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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Good day, and welcome to the Energy Recovery's Third Quarter 2017 Earnings Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Chris Gannon, Chief Financial Officer. Please go ahead, sir.

Chris M. Gannon ***Energy Recovery, Inc. - CFO***

Good morning, everyone, and welcome to Energy Recovery's earnings conference call for the third quarter of 2017. My name is Chris Gannon, Chief Financial Officer of Energy Recovery, and I'm here today with our President and Chief Executive Officer, Mr. Joel Gay.

During today's call, we may make projections and other forward-looking statements under the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995 regarding future events or the future financial performance of the company. These statements may discuss our business, economic and market outlook, the company's ability to achieve the milestones under the VorTeq licensing agreement, growth expectations, gross profit margins, new products and their performance, including the MTeq system, cost structure and business strategy.

Forward-looking statements are based on information currently available to us and on management's beliefs, assumptions, estimates, or projections. Forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors. We refer you to the company's files from time to time with the SEC, specifically the company's Form 10-K and 10-Q. These documents identify important factors that could cause actual results to differ materially from those contained in our projections or forward-looking statements. All statements made during this call are made only as of today, November 2, 2017, and the company expressly disclaims any intent or obligation to update any forward-looking statements made during this call to reflect subsequent events or circumstances, unless otherwise required by law. Please refer to the company's earnings press release, which was released to news wires yesterday and furnished to the SEC today for a detailed discussion of our Q3 financial results, including our segmented financial performance.

At this point, I will turn the call over to our President and CEO, Joel Gay. Joel, please go ahead.

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Thanks, Chris. So this morning, we're going to depart from our standard protocol of reading prepared and, in fact, comprehensive if at times [for both] prepared remarks and we're going to forge a moment of clarity as it relates to the communication or the information that we communicated yesterday in our press release, specifically as it relates to the recent private testing of the VorTeq, specifically the Second Generation VorTeq Missile. And then after that, we'll segue into Q&A with the sell side.

So let's depart with the most important takeaway, which is that it worked. The tests were unassailably successful by any measure, certainly the most successful tests that we have performed since the inception of the product itself. To take a quick trip down memory lane so as to best communicate the progress that we've made, let's discuss, for a moment, the major challenges that we experienced with the first generation VorTeq. The challenge, as I described many times in prior disclosure, was that we could not achieve sufficient rate, so barrels per minute. The target has always been 60 barrels a minute and, of course, that is to satisfy the first milestone in our agreement with the product

licensee. We could not achieve rate with the first generation because of vibrational concerns. The missile was shaking so violently such that the pressure exchangers would stall, or they would stop spinning. And when a pressure exchanger stalls, it becomes a straight through pipe and, of course, it is not transferring pressure and not operating in a manner in which it was designed.

Therefore, the sole objective, the design objective that we had for the second generation missile was to create a platform or a manifold that would insulate the pressure exchangers; that would, in essence, protect them from external forces from vibrations, allowing them to spin; and therefore, allowing the system to get up to the targeted rate of 60 barrels a minute. It is important here to note that not at a single point throughout the testing of the Gen 1 system did pressure arrive as a concern, which is to say an inability to get to 9,000 psi. We know, through exhaustive testing, that our pressure exchanger, the VorTeq pressure exchanger, performs identically at 7,000 psi as it does at 9,000 psi or even 10,000 psi. So again, the primary failure mode with the Gen 1 missile was rotor stalls or pressure exchanger stalling due to vibrations and, of course, the outcome was that we could not get to rate, we could not get to 60 barrels a minute.

Now to test the second generation missile at a full scale, full level, we had to simulate a well, importantly the back pressure of the well. So to be clear, in the recent private testing, we were not pumping into an actual well, we were not pumping into a pond, or any geological mass.

So to begin with -- let's start with what actually happens in an actual frac so as to better appreciate how we simulated a well and the practical challenges in doing so. So in a typical frac, frac fluid is pumped down a well bore 4 to 6 miles in length and ultimately into a wall of sand. That wall of sand is known as shale. The combination of the length of the well bore, that's again 4 to 6 miles, and the density of the shale produces resistance for back pressure. In order to simulate the back pressure of the well, we use a series of progressive chokes and dissipation lines.

