



Profire Energy Inc.

Fourth Quarter and Full Year 2020 Ended December 31, 2020

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

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PRESENTATION

Operator

Good afternoon, everyone, and thank you for participating in today's conference call to discuss Profire Energy's Fourth Quarter and Full Year 2020 Ended December 31, 2020.

Joining us today, is Co-CEO and CFO of Profire Energy, 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 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 entry into new markets, increased customer demand, customer use of assets, future commodity prices, 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 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 provisions of 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 like to remind everyone that this call is being recorded, and will be available for a replay through March 25, 2021, 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.

Following the remarks by Mr. Oviatt and Mr. Tidball, we will open the call to your questions. As part of the question-and-answer session, Mr. Oviatt and Mr. Tidball will be joined by Profire Energy's Vice President of Operations, Jay Fugal, and Vice President of Product Development, Patrick Fisher.

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

Ryan Oviatt

Thank you, Operator.

We welcome all of you who are joining us on the call today.

I will start the call by providing some updates on the industry and our business, followed by a review of the financials. And then, I will turn the call over to Cam to discuss the outlook and strategic direction.

Almost exactly one year ago, most of the United States began to shut down in response to the COVID-19 outbreak. In many ways, it seems much longer than that, given the significant impact that the pandemic has had on all of our personal lives and on Profire.

We mourn with all of those of you who have suffered significant losses of all types this past year. We acknowledge the sacrifices of our employees and their families over this last year to help Profire move forward and make it through such challenging times and circumstances.

Just under a year ago, WTI prices turned negative for the first time in history as oil demand came to a virtual halt due to the pandemic, causing a glut of supply without the required demand to keep the supply chain in motion. These challenges compounded negatively with the first quarter price war between Russia and Saudi Arabia.

We responded quickly and strategically to these events, significantly reducing our overall G&A expense. This included headcount reduction, elimination of non-essential expenses including travel, and the furlough of our employees, which reduced wages and hours worked.

These actions along with our debt-free balance sheet have kept us in a position to weather these unprecedented times while positioning the Company to be able to take advantage of opportunities as the pandemic subsides.

As we have entered 2021, various states and countries have begun loosening their COVID-19 restrictions, leading to steadily improving demand, although still well below pre-pandemic levels. With the presidential election coming to a resolution and the continued reopening of economies assisted by the rollout of the COVID-19 vaccine, oil prices have rebounded to a much more favorable price range.

Industry analysts have recently increased their price targets for West Texas Crude with some forecasting prices in the \$70 range this summer. We expect consumer demand to increase significantly as vaccine distribution continues and shutdowns and travel restrictions are eased later this year.

We anticipate that oil majors will stand by their commitments of maintaining production levels. We also believe that most producers are experiencing higher than budgeted commodity prices that will likely result in excess cash flow. We are optimistic that a portion of that cash will be used to reinvest in maintenance capital that was deferred throughout 2020.

With that, let me turn to our financial results for the fourth quarter and full year 2020.

Yesterday, after the market closed, we filed our 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 our website. The transcript of this call will be posted in the coming days.

In the fourth quarter, we recognized \$5.7 million in revenue, which represents a 41% increase over Q3 and a 30% increase over Q2. This is still significantly down from the fourth quarter of last year, but demonstrates a clear turnaround from the downward trend the pandemic caused during most of 2020.

For the first time in the past four years, we saw an increased amount of customer year-end spending. We believe this is a culmination of the stabilization of the political environment and positive news regarding pandemic recovery efforts.

Gross profit increased to \$2.8 million as compared to \$1.5 million in the third quarter of 2020 and \$3.4 million in the year-ago quarter. Gross margin increased sequentially to 48.7% of revenues from 38%. This is primarily a result of product mix in the quarter and higher coverage of fixed cost portion of cost of goods sold. Gross margin in the fourth quarter of 2019 was 42%.

Total operating expenses for the third quarter were approximately \$2.8 million. This represents an \$88,000 improvement sequentially and nearly a \$1.8 million reduction from the fourth quarter of 2019. The sequential on year-over-year improvements reflects our significant effort to reduce expenses in response to COVID-19 and the supply imbalance in the market. Specifically, G&A expenses for the fourth quarter increased 5% sequentially, but decreased 32% year-over-year. R&D expense decreased 48% on a sequential basis and 47% from the prior year quarter.

Depreciation and amortization remained unchanged sequentially and decreased 73% as compared to the same quarter a year ago, reflecting the integration of Millstream and Midflow and a patent write-down in the latter half of 2019.

Net income for the fourth quarter was approximately \$56,000, or breakeven on a per share diluted basis. This compares to a loss of approximately \$1.1 million or \$0.02 per share in the third quarter of 2020, and a net loss of \$1.6 million or \$0.03 per share in the fourth quarter of last year.

