Profire Energy, Inc.

Fourth Quarter and Full Year 2023 Earnings Call

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CORPORATE PARTICIPANTS

Steven Hooser, *Investor Relations*

Ryan Oviatt, *Co-Chief Executive Officer and Chief Financial Officer*

Cameron Tidball, *Co-Chief Executive Officer*

CONFERENCE CALL PARTICIPANTS

Robert Brown, *Lake Street Capital Markets*

John Bair, *Ascend Wealth Advisors*

PRESENTATION

Operator

Good morning, everyone, and thank you for participating in today's conference call to discuss Profire Energy's Fourth Quarter and Full Year 2023, ended December 31, 2023.

(Operator Instructions)

I would now like to turn the call over to Steven Hooser, Investor Relations, to get the call started. Please go ahead.

Steven Hooser

Thank you, Operator.

With me on the call today is Co-CEO and CFO of Profire Energy, Ryan Oviatt, and Co-CEO, Cameron Tidball.

Yesterday, after the market close, the Company filed its Form 10-K with the SEC and discussed the quarter and full year's highlights in a press release. As always, both of those documents are available on the Investors section of the Company's website. A transcript of this call will be posted in the coming days.

Before we begin today's call, I would like to take a moment to read the Company's Safe Harbor statement. Statements made during this call that are not historical are forward-looking statements. This call contains forward-looking statements, including, but not limited to, statements regarding the Company's expected growth, future success of diversification efforts, the planned research and development of new products, growth in our customer base, increased global demand for hydrocarbons, growth of our partner service network, increases of global LNG demand, potential M&A opportunities, increased momentum in critical energy infrastructure and the Company's future and financial performance. All such forward-looking statements are subject to uncertainties and changes in circumstances.

Forward-looking statements are not guarantees of future results or performance and involve risks, 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 provision in the Private Securities Litigation Reform Act of 1995. All forward-looking statements are made only as of the date of this release, 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 March 28 of 2024, starting later this evening. It will be accessible via a link provided in yesterday's press release as well as on the Company's website, at www.profireenergy.com. Following the remarks by Mr. Oviatt and Mr. Tidball, we will open up the call for your questions.

Now I would like to turn the call over to Co-CEO and CFO of Profire Energy, Mr. Ryan Oviatt. Ryan?

Ryan Oviatt

Thank you, Steven, and welcome to all of you who are joining us on the call today.

I will start the call by providing some updates on our business and the industry, followed by a review of the financial results, and then I will turn the call over to Cam to discuss outlook, strategic direction and provide an update on our diversification strategy. 2023 was a great year for Profire. We had our best year in Company history, beating our prior best year for revenue by 14%, which occurred in fiscal 2015 of $51.2 million.

In 2023, we recognized $58.2 million in revenue, which exceeded our prior year revenue by 27%. We also achieved Company best in gross profit dollars, operating income, net income, earnings per share and EBITDA. We are very excited about what we've been able to achieve over this past year and the new ground we are breaking for Profire. These achievements have been the culmination of consistent and steady execution of Company strategy for many years. We have also seen great success in our efforts to diversify our revenue into critical energy infrastructure and non-oil and gas markets.

In 2021, our diversification efforts represented less than 1% of total revenue, increased to 6% in 2022 and last year accounted for 13% of total revenue. We expect to continue building on this momentum, which Cam will discuss in more detail later. Both the IEA and OPEC forecast global demand growth of more than 1.2 million barrels per day this year, with the trend to continue for the remainder of the decade. We expect operators will continue their efforts to catch up on the maintenance that had previously been deferred in recent years, but also understand that some long-term capital investments may be deferred in 2024 in the lead-up to, and pending the outcome of the current year election cycle.

Looking at our core legacy business, the combined onshore rig count for the U.S. and Canada averaged 848 rigs in 2023, representing a 4% decrease from the prior year. The average WTI price per barrel in 2023 was $78, representing an 18% decrease from the previous year. Producers continue to draw down on previously drilled but uncompleted wells as the DUC count decreased to 4,400 at the end of 2023, representing a 51% drop from its peak in June of 2020. Despite the downward trend of these industry metrics, Profire was still able to achieve its best performance in the past 22 years of operations.

