



One Stop Systems, Inc.

Third Quarter 2020 Conference Call

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CORPORATE PARTICIPANTS

David Raun, *President and Chief Executive Officer*

John Morrison, *Chief Financial Officer*

Jim Ison, *Chief Sales & Marketing Officer*

CONFERENCE CALL PARTICIPANTS

Ruben Roy, *The Benchmark Company*

Joseph Gomes, *NOBLE Capital Markets*

Dave Floyd, *Private Investor*

PRESENTATION

Operator

Ladies and gentlemen, good afternoon, and thank you for joining us today to discuss One Stop Systems' financial results for the third quarter ended September 30, 2020.

With us today are the Company's President and Chief Executive Officer, David Raun; and Chief Financial Officer, John Morrison. Also joining today is the Company's Chief Sales & Marketing Officer, Jim Ison. Following their remarks, we will open the call to your questions.

Before we conclude today's call, I will provide some important cautions regarding the forward-looking statements made by Management during this call. I would also like to remind everyone that today's call will be recorded and will be made available for replay via the instructions in today's press release in the Investors section of the Company's website.

Now I would like to turn the call over to OSS's President and CEO, David Raun.

David Raun

Thank you, Abbey, and good afternoon, everyone. We're grateful that you joined us today, and I trust you and your families are staying safe, healthy and virtually productive.

Before addressing the solid financial and operating progress we made during the third quarter, I would like to acknowledge our team's continued effective response to the COVID pandemic. The safety and the health of our employees continues to be a top priority. Our implementation of recommended CDC guidelines has kept our team healthy and products have shipped without disruption.

The pandemic has impacted several of our key customers and suppliers, limiting our top line revenue growth over the past two quarters. As of Q3, we've identified \$9.9 million in lost or delayed revenue compared to our internal annual plan attributed to COVID-related matters. More than half of the shortfall was from our largest customer in the media and entertainment space.

Despite lower revenues, our dedicated team produced better bottom line results for the quarter versus a year ago. They made great strides to cut expenses, improve efficiency and strengthen One Stop Systems in the short term and more importantly, for the future.

As John will outline shortly, our operating margin, EBITDA, net income, all improved over the same quarter last year. I'm proud how the employees executed the expense reduction plan implemented in April, and layered in new customers during this period.

These efforts resulted in reducing our operating expenses by over \$1.2 million year-to-date and we remain on track and committed to our target \$2.5 million to \$3 million in cost reductions on an annual basis. We exceeded our minimum guidance of \$11.8 million that we provided at our last earnings call, coming in at \$13 million for the third quarter while also producing strong gross margins of 38%.

Before I provide additional color and our outlook for the remainder of the year, I'd like to turn the call over to our CFO, John Morrison, who will take us through the financial details for the quarter.

Following John will be Jim Ison, our Chief Sales and Marketing Officer, who will share some information on our exciting new products and discuss customer activity.

John?

John Morrison

Thank you, David, and good afternoon, everyone. I am glad you can join us today.

Earlier today, we issued a press release with our results for the third quarter and nine months ended September 30, 2020. The release is available in the Investor Relations section of our website at onestopsystems.com.

Our statement of operation shows that our revenue in the third quarter was \$13 million, up 12% from \$11.6 million in the previous quarter and lower by 13% compared to \$14.9 million in the third quarter of last year. The sequential improvement in Q3 as compared to our previous quarter was due to increased sales into the military as expected for the second half.

As we highlighted in our Q2 earnings report, much of the decrease in revenue as compared to a year ago quarter was attributable to our key customer's media and entertainment business being down by approximately \$1.8 million as a result of the COVID-19 pandemic. This industry is expected to be impacted well into 2021.

Revenue for the nine months ended September 30, 2020 was \$38 million, a decrease of 5% as compared to the \$39.9 million in the same year-ago period. The decrease was due to a reduction in revenue of \$3.8 million in our media and entertainment business mentioned before as well as a reduction of \$1.9 million from historic military contractors and other reductions due to COVID impact—due to COVID-impacted customers. These reductions were primarily offset by year-over-year growth of new business from the Navy, autonomous vehicle customers, and PCI Express Gen 4 test equipment suppliers. That means revenue totaled \$5.9 million.