Cash flow from operations in the fourth quarter was approximately \$142,000 compared to \$311,000 in the prior year quarter. For the full year 2020, we recognized \$21.5 million in revenue. This compares to \$39 million in 2019. The decline is primarily due to the COVID-19 impact on our business.

Gross profit decreased to \$9.5 million as compared to \$19.5 million in the prior year. Gross margin decreased to 44.4% of revenues from 50.1%. This year-over-year decrease in gross margin is primarily due to product mix and the impact that lower revenues have had on fixed cost coverage of cost of goods sold.

Total operating expenses for the year were approximately \$12.6 million. This represents a nearly \$3.8 million decrease from 2019. Specifically, G&A expenses for the full year decreased 21%, R&D expense decreased 33%, and depreciation and amortization decreased 32% compared to the prior year.

Total other income during the year was \$421,000 compared to \$403,000 last year. The majority is attributable to gains related to fixed asset sales as well as interest income.

Net loss for the year was approximately \$2.2 million or \$0.05 per share. This compares to net income of \$2 million or \$0.04 per diluted share last year.

Cash flow from operations for the full year was \$264,000 and our cash and other investments totaled \$17.6 million compared to \$18.6 million at the end of 2019. We had no borrowings or other debt on the balance sheet at year end.

Capital expenditures for the year were \$1.5 million.

Our inventory balance at the end of the year was \$8.4 million, down from approximately \$9.6 million at the end of 2019. We believe our current inventory levels, which are mostly finished goods, remain sufficient to address our customers' orders in the near term.

As I mentioned previously, 2020 had many difficulties, and it is likely 2021 will continue to be a challenging environment for Profire as we wait to see how the policies of the new administration play out, and as vaccines and the coronavirus impacts evolve in the coming quarters.

Although we expect the second half of the year to be better for the Company, we could see ups and downs throughout the year as it relates to our quarterly results.

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

Cam?

Cameron Tidball

Thank you, Ryan.

Over the last few months, each of us has heard and expressed the desire for 2020 to just end. Although our Profire team, customers and our industry at large share this overall sentiment, we have made great progress for when the effects of the pandemic diminish. We are fully aware that many challenges of 2020 will continue throughout 2021. However, due to the strategic action that we implemented, we look forward with optimism.

In the fourth quarter of 2020, the weekly average rig count for North America increased to 384 from the third quarter average of 287, though this is far below 2019's fourth quarter average of 933. We are encouraged that the rig count has risen steadily since mid-year. Though we are seeing this increase in rig count, as Ryan mentioned, our customers remain firm in maintaining capital discipline programs and strategies.

As stated by numerous E&P executive management teams, 2021 will likely be a year where U.S. shale production remains flat, or potentially decreases, despite strong consensus that commodity prices will rise.

Though drilling and completions are expected to be limited, and not likely at levels experienced pre-pandemic, Profire products, solutions and services have and will continue to experience demand on new and existing infrastructure. Our product and support reputation coupled with proven performance, safety and reliability is what keeps us as a market leader in this space.

In 2020, we sold our products and solutions to 127 new customers. These customers included producers, downstream, transmission and utility providers, resellers, OEMs, as well as opportunities found in markets outside of our traditional legacy business. This is a validation of our sales strategy, product reputation, and the tenacity of our team to find opportunities despite the challenges presented in 2020.

The PF2200 continues to impress new and existing customers. Though our ability to showcase and interact with customers has been impacted, we are pleased with the traction and adoption rates we are experiencing. Our ability to successfully launch this product can be attributed to the brand confidence we have achieved in our industry. The impacts of COVID-19 slowed our progress internationally. However, we continue to support our distributor networks as they endeavor to bring our technology and burner management solutions to their individual markets. As mentioned on our third quarter call, the PF2200 was installed in multiple countries, and we were able to receive repeat orders in the fourth quarter.

The PF3100 product line has been vital in our growth and diversification strategy within the upstream and midstream space. A significant number of projects completed since its launch would not have been possible with our legacy BMS technology. This is primarily due to the application complexity and requirements, including multiple pilots and/or burners, forced draft, certifications, and input/output quantity and concentration. More than half of these projects have been installed on applications beyond the typical heaters, which our legacy systems have traditionally controlled. These applications include higher spec incineration equipment, frac water heaters and multi-burner process heaters, to name a few.

These PF3100 projects demonstrate methodical progress and validation of our strategy to support broader applications within the oil and gas sector, as well as enter alternative industries. This strategy will continue to unfold as we bring on strategic channel partners who have a footprint in combustion and process applications, both within and outside of oil and gas.