With that, let me turn my remarks to Profire's financial results for the fourth quarter and full year 2023. In the fourth quarter, we recognized $14.4 million in revenue compared to $14.8 million in the third quarter and $14 million in the prior year quarter. Gross profit increased to $7.8 million as compared to $7.5 million in the third quarter of 2023 and $6.6 million in the year ago quarter. Gross margin increased 390 basis points sequentially and 730 basis points from the prior year quarter to 54.3% of revenue. This was due primarily to product and customer mix, normal inventory and warranty adjustments and pricing initiatives.

Total operating expenses for the fourth quarter were approximately $5 million compared to $4.9 million in the third quarter and $4.3 million in the fourth quarter of 2022. The sequential and year-over-year increases reflect cost inflation across our business as well as growth in business activity driving up variable costs. Specifically, G&A expenses for the fourth quarter remained flat sequentially and increased 18% year-over-year. R&D expenses increased 47% on a sequential basis and increased 15% from the prior year quarter. This is simply due to the timing of R&D projects and certification requirements.

Depreciation and amortization were flat with the prior quarter as well as with the same quarter of last year.

Net income for the fourth quarter was approximately $3.3 million or $0.06 per diluted share. This quarter's results include a onetime $828,000 or $0.02 per diluted share benefit generated from a reduction adjustment to deferred tax expense based on a detailed review of our deferred tax balances. Net income in the third quarter of 2023 was $2 million or $0.04 per diluted share and $1.8 million or $0.04 per diluted share in the fourth quarter of last year. Cash flow from operations in the fourth quarter was approximately $4.4 million compared to $1.7 million in the prior year quarter.

For the full year 2023, we recognized $58.2 million in revenue. This compares to $45.9 million in 2022. The 27% increase is primarily due to the factors stated earlier. Gross profit increased to $30.5 million as compared to $21.7 million in the prior year. Gross margin increased to 52.5% of revenues from 47.1% in the prior year. This year-over-year increase in gross margin is primarily due to better fixed cost coverage, which offset inflationary pressures on variable costs.

Total operating expenses for the year were approximately $18.7 million compared to $16.5 million in 2022. The increase is primarily related to higher G&A expense resulting from overall cost inflation. However, the overall rate of increase remained lower than our revenue growth rate for the year. Over the past 10 years, total operating expenses as a percent of revenue have ranged between 32% and 59%, with 2023 being the lowest mark in this range despite the significant inflationary pressures over the past few years. Our strategic efforts in managing costs and building in operational efficiencies, combined with our sales price initiatives have helped us achieve this great operating margin. R&D expenses decreased 13% and depreciation and amortization decreased 8% compared to the prior year.

Total other income during the year was $592,000 compared to $492,000 last year. The increase is primarily attributable to higher interest income due to a combination of higher rates paid on our cash balance and short-term investments. Net income for the year was approximately $10.8 million or $0.22 per diluted share, which includes $0.02 related to the deferred tax adjustment referenced earlier. This compares to net income of $3.9 million or $0.08 per diluted share last year.

Cash flow from operations for the full year was $7.1 million and our cash and other investments totaled $20 million compared to $16 million at the end of 2022. We had no borrowings or other debt on the balance sheet at yearend.

Net capital expenditures for the year were approximately $873,000. During the year, we were able to repurchase $2 million worth of Profire stock according to our approved share repurchase program. Our inventory balance at the end of the year was approximately $14.1 million compared to $10.3 million at the end of 2022.

Over the past two years, we've been able to implement several tax planning strategies that have had a significant benefit on our financial performance and results of operations. These include filing for and receiving the employee retention credit through The CARES Act, the strategic use of several years of net operating losses in our Canadian subsidiary and the deferred tax review true-up mentioned previously. We will continue to deploy our best efforts in identifying and implementing these types of strategic opportunities in the future when they arise. However, we cannot guarantee that similar opportunities will be available to us in future periods.

