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Stratasys Ltd. (SSYS)
Q3 2020 Earnings Conference Call
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Company Participants

Yonah Lloyd - Vice President of Investor Relations
Yoav Zeif - Chief Executive Officer
Lilach Payorski - Chief Financial Officer

Conference Call Participants

Shannon Cross - Cross Research
Wamsi Mohan - Bank of America Merrill Lynch
Greg Palm - Craig Hallum
Kenneth Wallace - Berenberg
James Ricchiuti - Needham & Company
Brian Drab - William Blair

Presentation

Operator

Greetings, and welcome to Stratasys Third Quarter 2020 Financial Results Call. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Mr. Yonah Lloyd, Vice President of Investor Relations. Thank you, sir. Please go ahead.

Yonah Lloyd

Thank you. Good morning, everyone, and thank you for joining us to discuss our 2020 third quarter financial results. On the call with us today our CEO, Yoav Zeif; and our CFO, Lilach Payorski.

I remind you that access to today's call including the prepared slide presentation is available online at the web address provided in our press release. In addition, a replay of today's call, including access to the slide presentation, will also be available, and can be accessed through the Investor Relations section of our website.

Please note that some of the information you will hear during our discussion today will consist of forward-looking statements including without limitation, those regarding our expectations as to our future revenue, gross margin, operating expenses, taxes and other future financial performance and our expectations for our business outlook. All statements

that speak to future performance, events, expectations or results are forward-looking statements. Actual results or trends could differ materially from our forecast.

For risks that could cause actual results to be materially different from those set forth in forward-looking statements, please refer to the Risk Factors discussed or referenced in Stratasys' annual report on Form 20-F for the 2019 year as well as Stratasys' reports on Form 6-K that we are furnishing to the SEC today, including the related press release concerning our earnings for the second third of 2020 and our Operating and Financial Review and Prospects, which are attached as exhibits to those reports on Form 6-K.

Stratasys assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates. As in previous quarters, today's call will include GAAP and non-GAAP financial measures. The non-GAAP financial measures should be read in combination with our GAAP metrics to evaluate our performance. Non-GAAP to GAAP reconciliations are provided in the table contained in our slide presentation and in today's press release.

Now, I would like to turn the call over to our CEO, Yoav Zeif. Yoav?

Yoav Zeif

Thank you, Yonah. Good morning, everyone. And thank you for joining today's call. I wish to first take a moment to recognize the hard work and dedication of our entire Stratasys team, helping our company navigate through the challenging economic environment caused by COVID-19. We continue to proactively ensure the health and safety of our employees, support our customers and assist the communities around us worldwide. We were pleased to see sequential improvement in both our top and bottom lines for this quarter, a positive trend that we expect to continue in the fourth quarter as well, reflecting what we believe is the beginning of a recovery from the pandemic. We were encouraged by the improved sales of hardware and consumables in government, specifically its aerospace sector, as well as healthcare and education.

On our last call, we shared our new strategy with you, and how it will drive our actions going forward. We are laser focused on leading the polymer 3D printing market, the largest value pool in additive manufacturing. Our execution plan is based on delivering the most innovative next-gen technologies to address the fastest growing and most transformative manufacturing applications, while leveraging the strongest go-to-market infrastructure in our industry. This is the beginning of a new era of execution in Stratasys, led by an experienced Board and management team, and an organization better aligned to support our strategic objectives. To maximize the investment in our resources, we have streamlined the organization to support the specific sectors that we serve. Design, engineering, manufacturing of factory tooling, production of end use parts and healthcare.

Last quarter, we announced a number of cost mitigation efforts to help offset the impact of COVID-19. I'm happy to say that we have implemented them successfully to achieve our savings goals.

This past quarter, we enhanced our executive team by hiring a new COO and CPO, Chief People Officer, and internally promoting a CTO. We are also making good progress in our search for a Chief Marketing Officer. As part of our focus on the manufacturing space, we

look forward to welcoming a new board member, Michael Schoellhorn, the COO of Airbus, who was nominated for election at our Annual Shareholders Meeting taking place later this month. We are excited to work with Michael on advancing the execution of our strategy across all manufacturing industries. I'm confident we are building an excellent leadership team with experience and proven capabilities to enable us to achieve our goals.