As previously discussed, the need and use of combustion control and management technology exists in a vast array of industries beyond oil and gas markets. Our strategy and vision continue to include a focus on expansion to these growth segment markets.

In 2020, we were able to complete installations in several markets, including agriculture, aviation, renewables, construction and infrastructure. We plan and expect to see a broader range of industries served by our product as our brand awareness expands and as we bring on channel partners who focus on these markets.

We're excited to share that in 2020, we partnered with a leading innovator of clean energy solutions to support a project focused on onsite hydrogen production used by hydrogen fueled vehicles. Our PF3100 solution was installed on the test unit as part of the methane reforming process. Preliminary proof-of-concept has been validated and our technology is a strong fit for their product.

In the fourth quarter, we engaged in discussions to support a major renewable fuel producer in upgrading a critical thermal appliance. This opportunity represents a potential new market for investigation. Profire had the opportunity to provide a specialized OEM with the burner management system requirements for a heater used by heavy and light industrial manufacturer. This appliance is a critical component in the manufacturing process of products used in aerospace, power generation, and industrial and chemical processing industries.

We continue to pursue opportunities to expand our product offering to our existing customers and markets. These opportunities include engaging with potential partners or organizations who have innovative technologies that solve a need or a pain point for our customers. We are exploring emissions monitoring and reduction, optimizing operations through machine learning and artificial intelligence, and improving overall site safety and security.

Profire remains in a solid position with our balance sheet and brand reputation to potentially participate in M&A activity. We continue to conduct ongoing due diligence on potential acquisition prospects. We maintain our focus to grow our existing burner management related market share with our core legacy solutions into upstream and midstream markets, as well as the downstream distribution pipeline and transmission segments.

As previously discussed, we're also assessing strategic partnerships which support our product offerings, as well as partnerships with companies who operate and have combustion experience and presence in broader markets.

Despite our reduced revenue and spending levels, we remained committed to our sales strategy for our core business. Although we have had to adjust our sales tactics to accommodate social distancing guidelines, most of our sales operations remain unchanged. Having highly trained sales, service and technical support associates available to quickly address customer needs, both virtually and in the field, remains a competitive advantage for us.

Before we turn to questions, Ryan and I would like to once again thank our employees for their continued dedication and sacrifices they have made for the ongoing success of the Company.

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

Operator

Our first question is from Rob Brown with Lake Street Capital Markets. Please proceed with your questioning.

Rob Brown

Good afternoon. First question is on the—you talked about some of the new market opportunities you're working on, and partnerships in M&A, but what markets are sort of the most interesting? Is it really emission monitoring? And how much is this M&A driven, and how much can you do with your existing product lines?

Ryan Oviatt

Cam, do you want to take that one?

Cameron Tidball

Sure. Yes, Rob, good to hear from you, as always.

Within our space, obviously, we want to look to our existing customers to find more things to sell to them because we have the sales channels built. Yes, emissions monitoring is interesting. Can we build that internally? I'm sure we could. But we are for the most part looking to partner with industry players who are already out there and looking for really just that support channel to get their products to market. We've begun conversations with many customers, just trying to understand what their roadmap looks like for that

artificial intelligence, emissions monitoring. We know that Regulation 7 in Colorado is a big driver behind this. And we believe that similar type of regulations will carry forward throughout the United States. We're already seeing it in Canada as well. So, that's one-way to tackle it.

We do have technology that we think eventually Profire could do some artificial intelligence with our own, but that hasn't really started as of yet; again, still early in the research stage for that. But really looking to customers to drive what they're going to need to be able to operate in the future, less people on the pad, being smarter with remote management, and managing by exception instead of just always rolling trucks.

Rob Brown

Okay, great, thank you. And then, in terms of demand environment, it sounds like things picked up some in Q4 and you had a pretty good quarter relative to sort of what you were thinking in Q3. And, how does the demand environment look? And I guess, when do you sort of feel like you have visibility that things have sort of stabilized?

Ryan Oviatt

That's a great question. I'll make a couple of comments and then I can let Cam to add to that as well.

Overall, we did see a good quarter, a great quarter, as you've seen for Q4, and we were a bit surprised even from our comments that we made in Q3, we didn't expect it to be that good. I think, there are a number of things that contributed to that with the election and vaccine distribution. We certainly saw an acceleration there, and some of that was a build-up of deferred demand and deferred Capex spending in 2020, and maybe some of it was getting a good jump on 2021 as well.