In terms of the revenue breakdown between our operating units, in Q3, our core OSS business contributed \$9 million as compared to \$9.7 million in the same year-ago period. Our European subsidiary,

Bressner, with several customers who are also being affected by the pandemic, contributed \$4 million in the third quarter. This compares to the \$5.2 million in the same year-ago period.

For the nine months of the—for the first nine months of the year, our core OSS business contributed \$24.7 million of revenue as compared to the \$26.2 million of revenue in the same period last year. Bressner, they contributed \$13.2 million of revenue in the first nine months, as compared to \$13.7 million of revenue in the same period last year.

We are no longer reporting CDI as a standalone business unit, as we completed the integration of CDI into our core OSS operations as of July 1, 2020. This was part of our reorganization and cost reduction program that we implemented earlier this year.

Now turning to gross profit. During the third quarter, we had strong gross margins of 37.8%, yielding a small—yielding a smaller gross profit as compared to the prior year on reduced revenues of \$1.9 million. Our gross profit was \$4.9 million compared to \$5 million on 33.7% gross margin in the same year-ago quarter.

Gross margin for our core OSS business increased to 44.6% in the third quarter from 39% in the same year-ago quarter. This improvement of 5.6 percentage points was attributable to higher margin military sales combined with a decrease of the lower margin media and entertainment business. Our Bressner unit's gross margin decreased to 22.5% in the third quarter as compared to 23.7% in the same year-ago period on reduced sales.

For the first nine months of 2020, gross profit totaled \$11.6 million or 30.6% of revenue. This compares to \$12.9 million or 32.2% of revenue in the same year-ago period. Gross margin for our core OSS business was 35.7% in the first nine months of 2020 as compared to 37.2% in the same year-ago period. Bressner's gross margin decreased to 21.1% in the first nine months compared to 22.8% in the nine months of last year.

Our overall operating expenses decreased 15% to \$3.9 million from \$4.6 million in the third quarter of 2019. The decrease was primarily due to the cost reduction initiative that we began in April, where our workforce was reduced and new cost containment efforts were implemented.

Overall, our operating expenses as a percentage of revenue improved slightly to 30.2% in the third quarter compared to 30.9% in the same year-ago quarter lower revenue. This improved expense level does reflect the \$2.5 million to \$3 million in annual savings we expect to realize from our expense reduction program.

For the nine months ended September 30, 2020, our total operating expenses decreased 19% to \$12.6 million as compared to \$15.8 million in the same period last year. The decrease is primarily attributable to the reorganization and expense reduction program executed by the team along with the nonrecurring goodwill impairment charge of \$1.7 million in the prior year.

Operating expenses as a percentage of revenue for the nine months period improved to 33.1% versus 38.7% in the prior year period. This change, again, reflects the success of our expense reduction program and improved efficiencies.

On a pro forma basis, after adjusting for last year's goodwill impairment charge of \$1.7 million, our operating expenses in the first nine months of 2020 decreased 8.6% or \$1.2 million to \$12.3 million as compared to a year ago. Despite lower revenue, income from operations was \$979,000, an improvement of \$560,000 compared to the same year-ago quarter.

For the first nine months of 2020, our loss from operations was \$938,000 compared with \$2.6 million loss in the prior year. After adjusting for the prior year's goodwill impairment charge on a pro forma basis, the operating loss in the first nine months 2020 was \$938,000 as compared to \$896,000 in the prior year.

Our net income on a GAAP basis totaled \$858,000 or \$0.05 per share in Q3 2020. This compares to an income of \$545,000 or \$0.03 per share in the same year-ago period.

For the first nine months, net loss on a GAAP basis improved to \$250,000 or a loss of \$0.02 per share compared to a loss of \$2 million or \$0.13 per share in the first nine months of last year. On a pro forma basis, after giving effect for an adjustment for goodwill impairment charge in the prior year, GAAP income was relatively flat to the prior year, even on lower revenues.