So let's start with what a choke is. A choke is nothing more than an opening or an orifice that has a smaller diameter than the pipe in which it is housed. In our testing apparatus, the chokes first create back pressure, again acting as a well. And then, in combination with the dissipation lines, they are used to bring the fluid back down to atmospheric levels. So back down from 9,000 psi to atmospheric, or 7,000 psi down to atmospheric. In a real frac, the pressure energy is dissipated over a distance of 20,000 to 30,000 linear feet. So that's important to note. You're dissipating up to 20 megawatts of energy over 20,000 to 30,000 linear feet. Whereas in our testing apparatus, we had to dissipate that pressure energy over 50 linear feet. Now that we've baselined the simulated frac versus an actual frac, let's address the actual test. The testing plan was explicitly designed to process sand at the end of the week. So we were on site for approximately n days and the testing battery was designed to culminate in sand at that the very end, simply because once you introduce sand into the system, it's nearly impossible to get it out. So we had to baseline and validate that total system functionality had it been achieved.

So beginning with the clean tests, the chokes that we use to perform the 9,000 psi clean tests, which is to say without profit, were different than those used for the proppant tests. Given the erosive nature of sand or slickwater, the chokes used in sand testing will have a different material grade, which is to say they were harder, and had a larger orifice diameter. They were harder, which is to say, they were not an alloy, they were a carbide, because we rightly predicted that at those pressures and at those rates of flow the chokes would experience erosion.

Then we talk about system pressure, system pressure is a function of the rate pumped and the size of the choke. Therefore, if the choke is not properly sized or if it increases in size during operation, the targeted pressure cannot be achieved at the given the rate of flow. This is precisely what occurred when we attempted to introduce sand. The minute we introduced sand, the chokes began eroding and that therefore limited our ability to get to the targeted pressure of 9,000 psi. However, we achieved a steady state of anywhere from, call it, 6,800 to 7,200 psi. We explicitly chose not to change the chokes at that point in time, again because our objective was never to reach 9,000 psi. We know the system goes to 9,000 psi, even 10,000 psi. We were testing volumetric throughput, which is to say rate, could we get to 60 barrels a minute; and more importantly, could we get to 60 barrels a minute with a profit concentration of 2.4 pounds per gallon added.

Now the chokes that we use are designed for other applications. There are no chokes in existence that are specifically designed to dissipate 20 megawatts of energy that is contained in a proppant-laden fluid traveling at 60 barrels a minute. The simple explanation is, no one in the history of mankind has attempted to simulate a full scale, full pressure frac. It just hasn't happened. They typically do that in an actual well. We were doing it at an undisclosed private testing facility.

Now in terms of remediating this issue with the chokes and better simulating a well, there are some easily implementable and practical changes that we can make or that we could have made during private testing to include smaller chokes, so chokes that have a smaller orifice, therefore smaller diameter. That would allow us to start at a higher pressure; and then as the chokes erode, reach an equilibrium at or around 9,000 psi. We could employee harder chokes, different material grades. We can entertain pumping directly into a pond only using one choke for a back pressure. And then of course, we can also consider executing the tests at a dead well or a deep injection well. The point is that we dealt with a challenge with the testing apparatus and it's hardly a challenge that cannot be overcome. As a matter of fact, it was nothing more than a footnote and it was put forth in the spirit of a full disclosure. It was never a concern to our engineers. Again, I would describe it as a footnote, but in the spirit of full disclosure, we are going to represent the results of our testing and the results of our business in an intellectually honest and factually accurate manner.

So in conclusion, we are in a better position with this product than we ever had been since its inception. We're massively excited about the prospects. We're obviously very much looking forward to the next step in the path to commercialization. And we wanted to leave nothing subject to be lost in translation.

So I'm hoping that was sufficiently clear and any clarifications can now be made in Q&A. And we'll open up the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We will take our first question from Thomas Curran with B. Riley FBR.