We certainly think that with what we've seen from the vaccine and the decline in COVID statistics throughout Q1 thus far and what is being projected in the next couple of months, that demand from a consumer perspective will continue to increase; and we certainly see that that has driven up oil prices, and we think it'll probably continue to do that. It'll likely drive up prices at the pump as well. But, we don't necessarily see the oil producers reacting and just taking the excess cash that they're likely to generate from these higher prices and investing it in drilling activity and bringing on new wells. They've been very firm with their commitments to maintain production levels. So, certainly, they will have to bring on new wells and complete some of the existing wells that are out there. But, it's not likely we're going to see that demand shift back to where it was last time we saw prices at this level; and we do think it'll be a measured effort there. So, yes, demand will go up, and we think we'll benefit from that. But, it's not likely to go back to where it was a couple of years ago.

Cam, do you want to add anything to that?

Cameron Tidball

I think you hit it well. Obviously, COVID last year, a lot of projects were deferred; and it was, you know, if it's not broken don't fix it, aside from the drills and completions being down significantly. But, if we look to kind of 2021, the fundamentals are set up for gasoline. It's the most bullish it's been for nearly a decade. Stockpiles are at 10 years lows.

However, we need to consider that that strength is really heavily reliant on supply and not completely demand yet. Although, we do expect to see summer demand kick up, but again, 28% or I think it's up to 30% of gasoline usage in the United States is on commuting to and from work, and we don't know what that quite looks like yet. A lot remains to be seen of what demand will look like here in 2021.

Rob Brown

Good, great. Thank you for all the color. I'll turn it over.

Ryan Oviatt

Thanks, Rob

Operator

And our next question is from John White with ROTH Capital. Please proceed with your question.

Ryan Oviatt

Hi, John.

John White

Yes, hi, guys. Good to hear from you, and really good to see the nice fourth quarter. I always want to see you guys do well.

In terms of geography or basins for your sales to exploration and production companies in the fourth quarter, was there one region that dominated? Or can you give us some color on how the sales to E&P companies were spread out?

Ryan Oviatt

Yes, certainly, a great question, and we have certainly seen some interesting shifts in geography and regions and plays throughout 2020.

But, I'll let Cam speak more specifically to what we've seen there.

Cameron Tidball

You bet. Hi, John.

We actually had a very strong Northeast in the fourth quarter, a lot of service revenue, that's normally traditionally one of our stable areas; that's the Marcellus and Utica. We also had a very strong fourth quarter in Canada, driven mainly by service, and we saw a lot of deferred maintenance, deferred retrofits, all pile into the fourth quarter or push to the fourth quarter because the cold weather was coming. But as always, we were strong; not as strong as we'd love to be in the DJ Basin. The Balkan was quiet, and we expect that to be a going forward trend at least here for a little while. But, South Texas also had a little, a nice jump in the fourth quarter. It wasn't driven mainly by one area in total, but, really our strongest two areas probably in the fourth quarter were the Northeast and Canada.

John White

Okay. Well, that makes sense on the Marcellus and Utica: gas prices weren't hit as hard as crude prices in 2020. So, all right. Well, thanks for that detail. And nice results, again.

Ryan Oviatt

Thanks, John.

Operator

Our next question is from Samir Patel with Askeladden Capital. Please proceed with your question.

Samir Patel

Hi, guys. Congrats on a good quarter.

Ryan Oviatt

Thanks.

Cameron Tidball

Thanks, Samir.

Samir Patel

Cam, I guess, my first question, I was really interested in what you mentioned about the hydrogen fuel sale kind of project, and the renewable alternative fuels project. I mean, obviously, during the past year, Plug Power, FuelCell Energy, that's been an area where the markets been very, very excited. So, kind of a departure from your traditional markets. If you could just talk about what opportunities do you see in that kind of emerging clean technology space.

Cameron Tidball

Yes, absolutely. Profire Controls have the strong ability to be used in a lot of those processes. Combustion, when done correctly, is actually very clean. And Profire being a combustion expert with the experience, we have the ability, if we can find them and as we find them, to support a lot of these projects.

For example, on the project that we mentioned with the hydrogen onsite producer, basically Profire's role in that is—one of the critical steps of making hydrogen is to, you got to heat it up, you got to heat up a furnace, the furnace portion of what's called the SMR, the steam-methane reformer. Profire is not controlling this whole skid, but we're doing an important part of it, which, again, Profire is not a hydrogen company, but Profire can do combustion in a variety, a wide variety of industries.

The alternative fuel provider, that was a neat project for Profire. We hope that we'll be able to execute it here this year, but we jumped into meaningful connections with that large manufacturer of these fuels. And it looks like it could be a great opportunity.

There's quite a few of these plants across the United States and Canada. And it opens up a new sales channel potentially where we can go in and see if we can capitalize there. If you've got gas and you're burning it, which we've said before, the wellhead, at the well, on the pad, less than 6% of the natural gas or gas use or burned is at that place. There's a lot of other places to go.

