

# **Fuel Tech, Inc. (FTEK) Q2 2024 Earnings Call Transcript**

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**Body**

Fuel Tech, Inc. (FTEK)

Q2 2024 Earnings Call

August 7, 2024 10:00 ET

Company Participants

Devin Sullivan - Managing Director of The Equity Group

Vincent Arnone - Chairman, President and Chief Executive Officer

Ellen Albrecht - Chief Financial Officer

Conference Call Participants

Amit Dayal - H.C. Wainwright

William Bremer - Vanquish Capital Markets

Marc Silk - Silk Investment

Presentation

Operator

Greetings, and welcome to the Fuel Tech Inc. Second Quarter 2024 Financial Results Conference Call. [Operator Instructions] It is now my pleasure to introduce your host, Devin Sullivan, Managing Director of The Equity Group. Please proceed.

Devin Sullivan

Thank you, Latania. Good morning, everyone, and thank you for joining us today for Fuel Tech's 2024 second quarter financial results conference call. Yesterday, after the close, we issued a press release, a copy of which is available at the company's website, www.ftek.com. Our speakers for today will be Vincent Arnone, Chairman, President and Chief Executive Officer and Ellen Albrecht, the company's Chief Financial Officer. After prepared remarks, we will open the call for questions from our analysts and investors.

Before turning things over to Vince, I'd like to reset everyone that is discussed on this call, except for historical information, are forward-looking statements as defined in Section 21E of the Securities Act of 1934 as amended, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and reflect Fuel Tech sections regarding future growth, results of operations, cash flows, performance and business prospects and opportunities, as well as assumptions made by, and information currently available to our company's management.

Fuel Tech has tried to identify forward-looking statements by using words such as anticipate, believe, plan, expect, estimate, intend, will and similar expressions, but these words are not the exclusive means of identifying forward-looking statements. These statements are based on information currently available to Fuel Tech and are subject to various risks, uncertainties and other factors, including, but not limited to, those discussed in the company's annual report on Form 10-K in Item 1A, under the caption of Risk Factors and subsequent filings, under the Securities Act of 1934 as amended, which could cause Fuel Tech's actual growth, results of operations, financial condition, cash flows, performance, business prospects and opportunities to differ materially from those expressed in or implied by these statements. Fuel Tech undertakes no obligation to update such factors or to publicly announce the results of any forward-looking statements to reflect future events, developments or changed circumstances or for any other reason. Investors are cautioned that forward-looking statements involve risks and uncertainties, including those detailed in the company's filings with the SEC.

With that said, I'd now like to turn the call over to Vince Arnone. Vince, please go ahead.

Vincent Arnone

Thank you, Devin. Good morning, and I'd like to thank everyone for joining us on the call today. As expected, our performance in the second quarter was much improved over Q1 of this year. Following a slow start to the year, our APC and FUEL CHEM business segments each exhibited double-digit revenue growth and gross margin expansion during the second quarter. We remain very encouraged by the progress toward commercialization made with our Dissolved Gas Infusion or DGI business initiative, and we ended the quarter in a strong financial position with cash, cash equivalents and investments of over $30 million and no debt. Additionally, we were pleased to report the incremental $5 million in new APC contract bookings yesterday, which provides us with an effective backlog of just under $10 million, as of this date.

Now, let's discuss our results for the second quarter in more detail, starting with FUEL CHEM. Our performance this quarter was highlighted by a 52% increase in revenue, as compared to the same quarter of the prior year. After a slower-than-expected first quarter, this performance puts us at the same level as the prior year on a year-to-date basis. This result was driven by several positive factors: First, we had two customers that had largely been dormant over the past 2 years, we turned a service to address higher regional power demand in a cost-efficient and dependable manner.

Second, as discussed on our last call, we realized a modest contribution, from our recently initiated demonstration in the Western U.S. of our chemical technologies program at a new coal-fired unit. These demonstration related revenues will be more pronounced in the current third quarter. If this becomes a commercial account, it is expected to generate annualized revenue of approximately $1.5 million to $2 million per year at historic FUEL CHEM gross margins. In addition to this domestic opportunity, we are in discussions with one additional coal-fired power generation facility, also in the Western U.S. regarding a demonstration later in the year, or early in Q1 of 2025. We are also pursuing an opportunity to address the concerns of a biomass fired boiler operator, and this could also materialize into an additional demonstration as we move into next year.