Thomas Patrick Curran ***FBR Capital Markets & Co., Research Division - Senior VP and Senior Research Analyst***

Thanks for that comprehensive clear overview, Joel. I found it very helpful. So in looking to these various options you have for reconfiguring the testing apparatus for M1, it doesn't sound as if any of them would necessarily take all that much time. Even if you were to go with -- of the scenarios you've considered, the one that would take the most time, what does this require change for the design of M1's testing apparatus? What does it suggest for the new time frame within which M1 might occur?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Okay. So, yes, let's start with the variables that affect timing. So if we harken back to the original guidance that we first provided in February, then reiterated in March and then reiterated in August, we stated a timeline of our cycle time of 6 months from the award of contract to Kemper and therefore the conclusion of engineering to the completion of manufacturing of the Gen 2 system. We further guided that we would take receipt of the Gen 2 system in September, we would perform commissioning or system shakedown and then we would dedicate the entirety of October to private testing. So suffice it to say that we executed precisely to that plan. But given that we just concluded private testing on Wednesday or Thursday of last week, we're still very much in the data analysis process and we have yet to formally meet with the product licensee to co-review those results and forge a path ahead to Milestone 1. So a couple of key findings during the private tests amidst -- against some very successful results. Our focus now, Tom, is no longer on fundamental physical phenomena, right, such as we can't get a pressure exchanger to spin. That's a fundamental problem that required [Doggett Engineering] to overcome. We're now, I would say, in a much more luxurious position of having to worry about questions such as how do we ramp up to rate and pressure? What is the order of operations? I believe I referred to it in my quote as operational sequencing, but that's what we're focused on. We're focused on fine-tuning the electrical work, which is, say, the controls of the system and how those controls interact with the economy of other equipment that's present at the simulated well. And so, again we just concluded private testing. We're going to take the time required to review the data, determine what incremental changes need to be made to operational sequencing, incremental changes that need to be made to controls. We will obviously consult very closely with the product licensee. And at this point in time, based on the facts and circumstances as they sit today, I see no reason to readjust the guidance that we provided all year, which is to say we believed we can get to Milestone 1 by the end of the year.

Thomas Patrick Curran ***FBR Capital Markets & Co., Research Division - Senior VP and Senior Research Analyst***

All right. Very encouraging to hear. I don't want to lose sight of the rest of the oil and gas technology portfolio. Could you provide an update and share anything incremental for both the progress for MTeq towards field trials with Sidewinder, and then any additional news for the Alderley agreement in the GCC Middle East?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Yes, sure. And I'm glad, Tom, you recognized that there's a lot more energy recovery than one product. So one of the positive outcomes of the test in -- the private testing for the VorTeq, above and beyond the continued proof of concept that we demonstrated is how it relates to the MTeq. We very much view that test as killing 2 birds with 1 stone. We have of course have done exhaustive testing in our lab, our R&D center with the MTeq. But the recent test with the VorTeq, given that we were at pressures that are significantly greater than anything you'd find in a typical mud pumping application in flow rates that are similarly above and beyond anything you would find in a typical mud pumping application, we very much view the recent private testing of the Gen 2 VorTeq system as an equivalent proof of concept at a very aggressive level for the MTeq. You've heard me state many times before that if we can pump frac fluid, specifically slickwater, there isn't anything out there that we can't pump. And I would tell you that the fluid properties and the physical phenomena that you find in a mud pumping application [in detail in] comparison to anything that you find in a typical frac job. So we're very, very excited about that. And as we've communicated at (inaudible) in the past, we exported the exact same technology from the VorTeq to the MTeq. It is literally the same pressure exchanger, the same equipment housing, the same support bracing, and whatnot, I've referred to it as trickle-down R&D. So by achieving that proof point in fracking; and for the VorTeq we similarly achieved a proof point for the MTeq. As stated earlier in the year, it remains our objective to execute the private testing full scale -- full-scale private testing at the MTeq before the end of the year, and that remains our objective. Now we did incur or experienced some supply chain delays attributed to Hurricane Harvey in Texas, but we nonetheless have now taken receipt of the prototype sched, and we're in the process of working with our channel partners on that product or for that product to determine the appropriate timing of a full-scale test. And then in parallel, as you well know, we're working the corporate development circuit to identify the late stage partner to whom we ultimately believe we can license this technology to. But first things first, we'll crawl before we walk, we'll execute a full-scale field test and then we'll continue with our corporate development efforts. Specific to Alderley and the IsoBoost, IsoGen portfolio, our technical sales team continues to work with their business development team, and they are now in the execution phase in terms of further building out an actionable pipeline of technologies -- no, I'm sorry, not technologies, an actionable pipeline of opportunities throughout the GCC. They are performing a first wave business development and we are providing technical support. At this point in time, I do not have anything to report, because we don't have a purchase order and therefore are not receiving a royalty payment for them. But clearly, we believe that they will be able to strike first blood in that region and we look forward to communicating to our shareholders as and when that happens.