Again, we've talked about it for a couple of years: we look, we investigate. And we are, we are looking, we're investigating. The last couple of years here we've really made some strong gains and strides into getting our name out there. But still, as we mentioned in the script on the call here, we're going to need

help in those areas, because we don't have the sales people with the connections to all those industries. And so, we will continue to look for partners who can help us get into those places.

Ryan Oviatt

Just to emphasize as well there, I mean, you said this is opening areas up for us in that market. But, at the same time, this customer is in the early stages with their product offering. And we fully anticipate and expect that this wasn't just a one-time project, but that they will be a repeat buyer and continue to provide business for us in that regard as well.

Samir Patel

Yes, that's interesting. So, the second question was on margins. I think, last spring, you talked about a \$7 million breakeven level, and I think you more or less broke even this quarter at a much lower revenue level. So, I was trying to understand, out of the cost cuts you've done, a lot of companies are talking about some of it being permanent, some of it kind of coming back online as the world goes back to normal, I guess the travel and things like that. So, maybe just help me understand, if your revenues kind of start to ramp over the next couple of quarters, how you think about that dropping to EBITDA or net income or however you think about that?

Ryan Oviatt

Yes, certainly a great question there Samir.

A lot of what we did in 2020 we designed to be temporary, and in some regards we did have a significant reduction in headcount. And we're not immediately going to just ramp that back up in 2021. However, we did do furloughs that reduced wages and also hours worked by employees, which was a fit for the opportunity and the demand at the time. Some of those have been unwound and so we'll see some increases there. We did get wage assistance from the Canadian Government for our Canadian workforce throughout 2020; some of that has been extended into 2021, so it benefits there. But, as that unwinds, there'll be a little bit of additional cost as well. We cut out primarily all travel in 2020, and we anticipate that that will start to resume in 2021. Some of those costs will be built back in; and even on the headcount reduction side, we've asked a lot of our people in the last nine months and year to cover a lot of areas. And as we ramp back up, there are certain holes that are more critical and we're going to need to fill those as well.

We intentionally designed a lot of that to be temporary to kind of get us through that crisis, and we anticipate that we'll have to rebuild some of that. Obviously, increased revenues will need to help offset those costs to maintain the breakeven and even get to profitability and increase profitability throughout 2021. As you clearly said, we broke even at a much lower level than what we were talking about a year ago, or where we were at a year ago. But, that will start to increase somewhat in 2021. We're not planning to go crazy at this point and ramp up cost significantly. But, we will certainly have to reinvest in our business to rebound and support customer demand as that recovers this year.

Samir Patel

That makes sense.

And Cam, you keep talking about the capital discipline, and I wanted to understand, I know I've asked you this question before. How much activity is needed to maintain production, kind of given that decline treadmill of shale, right? So, whether you think about it in terms of rig count, frac spreads, completions, how much activity do you think your customers will need to do in 2021? And how does that compare to

kind of the level we've seen in Q4? I mean, we continue to see the rig count rise, and I think you talked about forecast. It seems like a lot of people are expecting us to get to 500, 600 by the end of the year. So, I'm trying to just understand how that translates into your revenues.

Cameron Tidball

Yes, it's a good question. We really want you to figure out the magic formula on that.

There's no doubt, as we see stockpiles, and there is rumors that Cushing could be nearly depleted this year. And I don't see that happening, but I'm not an economist, so much smarter people are going to figure that out than me. But right now, in my opinion, our opinion, there is no way that this level of drilling to North America can sustain if demand picks up, we're going to have to see an increase in drilling to keep up.

Now, a lot will depend on what does Prince Abdulaziz bin Salman do? We all had a collective exhale when he announced that they were going to not increase production in April, despite some of the modest increase in Russia and Kazakhstan. But, we really still don't know. We know that OPEC believes that the whole mantra of drill, baby, drill and U.S. shale is gone, they believe that's gone forever, and they might be right. But still, this is going to have to come from somewhere. And the U.S. shale we know can pick up quickly. But again, that capital discipline, at least from the majors, we believe that they're going to stand very firm in their drilling programs, which are very hush-hush for the year. But, we do see some of these independents and smaller producers, they're going to push, and so, there'll be a target for Profire.

So, what is that level? It's more than it is today to keep up with demand, we believe. But how fast it will come on? We could end up with some really high prices this year, because there could be a shortage. But, we'll have to see.

Samir Patel

All right, thanks. I'll go back in the queue and I'll come back if there is no other questions.

Ryan Oviatt

Thanks, Samir.

Operator

Our next question is from Jim McIlree with Bradley Woods. Please proceed with your question.

Ryan Oviatt

Hi, Jim.

Jim McIlree

Thank you. Hi, guys.

