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Profire Energy, Inc.

Third Quarter 2021 Earnings Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Rob Brown, *Lake Street Capital Markets*

John White, *ROTH Capital Partners*

James McIlree, *Dawson James*

James Jang, *Univest Securities*

PRESENTATION

Operator

Good afternoon, everyone. Thank you for participating in today's conference call to discuss Profire Energy's Third Quarter 2021, ended September 30, 2021. Following the remarks, we will open the call for a question-and-answer session. I would now like to turn the call over to Steven Hooser, Profire's Investor Relations Advisor.

Steven Hooser

Thank you, Sherry, and thank you, everyone, for joining us on today's call. With me on the call today are Co-CEO and CFO, Ryan Oviatt, and Co-CEO, Cameron Tidball.

Before we begin today's call, I would like to take a moment to read the Company's Safe Harbor statements. Statements made during this call are not historical, are forward-looking statements. This call contains forward-looking statements, including, but not limited to, statements regarding ongoing regulation changes, the Company's expected growth, the Company's supply chain performance, expansion in new markets, the Company's exploration of M&A opportunities, the successful integration of acquired assets, investments in research and development, and the Company's future financial performance.

All such forward-looking statements are subject to uncertainty and changes in circumstances. Forward-looking statements are not guaranteed of future results or performance and involve risk, assumptions, and uncertainties that could cause actual events or results to differ materially from the events or results described in or anticipated by the forward-looking statements.

Factors that could materially affect such forward-looking statements include certain economic, business, public market, and regulatory risk factors identified in the Company's periodic reports filed with the Securities and Exchange Commission. All forward-looking statements are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

All forward-looking statements are made only as of the date and time of this call, and the Company assumes no obligation to update forward-looking statements to reflect subsequent events or circumstances, except as required by law. Readers should not place undue reliance on these forward-looking statements.

I would also like to remind everyone that this call is being recorded and will be available for replay through November 18 starting later this evening. It will be accessible via the link provided in yesterday's press release, as well as the company's website at www.profireenergy.com.

Now, I would like to turn the call over to Co-CEO of Profire Energy, Mr. Cameron Tidball. Cam?

Cameron Tidball

Thank you, Steven. We welcome those joining us on the call today, and to those who will listen to the recording in the coming days, we appreciate your interest in Profire. I will start our call today by providing some updates on the industry and our business, then I will turn the call over to Ryan to provide a review of the financials.

Following Ryan's remarks, I will conclude by providing an update on some of our strategic initiatives, as well as some recent business development successes. The third quarter of 2021, again, with concerns over the resurgence of COVID due to the Delta variant, however, has since demonstrated ongoing signs of progress and economic recovery.

The loosening or full removal of restrictions in some parts of the country has resulted in increased demand for products derived from oil and gas production. Although we fully expect to see continuous change to policies and restrictions surrounding COVID and potential variants, we are optimistic that the demand for hydrocarbon-based products will continue to rise. Indicators that impact our core business continue to improve and represent positivity for Profire.

The average price for a barrel of crude oil increased 73% year-over-year, and is currently trading at or near a seven-year high. The increase is due to a combination of increased demand and constraint supply from U.S. producers, as well as OPEC plus countries, which decided at their last meeting to keep production increases for November limited to the 400,000 barrels per day that was agreed to earlier this summer. Natural gas prices are also at seven-year highs.

Higher commodity prices are expected to continue, at least through the upcoming winter, but could last longer if supply constraints don't improve. As we have shared previously, higher commodity prices and future optimism has not spurred oil and gas majors to make material changes to their capital investment strategies. They remain committed to debt reduction, reinstating, and increasing dividend programs, and maintaining production levels.

With the ongoing threat of reduced or lack of capital availability to hydrocarbon producers, we see EMPs striving to build up cash reserves, as well as further industry consolidation in the future. As expected, Profire benefited in the quarter from increased completion activity, which is evident by the DUC count decreasing 40% since its peak in June of 2020. Several producers have begun reinvesting in maintenance capital, which has been deferred or eliminated during the last couple of years.