On a non-GAAP basis, net income totaled \$1.2 million or \$0.07 per diluted share in Q3 2020 as compared to \$900,000 or \$0.05 per diluted share in the same year-ago period. For the nine months of 2020, non-GAAP net income totaled \$773,000 or \$0.05 per share as compared to our non-GAAP net income of \$1 million or \$0.06 per diluted share in the nine months of 2019.

Adjusted EBITDA, which is another non-GAAP metric, was up to \$1.6 million in Q3 as compared to \$1 million in the same year-ago quarter. For the nine months of 2020, Adjusted EBITDA was \$682,000 compared to \$881,000 in the same year-ago period.

Now let's turn over to our balance sheet. Cash and cash equivalents totaled \$5.5 million on September 30, 2020 as compared to \$4.7 million as of June 30, 2020. Our cash position as of today is approximately \$5.4 million. We believe our cash position and available funds provide us with sufficient liquidity to meet our cash requirements for current operations.

This completes our financial review for the quarter and for the first nine months of the year. I now would like to turn the call over to Jim.

Jim Ison

Thank you, John, and good afternoon, everyone.

In the third quarter of 2020, we continued to see positive results from our efforts to diversify our customer base and our opportunity pipeline has continued to grow.

During the quarter, we closed four additional major opportunities, including industrial, medical and two new military programs in edge computing, which brings program wins to a total of 13 so far this year despite the pandemic. By comparison, we had 14 at this time last year. As a reminder, we define program wins as those expected to yield \$1 million or more of revenue within four years. To help quantify the importance of these new program wins, our wins in 2019 are expected to contribute more than \$12 million in revenue for 2020.

On the new product front, we introduced the 4U Pro, expanding our Gen 4 product line. The 4U Pro enables high performance edge computing through GPU acceleration and NVMe storage. Initial customer interests include industry leaders and instrumentation, measurement, factory automation, automotive, military and other edge markets.

Q4 shipments of the 4U Pro include the world's largest composable high-performance computer being delivered to the U.S. Army by one of our customers. An exciting milestone for Q4 includes our first shipment of what we codename Monarch, which is our first data center in the sky deployment. This high-performance GPU-accelerated server enables real-time AI for threat detection in the harsh environment of a military aircraft. Assuming success, this innovative product will lead to new widespread military applications. On the marketing front, we have hosted three high-quality virtual events focusing on our AI

on the Fly and Data Center in the Sky solution. These events, including demonstrations of our PCI Express Gen 4 expansion systems that incorporate NVIDIA A100 GPUs in unique form factors. These systems deliver up to an astonishing 20 times complete performance compared to previous generations.

Despite the global challenges created by the pandemic, we remain focused on driving sales and improving our marketing efforts. We believe that maintaining this focus will continue to drive future growth and opportunity for OSS.

Now with that, I'd like to turn the call back over to Dave.

David Raun

Thank you, John and Jim.

A large component to the stronger margin this quarter was a higher percent of sales into the military vertical as compared to the past two quarters. Although a good portion of these sales were the programs we've talked about, such as the storage products including data storage units, or DSUs, adoption of our products continue to expand to include accelerators and servers. We expect strong growth in the military vertical over the coming years based on these engagements and the value proposition we offer in this space.

We've also been working on a multiyear strategic plan to enhance our future product road map and vision. Leveraging the strong talents of key OSS employees, we have formed an internal tiger team. The empowered group has been analyzing the market as well as where we create the highest value, greatest customer pull and best margins.

Our objective is to enhance our current strengths, and leverage them to create higher-value products for specific target verticals. From these efforts, over the past several weeks, we've started to share preliminary new product concepts with several customers and channel partners under NDA.

We are pleased with the initial constructive feedback, which is valuable in helping us redefine our strategy. We will continue to engage with current and potential target customers to solidify our plans. While there are many different opportunities in the fast-growing edge computing space, we are focused on the most challenging environment.