Because we were able to take advantage of these opportunities in 2023, operating expenses were lowered by $760,000, income tax expenses were reduced, and net income increased by $1.9 million or $0.04 per diluted share. However, even when removing these nonrecurring adjustments, 2023 remains our best year in Company history from an operating income, net income and earnings per share perspective.

As I mentioned previously, we are very proud of what we have been able to accomplish in 2023 and the position these accomplishments put us in, to be able to continue to do great things in coming years.

I will now turn the call over to Cam to provide an overview of our business. Cam?

Cameron Tidball

Thanks, Ryan, and good morning to everyone.

Throughout 2023, the Profire team achieved a record-setting pace, leading to our best results in Company history, setting a new benchmark for financial performance. Our team successfully navigated a challenged industry, facing difficult headwinds surrounding supply chain realities as well as a dynamic regulatory environment. Profire products and solutions deliver value and performance to our customers and support industries who place attention on lowering their carbon footprint, reducing greenhouse gas emissions, increasing operational efficiency and are committed to safety.

Our strong fourth quarter capped off a record-setting year for Profire as we achieved exceptional year-over-year growth in our consolidated top line revenue performance of nearly 27%. Our 2023 full year results demonstrate sustained execution strength across each area of focus, including our traditional upstream business, downstream utility and transmission markets as well as our focused diversification efforts in critical energy infrastructure and various non-oil and gas and industrial markets.

Profire continues to be the burner management solution provider of the top E&Ps in North America, such as EQT, Chevron, Oxy, Devon Energy, Canadian Natural Resources, Synovus, Chesapeake, Conoco and XTO. In 2023, this space represented nearly 83% of our total revenue compared to 90% in 2022 with nearly 17% growth year-over-year.

Our upstream market growth is attributed to customer acquisition and increased market penetration as well as a sustained focus by producers to expand their automation capabilities on new and legacy thermal appliances as well as to improve efficiency and upgrade pneumatic appliances to meet both internal and regulatory emissions targets and requirements. This led to increased opportunities for retrofits for Profire directly and through our growing partner service network.

North American oil and gas production reached record highs in 2023. This remarkable outcome was accomplished with overall rig counts dropping during the year by approximately 26% and despite federal administrations that stressed their desire to end the industry within a decade. As we look to 2024, we expect onshore drilling in North America to stay relatively flat. However, as takeaway capacity increases through new LNG terminals and gas pipelines coming on stream in the short term, we expect an eventual boost to drilling activity towards the second half of the year into 2025.

Overall, we look at 2023 and 2024 as periods of stability, though we continue to monitor geopolitical factors such as the situation in Eastern Europe, the Middle East as well as the uncertainty surrounding China and Taiwan. Though overall global demand for hydrocarbons in 2024 is expected to grow at a slower pace than 2023, growth remains the industry consensus expectation.

We believe that the majority of North American production growth in 2024 will come from the Permian Basin. In anticipation of near- and long-term growth in this valuable geographic hydrocarbon play, Profire has invested in expanding its footprint and capabilities in the Permian Basin. In Q1, we were able to open a new facility in Odessa, Texas, which we intend to support organic sales and service growth and improve our overall speed of delivery and support of our customers.

Turning now to our progress and growth in downstream natural gas utility and distribution. Our customers in this space play a distinct role in the process of supplying natural gas from production sources to end users, including businesses and residential use. We continue to focus on growing our customer base in markets we have a geographic presence for sales and support as well as through our efforts to expand our partner program. In 2023, we achieved record performance in the number of customers and associated revenue in this space. Year-over-year, we achieved over 40% growth equating to nearly 5% of our total revenue.