With that, let me turn the call over to Ryan to discuss our financial results. Ryan?

Ryan Oviatt

Thanks, Cam. As discussed, we are pleased with the progress made in the third quarter. The oil and gas industry is critical to the energy needs of our world, and our products and solutions remain a key component of our customers' operations. Automation solutions that support safety, efficiency, and the environment, will continue to be at the forefront of our customers' operational investment decisions.

The combined onshore rig count for the U.S. and Canada seems to have plateaued at just under 700 rigs recently. The last time WTI was above $80 per barrel was over seven years ago when there were over 2,300 active rigs. The industry is certainly reacting differently to higher prices than it traditionally has. Producers are maintaining production by utilizing the available DUCs as opposed to ramping up drilling programs.

Like Cam mentioned, the DUC count is down 40% from its peak and was down 12% in the quarter. At this rate, the existing DUCs could be used up in less than two years. This is a short-term bridge on a long-term production decline problem for the U.S.'s shale oil. These trends signify ongoing improvements for Profire, though the pace of which is still to be determined.

Now, let me turn to our financial results for the third quarter 2021. Yesterday, after the market closed, we filed our 10-Q with the SEC and discussed the quarter's highlights in a press release. As always, both of those documents are available on the Investor Section of our website. The transcript of this call will be posted in the coming days.

In the third quarter, we recognized $6.9 million in revenue, which represents a 15% increase from the second quarter, and is 74% higher than compared to the third quarter of 2020. Product revenues increased 79% as compared to the same quarter last year, primarily driven by improving customer demand associated with the ongoing recovery from the pandemic.

Our service segment reported a 34% increase year-over-year as customers returned to maintenance programs that were largely deferred over the prior year. Gross profit for the quarter was $3.1 million as compared to $2.7 million in the second quarter, and $1.5 million in the year ago quarter. Gross margin was 44.9% of revenues, a 90-basis-point improvement from the prior quarter. Gross margin in the third quarter of 2020 was 38%.

Total operating expenses for the third quarter were approximately $3.4 million. This represents a $186,000 increase sequentially as we continue to unwind some of the cost reduction efforts implemented during the pandemic. On a year-over-year basis, operating expenses increased $588,000, but remained significantly below our pre-pandemic run rate.

Specifically, G&A expenses for the third quarter increased 33% year-over-year, R&D expense decreased 33% from the prior-year quarter, depreciation and amortization decreased 1% from the third quarter of 2020. Net income for the third quarter was approximately $92,000 or nil per diluted share. This compares to net loss of approximately $397,000 or $0.01 per share in the prior quarter, and net loss of approximately $1.1 million or $0.02 per share in the third quarter of last year.

A portion of the net income in the current quarter was achieved through the implementation of an updated transfer pricing policy and other tax planning strategies. Cash flow from operations in the first nine months of 2021 was approximately $958,000 compared to $123,000 in the first nine months of 2020. Our inventory balance at the end of the quarter was $7.5 million, down from $8.4 million at the end of 2020.

We believe our current inventory levels, which represent mostly finished goods, remain sufficient to address our customers' orders in the near term. We are working with our vendors on product sourcing for the medium- to long-term to ensure we are well-positioned to meet our customer needs going forward.

I will now turn the call over to Cam to provide an update on some of our strategic initiatives, as well as some of our recent business development achievements and progress. Cam?

Cameron Tidball

Thank you, Ryan. Profire remains focused on preserving and protecting our core business, which is comprised of the upstream and midstream oil and gas energy sector, by continuing to drive specification of our solutions and adding new customers. Our 2100 BMS controllers continue to be utilized as we support customers in their eventual transition to the 2200 platform. The 2200 controller is specifically designed to enhance the performance and control of a wide array of Burner Management applications.

With more robust features than the 2100, the 2200 product line allows us to better support customer needs. The use of our Burner technology, acquired in the MEP acquisition in 2019, continues to gain momentum with our customer base. The 3100 platform continues to support our initiative to expand our ability to play in new industry and markets.