The most promising opportunities for OSS currently reside in the military and various types of transportable applications. These verticals demand the highest performance delivered in harsh environment and in a smaller space, while resolving cooling and power challenges.

Our value proposition is performance without compromise. We are committed to bringing next-generation products to market for specific verticals where we can create and maintain a leadership position. I am pleased this is underway and we look forward to sharing more over time.

As we look forward to the final quarter of 2020, we're on target to generate revenue of approximately \$13 million. While the past quarter continued to be challenging for OSS and many of our customers, we've made significant progress in multiple areas that positioned us to strengthen performance ahead. This includes diversifying our customer base, new product development, greater efficiency, lower operating expenses, improved profitability and a healthier balance sheet.

Now I'd like to open up the call to your questions. Abbey?

Operator

Thank you. If you would like to ask a question please signal by pressing star, one on your telephone keypad. If you are using a speaker phone please make sure your mute function is turned off to allow your signal to reach our equipment. Again it is star, one if you would like to ask a question.

And we will take our first question from Ruben Roy with Benchmark.

Ruben Roy

Thank you. Hi, David. I wanted to start with the near-term question and then ask a longer-term question, I think, with Jim.

But for you, David, you had mentioned sort of the \$9.9 million lost or delayed, most of or half of which, I guess, more than half of which was from your media customer, largest customer. Is there some initial thought on what portion of that is canceled and not coming back versus perhaps what portion we might see in terms of delayed revenue whenever our situation with the pandemic improves?

David Raun

Yes. So first of all, I want to clarify something. The \$9.9 million is us going and looking at our annual plan that we put together, which showed significant growth for the year. And—so that's what we expected because we wanted to understand better: did COVID really impact us, or is it something else going on? And what we saw, we calculated \$9.9 million.

Of that, as I already said, over half was related to our largest customer. And then after that, what we really look at is the military part of it was really a delay, and is showing up basically in fourth quarter for the most part. So we haven't really lost anything in the military portion of the business for the year, which is good news. What we've seen is logistical delays on their part, where they just have a hard time to get together and moving forward on programs.

Then the next biggest component basically of that \$9.9 million is the commercial aircraft segment, basically where the CDI played; if you think about the airline industry today and how they've been impacted. What we see on that front is that although we slowed down activity for entertainment systems, and to a degree, high-speed networking on a plane, which we're involved with, what is continuing to go forward is safety measures on these aircraft.

To get to your point, what we feel is, for the most part, assuming a vaccine or time takes care of this thing, we think most of these opportunities come back. These aren't accounts that disappeared. The need hasn't gone away. And so we're optimistic once this thing turns around, we'll get the benefit of that coming back plus the new customers and the expansion in the military.

Ruben Roy

Right. Okay. That's very helpful.

And then for Jim, as David mentioned, you guys are working on diversifying your customer base with the programs that you're involved in, etc. It's good to see the industrial and medical wins closed during the quarter. How did those types of end market applications compare in terms of ramps to revenue?

I know the \$1 million-plus number that you guys gave us in terms of these major design wins that you talk about relates to kind of a four-year outlook on that revenue line. But I think military—I've understood military as being maybe a little bit slower moving in some cases. Is that true? Or am I off base on that? I'm just trying to get through the—trying to figure out if some of these newer designs are maybe faster to ramp into the actual revenue production?

Jim Ison

Yes. It's a good question because the commercial market tends to be a 6- to 12-month, when we have a long-term program, sales cycle from the time we get the initial orders to the time we start shipping production. Similarly, with the government; it's 12 to 18 months in those cases. So from the time we announce a win to the time it produces significant revenue in that 12- to 18-month range.

David Raun

Something I wouldn't mind adding to that, though, is, I want to—I want to point out what Jim commented on. And that is that of the wins last year, which I think we had 16 of them or so, 10 of them showed up already in revenue in 2020 for about \$12 million. And some of the wins in '20 are already part of the revenue in '20 and them together really help 2021.