Our strategic objective is to be the first choice in polymer additive manufacturing, with the broadest range of solutions, addressing the leading applications and positioning both Stratasys and our customers for success. At the heart of our strategy is innovation. Our polymer technology roadmap includes major upgrades to our own FDM and PolyJet lines, as well as expanding our portfolio with manufacturing focused platforms that will generate incremental revenues.

Our joint venture with Xaar will add what we believe is the best powder-bed fusion system in the industry, and this is planned for launch next year. We're also considering inorganic, best-in-class technology opportunities to help complete the full range of polymer addressable markets. These near and mid-term growth catalysts will be powered by GrabCAD, our technology agnostic software platform, and brought to market via industry specific application expertise, and the largest go-to-market ecosystem. We envision that these next-gen technologies will allow us to offer customers end-to-end digital manufacturing. Everything from design to production and aftermarket parts will be seamlessly digital, geographically adaptable, and incredibly fast and robust, designed for industry 4.0 integration.

A good example of our manufacturing capabilities is our continued penetration into aerospace applications. The US Air Force recently hosted its first Advanced Manufacturing Olympics. This event was followed by multiple branches of the military and many of their top suppliers. We are very proud that our Stratasys team won two silver medals. One was for developing a supply chain strategy that uses 3D printing to support field operations, leveraging our Stratasys Direct Manufacturing logistics experience. The other was for designing a 3D printed hydro-clamp for the F-16 fighter jet. We use our advanced Antero material for the clamp, which is installed on the hydraulic line in the landing gear wheel well. Stratasys was also featured when another winning team used our Antero technology for production of a part that was installed and flown on an F-16 at the event to demonstrate its potential.

Additionally, Boeing recently added our Antero 800NA thermoplastic to its qualified parts list after an extensive evaluation of the material's performance. Boeing recognizes the utility of 3D printing with Antero to meet applications that were not previously possible. It gives Boeing the opportunity to extend additive manufacturing into many more on-aircraft use cases. These are outstanding examples of our polymer manufacturing leadership strategy in action, further elevating our reputation for high quality additive solutions as we continue to build our business relationships with leading aerospace and defense organizations.

I look forward to updating you on further progress in the execution of our strategy.

I will now turn the call over to Lilach who will share the financial results of the quarter . Lilach?

Lilach Payorski

Thank you, Yoav, and good morning to everyone. Total revenue in the third quarter was \$127.9 million compared to \$157.5 million for the same period last year, a decline of 18.8% due to the pandemic. However, this is an 8.8% sequential growth from Q2 and represents a marked improvement from last quarter's 27.9% year-over-year decline. We view these results as an indication of an initial recovery in the broader market from the impact of COVID-19.

GAAP operating loss for the quarter was \$404/3 million compared to an operating loss of \$6 million for the same period last year.

During the third quarter, we took a non-cash goodwill impairment charge of \$386.2 million or \$7.01 per share, related to our Stratasys Object reporting unit; this unit specifically covers the FDM and PolyJet technology. The charge is primarily the result of COVID-19 and its impact on the fair value of Stratasys Object reporting unit.

Non-GAAP operating loss for the quarter was \$1 million, compared to operating income of \$8.1 million for the same period last year. GAAP net loss for the quarter was \$405.1 million or (\$7.35) per diluted share, compared to net loss of \$6.9 million or (\$0.13) per diluted share for the same period last year.

Non-GAAP net loss for the quarter was \$3 million or (\$0.05) per diluted share, compared to non-GAAP net income of \$6.3 million or \$0.12 per diluted share, reported for the same period last year.

Products revenue in the third quarter was \$83.5 million, a decrease of 21.4% compared to the same period last year. Within products revenue, services revenue decreased 20.8% compared to the same period last year. Consumables revenue decreased by 22% compared to the same period last year.

Services revenue was \$44.3 million, a decrease of 13.2% compared to the same period last year. Within services revenue, customer support revenue decreased by 1.6% compared to the same period last year. We are now almost halfway through the fourth quarter, and while there is still uncertainty about the pace of COVID-19 recovery, we currently expect to see sequential revenue growth of about 5% to 7%.

GAAP gross margin was 38.9% for the quarter compared to 49.2% for the same period last year. Non-GAAP gross margin was 46.8% for the quarter compared to 52.4% for the same period last year. GAAP gross margin improved sequentially from Q2 by 170 basis points offset by the intangible asset impairment. Non-GAAP gross margin improved by 140 basis points, primarily due to a greater percentage of consumable in the sales mix.