Now looking at our areas of diversification, beginning with our progress in critical energy infrastructure. Critical energy infrastructure consists of the essential systems that play a vital role in the production, transmission, distribution and storage of energy resources. Profire continues to gain traction with customers, OEMs, systems integrators and EPCs who support the construction, maintenance and upgrading of plants, transmission and distribution networks as well as production and storage facilities. Twenty-twenty-three marked our best year in Company history in terms of top line revenue related to customers and projects in critical energy infrastructure. In 2023, we achieved $5.6 million in revenue compared to $1.4 million in 2022.

Our investments in sales focus, service capability training, product development and project delivery continued to generate a strong return as demonstrated by our 300% increase year-over-year. In 2023, revenue generated in this market nearly hit 10% of total revenue as opposed to 3% in 2022. Profire's presence on these critical sites is a testament to the performance of our products as reliability, functional safety and certification are essential requirements given the critical nature of these thermal appliances. Profire continues to add to its reputation in this area, and our list of projects and customers continues to grow.

In 2023, we worked with a record number of existing and new customers, including Kinder Morgan, TC Energy, Energy Transfer, AltaGas, Enbridge, Enterprise Products, DCP, Pembina, Williams, Targa and MPLX to name a few. We also continue to strengthen existing relationships and work with new OEMs who support projects in this space. As we look forward, we believe Profire stands to continue to gain momentum and traction in critical energy infrastructure as operators look for ways to improve safety and efficiency and reduce site emissions.

We expect global LNG demand to increase through 2040 and beyond, requiring an increase of production of 70% compared to 2023. The U.S. became the world's largest LNG exporter in 2023 surpassing Qatar.

This may be short-lived. However, it is expected that by 2030, North America will cover over 30% of global LNG demand, obtaining a large portion of its feedstock from the Permian, DJ, Marcellus and Montney Shale plays. Though the global gas market is exposed to risks, including the Biden administration's pause on new LNG export terminal and expansion approvals and Qatar's plans to rapidly expand, we feel there remains a massive runway for North American LNG expansion, which should be positive for Profire.

Finally, as we look at our diversification progress in taking Profire products and solutions to non-oil and gas and industrial markets, we are excited to report that the second half of 2023 represented our two best quarters in Company history for revenue, sales orders received and project pipeline. Our backlog of projects and project opportunities has never been stronger. In 2023, we achieved nearly 30% year-over-year growth. Our results were slightly reduced due to the longer-term project cycles that are inherent to the new industries we are working in. We expect most of these projects will be completed in 2024.

Twenty-twenty-three was an exciting year for Profire as we executed an increased number of projects in a variety of industries, including landfill, biogas, RNG production, power generation, wastewater, agriculture, food and beverage, mining, heat treat and metal manufacturing and coal processing. As we enter new industries, we find opportunities to work with new OEMs, system integrators and EPCs who continue to be impressed by our products, our project process and deliverables. We feel that this will assist us as we look to build out our partner support network of sales and service in new geographic locations.

We expect to achieve strong diversification growth in 2024 based on the current backlog and pipeline of opportunities that we are actively involved in terms of site scopes, quoting and the technical discussions surrounding these potential projects. In 2023, Profire's revenue outside of upstream oil and gas equated to over 17% of total revenue as compared to 10% in 2022. This resulted in Profire achieving over $10 million in revenue derived from our diversification progress in critical energy infrastructure and non-oil and gas markets as well as our strategic growth in the downstream utility and transmission space. This combined strategic growth is a monumental achievement and sets the stage for us going forward.

Finding accretive M&A opportunities for Profire remains at the forefront of our plans. To-date, we have yet to find the right opportunity for Profire. However, we continue with our pursuit of transactions that will add scale, entrance into new markets and/or expand the products that we can bring to our existing customers. Investment in research and product development remains critical to the future of Profire. We plan to continue developing new products to support our legacy and traditional markets as well as our diversification efforts. This will continue to follow our balanced approach to short, mid and long-term product development and research processes.

We're excited for the future of Profire. Our customer-centric team and approach to improving the user experience sets us apart from our competition. We refuse to rest on our laurels, and we continue to forge ahead in support of our current customers and markets as well as those in our future.