Part of this is the fact that although we talk about these long periods of time, Jim is pretty conservative on what he calls a new win. So win is basically—if it's a custom product, there's a financial commitment, meaning they've already paid some NRE and there's a program behind it. If it's a commercial customer, it's more than we've seen in initial production orders, and I have those on hand. So it's a pretty conservative definition of win.

Ruben Roy

Right. Okay. Actually, if I could just sneak one other one in, just around your commentary on sort of the evolving strategy of customer engagements and that type of thing.

How do you marry that up with some of that? Maybe John can comment on—with some of the operating expense reductions that you guys have been successfully working on?

I'm just trying to understand what this means when you're talking about going out and trying to discuss with customers sort of your product road map and how to better address some of these new markets and customers in relation to lower overall spend from an operational perspective.

John Morrison

Yes. So we've looked at that and the type of products that we're talking about would be products—assuming we move forward with the current ones or revision of them, say, we move forward with them in like the Q1 timeframe, the revenue from it, we wouldn't see till the '22, '23 timeframe. Just takes that kind of time to develop, get them into the customer hands and all of that.

As far as resources, we're watching that very closely. But based on our understanding, what we would need to do is get them to market because it's heavy leverage on the skills we already have. We don't have to ramp up the group significantly, and we're hoping that we get some additional growth next year that would help us make some strategic hires in the process.

And let me just comment on that. After we did the expense reduction, we're not saving our way to profitability. We're not saving our way to something. We did a lot of changes we needed to do, and we've made some hires, but we're very strategic. We get together as a team, and we said what's going to produce the highest return. And example, we've hired a couple of engineers, where we got together and said, we get the highest return on a couple more engineers.

Ruben Roy

Excellent. That's very helpful. Thanks David.

Operator

As a reminder it is star, one if you would like to ask a question.

And we will take our next question from Joe Gomes with NOBLE Capital.

Joseph Gomes

Good afternoon. Congratulations on a nice quarter in some challenging times here. I just wanted to touch a little bit here on your largest client. You mentioned that you think this could be pushed out somewhere into 2021 before you see a real rebound there. Obviously, it has a big receivable there. What is this doing to that as we're stretching out the time frame and getting paid back also? Any additional detail or color you could have on—and did Sky see any type of sequential improvement at all? Anything more you can provide us about the Sky would be appreciated.

David Raun

Yes. Great question. So first, let's jump right to the meat of it, which is the AR. We have brought that down under \$2 million. We were above \$5.4 million at one time. That's the result of work very closely by our VP of Operations; John, our CFO; and Jim, working closely with the customer. In my engagements with their CEO, they've been meeting their obligations and paying down that debt. Although there's—they haven't gone to zero risk, we continue to minimize that risk. So that's on the one front.

On the second front is to really have two product lines, the one product line is the one we always talk about and is the one that's impacted us. We're definitely not going to see any activity of significance. We still see some. But similar to this past quarter and the quarter before, there's definitely no, as you would expect, no rebound in the fourth quarter, and that's reflected in the number we just mentioned. So those are large gathering events. Our assumption—well, this is based on our assumption. Our assumption is that it's really mid-year before large gatherings come back together. And a worst case, it could be later next year, frankly, if the vaccine doesn't work and things get really bad.

The second part of the product line is the virtual product line. And I talked about that a little bit before. We're starting to ship more of that product. It's not anything that drives the number up significantly this year, but they're getting a lot of interest and a lot of engagement for the customers, and that's something that could help us in the first half of 2021.

We just don't—we don't know how to size it yet. But it looks very attractive. It's the same kind of products we ship to them, and we'll enjoy the business if they do well on that front.

Joseph Gomes

Great. And if I can switch gears on to the military side. It was a big military client there. Are they, one, on track to produce the typical revenues that they normally do? And number two, obviously, the Federal Government is operating under a continuing resolution. Is that having any impact on you guys that's bringing up any potential monkey wrenches for fourth quarter sales in the military?