Gross margin was below our historical range due to the impact of COVID-19, which reduced the share of hardware and consumables in the overall sales mix, as well as lower revenues and production levels, resulting in operational inefficiencies during the quarter.

We believe that gross margins will continue to improve as and when our customers return to their pre-COVID utilization.

GAAP operating expenses were \$454.1 million, an increase of 444.7% compared to the same period last year. Non-GAAP operating expenses decreased by 18.3% to \$60.8 million for the quarter as compared to the same period last year.

GAAP operating expense excluding goodwill impairment was 53.1% of revenue for the quarter compared to 53% for the same period last year. Non-GAAP operating expense was 47.6% of revenue for the quarter compared to 47.2% for the same period last year.

The reduction in OpEx was driven primarily by the resizing measure we took in Q2. We also continued the cost mitigation related to COVID-19. The entire company is working at an effective four-day work week with many employees working from home. There has been minimal travel; no trade shows booths and other reductions. These measures are still in place, and we'll continue to evaluate them as needed.

We generated \$2.6 million of cash from operations during the third quarter, as compared to using \$8.6 million in cash in the same quarter last year. Cash generation demonstrates the health of our business, which is notable during this challenging time.

We ended the quarter with \$308.2 million in cash, cash equivalents and short-term deposits, compared to \$313 million at the end of the second quarter of 2020. We believe that we are well positioned to navigate the COVID-19 pandemic, given our strong balance sheet with no debt, while focusing on cost control and cash generation.

I would like now to turn the call back to Yoav.

Yoav Zeif

Thank you, Lilach. This is an exciting time for 3D printing industries and for Stratasys. We believe that our innovations of today will drive competitive production advantages for the factories of tomorrow. At Stratasys, we are committed to leading this meaningful change. As we prepare to bring several next generation manufacturing technologies to market, we are confident we will achieve our objectives to be the first choice for polymer production across aero, auto, dental, healthcare and all of our end markets, resulting in growth and value creation for customers and shareholders.

Yonah Lloyd

Thank you, operator, you may please open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions]

Our first question today is coming from Shannon Cross of Cross Research.

Q - Shannon Cross

Thank you very much. I was curious with Formnext right now and it's virtual. How much sales and product launches and that - so you - the industry and your company specifically typically do? And I guess how are we supposed to think about opportunities around some of

these trade shows, given the virtual format? Is it less sales and more education? Just wondering how things have shifted from that perspective.

A - Yoav Zeif

Hi, Shannon. It's a bit early to say the impact of Formnext. But we are all geared to lead this exhibition, even if it's virtual as we are leaders in this industry. We have digital booths, and we have a whole series of webinars and we are doing many activities. I don't see any impact on our new product introduction activity. On the contrary, we get more leads, more interaction, that's the new world we are working in. And definitely we will have--we keep supporting the J55 that we have just launched, and we get very solid traction for the market with the pipeline. We will have the Xaar powder-bed fusion next year. And Formnext is a good start to get people acquainted with our great offering and focus on polymers.

Q - Shannon Cross

Okay, and then I guess, just a quick question on goodwill. And then I'll get back in the queue. I'm curious what drove the write-down? I guess if it was COVID related one would think that this will reverse at some point. So I'm just interested since she basically taken all the goodwill out of your balance sheet at this point in time.

A - Lilach Payorski

Yes. Good morning, Shannon. It's a - you're right, the main driver for the reduction in goodwill was the COVID-related given the expected long-term impact of COVID, that it's probably not going to be a short term and V-shaped recovery based on the industry research. Everyone speaks about that it will take more than two years to come back to pre-COVID-19 level. The impact on the projection of these technologies was very significant. And this is the main reason why we took the goodwill down.

Q - Shannon Cross

So I guess does this - I'm just trying to understand from your company's perspective, is this - are you basically saying you expect to see significant pressure or was this more sort of an accounting treatment decision? Just how should we think about this in relation to how you're thinking about the opportunity maybe over the next couple of years?

A - Lilach Payorski

Shannon, this goal is mainly related to the FDM and PolyJet technology. This goodwill impairment does not mean that we do not expect any significant long-term growth based on our strategy and we are expanding our portfolio with the new technology. So, we definitely expect to see growth; also within FDM and PolyJet, we do expect to see growth, but given that COVID impacts significantly, I would say short term between two to three years, it will take time to go back to pre-2019 levels, the entire projection is - well went down and you start with much lower base. We do expect to see growth, but it will take time; it will not be immediate V-shaped recovery as being expected, not just in our business, of course, the entire economic projection.

