our SEC reports include operating segment information for our U.S. and South American operations, and information for these operating segments is also included in this presentation.

Slides 4 and 5 provide summaries of our operating results for the third quarter and 9 months ended April 27, 2019. We reported a consolidated net loss of $1 million or $0.24 per share for the quarter ended April 27, 2019, compared with consolidated net income of $0.1 million or $0.02 per share for the third quarter of the prior fiscal year.

For the current quarter, a loss of $1.1 million from our U.S. operations was offset by income of $0.1 million from South American operations.

For the 9 months ended April 27, 2019, we reported a consolidated net loss of $1.5 million or $0.34 per share compared with a consolidated net income of $0.1 million or $0.03 per share for the first 9 months of the prior year. For the first 9 months of the current year, a loss of $1.6 million from U.S. operations was partially offset by income of $0.1 million from South American operations.

Our operating results for the 3 months and 9 months ended April 27, 2019, were significantly impacted by $1.7 million of year-to-date incremental nonrecurring expenses, including $0.8 million of employee severance costs -- of severance costs associated with a corporate restructuring plan and $0.9 million of expenses associated with restatements of our prior year consolidated financial statements.

During the third quarter and first 9 months of 2019, our U.S. operations experienced continued revenue growth from survey, impact assessment, planning and data management services provided to clients in the LNG, offshore resources and resilient communities markets.

However, for the first 9 months of 2019, this revenue growth was more than offset by decreases in revenue from pipeline, onshore renewables, armed services and site assessment remediation markets, as projects completed during FY18 and the first and second quarters of FY19 were not replaced with new work of comparable size.

In addition, the federal government shutdown that occurred during the second quarter of FY19 delayed new work authorizations, affected ongoing project schedules and postponed revenue delivery on various federal government contracts into the third quarter of FY19.

In South America, continued positive results from our consolidated subsidiary in Brazil and from our equity investment in Chile were offset by lower revenues and earnings from our consolidated subsidiary in Peru.

Revenue from our Brazilian subsidiary increased 44% and 28% during the third quarter and first 9 months of FY19, respectively, compared with the same periods of the prior year. In local currency, revenue from our Brazilian operations increased 62% for the third quarter and 47% for the first 9 months of FY19, due mainly to increased project volumes with commercial clients in the transmission, energy and mining sectors.

Strengthening of the U.S. dollar compared to the Brazilian real during the first 9 months of FY19 significantly offset the positive impact of higher project volumes.

Revenue from our Peruvian subsidiary decreased 20% and 34% during the third quarter and first 9 months of FY19, respectively, compared with the same periods of the prior year, due to the lower project volumes with commercial clients of the energy sector.

Slide 6 provides a summary of operating cash activity for our consolidated operations. Our consolidated cash balances decreased $3.9 million during the first 9 months of FY19. Historically, cash generated from our operating activities has exceeded cash required for investing and financing activities. However, recent declines in revenue and profits from our U.S. and Peruvian operations have had a detrimental impact on cash generated from operating activities.

In addition, higher revenue from our Brazilian operations during recent reporting periods represented initial out -- resource outlays on new projects that have not yet been built to or collected from clients.

Cash outlays resulting from the staff reduction programs and restatements of prior year financial statements also had a detrimental impact on cash flows from operations. After initial outlays of cash for employee severance and termination benefits, the staff reduction programs are expected to have a positive impact on our earnings and liquidity position during the fourth quarter of FY19 and future reporting periods.

We paid cash dividends of $1.7 million during the first 9 months of FY19, including dividends of $0.8 million during the recent quarter ended April 27, 2019. We continue to require minimal support from lines of credit or other debt instruments to fund our consolidated operations. As of April 27, 2019, we had $32.4 million of availability under lines of credit to support our U.S. operations and $1.2 million of availability under lines of credit to support our South American operations.

And now I will turn it back over to Todd to review our contract backlog and market outlook.

Todd M. Musterait: Thanks, Peter. Slide 7 provides a summary of our firm backlog. Firm backlog represents an estimate of gross revenue expected to be recognized over the remaining life of projects under contracts that are awarded, funded and in progress. The amounts in Slide 7 reflect our recently redefined definition of firm backlog to exclude estimates of unfunded backlog that may someday become firm backlog.