I think you addressed this a little bit in the last question, Ryan. But, before the COVID hit, you guys were talking about accelerating expenses, I think, primarily for the 3100. Just wondering when you'll revisit that, or if you've completely changed your mind about how to approach that market. If you can just discuss that a little bit I'd appreciate it.

Ryan Oviatt

Yes. Certainly, we did have a number of plans before COVID hit that got deferred and reversed and changed. We certainly are looking at that currently with our overall R&D investment approach. And with the things that we've accomplished in 2020 and the things that we've learned there where we need to reinvest, and that's a very active and ongoing discussion that we're having. And we're looking at how quickly can we reinvest, and what are the costs of each of those projects. We believe the 3100 is an area where we will continue to invest in additional features and capabilities, based on feedback that we've gotten from customers and the projects that Cam talked about in his prepared remarks.

We've seen a lot of great things that have come to the Company from the development of that 3100, and the projects that we've done with it. We had shifted or deferred a little bit of that investment in the 3100, and we were focusing heavily on the 2200; that has also gone really well. The original plans were that we would have seen a much greater shift from 2100 to 2200 in 2020, but for obvious reasons that was slowed and deferred, and so we anticipate more of that shift happening this year in 2021. But, we will continue to invest in that product as well.

We are looking at shifting a sizable portion of our R&D investment away from just existing product lines, like these two I've mentioned, and focusing more on additional product lines, like Cam has mentioned as well with emissions monitoring and clean technologies, other opportunities in those spaces. We certainly are having all of those discussions. We're continuing to invest. In my remarks and even in the financial results, you would have seen that there were some significant decreases in R&D spend in the periods that we were presenting. Most of that, I will say, was related to just the timing of how those projects flow through our investment and certification process. In 2019, we spent a lot of money getting the certifications in place for the 2200. And in 2020, those were already in place, so we didn't have to spend that money.

That's where a lot of the decrease happened there. I think we did have a couple of headcount reductions as part of the R&D team, but largely that team is intact and is fully focused on these areas of investment and trying to help drive Profire's future.

Jim McIlree

All right, that's it from me. Thanks a lot guys. Good luck with everything.

Ryan Oviatt

All right, thanks, Jim.

Operator

And our next question is from Dean Traliu (phon), a Private Investor. Please proceed with your question.

Dean Traliu

Hi, guys, thanks for taking my question.

I guess, looking from a high level, as a Canadian looking south at the border, how have your customers responded to the change in administration? Any specific behavior you can callout would be appreciated.

Ryan Oviatt

Yes, Cam, do you want to speak to that from the customer perspective?

Cameron Tidball

Sure. Dean, do you want to know the Canadian take on it, or the U.S., or both?

Dean Traliu

I guess, both, but more interested in the U.S. side.

Cameron Tidball

Yes, makes sense.

Ryan and I, we attend the Bank of America Global Energy Conference every year, and that's always held in November. That was right around election time, and everything was getting really exciting in the United States. And from what we heard from management teams across producers is they understand what's going to happen. They understand also that the states are going to have a lot to say about how things will go, and how things are funded. So many things are funded by this industry. And so yes, you might say well, we're not going to frac, we're not going to drill—which I'm not saying that's the policy, it's not. But, the states need to pay for education. States need to pay for a lot of different things that are funded through that. So, our customers, yes, they're concerned with what will happen.

However, they've been preparing for this really for a couple of years, and that is where we're getting meetings to talk about things like what are we going to do about emissions? How are we going to, you know, what will come out from this administration? We try to get ahead of that. Will there be a shift from flaring? No doubt there will be. Customers have already been preparing for that, which is an opportunity for Profire as Quad-O regulations become, again, more interesting to our customers and they put combustors out, which Profire has technology that works perfectly with that application. So, yes, we've heard about the potential or the drilling ban or fracing ban on public lands that represents a very small percentage for most of the majors of the lands that they had. We are seeing across the board, though, a gobble up of land, and a little bit of increased drilling. However, completions are lagging a bit because until the production is needed or the price goes up, they're all hedging that it seems. We won't see that.

So, is there a fear? I wouldn't say so. I think they're ready for it. They're ready; they understand that it was going to come regardless of who got in. There had to be change, and they're just looking to see, well, how can we be profitable in this new space and the new restrictions that may or may not come in.

Ryan Oviatt

And Cam, I'll just add to that as well, that a lot of the administration's efforts and attacks are on federal lands with drilling, new leases and pipelines and so forth. I think, it has a greater effect on some of the pipelines for sure. But, with the new leases, the E&Ps right now have so many existing leases that they can't even really keep up with what's there. We don't really see that as having an immediate impact. It's probably two or three years down the road as far as when that really starts to take effect. Obviously, things can change, and the administration could do some things that may surprise us or try to impact existing leases that are in place as well. But, even though there's a lot of talk about it, it doesn't seem that it's going to have an immediate impact, but maybe more of that longer term in the two- to four-year horizon.