As we have shared on previous calls, Profire Burner and Combustion Management technology can be utilized on a wide array of industrial, natural, and forced draft applications. During the quarter, our 3100 solution was utilized on projects supporting the mining, biogas, construction, and renewables industries. We are working hard to maintain this momentum as we continue to deliver on projects and expand our sales presence and channel exposure.

In the quarter, we engaged both in direct end-user and channel partner conversations on potential projects and upgrades to thermal appliances utilized at refineries, chemical plants, metal-forging, biodiesel, and food and beverage facilities. We continue to invest in research and development that we believe is essential to the future of our core industry and its image as a clean and efficient part of the long-term global energy solution.

This includes supporting the transition towards automation, including AI capabilities of EMP processing and production operations, supporting producers as they shift towards quantification with reliable data of emissions improvements which validate the reduction initiatives. Our products and service solutions support end-user initiatives to reduce methane and other greenhouse gas emissions.

Our controllers are installed on equipment used for methane and volatile organic compound destruction, and the data-logging capabilities can be used for regulatory reporting. In addition to our controllers, our ancillary products, like the non-emitting fuel gas trains, are designed to replace antiquated and leaking pneumatic systems. Our combustion experience and know-how enables our customers to improve efficiencies resulting in less methane-combusted, thus lowering CO_2 emissions.

Profire is also conducting research on how our product and service offerings can support other industries in energy transition initiatives related to alternative fuel sources such as hydrogen. As an update to our merger and acquisition strategy and efforts, we continue to assess multiple opportunities each quarter. As we have discussed previously, Profire maintains a calculated approach to acquisitions so as to protect our culture, excellent financial position, and shareholder value.

We remain focused on searching for transactions that will drive strategic growth opportunities for the Company while promoting essential ESG priorities for the industry. Before we turn the call over for questions, Ryan and I would like to thank our employees for their ongoing dedication and contributions towards the success of our customers, our Company, and our shareholders.

Operator, would you please provide the appropriate instructions so we can get the Q&A started?

Operator

Yes. Thank you. Our first question is from Rob Brown with Lake Street Capital Markets. Please proceed.

Rob Brown

Hi, Cam. Hi, Ryan. Can you hear me?

Operator

You're live. Go ahead.

Rob Brown

Hi, Cam. Hi, Ryan. I just wanted to get a sense of how things are trending into the quarter here and into the rest of the year, kind of reconciling your comments about some slower Capex spending but more completions, maybe just how are the trends going and how's the visibility at this point?

Ryan Oviatt

Yes. Thanks, Rob. That's a great question. We certainly are seeing things improving, and like we said throughout other calls or earlier in the year, we certainly see the second half of this year improving, and we were able to demonstrate that with our Q3 performance, for sure. We do think that Q4 is going to continue that trend.

We don't know, is this going to be up from Q3, or exactly where it will be? There's always uncertainty when we get into the Q4 December and November holiday seasons and customers spending programs, though we are optimistic that things will kind of trend in this same direction and that we should have a decent quarter there. Cam, anything you want to add to that?

Cameron Tidball

Yes, you covered it well, Ryan. We still, as we mentioned in our comments, we're not seeing massive changes, if any, to drilling programs that were announced and revised throughout the year, so we don't see that triggering anything beyond what we've seen so far, but as Ryan mentioned, activity is up, quoting is up.

We're definitely seeing some positive signs in our core industry, as well as, as we mentioned, we continue to just build that pipeline outside of oil and gas. So, all things are pointing in the right direction. However, holiday season sometimes, and hunting season, that's a holiday season, I think in Texas, so it's all part of the overall results that we get in the fourth quarter.

Operator

Our next question is from John White with ROTH Capital Partners. Please proceed.

Cameron Tidball

Hey, John.