Projects included in our firm backlog include work to be performed under contracts, which contain termination provisions that may be exercised without penalty at any time by our clients upon written notice to us, in which case, the client would only be obligated to pay us for services provided through the termination date.

A significant portion of our revenue is generated through projects awarded under master services agreements with our clients. In these instances, only the current unfinished projects are included in our backlog.

As noted during our last conference call, a key component to realizing our growth expectations is our focus on organic growth through improved operational efficiencies and management, including a more uniformed reporting approach to drive informed decision-making. As part of this disciplined effort, we have taken a critical look at all of our reporting metrics, including our backlog.

In doing so, we compared year-over-year backlog numbers and found that total firm backlog from U.S. operations decreased 22% or approximately $10 million over the 12-month period preceding April 2019, as new orders reported as additions to firm backlog have not kept pace with work delivered on active projects.

Essentially, we are burning backlog at a faster pace than we are replacing it with new work. Moderate fluctuations in backlog from quarter-to-quarter and year-to-year are normal occurrences in our industry. The trend in our backlog, as evidenced by this exercise, underscores the need to build out a much more robust sales and marketing platform.

As I noted in my earlier remarks, this effort is well underway. We are bringing sales and marketing professionals into the Company, who have proven track records of capturing sales and elevating E & E's profile in the marketplace.

The continued build-out of our U.S. sales and marketing team is a cornerstone of our ongoing strategy. We reported a significant increase in backlog in our South American operating segment during the 12 months preceding April 2019, which provides further indication of continued improvement in revenue growth and operating results expected within those markets.

I'll now speak about market conditions that impacted our results in the third quarter of FY19. We continue to deliver our services to supporting the U.S. export oil and gas to our commercial development clients. Similar to the previous 2 quarters, we experienced a decrease in services provided to pipeline, onshore renewables, armed services and site assessment and remediation practice areas compared with the third quarter of FY18. The extended federal government shutdown earlier this year did have an impact on our ability to deliver work under certain contracts and delayed the issuance of task orders, particularly in non-DoD agencies.

Our South American operations continued to see increased opportunities and project delivery in Brazil to commercial clients in transmission, energy and mining. We continue to see headwinds in Peru due to lower project volume and commercial clients in the energy sector.

In summary, our new business structure is creating a stable platform to best utilize our resources for growing the U.S. business. Our business line strategic plans with renewed sales and marketing strategies are aligned to create growth opportunities. Actions undertaken to stimulate growth of our U.S. business are not yet reflected in our results.

Our South American operations continue to stabilize in Brazil and Chile, and we continue to evaluate the impacts of current political influences and policy changes in Peru. The business continues to be in a sound liquidity position with approximately $10 million of consolidated cash at the end of the third quarter for FY19. We have delivered 64 consecutive semiannual dividends since 1987, with a yield of approximately 3.6% for the dividend paid recently in March 2019.

That concludes our presentation. We will now open up the call to your questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)
Randy Mehl with Stewardship Capital.

Randall A. Mehl: Just a couple of questions here. You talked about this integrated sales and delivery model. So I'm just trying to get a handle on how does it work today versus how it used to work. In other words, what's the difference?

Todd M. Musterait: I appreciate that question. I think the -- what's most significant about the approach that we're putting into place now versus previous is that previously, we had a business development function within the organization which was out in the marketplace, of course, capturing work and looking at opportunities, while we had an operations group that was focused on client service, client maintenance operational aspects to make sure our project deliveries were meeting and exceeding expectations.

The business line format puts responsibility of both new orders and sales as well as project delivery of revenue as a responsibility among those leaders within the line. So in essence, the 2 are integrated. In order for us to be successful, we feel strongly that our management team needs to ensure responsibility in both areas.

Randall A. Mehl: Okay. And in terms of recruiting -- and you talked about the pipeline of business which I'll get to in a second, but in terms of the pipeline's available consultants, how does that look today just in today's tight labor market? I mean you're a pretty small Company now. So presumably, you're not looking to hire too many people on a quarterly basis. But is -- how robust is that? And are you today able to kind of meet the demand that you see in the next couple of quarters?

Todd M. Musterait: Yes. Sure. So I think in general, in the environmental space and even in the engineering space, there is a competitive landscape for top talent in the marketplace. We believe E & E has a unique place for people that perhaps have spent time in larger integrated companies or even smaller companies to look for another option for them.