Operator

Our next question is coming from Wamsi Mohan of Bank of America Merrill Lynch.

Q - Wamsi Mohan

Hi, thank you. Good morning. Your consumables revenues saw a 15% quarter-on-quarter increase, but your competitor saw consumables almost double. I was wondering just given that the consumables is an install-based business. And as the economy reopens, you saw some pretty good sequential in auto and industrial end markets in terms of their own productions and their manufacturing. I would have expected a slightly sharper rebound in materials usage. Can you maybe share some thoughts around that? And I have a follow-up?

A - Yoav Zeif

I'll be happy to share our perspective. So we see a rebound. But we in general have a very broad base of customers; we have the largest install base in the industry. And this is an advantage when you have many customers. But when you have many customers, you move with the economy because you're kind of a sample of the economy. Other players in the industry without relating to specific players have more concentrated install base. And then if one of the customers is rebounding more strongly, like in dental, and also our dental customers rebound more strongly then you see a stronger rebound or stronger increased sequential increase. But that's only a matter of time because the fact that we are not having concentrated customers means that we will keep growing. And we have a more diverse and more secure, and more safe offering and install base.

Q - Wamsi Mohan

Okay. Thanks, Yoav. And as my follow-up, you shared some really nice wins here at US Air Force and Boeing. How large do you see these opportunities for Stratasys? And more broadly, can you give us some sense of how large aerospace revenues are for you today? And what do you think they can be over the next few years? Thank you.

A - Yoav Zeif

So I can talk generally about aerospace, but we don't share specifics, but I hope it will be a good direction. So aerospace and auto for us are the leading industries. We believe that within those two industries because they are so advanced because the advantage additive manufacturing has both in terms of supply chain, but not less important in terms of the mechanical properties of the part, our innovation... it's like paving the way into real use of additive manufacturing as a production tool in those industries. And as to the fact the trends that exists in terms of footprint, environmental footprint in terms of the need to have lighter parts, electronic vehicles, those trends will support the additive manufacturing, and we are - we have the best position in those two industries. By far the best position and with the new technologies and with the new system of hardware, software, material and service, we believe we will be - we are the leader and we will be the leader when those industries will take off and will start using additive manufacturing for ongoing production of, mid, small series of production.

Operator

Our next question is coming from Greg Palm of Craig-Hallum.

Q - Greg Palm

Yes. Thanks for taking the questions here. Does it relate to the quarter, and that stood out from an end market or geographic standpoint, maybe what outperformed relative to your expectations? Anything that was a bit softer any color you can provide.

A - Yoav Zeif

So, of course, I do understand that the recovery is not distributed equally across different segments. So I can say, geographically, the pandemic started in the east, but the east is recovering faster than the western world that's on geographically aspect. On the segment side of it, it's clear that government is recovering; education is recovering as we wrote government especially the aerospace of government is recovering faster. Healthcare is recovering much faster than the other segment, which is natural because there was a stop in the second quarter, and the aerospace and the auto we see signs, but it's a slower recovery.

Q - Greg Palm

Okay, yes, that's helpful. And then as it relates to the guidance for Q4; the 5% to 7% sequential increase. Are you baking in any sort of assumptions for year-end spending flush in there? I mean is the guidance based on what you've seen so far in the quarter? Maybe you can give us a little bit more color on how you got to that number, specifically.

A - Lilach Payorski

Good morning, Greg. Yes, it's true; we are depending our growth assumption on the traditional - our - quarter in Q4 because of the year-end spending these companies have traditionally. So it will come from that. We also encouraged by the initial kind of recovery we saw in Q3 and hope that we will see similar if not better recovery in Q4. We see companies basically are learning to live with COVID-19 and coming back to work with COVID-19 situation. So we expect to see some recovery coming from that. We also going to rely on our NPI ability, J55 beginning to add more revenue to our pool. But at the same time, we are cautiously optimistic regarding the recovery. And there is a lockdown in various aspects of the world and it really much vary and change but we are confident that we probably will be able to demonstrate 5% to 7% growth.

Operator

Our next question is coming from Kenneth Wallace from Berenberg.