John White

Hey, good morning to you. Really strong revenues. I was very happy to see that. In Cam's opening remarks, he talked about oil and gas, and he talked about EMP and DUC completions. Then in his closing remarks, he talked more about your effort to diversify business out of EMP. Can you talk a little bit about the split between EMP and all the rest of your business in terms of revenues?

Cameron Tidball

We normally, as you know, we don't quantify it out quite yet. Really, upstream, midstream, and the downstream transmission is still the lion share of Profire's business, and it will be, but as we continue to gain traction, to win projects outside of oil and gas, to generate leads through some of our marketing initiatives and paid advertising, as we get more and more, we see that definitely contributing and definitely being something that moves the needle or is quantifiable.

I think we mentioned on the last call, we're over 30 projects. That number increased here in the quarter, but the pipeline of opportunity, the pipeline of contacts, both directly brought into Profire or that we found, or through some of our channel partners that we're working with, it continues to grow. So, very exciting for us.

Our strategy, I kind of mentioned it and alluded to it, we want to preserve and protect what we have. That's our backyard. It's what we're great at. There's no reason to give that up. We're the dominant player in that space, so we'll continue to preserve and protect, and even grow that business.

We know it's very dependent on things like drills, completions, commodity prices, more lately, purely completions. That being said, we believe we have the bandwidth. We believe we have the roadmap, and most importantly, we believe we have the product suite that we know we can play in some of these other industries. We'll continue to push in those areas as well while protecting the house, the key as it were.

John White

Okay. Thanks for that. Thirty projects, do you mean 30 projects away from oil and gas?

Cameron Tidball

Yes. I think we mentioned on the last call, over 30 in the last 18 months outside of oil and gas, and we keep building upon that.

John White

That's great. Again, Cam, in your closing remarks, you made a comment about the application of one of your projects resulting in reduction of CO_2 emissions, and I missed the full comment. I got distracted. Could you go over it?

Cameron Tidball

Yes, definitely. We're doing some research, and its research right now, but we know that our customers, so we’re on their heaters. We know that they report something, whether it's to the states or EPA, and we know that's going to change, based on President Biden's remarks here earlier this week in Glasgow.

We know that's going to change. We’ve felt that for a long time. These producers right now don't really know how much gas they're burning, in our estimation. You burn gas, you're going to get CO2 as a byproduct. Right now, everyone's talking about methane. Methane's the first thing that you've got to target because it's 84 times worse than CO2, but CO2 is going to be the next thing.

That's why our research includes both of how Profire can play in those worlds, whether it's through acquisition, whether it's some of our own development, but on the CO2 side, you run a more efficient burner, you are going to have less CO2. If you are able to quantify what you're actually burning, we believe EMPs have a win right off the bat from where they're currently claiming, because today, unless they put in some very expensive technology into every heated appliance, they don't really know.

Right now, our belief is that they report based on the total high-level duty that an actual heater can do, and that's grossly overstated, we believe. So, if we could help them, and we're working on some of our product configurations, as well as coupled with the 2200 and the 3100 to be able to help them quantify. It's still in research stage right now, but we feel that's a very compelling thing to look at for us.

John White

Well, I know research has been an important part of your business development, so that's very good to hear. I'll pass the call back.

Cameron Tidball

Thanks, John.

Operator

Our next question is from Jim McIlree with Dawson James. Please proceed.

James McIlree

Hi, thank you.

Cameron Tidball

Hello, Jim.

James McIlree

Hey, guys. Let me just throw out the three questions I have, and then I'll put myself on mute. First, can you talk about pricing trends? Second, I'm a little bit confused by the inventory comments. You had a reduction in inventory, your turns are improving, but then you also make comments about supply chain.
I'm just trying to kind of puzzle through that. Lastly, Ryan, I think that you talked about expenses in Q3, but did you make comments about what levels would be necessary in the coming quarters? That's it. Thanks a lot.

Ryan Oviatt

Great questions, Jim. We'll try to make sure we get through all of those, and I'll make a few comments and Cam can add to them too. On pricing, we haven't had a strong history of modifying prices or changing prices on an annual basis or things like that in the past, but in the current environment, in light of inflation and all the pressures that we're seeing, we are in the process of implementing updated pricing for our customers.