We also provide -- due to our specialization in ecological and environmental services and being a pure-play firm, we tend to have an attraction, I think, of top talent looking at us as a place where they want to further contribute and develop their career. So we do look at the outlay of our sales force to try to get that into business as soon as we can. As I mentioned, we've made progress around key sales directors. We filled out our marketing team with specialists to go to market on each of those business lines. And we have that next -- I would say the next 1, 2 quarters to get those key hires fulfilled.

Randall A. Mehl: Okay. When you look at the backlog, is the trend -- or revenue, does that kind of line up with the trend? And I'm talking specifically about the U.S. Does it line up with that sort of negative 22% trend that we see in backlog? I'm trying to calibrate what that means. And then also, what's the difference in the way that you're looking at backlog that caused it to drop off like it did?

Todd M. Musterait: Sure. So as I mentioned before, taking a new look at various metrics across business, including backlog, we now have a new bit of a revised projection process so that we can look out across the business over a period of 12 months, and even beyond, to understand both from a hard backlog perspective, when we expect to see that revenue delivered and also the conversion of soft backlog to hard backlog, which ultimately would be revenue delivered to the business.

Pipeline, of course, is important to us. That's a big focus of our sales team, to increase our pipeline of opportunities and qualify those opportunities in the marketplace. So we look at those all linked together in terms of telling a story as to how much we can qualify, how much we get in the pipeline and how much we can convert into both soft and hard backlog. I would say we look at the revenue delivery side from a month-to-month perspective to see what our projections are telling us. We're very disciplined around that at this point.

And regarding your second question, I believe that was around what's different on the...

Randall A. Mehl: I thought when you had your catch-up on filings a couple of weeks ago, a few weeks ago, I recall that number being bigger. And I was just wondering -- particularly backlog for the U.S. operation -- I was wondering what that difference was?

Todd M. Musterait: There's a couple of things around that. One component of it was moving what was classified as hard backlog previously to what we're calling soft backlog. So that's the contract that we have been awarded, but we don't have task orders against. So we're making a clear differentiation between what we consider harder backlog and what we consider soft backlog or part of total backlog.

And the second component of that is we have had a reduction in our backlog because we've been consuming it faster than we've been bringing in the actual backlog that we'll be working on. So those 2 components...

Randall A. Mehl: I appreciate that. Is it your anticipation though that, that trend will continue? Or have we kind of hit bottom in terms of backlog? So based on what you're seeing in your markets, what you've done with the organization.

Todd M. Musterait: Well, I can say that -- again, this is a snapshot in time of backlog as we come to the end of the third quarter. That does change month-to-month on us. It's pretty dynamic. Our ability to, I think, mine soft backlog and convert that into hard backlog tends to be where we can get revenue probably a little bit quicker as we look at new opportunities in the marketplace.

Operator: Peter Rabover with Artko Capital.

Peter Rabover: Maybe I just kind of want to concentrate on the backlog still a little bit because I guess I'm just -- like the previous caller, I'm trying to get a handle on the soft versus hard backlog because you guys had a nice increase in the soft one, right? And a decrease on the hard one. So maybe I'm just trying to -- I think I had the same question last call, but what is a typical conversion of the soft one within the 12 months that you had in the past?

Todd M. Musterait: Well, I'd say I don't think there's a typical conversion that we're sort of looking at right now. We -- again, I'll reinforce that taking an eye to the metrics and ensuring that we have an eye to what's actually we feel is hard backlog versus soft backlog was important to us. That's why as you suggested or noted, we have a good shift that moved to soft backlog.

But what I'd like to do at this point is introduce Kurtz Zmich, who's on the line. He's our Senior Vice President of Operations, who really has taken a key role in taking a deep dive into both our hard and soft backlog and our revenue projection. So at this point, I'll hand it over to Kurt to respond to the question.

Kurt Zmich: Great. Thank you. Thanks, Todd. All right. Great. So I'm Kurt Zmich, Senior Vice President of Operations. Doing projections and looking at hard and soft backlog and also looking at our -- what we call our pipeline, which is the opportunities we have in play, has been a key focus of mine for the past few months.