Dean Traliu

Okay, that's really helpful. When you look into the later half of 2021, is there—are you guys expecting to be able to do a little bit more of international travel maybe to support some of those geographies where you don't have a big presence?

Cameron Tidball

That's—

Ryan Oviatt

Cam, do you want to speak about the international efforts?

Cameron Tidball

Yes, you bet. We still are obviously limited to our abilities to travel there, because you come home and depending on where you reside, you're going to have to move into a hotel for a few days and pay really high prices. But really, a lot is going to be, I think, told as countries rollout their vaccination plans and how successful they are. And again, all the rumors and conspiracies out there of what that will be, I don't know. We hope to be able to; by Q3 would be probably pretty early, but by Q4 we hope to be able to do it.

Again, the team is really doing the best they can with really wonderful technology that has shown us a different way that we all can agree we appreciate at times and are sick of at other times. But for the most part, we would hope to be able to get out there again soon. But we're always looking at that international channel of how can we expand it, and how can we get it to be stronger. And some of it will require face-to-face visits. We hope for Q3, end of Q3, Q4, but I think a lot remains to be seen on that still.

Dean Traliu

Okay, thanks, guys.

Ryan Oviatt

Thank you.

Cameron Tidball

Thank you.

Operator

Our next question is from John Bair with Ascend Wealth Advisors. Please proceed with your question.

John Bair

Thank you. Good afternoon, Ryan and Cameron

Ryan Oviatt

Hi, John, we are doing well.

Cameron Tidball

Thank you.

John Bair

A couple of questions. Wondering if you've seen any new interest in your product offering as a result of the recent deep freeze in the Gulf Coast, Texas and so forth? And have you had any new potential customers inquire about some of your products as a result of that?

Ryan Oviatt

We certainly have had some interesting feedback from some of our customers. And Cam, I'll let you speak to that.

Cameron Tidball

Yes. It was one of those things. Profire can't unfortunately upgrade all the piping in people's homes, which caused a lot of damage, unfortunately, to even team members within the Profire team. Just the infrastructure is not built to handle it there. One of the great things we'll share is we got a phone call from one of our larger customers, who is a big midstream company in the United States, saying, "We want to thank Profire for having your technology on all of our heaters, not one of them went down." That has always kind of been our claim, is give us your critical heaters, that's what we want. We want all of them, but give us the critical heaters and we can show you what we can do. So, that was a really nice feather in our cap.

In terms of will this change? Will this add to customers needing to have Profire Technology? There is definitely a chance, an opportunity that the utility backbone will need to look at adding more heaters to deal with pressure drops. There is definitely your power generation. They have heaters that warm up the natural gas that are used in the turbines to generate electricity that could spark some demand, some backup redundancy, some upgrading for sure. Your utility companies across the southern parts of Texas, they don't run line heaters so much for pressure drops and things like that. Could they in the future? Potentially. We don't see this as a monstrous initiative that will come from this, but we do think utility companies will again be investigating broader of what they need to do. Even if you go to the North, well, what would they do if things got really hot? Again, how does Profire help there? Well, it's already hot. We can't really help them. But, it will spark debate, conversation and discussion about how we're going to protect the grid. So, not huge to start, but definitely of interest.

John Bair

That's quite a testimonial from that client of yours, and leverage that as best you can.

Cameron Tidball

Yes.

John Bair

Maybe heaters on all those wind towers, right? My understanding was that they all froze up, right? I don't if that's...

Cameron Tidball

That could be a—

John Bair

Yes, I don't know if that's possible, but anyways.

My other question kind of goes back to some of the efforts in the renewables, and I'm just wondering, a lot of the majors are the focused or increasingly focused, I guess, on transitioning into green fuels, renewables and so forth. So, I was wondering if you're looking at that as trying to partner up or get involved in some of their efforts?

Cameron Tidball

Well, Ryan, you can jump in after if you like.

This is one of those things Profire has actually over the last six, seven months tried to implement an innovation program within Profire, where we will work with producers or customers, new markets to see what this looks like, to see how we could help, is there ways to partner, is there a technology to build, a problem to solve. Yes, very interesting to Profire. Of course, you've got companies that say they're all in on this. We worked with a utility company that says our hydrogen roadmap is XYZ. Then we get to a meeting with them and we end up talking with them and their hydrogen program consists of one person. So, industry has a long ways to go. There are some companies, Oxy, for example, their CEO, she's fully announced they are going hard after this, and there are some that are putting some mega dollars behind it.