Ryan and I express our sincere appreciation to our team and to their families, to our Shareholders. Thank you for your continued interest and support of Profire.

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

Operator

Certainly.

(Operator Instructions)

The first question comes from Rob Brown with Lake Street Capital Markets. Please go ahead.

Ryan Oviatt

Good morning, Rob.

Robert Brown

Good morning.

Cameron Tidball

Good morning.

Robert Brown

Congratulations on all the progress.

Cameron Tidball

Thank you.

Robert Brown

You did a good overview of the diversification efforts, but you alluded to the project pipeline and strength there. Could you just give us some color on what that project backlog looks like and how that pipeline is shaping up for '24?

Cameron Tidball

Yes, absolutely, and thanks for joining the call, as always, Rob. As we look at 2023, obviously, we had 30% growth year-over-year in terms of non-oil and gas and industrial projects. We alluded to and while we didn't allude to in the comments, that number would have been higher, but these projects sometimes take a little bit longer. They're larger in scale, and they have different complexities with regards to permitting, especially when you're dealing with biogas, landfill applications. Some of those projects we thought would close and materialize in 2023 will move into 2024.

Overall, as mentioned, still without those, had our best year ever and just the growing number of projects, both recurring in terms of the customers we're going back to do round number two or three, to look at sites that we can support them with their combustion and thermal appliances. It's growing. Our backlog pipeline, we don't obviously disclose it, but it's higher than it was last year. We feel that we have good reason to believe we're going to have another strong growth year in that space.

We're still, to a degree, looking at a lot of different industries. We haven't nailed down or targeted the few that we really want to put a whole bunch of horsepower behind because we're still determining what is the best place for Profire. Right now, the best place is anywhere that needs combustion appliances. But eventually, we'll be able to target more sales efforts, more marketing efforts, potentially some strategic acquisitions in those places to help us to expand maybe in a particular market.

Right now, very diverse in terms of where we're seeing interest, where we're seeing opportunities, where we're getting brought into from the OEMs who we're working with as well as systems integrators and new EPCs that are hearing about the Profire name, hearing about us from other projects as well as people move from industry—not so much industry to industry, but within the industries they're at, they're bringing us along.

Very excited about the progress. We think that we can continue to grow this space for many years to come. There's so many opportunities out there, and it's very exciting for Profire. Ryan, would you have anything that I missed there? Anything to add?

Ryan Oviatt

No. I don't think you missed anything. I would just maybe expand and say that we're seeing similar trends with the legacy business as well. As far as the project pipeline is concerned, the number of projects that we're getting in on a regular basis still remains very strong and good. We're seeing a lot of indication for later in the year as well. We're seeing some projects stacking up for Q2 and beyond in our pipeline, which going back several years wasn't a thing that typically happened for us. It was much more short term than that.

One other aspect, though, that we are seeing is our customers, or at least some of our traditional customer base is starting to believe that supply chain is much, much better, which it has improved, but they might be placing a little too much reliance on how good the supply chain is right now. We're seeing some interesting dynamics shifting in that pipeline. But overall, as Cam said, it's very strong. It's very robust, and we're excited about what will come in 2024.

Robert Brown

Great. Thanks for that great overview. Then in terms of the legacy business, I think you talked about catch-up in deferred maintenance and some of the regulatory environment. But is that really the drivers that are helping that business despite maybe oil prices down a little bit? What are the drivers that are really pushing that project pipeline in the legacy business?

Cameron Tidball

Yes. On the legacy business, if we go specifically to say, we'll call it upstream. Obviously, drilling is down year-over-year, but oil prices are still at a point where we see customers are very—things are very healthy for them. The record profits of 2022 and 2023 may not be replicated in 2024. A warm weather winter like this obviously has a drain to a degree on the gas side of the business. But oil is still very strong. You look at some of the pipeline capacity we talked about in the comments there, coming on board here. Obviously, that helps with LNG as well. But you've got a lot still call for growth in production this year.