Thomas Patrick Curran ***FBR Capital Markets & Co., Research Division - Senior VP and Senior Research Analyst***

Okay. I'll take one more here, and hopefully the easiest of the 3. Chris, could you just give me the standard breakdown for 3Q revenues for water across the 3 segments MPD, OEM and aftermarket?

Chris M. Gannon ***Energy Recovery, Inc. - CFO***

Absolutely. So in terms of the -- so PXs versus pumps and turbos, let's go there first, is $11.4 million versus $1.8 million. And then breaking down MPD, OEM and aftermarket, roughly 40% was MPD, roughly 40% was OEM and the remainder was aftermarket.

Operator

Moving on, we'll go to James West with Evercore ISI.

Blake Geelhoed Gendron ***Evercore ISI, Research Division - Associate***

This is Blake on for James. Do you hear me?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

I can.

Blake Geelhoed Gendron ***Evercore ISI, Research Division - Associate***

A collective sigh of relief for sure, but I want to state for the record that we never wavered in our belief of the VorTeq and it's attributed to you guys and the engineering teams, so a good job on that. My question is related to, when you touched on this in the first question, completing M1. So the limitations on the testing. I know that's not -- it's nothing to do with an actual frac set up, if you had a well to frac into. But as it relates to completing M1, is the onus more on you guys, more on Schlumberger, or a combination of the 2 to develop a way to better choke off that pressure? And in the bare case that the testing limitations maybe hamper your ability to get to the KPIs later on in M1, is there any way to maybe alter those a bit, just to conform to limitations on the testing?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Yes. It's a really good question, Blake. I would say the onus is equally on us and the product licensee. Clearly both parties have very compelling economic interests in seeing this product to commercialization. And as I've stated in the past, they have been massively supportive of this product and certainly of our company. And I'm of the opinion that our engineers are some of the finest in the world, and certainly Schlumberger's engineers are some of the finest in the world, and the combination of those 2 talent pools will certainly yield a solution to how we can best simulate a well and get through a 5-stage frac. So again, as I stated in my opening monologue, I'm not too concerned about our ability to simulate a well and get through to the milestone process. I mean, ultimately it's always a question of timing. And we'll take this moment, as a quick, aside to your question, Blake, to address the subject of conservatism or sandbagging versus just relaying the facts as they are at any given point in time. We don't provide guidance on our R&D efforts with conservatism. We don't sandbag. Sandbagging is a lasting vestige of the corporate scoundrel. That's not what we do. We provide the best updates, based on the facts and circumstances as they stand. Our objective is to get this thing done by the end of the year. But if we don't, we would be disappointed, sure. But ERI will still be here on January 1, 2018, and this product will be commercialized. All right? This is the NFA management team, not fooling around. There's no quitting us and we're going to get it across finish line.