There will be some price increases as we go into next year, and we'll monitor that situation on a frequent basis and regular basis, and make adjustments ongoing if needed as we continue to go through the next year or two and see how this situation plays out. In relation to the inventory comments, there's, obviously, lots of concern, as you're aware, just in the overall economy from groceries, to gas, to everything we buy on supply chain issues.

So, our inventory has come down. We've been using a lot of our inventory as we're servicing our customers. We still have a good supply of inventory. We typically carry more inventory than a lot of companies would do, and we've had a history of that.

At the same time, just the other comment there was that we're continuing to monitor that situation. We're continuing to work with our customers in anticipation of potential additional problems or greater problems on supply. Next year, we are looking at placing in some more advanced orders to try and get ahead of that.

We have a sizable amount of cash and liquid investments on our balance sheet, and right now is a situation where we might be willing to exchange some of that for inventory just to make sure that we can still supply our customers' needs and meet their needs in this environment. Hopefully, that answers that question.

Then your question on expenses, going forward for the future, that's kind of one of those crystal ball things. I would hope that we can get inflation under control and start to have it stabilized, or not going in the pace it's been going for the last several months, but that is certainly something that we're facing. We're seeing it in all of our operating costs and our labor costs, and things like that.

It's forcing some turnover that we're working hard to deal with to address those people when they leave, but also to find ways to keep our people happy and make sure that they're not leaving and that we're able to retain them. Unfortunately, we do think that we're going to still see some of that cost pressure. How much our cost's going to increase, I don't fully know, but like I said in the beginning, we are trying to combat some of those increases by making price adjustments to our products as well, and hopefully, trying to even some of that out. Cam, anything you want to add to any of those questions?

Cameron Tidball

I'll just briefly mention on the pricing trends. As Ryan mentioned, there isn't anything that isn't really going up right now. To a degree, we believe our customers expect it. We believe we have a good story to tell with regards to why Profire does this.

We are a value sale. We are not a price sale. We sell value. We sell expertise. We sell accessibility to everything from tech support, to service, to engineering. The suite that we offer our customers, we feel fully warrants this, so we don't expect a lot of push-back on this.

It's the norm, but we're going to do the norm with the value. We believe that we have a compelling reason to do so, of course. Other than that, Ryan, hear, hear. Thank you.

Operator

Our next question is from James Jang with Univest Securities. Please proceed.

Cameron Tidball

Hey, James.

James Jang

Hey, guys. It's been a while. How's it going? I was pleasantly surprised by the quarter. Getting your breakeven in this environment, I think that's a testament to what you guys can do, but I have questions on short term and long term. Short term, have you been receiving more inbounds from nat gas producers versus crude?

Cameron Tidball

Great question. In the short-term, it's a nice balance. Obviously, the Northeast has been a stronghold for Profire for years, and you get a lot of nat gas there. We've had some pleasant surprises from Canada. In their Clearwater Shell plays, gas has definitely picked up and that's commodity price-driven, for sure.

I wouldn't say that we're out of balance of where we normally are between oil and gas because many of our customers play in both arenas, except for, of course, in the Northeast where it's particularly, for the most part, gas over liquids, but we continue to be strong in the liquid-heavy places like the Permian, so nothing out of the norm there, James.

James Jang

Okay, because I was thinking with what's going on with nat gas prices, and with the geopolitical issues that are going on with Russia, I don't know if the U.S. producers or the Canadian producers have kind of looked towards more gas as a long-term play versus the crude.

Cameron Tidball

Well, there's your’s, mine, and everyone's comments on this one, and someone's right, I guess, but when it comes to gas, it's evident. Our acquisition in 2019 of the Midflow, the Midflow acquisition, of that company, we know that natural gas and we believe natural gas is critical. We also believe crude is critical for a long time.