Q - Kenneth Wallace

Hey, good morning, everyone. Thanks for taking my question here. I want to kind of get into the product launches a little bit here, particularly the powder-bed fusion printer, just kind of wondering if you could offer a little color around, how that product might be differentiated, what the market opportunity may look like. Will there be kind of new use cases with this printer relative to kind of your legacy business, perhaps new end markets, just any color there would be really helpful.

A - Yoav Zeif

So, powder-bed fusion; by the way, Ken, thank you for asking. Powder-bed fusion is what we believe our first step into production, which is a larger volume series of production. And this technology already exists. But we are going to come with something which is better in different aspects of the technology, mainly around the part quality and the ability to use it for a long time with reliability because it's manufacturing, its production. And we are very proud of what we are achieving currently with the initial results and the initial parts. But bottom line is about quality. It's about quality with a very good cost per part. And this, as I said, this powder-bed fusion is only one catalyst out of a whole set of catalysts that we have in our pocket.

So if I go one by one, we have growth catalysts on three different horizons. For the here and now, for the short and mid-term and for the long term and those growth catalysts that we have mainly now, here and now, it's about the recovery from the COVID-19 based on the fact that we have the largest install base in the industry. If our customers are coming back to work, we are growing. That's very short term and medium-term catalyst, here and now. And then if you look at the mid, short term, it clear that the whole economic system, but mainly our production and manufacturing customers, they stopped practically many of their product development.

And they are facing delays of 9 to 12 months in the product life cycle of developing new products. And there is no better and quicker way to close this gap than additive manufacturing, because we are shortening this product cycle by months. And it's amazing what you can do with additive manufacturing versus a traditional approach. So this is I would say the mid to short mid-term plus the NPI that will fuel it and powder-bed fusion is only one of them. And in the long term, we are sitting or being supported with tailwind of a very strong growth rate of around 20%, 25% of the industry. And this strong growth rate is fueled primarily by the shift to manufacturing.

And our strategy to go to manufacturing and to introduce best-in-class technologies and systems manufacturing. So just to summarize, in the immediate term will enjoy the recovery in our installed base; in the short term, we will enjoy the need to catch up on the production or the product development lifecycle. And in the long term, we'll enjoy the tailwind of moving and shifting to manufacturing. And within manufacturing, we will lead the shift of polymers.

Q - Kenneth Wallace

Great and then just kind of a follow-up here; the partnership with, I believe nTopology last week or maybe early this week on kind of tooling applications. Can you perhaps speak to the FDM business and kind of how penetrated in your view the opportunity is in tooling applications? And kind of would you categorize if you could, sales linked to tooling and FDM - is it kind of accelerating business kind or more steady growth? Is it kind of flat year in, year out? And could we see this partnership perhaps accelerate adoption of your technologies in tooling applications?

A - Yoav Zeif

Thank you. Great question. So I think there are two aspects to that I would like to a bit elaborate on this. One is FDM. FDM is the most prominent, the biggest technology, and very promising one in polymer. And we are the leader, by far, the leader. But we also understand that in order to keep leading, we need to take FDM into a real reliable manufacturing machine. When I'm talking manufacturing, it has two use cases. One is the manufacturing of tooling. And the other is the manufacturing of - I'd say short series of production. And then for tooling, by the way possible production but also tooling, this cooperation with, nTopology is a great example because we understand that we need to bring a whole solution to our customers.

And the whole solution means also that ability to really better understand the part and what is the most - how to optimize the creation or the production of the part. And nTopology is a great example of how we can cooperate, bringing the best software understanding and analysis with the best machine plus materials. And really, and you saw that together with them we won the prizes in the Air Force Olympics. But just to sum up, FDM is very promising. We are leading there; we will focus both on manufacturing tooling, but in the near future, actually starting already, in aerospace in production, reproduction of end-use parts, and our long-term strategy is to create in software, what we call an ecosystem that will support our full solution.

So you will see more and more cooperation that we will leverage in order to bring the best solution, the best polymer solution to our customer.

Operator

Our next question is coming from James Ricchiuti of Needham & Company.

Q - James Ricchiuti

Hi. Thank you. With respect to the Q4 guidance, if I think of your revenues, say at the midpoint of that guidance. Is there any reason why you wouldn't see gross margins at or above your Q1 level just given some of the cost actions you've taken because that would put you above where you were at Q1?