To answer the question, we're trying to take a harder, more rigorous look at the differentiation between hard and soft backlog. So we understand what revenues we can count on over certain horizons versus the soft backlog where we have ability to farm it and get more sales on the door. And so we're trying to quantify that better, communicate it in the business and use it for sales intelligence in effect. Does that answer your question better?

Peter Rabover: I'm not really sure. I guess I'm just -- maybe what are -- maybe you can tell me what the differences are? What would require for the soft backlog to get turned into hard backlog versus the past?

Kurt Zmich: So soft backlog is, basically, approved funding we have on a contract vehicle that has not been released for spending for delivering on a project. So it's funding available to get work and provide services to a client, but there's no specific scope to it. And we're trying to bring more understanding to that by contract vehicle to our sales force so they can focus on exploiting that, taking advantage of it more than I think has been done in the past.

Peter Rabover: I guess I'm still -- if the only thing that matters is whether it's funded or not, what does the sales force have to do with it if you have already gotten a contract?

Kurt Zmich: So as part of our repeat business model, that is part of our sales approach. We try to capture new business, we also try to get repeat business and we try to grow our repeat business. This is also a way to identify opportunities for cross-selling between business lines. So maybe provide services to a client from another business line different than what we typically provide, and it's just another way to push some organic growth forward on our sales.

Peter Rabover: Yes. I mean I still don't think you guys are understanding my question, but I'll try to come back to it off-line, maybe. Just -- I had one more question. Can you guys talk about your -- about your building that you guys have? Have you tried to put a value on that building? I know you kind of carry it on the books, but it's a pretty significant building. And have you thought about an opportunity to monetize that or anything of that sort?

Peter F. Sorci: We have not had any market valuation done in our building, at least not in recent years. Haven't found any need to do that at this point. So I mean to answer your question, we have not put a valuation on the building.

Peter Rabover: Okay. I mean do you have any idea or any thoughts? I mean I'm not asking you for commitments. I just -- it looks like it's listed as below value. And I'm just trying to figure out what the value of that is. But if you haven't thought about it, that's...

Marshall A. Heinberg: It's Marshall. It's not that it hasn't been thought of. It's not that everything hasn't been thought of, but I don't think we have a number to share or have a comment about what are the options or choices at the moment. It's a wonderful headquarters, and that's what we expect it to be for some time.

Peter Rabover: Okay. And then maybe like a more bigger strategic question. You guys have a bunch of Latin American businesses, and some are pretty nice. It sounds like the Chilean and the Brazilian businesses are pretty nice. And have you -- I guess my question is, just from a strategic overview, does it make sense for them to be kind of part of the business or not. Are you getting any synergy or any leverage -- operating leverage on that? So that's what I'm just trying to grab so.

Marshall A. Heinberg: Well, I mean you can see the earnings and the cash flow generation that we're getting from it. And there is strategic value and some opportunities to cross-sell. They are somewhat distinct, but we are trying to find ways to do more work together.

Peter Rabover: Okay. I mean is there an opportunity to monetize those businesses well?

Marshall A. Heinberg: Maybe -- as you can imagine, if and when that decision is made, then we would announce it, but we consider them core to our operation.

Operator: Charles Neuhauser with Mainwall Investments.

Charles Neuhauser: I think I remember from the most -- the previous call not too long ago that you made comments that the $6 million in annual savings were at -- to be expected to be reflected in the third quarter numbers. And that -- very round numbers, it looks like, excluding the nonrecurring charges and all that sort of thing that the business was basically in a breakeven level in the third quarter. And I think I remember you saying that -- well, you said another $100,000 is to come in the fourth quarter, but basically, the $6 million should begin to kick in noticeably in the fourth quarter and presumably for the entire future 12 months for the next fiscal year.

So it leads one to think that if you're sort of cruising along in a breakeven level at the moment, the $6 million should pretty much drop right down to the pretax line. Is that more or less correct?

Marshall A. Heinberg: Go ahead, Peter. I'll jump in if I need to. Go ahead.

Peter F. Sorci: Yes. I mean your summary of what we said last time I think is still what we expect. We expect sort of a ramp-up of the benefits during the fourth quarter. And then I believe in FY20, we would see a larger portion of that $6 million annual benefit, benefit our bottom line.