These wonderful policies that exist in turning everything green overnight, and hydrogen, and wind, and solar, that's fine. That's going to happen. I equate it to, actually talking to a trusted friend yesterday said, it seems like some of the way that our policy is going is like when you weigh 300 pounds and you're going to get to 200, and you throw out all your jeans and you buy size 32 before you get there. That's kind of what I see is going on.

We cannot throw out all this good and reliable, and for the most part, cost-effective energy when our world just demands more and more of it every single day. I don't want to go on a tyrant or a rant. I do believe that there will be a transition, but we try to preach that maybe we shouldn't quit our day jobs before we get new ones and new ways to pay the bills. Energy, especially natural gas, we know is a huge transition fuel, and we think will always be around.

Crude, I'm looking at everything at my desk right now, and I don't think I can name something on my desk that isn't produced from crude. So unless we're going to start floating at work and at home and not need any of that, it's all going to be there. I don't know if that answered your question, James. Or, Ryan, if you wanted to correct anything there, more than happy to have you do it.

Ryan Oviatt

No. Good analogies.

James Jang

All right. Looking more long-term, there's two. One is, Cam, I know you're in Canada. Is there a tangible risk right now between now and the next five years where subsidies to the crude players start to ease a bit?

Cameron Tidball

You'll have to—subsidies to the crude players would ease, or are you saying—

James Jang

Sorry, for the producers.

Cameron Tidball

Yes. I'll claim ignorance here, James. I don't know what subsidies the producers are getting right now.

James Jang

Okay. I was under the impression that like the oil sand producers and folks, like the sector itself, maybe it's not a direct subsidy, but the cost is subsidized by the government to a degree.

Cameron Tidball

Okay. If we're talking oil sands, there may be parts of that. When you talk about where Profire plays, which is not so much the oil sands, we're more in the Southern part of those plays, the Fort McMurray stuff, Profire doesn't live in that area, so there could be subsidies there. In the rest of the shell plays and basins in Canada, I do not believe there are subsidies.

That is something, obviously, Trudeau has come out as well as with his 32nd speech in Scotland, and, you know, he's going to change the world, one election at a time. I don't know. We will watch that. We know he is going to come down hard, or he is going to try to.

The problem, or I guess the opportunity, is, in Canada, the feds can only do so much. The province holds more rights over natural resources than that of the Feds. In Canada, Trudeau can push around a lot, but he's more limited than in the United States.

James Jang

Got you. Okay, and the last question here is, like you alluded to today, I think we're all aware, the energy mix is going to be more green than it is now, whether it's solar, wind or hydro. And through usage and demand, I don't know if we've hit peak and it's going to decrease, but in a world where crude demand starts to fall, what kind of strategies can you implement to kind of pivot and maintain growth for Profire?

Ryan Oviatt

Great question, James. I think those are absolutely things that we're looking at. We fully believe that there is a trend for greener energy and that there's going to be more solar, more wind. Hydrogen is a big push, and at some point, it will hopefully, add to the mix. Our belief is that that's going to take more time than a lot of the estimates.

All of the estimates over the last five years had it ending within five or 10 years, or peaking within five or 10 years. I think right now that those predictions are being stress-tested in the current environment and certainly, there is a runway there, but regardless of that, we think in that five- to 10-year horizon, that we need to be able to transition with that.

As Cam's comments in the beginning talked, we are certainly looking at ways to participate in that. As we move towards blended fuels, or even an eventual hydrogen combustion arena, we think we have a significant place to play, as combustion experts, in helping industrial customers and large producers move down that path along with other areas of focusing on the reduced emissions and making oil and gas itself cleaner along the process there, which hopefully, would also extend its life and maybe even the peak out further, but the crystal ball is not mine. I wish it was.

James Jang

Okay, and last question here, I know this is a little out of left field, but would you guys look to acquire some type of CHP company, or somebody that works with waste energy to transform that into energy? It's a little outside of your scope, but it's kind of in the same neighborhood. I don't know if you guys were kind of looking in that arena as well.