A - Yoav Zeif

Good morning, Jim. Do you hear me well? Yes, I think so. So, good morning, Jim and from gross margin we expect to have a relatively flat to slightly higher gross margin in Q4 as compared to Q3. The reason why we are not expecting to see that significant increase in gross margin is because we still have a relatively significant high inventory level, and our production activities are still very low. So we will be challenged by fixed production cost. It's not something that we can easily address immediately with not that much flexibility, but we definitely address in this more to the long-term perspective.

Q - James Ricchiuti

Thank you. That's helpful. And as you think about those inventory levels that have been built up it; what is your sense as you exit the year? In terms of should we start to see, if we see the revenue, the activity within the customer base continuing to improve? Should that be passed you as you enter 2021?

A - Lilach Payorski

It's too early to assess but I believe that it's not going to be an immediate change after one quarter. It will take a few more quarters to get to the right level of inventory, optimize our regular production level in optimization way.

Operator

Our next question is coming from by Brian Drab of William Blair.

Q - Brian Drab

Hi, good morning. Thanks for taking my questions. I've just been doing some thinking about some of the comments you made on the last call, in the second quarter call related to your strategy, longer-term strategy and how FDM and PolyJet as the two core strategy or technologies that you have now account for only about one third of the additive market for polymers and the growth rate slowed in those applications and talking about the faster growing applications are going to require these other technologies that suit that need better to use your words. So I guess we're talking about SLA and powder-bed fusion. And I just wonder if you could talk more about why those are better suited? Number one, why those are better suited than your current technologies to lead to growth in the future?

And secondly, how is Xaar different from other technologies? I think it will be helpful for people to get better understand why is that different from other technologies out there like say from EOS? And third, what is the strategy for SLA? Because I know you introduced an SLA machine, of course, last year, and I'm wondering is the strategy in SLA now organic or inorganic? So I know there are a lot of questions there. I'll just leave it there.

A - Yoav Zeif

Hi, Brian. Great questions. I'll go one by one. First of all, PolyJet and FDM are our core technologies and we built our entire knowledge of polymer chemistry based on them and we are the leader in both technologies, just to make sure that we are starting from the same page. And both those technologies will grow. But by definition, PolyJet is a rapid prototyping technology, the best rapid prototyping technology because it's full color, and you get the best parts. But it's...still we need to educate the market to adopt it, because most of the market is still single material.

And we have the multi material capabilities and the color capabilities. And actually, we invented it. And I believe that there is a long runway also for PolyJet. If we look at FDM I already related to it, FDM is one of the best technologies mainly to aerospace. And we are going to focus on engineering, on manufacturing of tools, that's what we call jigs and fixtures, tooling. And on manufacturing, high end part because the mechanical properties are very good with composites with our machines. And we focus on those three segments, so engineers with FDM, high end prototyping with functionality, or tooling, jigs and fixtures. And the third segment is manufacturing, mainly aerospace and auto where you need the good mechanical parts and lightweight.

So this is FDM, still long runway to develop it and to make it the manufacturing machine. And that's what we are doing in our pipeline, that's the upgrades that we mentioned. Now if I look at longer series of production, on production, on manufacturing, powder-bed fusion and VAT, has clear advantages on the mechanical properties on the speed and the cost per out, because it's a production machine. And then therefore, we decided to get into powder-bed fusion. As already mentioned, it's a unique powder-bed fusion because we believe we will have the best part quality in the industry. And on SLA, I would relate it as a VAT in general and we believe that there are clear applications that VAT is the most suitable solution for them. Like for example, molds, like specific parts, for example, also in aero for example, where you need part that is more, it's not that the weight is not so important, but the strength is more important.

And those specific applications, this is the whole story of the strategy. We want to make sure that in polymer, we are covering all applications; and we'll go application by application to make sure that we are bringing the full solution to our customers. That's the story. I hope I answered your questions.

Q - Brian Drab

That's really helpful. Are you - are you leaning more - it's super helpful. Are you leaning more toward organically going building SLA or inorganically? And then I'll leave it there. Thank you.

A - Yoav Zeif

We are examining both pathways.

End of Q&A

Operator

Thank you. At this time, I'm showing no further questions in queue. I'd like to turn the floor back over to management for any closing comments.

Yoav Zeif

Thank you for joining us. Stay safe and healthy. Looking forward to updating you again next quarter. Thank you.

Operator

Ladies and gentlemen, thank you for your participation. This concludes today's event. You may disconnect your lines or log off the webcast at this time. And have a wonderful day.