The United States had a record year last year, historical year. We think it really speaks to the resiliency of this industry, despite, I guess, some that believe we don't need hydrocarbons, it's evident we do. There still is obviously a little bit higher on the supply side, OPEC plus and their production cuts extending through Q2, obviously, signal that. There is some difference of opinion on stockpiles right now if a conflict were to break out, is there enough. There's a few opinions that there is, and there's quite a few that there is not.

Overall, you mentioned it. There still is a backlog of deferred maintenance, of deferred upgrading that is driving the business for sure. We had our best year in 2023 in terms of retrofits, whether they were directly with Profire or through our variety of partners in each shale play that do burner maintenance, burner upgrades. We do not see E&P slowing down in upgrading their appliances to meet different regulatory requirements or internal net zero goals or just reduction goals, especially on the public company side. We saw a ton of transactions last year, and we're still seeing some this year, more not as many in the Permian Basin so far this year, but we're seeing them out. With EQT, for example, have gobbled up another couple of companies here. We see Chesapeake on that bandwagon as well.

They will continue as they bring on these merger, these companies acquire these companies. If they have legacy assets that need to be upgraded, we fully expect them to continue to push for those upgrades. Retrofit business continues to drive the business. Obviously, new drilling and production with Profire's dominant market share, we believe, obviously, that helps us. We get more of the new production equipment. But the legacy business, which is still that looming massive opportunity of these legacy wells, if they're worth being in production, we feel that there's a good chance that they're worth being automated as we progress forward with different ESG goals that our customers have.

Robert Brown

Okay, great. Thanks for all the info. I'll turn it over.

Cameron Tidball

Thanks, Rob. Appreciate it.

Ryan Oviatt

Thank you.

Operator

(Operator Instructions)

The next question comes from John Bair with Ascend Wealth Advisors. Please go ahead.

Ryan Oviatt

Hey, John.

John Bair

Good morning, Cam, Ryan.

Cameron Tidball

Good morning.

John Bair

Hello. Congrats on a nice year and a good quarter. Two quick questions. Number one, you did indicate it in your prepared remarks about inventories being up. Is that in anticipation of order flow or trying to get ahead of supply chain issues or pricing? The second question is, can you talk anything about improvement or increase in activity that is more internationally oriented, in other words, outside of the North America?

Cameron Tidball

You bet. Ryan, why don't you tackle the first part, and I'll jump in on the second.

Ryan Oviatt

Yes. Great question. Inventory is up year-over-year. It's been up for most of 2023, started to accumulate early in the year, and then we've continued to bring in product as we've also had a great year of sales. A lot of that continues to be somewhat supply chain related. A lot of our stuff is long lead time orders. We have to get those orders placed well in advance and then they come in as they come in. We've been able to bring in a bunch of the products that we had on order early from this year and even stuff that we were starting to order late in 2022. It's just the timing of when all of that comes in and how we're trying to place our orders and stay ahead of anticipated demand for our customers.

As I mentioned earlier, some of the supply chain stuff is easing, but there still pretty long lead times in some of this stuff as well. We're also still in this transitionary period between the end of life of our 2100 system and the full rollout implementation of the 2200 system. There's still a mix there where we're accumulating a lot of the 2200, getting those in hand, while we're still closing out the 2100 side of our ordering as well, making sure that we have enough to continue to satisfy the demand that we have right now, but also for warranty and ongoing support of that product down the road.

That transition will continue throughout 2024. But towards the end of the year, we would anticipate that most of that transition will be completed, assuming that supply chain goes the way we think it will this year. But that's a big piece of it is just working through those transitions, getting the right supply of that PF2200 product and being able to fully transition customers over to that at the right point when we can continue to supply for them.

They certainly don't like it if they switch to the 2200 and then have to go back to the 2,100 for a period of time. They want to be able to make that transition and continue to get the new product and have that be reliable for them going forward. That's the process that we work through as we're doing that, and it has had an increase on inventory over the last two years, for sure.