Cameron Tidball

Yes, we definitely look in the neighborhoods, James. Again, it does need to make sense. It needs to fit, but that fence we put out there of what could fit, I think it's pretty wide. We're not everything. I don't think we're going to merge with Stance Socks, although I'd like that. I love Stance Socks, but companies that are in similar energy --they're in energy— it doesn't just have to have the name, of course, but absolutely. We're broad in our view of that. We think that we can't just be narrow-minded and just think burner, burner, burner, oil, oil, oil.

We also do think when you look at energy transition, who are the companies that are going to be involved with that? Well, it's going to be your major EMPs. They're going to be involved, and as much as we are a small part of the overall machine that drives the energy industry, we are tiny. We are a trusted partner for so many customers.

The things that come in the door, and things that we're looking at as part of some of our research and development is, how do we be at those ground-level discussions with producers of, what are they thinking? What are they going to need in the future? What pain points need to be solved?

We believe they're going to be at the forefront of energy transition because they're energy companies, and whether it's oil and gas, or hydrogen, or solar, or hydro, they're going to be involved. They're not just going to run out and wait till their share price goes to nothing. They're going to do something, and we think we'll be right there with them.

James Jang

Okay. Excellent. Well, thank you, guys. Looking forward to our next call.

Cameron Tidball

Yes, thanks.

Ryan Oviatt

Thanks, James.

Operator

Our next question is from (inaudible) Cole with Cole Capital. Please proceed.

Male Speaker

Thank you, and again, thank you for doing the call today. Much appreciated. Two quick questions regarding your sales force. Could you give us an update on the number of quota-carrying salespeople you have at the company and their levels of experience?

Ryan Oviatt

Yes. Cam, you want to take that?

Cameron Tidball

Yes, you bet. Forgive me, I don't know the exact number and I should, but we're approximately, I would say like 18 to 20 sales team members. A variety of experiences within them. Approximately, I would say 75% have been with Profire for at least four or five years.

Some of the recent hires we brought on have specialized skill in some of the areas outside of oil and gas but dealing with combustion. So, a high experience level for us. We often tout that Profire, between our sales and service and some of our business development team members, has over 400 years of combined combustion experience as well.

Male Speaker

Understood, and with demand picking up in the near-term, what number of open recs do you have trying to hire some additional salespeople?

Cameron Tidball

Great question again. Currently, right now, we do not have an open posting. We're obviously going through budget season for next year. We are considering the addition of more resources or resource, especially to focus in some of our initiatives outside of oil and gas.

The nice thing about our sales team, it's double-edged sword. They're probably needed to do $20 million a year, but they can also do quite a bit more with the capacity we have. It's not just because they're waiting. It's just, as the orders get bigger, they can handle a lot more capacity. Some of our sales team members, we double dip with what they do.

We want them to produce opportunities in the downstream side of midstream, which is the big plant operations. Some of them do outside of oil and gas business development, as well as in. Then we have some territory sales team members who are in larger territories where they don't have the capacity, just because of customer base and market share, to add on to that. So, they kind of just focus on the single areas, the upstream, midstream space.

Male Speaker

Okay, and then just a question about the supply chain. As you, hopefully, are in a position to sell your finished goods inventory that you have in stock today and then need to replenish, have you figured out how many weeks and months it will take for you to—I guess how much time will it take between ordering and receiving all the various parts you need for your Burner Management system and other products, when you contemplate replenishing your inventory?

Ryan Oviatt

That's a good question. It's absolutely something that we monitor very closely as we place each order going forward, and it depends on the products. If you're talking about our BMS systems, the boxes themselves, we typically order those in fairly large quantities, and again, that's what we have a lot of in inventory. Some of the components are very long lead times, three months, six months, some even longer than that, and those times continue to change.

We work very closely with our vendors on that, and we work to order in quantities that are big enough that carry us through those periods, and even beyond with some safety stock there. Then as we look at the package solutions, like the BMS solution with a fuel train, and all of the components that go with that, we work with each of those vendors, most of which are third party who provide the valves or solenoids, those types of things.