Blake Geelhoed Gendron ***Evercore ISI, Research Division - Associate***

Awesome. We appreciate the visibility there and the transparency. My second question. Is the water segment a great quarter for you guys? 2018 is looking bright based on the orders that you have in the books already. Can you talk about maybe the acceptance or the penetration of desal-in-a-box with respect to the aftermarket and retrofit segments of the market there? What are your customers saying? And what are your marketing efforts going to look like in 2018 as you expand that business?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Yes. We're massively excited about desal segment or the water segment, otherwise known as the core of our business that we've referred to as a cash cow. If you look at the revenue growth over the last 3 years, the gross profit margin expansion, the growth in gross profit and ultimately the growth in earnings per share that, that business has, has facilitated and it's truly remarkable. Similar to commentary that I provided in the past, this did not happen by accident. Yes, in fact, we are taking advantage of a positive systematic risk in that, the market continues to grow and we currently expect 2018 to be yet another year of growth. So yes, we are the beneficiaries of positive systematic risk, but at the same time, our product positioning strategy was overall back in 2015 and we sought to compress the standard deviation on our ASPs as a means of achieving a higher ASP, and we did that through negotiating exclusivity agreements with the various customers, EPCs, that we have provided product to in the past. And as you mentioned, our horizontal integration effort into project finance and we've talked about the financial product that we designed in Energy Service Agreement. We've been working diligently to unlock pent-up demand in the retrofit segment of the market, accessing customers who are otherwise liquidity starved in financing, an endeavor on the basis of the efficiency of our pressure exchanger, thereby improving the overall efficiency of the plan. We're keenly aware that this is a very new, if not, esoteric procurement vehicle and it's going to take some time even in the retrofit segment to convert the market. But I would tell you that our pipeline, if you will, is approaching what we consider to be a critical mass. There certainly is a fair amount of interest in the market for this financial offering, but we haven't struck first blood yet but we're going to maintain our business development and marketing efforts throughout the balance of this year as well as to -- into early next year, because, as I've stated in the past, I do believe that the Energy Service Agreement, which is basically performance contracting, will be the procurement vehicle of the future in particular as we seek to further penetrate water starved economies that are equally liquidity starved.

Blake Geelhoed Gendron ***Evercore ISI, Research Division - Associate***

Got it, thanks. And one last one, I want to make sure hear a little bit. Looking forward to new derivative of the pressure exchanger, any sort of sneak peek you can give us, is it in oil and gas product is it outside perhaps in metal and mining, pulp and paper, any sort of color you can give on that?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Yes, I mean, I think we have future derivatives across a number of industry's market segments and what have you. Consistent with our objective and it's a loft you wanted that to announce 1 new product per year beginning in 2017, as it stands today, we believe we will be in a

position to announce a derivative of the pressure exchangers. So this will now be the third derivative of the pressure exchanger in 2018 and it will be for in oil and gas applications and we're quite excited about it, but we still have some work to do from an R&D standpoint and achieve and put the concept perspective here at the lab and we look forward to being in a position in 2018 to announcing that.

Operator

(Operator Instructions) Moving on, we'll go to Joseph Osha with JMP Securities.

Joseph Amil Osha ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Okay. I wasn't sure if you could hear me or not. Just a little further on the water business. In past conversations, you all had indicated that you expected this nice backlog of business that you were building to perhaps continue to move through the pipeline and show up as bigger revenue comps in maybe 2019. But it seems like that's maybe coming forward a little bit. So I'm just wondering, given how strong these numbers were and some of the comments you just made, what thoughts you might have about the next sort of 6 to 8 quarters in the water business, because it does appear to be going a little better than we thought? And then, I do have some other question.

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Yes. Of course, Joe. I would not dare to try and predict water 6 to 8 quarters forward. I can tell you that the MPD, the mega projects, our large capital -- large-scale capital project segment of the market, what we refer to as MPD, that pipeline is looking very good for 2018. And you touched on an interesting phenomenon that we're very familiar with, which is to say the advancing of projects from future periods into the current period as a sign of continued market strength, and that's exactly what has happened. So when we entered the year -- better put, when we initiated the budgeting process in the third, fourth quarter of 2016, there were a number of projects in the pipeline that were originally scheduled to be let and awarded in 2018. A number of those projects have been advanced into 2017, and you've seen some of the press releases that we've issued. And a portion of those products, projects rather, we expect to monetize as revenue in the current period. And so when we look at the mosaic within desalination, and let's just focus for a moment on the most target rich environment for us which remains the Middle East, despite the fact that their current account has taken quite a bit of a beating in this medium for longer crude environment, there appears to have been an explicit reallocation of public resources and a prioritization of increasing their capacity to produce potable water. And so we're certainly the beneficiaries of that. And so we look at the Middle East and North Africa as the bellwethers of the global desalination market, specifically the large-scale capital segment of that market, and things are looking very, very good as we go into 2018. But again, I always caution our investors with respect to desalination, it is a cyclical market that typically operates on a 4 to 6 year peak to trough progression, and 2018 would be the fifth year of growth.