John Bair

At what point do you say, okay, no more 2100 would be sold. Obviously, when you have an installed base and you're trying to transition existing customers away from the 2100 to 22. How do you handle that situation?

Ryan Oviatt

Yes. Good question. It's something that we continue to bounce around. It changes. If you'd asked that question three years ago, I would have said we'd be done by now, but supply chain obviously had a huge impact on us. Right now, we're thinking that it's towards the end of this year, early 2025 as to when we will look to fully have that transitioned and to not be selling the 2100 past that point. But again, supply chain issues may impact that. That's our desire at this point, but we'll continue to deal with customers and support customers and work with our supply chain in whatever way we need to, to make this be the right decision for both Profire and our customer base.

John Bair

Great.

Cameron Tidball

I'll add to that before we jump into some commentary on international. We plan to support our customers with parts for the 2100 because obviously, if you just shut off the tap and they can't support the product after that, wouldn't go over well, but we think we have a strategy in place that will resonate with customers for their ability to keep things going, but also to a point where it will come a time where you've got to upgrade to one of our newer systems. Overall, we think the plan is going well. Like Ryan said, we would have hoped to have transitioned a couple of years ago, but it's just the way it goes with the supply chain, but we're grateful that we have ample supply now of both products, which is great.

In terms of international, we've definitely seen an uptick to start the year, most of it coming from South America, Latin America, particularly Argentina, with a new President there, shaping things a little bit differently. We believe that it has had a positive impact on those who invest in E&P production there, and we've seen some resulting orders. If you look at overall, international now is approximately 46% of all rigs are outside of the United States and Canada. That's higher than last year.

A very high percentage of that over-represented, of course, is the Middle East, which year-over-year, they're up a few rigs, I believe, 15 rigs. A lot of that is in places like Qatar who are saying, you know what, we're going to jump on this LNG track as quick as possible. Overall, Profire still has our distribution channels in the international markets. We're looking to strengthen them, particularly in places where we see great expansion for the future, such as India.

We're looking for opportunities there of how that could best make sense to grow that. We are working on a lot of OEMs that send their products internationally. We're getting more and more exposure with that, whereas before, sometimes we just sell to OEMs, and then we get a tech call or request for a spare part down the road and go, oh, that would have gone international. We're getting more and more requirements from international companies, more web forms coming on the website, request for some support or spare parts.

We know that our international business is growing, but still not to a point where it's worth to break out, we don't think.

John Bair

Okay. Well, that's interesting as well. With your efforts to expand business outside of the oil and gas industry, are you getting any business that is not oil and gas-related internationally? In other words, landfill gas, I don't know to what extent that's actually done internationally, but it would seem that would be a complementary business expansion opportunity.

Cameron Tidball

Yes, absolutely. So far, anything that is international that has to deal with non-traditional upstream business for Profire has really been in that critical energy infrastructure space. Bigger plants that deal with processing facilities, storage facilities. We've seen some of that in terms of some of the projects that we're working that are like really greenfield for Profire, like we talked about coal processing or you name it, critical infrastructure surrounding like sand driers, asphalt, fly ash. We haven't seen any of that as of yet.

We currently do not have a partner that we believe would support us outside of oil and gas in international space. It's part of the roadmap. But for the foreseeable future, 2024, we're more focused in the backyard where we can support those projects with our technical team and even service support because they are different from a process perspective. They're not as plug-and-play as upstream oil and gas. It's in our future, John. But right now, the focus for non-oil and gas ventures is definitely in North America.

John Bair

Okay. Great. Thanks very much for taking the questions. Hope to see you soon. Thanks.

Cameron Tidball

Yes. Thanks John.

Ryan Oviatt

Thanks, John.

Operator

There are no further questions in the queue. I would like to hand the call back over to Management for closing remarks.

Ryan Oviatt

Thank you, everyone, for joining us on our call today to discuss our fourth quarter and full year 2023 results. We'd like to thank all of you for your continued support. As always, we are available for any discussions or questions you may have. We look forward to speaking with you again when we release our first quarter results in May. Thank you, and have a great day.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.