David Raun

Fourth quarter revenue in the military is going to be strong. As a result, we will have strong margin. And the particular customer you're talking about is a customer that we used to talk about on being this—the storage unit, the DSU, which I kind of alluded to in my part of the script. We'd always talk about that.

What I like is the fact that that's really proliferated within that organization so that—we have solid wins in multiple programs now, and we're starting to see the prototype quantities, and we'll start to see it kick in,

in 2021 of a number of those programs. So this year, we're doing fine with them. They're not hitting us hard.

I think we're approximately flat or a little up overall in the military space for the year. And next year, we would have an opportunity to grow it nicely.

Joseph Gomes

Okay. And one last one for me, if I may. You talked about the virtual shows a little bit, the webinars. I'm just trying to—again, if you provide some more color on how those are working with your customers? What kind of impact are you seeing? Do we think that this is, as they like to say, the new change in the business model going forward, even when we hopefully get rid of this coronavirus or deal with the coronavirus here within the near term?

Jim Ison

Yes. So our virtual events have been a mixture of, say, virtual trade shows that we had used to show up in person and also webinars. And with the webinars, we've been doing them with NVIDIA and Marvell, some big power companies that are our partners in this that we bring products together to the market.

For example, NVIDIA does a lot of data center-type products and hardware now that they didn't do before, but they don't work with the same type of edge applications that we do. So they very much like us to take that product, ruggedize it, produce the edge for these design wins. So being—having those virtual events along with NVIDIA has created a large pool of these opportunities that we've been continuing to work with.

From the sales front, yes, it's been a challenge, but everybody is working remotely now. Everybody is getting used to working remotely, including our customers. So the level of interaction, I think even from the design win standpoint, has been very similar to what it was last year, just things developed maybe a couple of months to a quarter slower than normal, especially when you're talking about military. But we keep the pipeline alive, and the team has been doing a good job with that.

David Raun

I'll just expand on this. This is kind of how I look at it.

I would say our historic trade shows where we're in person and travel with customer, it's more effective. There's no way around that. But then at the end of the day, everybody needs a solution from somebody, right? So they're either looking or whatever. And I think—so it's really what companies decide, okay, this is the new world and jumped on it quickly. I'm very pleased with what Jim and his team did on this front. They jumped on it right away. They're doing the best they can. They come up with creative things. They're doing demos. They're doing all these different things. And I see other companies, I think (inaudible). I talked to somebody in the day, which is like, "Oh, we'll just—we think this thing is going to be over soon, and we're hoping on that." And so we're doing the best we can. And hopefully, we're doing a better job than other people in our space.

Joseph Gomes

Great. Thank you guys for taking the question.

Operator

As a reminder it is star, one if you would like to ask a question.

And we will take our next question from Dave Floyd, who is a Private Investor.

Dave Floyd

Hi, fellows. Nice job. Congratulations on a lot of good news. The margins both gross and net, lower expenses, new programs, etc., that's all really good stuff. The lower revenues are understandable with the entertainment and media business going down and the impact of COVID. But something caught my eye and that was the Q3 inventory comparison. I noticed that the net inventory seemed to have gone up about 35% while the revenues are down 13%. I wonder if you could shed some light on that?

John Morrison

It happens to be a quarter-end result. We are bringing in inventory for the fourth quarter associated with military sales in the fourth quarter. And we are having to bring those inventories in earlier just to ensure that we have the supply chain there as there has been extension of the lead times associated with COVID. So it's just a matter of a timing issue there. We'll be through that inventory by the end of the fourth quarter when we ship out these military sales by December 31.

David Raun

Dave, what I'd like to add to that, part of it also is just the situation with our largest customer. We've been carrying a higher inventory throughout the year as a result of that. Fortunately, we're burning through it to some degree, but—and we worked down the AR. But they went from—basically, they were doing a very large number and it just fell off the map in Q2, if you remember. So we had a huge pipeline coming in at that time. It's just been hard to bring that down. But we're working it down, and we don't see risk with it.

Dave Floyd

Good. So you've done the slow-moving and upsell us this analysis that doesn't bother you?