Charles Neuhauser: Well, obviously, what I'm getting at is there's been a huge amount of time and effort and money spent to shake things up, shall we say. And I'm sure that wouldn't have been expended or the effort wouldn't have been made if there wasn't some presumption or estimation of what the capability of the Company is to earn a respectable return level of profitability.

And anyone, including myself and I presume yourselves, who is involved with investing in the Company at this point, the key question is what is the earning power of the business. And there's no question but that the last few quarters had not reflected what is anywhere near a respectable level of earnings. I'm sure no one would disagree with that.

And so we're all trying to figure out what this thing should be worth. And I'm curious what you would call or what you would say is a respectable level of operating profitability on net revenue base of what looks close to $75 million at this point. And if it is something like that, and you can, in fact, identify the $6 million of savings, well, then the pretax income should be at least $6 million. Any thoughts or comments along those lines?

Marshall A. Heinberg: Yes. It's Marshall. I'll jump in here. So I think you're making reasonable assumptions. I think where we will have a hesitation and won't be able to give you exact numbers is we're not going to forecast, but we're trying to give you a road map of how to think about this. And we've given you a couple of variables. We're talking to you about where our revenue is. We're telling you that the management team has a plan in place to try to have organic growth in a positive direction.

At the moment, we've been shrinking, but the expectation and attention is to stabilize and grow. And there have been many efforts made in terms of organizing the business, hiring key people, bringing on sales and cross-selling. We've talked about some of the initiatives.

And we've identified explicitly what the anticipated cost savings are. And at that point, it becomes arithmetic to some degree about make an assumption about revenue, look at the expenses as they stand, assume that you got an annualized approximately $6 million of savings and it's something we'll continue to look at. And yes, it obviously starts to generate a more reasonable, albeit not where we're aspiring to. I can't and we won't forecast, but I think that your logic is sound.

Charles Neuhauser: Yes, I know. No, I mean that's how I would be looking at it. You're -- we're at a sort of low-level run rate. You're focused on organic growth. You've identified $6 million of savings. And therefore, if you're at all successful generating some organic revenue growth, there should be operating leverage, which would actually increase the earning power of the Company or at least demonstrate that the Company is capable of earning more than just the $6 million savings that you have identified. So that's how I would look at it at this point. I would assume you would as well.

Marshall A. Heinberg: Yes. Management does, the Board does, and yes, that is a very fair characterization.

Operator: Randy Mehl with Stewardship Capital.

Randall A. Mehl: Just on the balance sheet, cash and investment I believe was forecast around the $10 million level. Is this a bottom in terms of cash as you look forward, net cash as you look forward, given what we know about CapEx and dividend payments and the cash flow from ops?

Peter F. Sorci: Yes. I would say that cash has been decreasing a little bit because of the incremental expenses and our revenue being down. As we do expect some improvement in our bottom line and our operations in the future, I would believe cash balance and line of liquidity ought to follow suit and start increasing.

As far as the dividend goes, it's always up to the discretion of the Board -- the size and the timing of our dividends -- and that will continue to be the case.

Randall A. Mehl: But at this point, I just find that it's a little bit of a question off the last question, which was around profitability, given the savings and so forth going forward, I mean is there any reason, that number, that that wouldn't build ex- an acquisition or something like that?

Marshall A. Heinberg: What was the last piece of it? An acquisition, Randy?

Randall A. Mehl: Obviously if you do an acquisition, that's one thing. But assuming no acquisition, should we expect the net cash balance to build throughout into the foreseeable future?

Marshall A. Heinberg: Yes. Again, I'll try to answer your question the same way I did the prior question, which is to say we're not giving a forecast. We -- but we are telling you that what we are trying to achieve here is increase in revenues through organic growth, a reduction in overall expenses, which should, if we are successful and we're working hard at it, show a turnaround in the business, improve profitability and with that, cash flow should follow. And you can see that it's not a CapEx-intensive business.

Randall A. Mehl: Okay. And also congrats for getting caught up on the filing of those. It was good for this one not to drag along. And I think that we'll -- you'll get on the regular path now.

Marshall A. Heinberg: We are looking forward to a sense of normalcy.

Operator: And I'm not showing any further questions at this time. I would now like to turn the call back to Todd Musterait for any further remarks.

Todd M. Musterait: I appreciate everybody calling in for a discussion this morning, and we look forward to speaking with you next quarter. Thank you.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may now disconnect. Everyone, have a great day.