Again, through their lead times, we've seen some of those go up. We've seen some of them improve slightly, and we work on the relationship as well to make sure that we have good visibility into all of that. It is certainly a challenging environment, but we are very active in working with our suppliers and looking forward in trying to meet our needs. Even predicting what our customers are going to need is quite a challenge, given that we just don't have a long-term view into their ordering patterns or processes.

Male Speaker

Got it. Just a final question from me regarding diversifying into other verticals. Regarding your PF3100 product line, you'd mentioned there were 30 projects that I believe, if I understand correctly, are in the kind of the sales pipeline. What is the value of those 30 projects, if you happen to actually close on all of them?

Cameron Tidball

Actually, the 30 projects, and it's a higher number than that, but 30, 40 projects, those are actually already completed outside of oil and gas with the 3100 solution. The average sales price on those has been anywhere from 5,000 to I think we have some approaching six figures outside of oil and gas. Those have already been completed, and those are in like the last 18 months.

Going forward, what's in the pipeline, well, obviously, we hope to have some repeat business. We've already had repeat business from some of these customers. In the pipeline is significantly higher in terms of the types of discussions we're having, the opportunities, the appliances that we're scoping out to see if we're a fit.

Some of the technology providers we're in with. That we believe is where we have some momentum into the future. We're going to continue to work hard on it. We've invested more into that team.

We're going to consider further investment into that team to expand it, as well as consider other channel partners that make sense in certain industries, or potentially some of the larger channel partners who are in a bunch of those industries. So, combination effort for diversification.

Male Speaker

Okay, and just last on the 3100, I believe when it was introduced, it was, obviously, best-in-class product in the industry. The primary competitor was Honeywell, which had had an old product, which hadn't really been updated. What, if anything, has Honeywell done to update and upgrade their products so it's more competitive, or are they sticking with the product line that was introduced originally in 2012?

Cameron Tidball

Honeywell does have, we'll call it a competitive product. It's a different way of doing it, but when it comes down to its it's burner management flame safeguard. It’s called the Honeywell Slate. So, it is out there. It requires a different type of skillset to program, to implement, as well as it's got to go through the Honeywell network of suppliers, which is everything from HVAC companies to system integrators, et cetera.

How does it compare? They're not apples and apples, although what they do is apples and apples. Normally, I guess the 3100 is now we're getting to about five, six years of age with it. Still, it's a very, a powerful system. It can do a lot.

It is not meant for everything, that's for sure, but it has shown to be very effective in some of the applications that we're finding outside of oil and gas. We, obviously, had to test it and try it out with customers who we knew, and we are using it still. Still the lion’s share of 3100 sales is in the upstream and midstream and downstream transmission businesses, but we know that it can fit into things like refineries and chemical plants.

It can be used on a variety of applications that are outside of oil and gas. In terms of what's Honeywell doing, they're really sticking with development, as we have, on their Slate device. They still have the old burner management technology they've had for two decades. It's just a little tiny module, really. It has to be paired with a bunch of other things. It still sells. It's still a competitor to us as well.

Male Speaker

Good. Well, thank you very much, and I wish you the best of luck going forward here. Hopefully, business will continue to be stronger, which is always a more pleasant environment to be operating in.

Cameron Tidball

Absolutely. Thank you.

Ryan Oviatt

Absolutely. Thanks.

Operator

We have reached the end of our question-and-answer session. I would like to turn the call back over to management for closing remarks.

Cameron Tidball

Thank you, everyone, for joining us on our call today to discuss our third quarter 2021 results. We'd like to thank all of you for your continued support, and as always, we're available for any discussions or questions that you might have.

We want to remind you that we will be participating in the Three Part Advisor, Southwest Ideas Conference in Dallas on the 17th of this month. We hope to see you there if you can make it. Thank you and have a great day.

Operator

Thank you. This does conclude today's conference. You may disconnect your lines at this time and thank you for your participation.