Do we want to be part of this? Yes, we want to. But, it's tough getting into those doors and getting those conversations when you might not potentially have the product yet. We want to be looked at as an innovation partner for these companies, but we, of course, can't be everything to everybody.

Ryan?

Ryan Oviatt

Yes. I'll just add to that, Cam. I think you covered it really well.

Obviously, there's a big shift within the industry and even outside of the industry for renewables and what that will mean over the next 5, 10, 15, 20-plus years. And we certainly see that. We see that that is an opportunity for Profire as well, just like Cam highlighted, with some of the projects that we've done. There is a place, even with our existing technology, to contribute and to fit into those efforts. And as Cam mentioned, we're investing in other areas where we can come up with new technologies or better fits or additional fits as well.

But, in saying that, by no means do we believe that there's an end right now to our efforts within oil and gas. We think there's still a long runway for oil and gas and we can continue to help companies be cleaner, safer, better producers as they look to extract fossil fuels as well.

John Bair

I was thinking—you mentioned Oxy. I was thinking of companies such as Equinor and Total and BP who've kind of been on the forefront of this, and even Exxon is now getting on board, I guess, maybe being forced to. But, it just seems to me that there's an increased interest in that and how you fit into it or work your way into it. Not sure, but just was curious if that was a strategic idea on your part.

Ryan Oviatt

Yes, definitely is.

John Bair

Very good. Well thank you and good luck.

Cameron Tidball

Thank you, John.

Ryan Oviatt

Thanks, John.

John Bair

Thank you.

Operator

Our next question is from Samir Patel from Askeladden Capital. Please proceed with your question.

Samir Patel

I just wanted to follow-up on sort of the scope of the M&A program. I mean, the acquisitions you've done, maybe two or three of them over time, they've historically been kind of these small, pay a couple of million dollars for really a product line. You're not really buying cash flows, or I mean you're buying some revenues, but it's more that you're just buying some products you get through distribution channel. So, it sounds like that's what you're trying to do again. But, I was just curious if any of the opportunities you're looking at are actually bigger or kind of more sizable relative to your cash balance? So, just if you could just provide a little more detail on kind of how you're thinking through the M&A pipeline.

Ryan Oviatt

Yes, it's a good question, and it's a challenge. There are a number of opportunities that are, as you said, similar to what we've done in the past, kind of smaller dollar values. And there's a number of opportunities that are significantly expensive, especially in the renewable space right now, where I think you mentioned Plug Power that obviously the prices for those public companies and entities in that space have gone up tenfold in the last six months. There certainly is a mix of those things, and obviously we right now are a small micro-cap company. So, we can't take on a Plug Power or something of that nature. But there is a mix of what we're looking at and evaluating and trying to determine where is the right play for Profire. Is it a smaller tuck-in that allows us to build into that space over time, or is it a larger, in the \$10 million to \$15 million, \$20 million range that speeds up that process?

We certainly are looking across the board. There's a lot of activity there and a lot of things going on, and we're still trying to determine which of these are the right paths or which ones we'll find in the coming months that might be the right path forward for Profire.

Cam, anything you want to add there?

Cameron Tidball

I think you tackled it well, Ryan. As you mentioned, the tuck-ins are nice if you can find them. But, for the most part, we really got the tuck-ins we like. Something might come up for sure. But then again, you also have to keep your eyes open for these potentially larger opportunities that perhaps you can pivot and diversify further. So, a lot to consider. No matter what we do with these, they're big things to chew off for Profire, obviously our M&A team is the team. But it is something of high importance to us. We're investigating; and when we say that we're looking at opportunities, we truly are. It's always under investigation, always looking, always considering and analyzing what we should be doing.

Samir Patel

That makes sense. But, when you say that \$10 million, \$15 million, \$20 million, it sounds like you're, A, still taking your historical approach of not using debt. And then B, not looking to issue a whole bunch of equity and do some sort of transformative deal. Is that sort of a reasonable interpretation?

Ryan Oviatt

It's certainly part of the strategy, but at the same time, there could be opportunities that wouldn't require one or both of those as well. It all just depends. It's not off the table that we could do something bigger, for sure.

Samir Patel

Okay, understood, thank you.

Ryan Oviatt

Yes, no problem, thanks, Samir.

Operator

And there are no further questions in the queue. I'd like to hand the call back to Management for closing remarks.

Ryan Oviatt

Thanks, everyone, for joining us on our call today to discuss our Fourth Quarter and Full Year 2020 results. We would like to thank all of you for your continued support. As always, we're available for any discussions or questions you may have.

We will be participating in the ROTH Capital Partners Virtual Conference next week, and look forward to talking to many of you there.

Thanks again. And have a great day.

Operator

This concludes today's conference. You may disconnect your phone lines at this time.

Thank you, and have a great day