John Morrison

We pay very close attention to it. I do a detailed analysis every single quarter to make sure that we're comfortable with that. So I think everything there is sellable.

Dave Floyd

Great. I have one more question that is about gross margin longer term. What are your targets for 2021?

David Raun

We haven't provided a number yet. What do you want to say on that, John?

John Morrison

Yes, I will tell you, with our current model that we are showing—that we're modeling and having the effects of COVID last through about July of 2021 in one model and extending up for the entire year of next year. We are basically showing that our margins will be relatively consistent with the current year. And much of that is attributable to a consistency in the amount of revenue as well as our product mix. So if COVID persists, we are seeing—we'll probably see consistent margins, as we saw this year.

David Raun

Dave, I will say the intent is to drive that up. I mean there's a lot of focus on that. We just materially can't really point to something yet other than activity that's taking place in the Organization. But it's a huge focus of the Company to be able to drive that up year after year.

Operator

And we have no more questions. I would like to turn the conference back to Dave Raun for any additional or closing remarks.

David Raun

Thank you, Abbey, and thank you, everyone, for joining us today.

We look forward to talking to you in the future and reporting our progress. Meanwhile, feel free to reach out to John, Jim or me any time.

Abbey, please go ahead and wrap up the call.

Operator

Thank you. Now before we conclude today's call, I would like to provide the Company's Safe Harbor statement that includes important cautions regarding forward-looking statements made during today's call.

One Stop Systems cautions you that statements in the presentation that are not a description of historical facts are forward-looking statements. These statements are based on the Company's current beliefs and expectations. Such forward-looking statements include those regarding the Company's expectations for revenue growth generated by new products, design wins or M&A activity. The inclusion of such forward-looking statements and others should not be regarded as a representation by OSS that any of its plans will be achieved.

Actual results may differ from those set forth in the presentation due to the risks and uncertainties inherent in our business, including, without limitation, that the market for our products is developing and may not develop as we expect, global pandemics or other disasters or public health concerns, including COVID-19 in regions of the world where we have operations, customers or source material or sell products may affect such market.

Our operating results may fluctuate significantly, which would make our future operating results difficult to predict and could cause operating results to fall below expectations or guidance. Our ability to successfully integrate the operation systems, technologies, product offerings and personnel with acquired companies may prove difficult and adversely affect our financial results. Our products are subject to competition including competition from the customers to whom we may sell and competitive pressure from new and existing companies may harm our business sales, growth rates and market share. Our future success depends on our abilities to develop and successfully introduce new and enhanced products that meet the needs of our customers. The likelihood of our design proposals becoming design wins is uncertain and revenue may never be realized. Our products fulfill specialized needs and functions within the technology industry, and such needs or functions may become unnecessary or the characteristics of such needs and functions may shift in a way as to cause our products to no longer fulfill such needs or functions. New entrants into our market may harm our competitive position.

We rely on the limited number of suppliers to support a manufacturer design process, and if we cannot protect our proprietary design rights and intellectual property rights, our competitive position could be harmed or we could incur significant expenses to enforce our rights.

Our international sales and operations subject us to additional risks that may or that can adversely affect our operating results and financial condition, and we fail to remedy material weaknesses in our internal controls or financial reporting, we may not be able to accurately report our financial results and other risks described in our prior press release and in our filings with the Securities and Exchange Commission, SEC, including under the heading Risk Factors in our Annual Report on Form 10-K and any subsequent filings with the SEC.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of the conference call, and we undertake no obligation to revise or update this information to reflect events or circumstances after this date hereof.

All forward-looking statements are qualified in their entirety by this cautionary statement, which is made under the safe harbor provision of the Private Securities Litigation Reform Act of 1995.

Before we end today's conference, I would like to remind everyone that this call will be available for a replay starting later this evening through November 26. Please refer to today's press release for dial-in and replay instructions available via the Company's website at ir.onestopsystems.com.

Thank you for joining us today. This concludes our conference and you may now disconnect.