Joseph Amil Osha ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

Okay. That's great. Second question, now that you're in this interesting position of having conducted a successful test under your own regime and you've got test data in hand, does that make it easier to go to other prospective parties in other applications for the technology and begin to advance with them? I'm just curious as to how -- what's [just happened] affects your prospects there?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Yes. Well, let's first discuss how it affects our prospects with our other channel partner, Liberty Oilfield Services. Great friends of the company, they are an extremely innovative and nimble pressure pumper, as well as E&P. And of course we share the results of our recent tests with Liberty, and they were excited. And so when we talk about commercializing the VorTeq, keep in mind that we are going to be commercializing with 2 channel partners, Liberty Oilfield Services and Schlumberger. And if you look at the rate of growth in Liberty Oilfield Services, pressure pumping capacity from 2014, June 2014 when we originally consummated the agreement with them to now, they have quintupled their horsepower. So that bodes well. Now in terms of -- to directly address the predicate of your question, which is to say, what momentum do these recent tests provide in terms of developing or let's just say promoting from a corporate development standpoint the other derivatives such as the MTeq and some of the new products that we hope to announce in the future, absolutely, because we have empirical data that is unassailable, anyone who's in the oil patch, who has any understanding whatsoever of surface equipment can appreciate the awesome nature of being able to simulate a well and pump a 100,000 pounds of proppant at 7 ksi or cleaned at 9,000 psi. So yes, we will be utilizing this test and the results of this tests as a trampoline to further add lift to our corporate development efforts.

Joseph Amil Osha ***JMP Securities LLC, Research Division - MD & Senior Research Analyst***

I think that's an important point, and I like the trampoline visual. The last question from me relates to just following on some of the earlier questions, you've basically got a machine that works so well but it's broken your test bed. So I'm wondering, at some point, do you say, hey, you know why -- why invent something that doesn't need to be invented, let's just go frac a well, because we all know it works. Is that one potential outcome here?

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

I don't want to -- I'm going to be very careful to not, in any way, shape or form, attempt to speak on behalf of our product licensee. So I'm not going to directly answer that. I mean, everybody knows that the second milestone is to be performed at a live well. We have refrained from talking about the second milestone because, at this point in time, it's absolutely meaningless. We've got to get through the first milestone. What I can tell you, however, is that we are very much contemplated and will continue to contemplate at the appropriate time, taking the second generation missile to a well with our friends over at Liberty Oilfield Services in particular, given that they're vertically integrated. And as you know, we have previously gone to a well and co-fracked that well with them, albeit at much lower rates than the system is currently capable of performing. So given that we have 2 channel partners and we have 2 concerns for commercialization, commercializing of course with Schlumberger and then commercializing with Liberty, certainly a frac -- a full-scale frac at a well with Liberty is well within the realm of possibility. And if we were to do that, then that's obviously something we would let our shareholders know about.

Operator

[Operator instruction] And there are no further questions in the queue at this time. I'd like to turn it back to Mr. Joel Gay for any closing comments.

Joel Gay ***Energy Recovery, Inc. - CEO, President & Director***

Well, thank you for joining us this morning. Again, we feel as though we're in the best position that we've ever been as a company. And certainly as it relates to the VorTeq, I want to call special attention to the efforts of our desalination team, who's in just [dog in pursuit] of business development opportunities, allows us to fund this rapid-fire R&D machine that's beginning to spun some products of increasing promise, and then specifically the guy who runs that team, Rodney Clemente. So we look forward to updating our shareholders in 5 months' time -- 4 months' time as we report year-end Q4. And any material developments, of course, will be made known to our shareholder base via press release. So we look forward to talking to you next time.

Operator

And that does conclude today's conference. We'd like to thank everyone for their participation. You may now disconnect.