With respect to international FUEL CHEM opportunities, we remain in discussions with our partner in Mexico to expand the provision of our chemical technology in their country. Following the election of President Claudia Sheinbaum, who takes office on October 1, we are still waiting to gain additional clarity on the likelihood of this opportunity. We would expect her to act favorably toward implementation of environmental policy, given her background as an energy engineer and her long-term advocacy on matters of energy efficiency, sustainability and the environment.

With the combination of customers returning to service from scheduled and unplanned outages, the increase in power demand and associated unit dispatch that historically comes during the summer months, and the incremental impact of known demonstration revenue, we expect FUEL CHEM revenue to improve significantly in the second half of the year versus the first half of the year, and we expect a year-on-year revenue improvement for the third quarter. Domestic and international opportunities that we are currently pursuing could provide additional upside.

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Turning to our APC segment. The 15% growth compared to last year's second quarter reflected the timing of successful project execution. As I mentioned previously, we were pleased to announce $5 million in new contract awards yesterday, and based on ongoing discussions with our potential customer base, we expect to close additional new APC orders during the second half of this year. In 2023 and 2024 thus far, we benefited from the continued adoption of our ULTRA, SCR, SNCR, FTC and ESP emissions control solutions, that natural gas and coal-fired units in the U.S., Europe, South Africa and the Pacific Rim. I expect this to continue throughout the second half of 2024 and into 2025. Independence of the potential impact of regulatory drivers. We are well positioned to take advantage of current industrial market trends, which include plant capacity expansion across several industries, the incentivized use of small turbines to replace traditional less clean power generation, the development of the biocarbon industry, the continued emphasis on decarbonization on a global basis and the focus on using our Ultra systems as the safe source of ammonia for SCRs at hospitals and universities across the U.S. Now on the regulatory front.

On June 27, the Supreme Court granted states and industry applicants request to say the good neighbor rule, while the case proceeds in the D.C. Circuit Court. As we have discussed on previous calls, the rule required 23 states to reduce emissions of nitrogen oxides from power plants, and certain industrial facilities to limit their impact on downwind states. This decision temporarily holds the implementation of the rule, pending the disposition of the applicants petition for review and the U.S. Court of Appeals for the DC circuit. We will be definitely closely monitoring the status of this case to better understand the impact and timing of the final decision making.

In addition to the good neighbor rule, we are also watching the progress of EPA's rule for large municipal waste combustor units, which is independent of the good neighbor rule. This rule reduces the nitrogen oxide emissions requirements for large MWC units. Fuel Tech has had a long history of assisting this industry and meeting its compliance requirements. And we have had discussions with customers in this segment, to support their compliance planning. The MWC rule was proposed in February of this year, and is currently being finalized by EPA after the public comment period. The final rule is expected in November with compliance deadlines expected sometime in the next 3 years.

Lastly, in April of this year, the EPA issued a new stringent greenhouse gas emission standard that require 90% reductions from most new gas-fired plants and existing coal units by 2032. This same proposed rule includes tightening the mercury and air toxic standards by 2028. Waste water discharge limits for coal-fired power plants by 2029, and the ash-handling and disposal from coal-fired power plants over the next several years.

This combined rule comes at a time where there are projections of potential shortfalls in power generation, over the next 5 to 7 years in certain geographic regions, due to data center power demands and increases in computing power resulting from the adoption of artificial intelligence. And we are in the process of evaluating the potential impact across our technologies in the power generation market. As previously mentioned, opportunities related to these regulatory requirements would be incremental to our current expectations.

Now shifting to our DGI technology. Ongoing business development initiatives continue to gain momentum. We expect to commence the demonstration late in the third quarter or early in the fourth, at a fish hatchery site in the Western U.S., to highlight the capabilities of DGI for this aquaculture application. Should this demonstration prove successful, we would expect that DGI would be integrated into this customer's greenfield project specifications, for a large facility that is expected to be completed by late in 2025.

We are also progressing in discussions with one of the largest food processors in this country to utilize DGI to provide dissolved oxygen, for the wastewater treatment facility at a food processing plant that they own and operate. The timing of this demonstration is currently unknown, but is likely to occur towards the end of the year. There are multiple other end markets of interest that we are pursuing for DGI, including pulp and paper, food and beverage, chemical, petrochemical and horticulture, and we look forward to addressing these markets prospectively, as we continue to advance towards commercialization.

On the marketing front, we continue to increase our efforts to communicate the benefits of DGI to targeted end markets and customers, and we will be attending the WEFTEC Conference, also known as Water Environment Federation, Technical Exhibition Conference in New Orleans, in October of this year. Based on our effective APC backlog, the business development activities we are pursuing across business segments and our previously noted expectations for FUEL CHEM. We continue to expect that total revenues for 2024 will exceed the total revenues recognized in 2023 of $27.1 million, and we will provide further guidance as we move throughout 2024. This base case outlook excludes any material contributions from DGI as we are still in the midst of commercialization.

In closing, I want to express my thanks to the Fuel Tech team for their contributions to our business. We are encouraged by the contract landscape for APC by the resilience and potential growth of our FUEL CHEM segment and the opportunities we are pursuing at DGI. I thank our shareholders for their continuing support and reiterate to you our focus on delivering long-term shareholder value. Now, I'd like to turn the call over to Ellen.

Ellen Albrecht

Thank you, Vince, and good morning, everyone. For the quarter, consolidated revenues rose 29% to $7 million from $5.5 million in last year's second quarter, reflecting double-digit growth in both the APC and FUEL CHEM segments from the prior year period. APC segment revenue increased to $3.9 million from $3.4 million in last year's second quarter, primarily related to progress made on project execution. FUEL CHEM segment revenue increased to $3.1 million from $2 million in the second quarter of 2023, due to the combination of factors that Vince described earlier. Consolidated gross margin for the second quarter was 42% of revenues, up from 37% in last year's second quarter. This increase reflected an increase in both APC and FUEL CHEM gross margin. APC segment gross margin increased to 39% of segment revenues from 31% in the prior year period due to favorable product and project mix. FUEL CHEM segment gross margin increased to 46% from 45% during the prior year period, primarily due to the increase in segment revenue. FUEL CHEM's second quarter gross margin also improved from gross margin of 43% in the first quarter of 2024, validating our expectations that FUEL CHEM segment gross margin will return to historic levels in the second half of the year.

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Consolidated APC segment backlog at June 30, 2024, was $4.3 million, down from a backlog of $7.5 million at December 31, 2023. The Backlog at June 30 included $1.8 million of domestically delivered project backlog and $2.5 million of foreign delivered project backlog. Compared to $2.6 million of domestic delivered project backlog and $4.9 million of foreign delivered project backlog as of December 31. We expect that $4.3 million of the current consolidated backlog will be recognized in the next 12 months. As Vince noted, backlog at June 30 did not include the $5 million of new project awards announced yesterday.

SG&A expenses increased to $3.3 million from $2.9 million in last year's second quarter, reflecting higher employee-related expenditures. Despite the year-over-year increase, SG&A as a percentage of revenue decreased to 46% from 53% in last year's second quarter, primarily driven by the increase in total revenue and our commitment to maintaining cost-efficient operations. For 2024, we expect SG&A expenses to range between $13 million and $13.5 million.

Research and development expenses for the second quarter were essentially flat at just over $400,000, and primarily reflecting our ongoing investment in the development of new technologies to expand our product offerings in the water and wastewater treatment market, and more specifically, our DGI systems. Our operating loss narrowed to $715,000 from an operating loss of $1.3 million in last year's second quarter, reflecting the increases in revenue and gross profit in both business segments. We continue to take advantage of the favorable interest rate environment and as of June 30, have invested the majority of our $30.4 million in cash and held-to-maturity debt securities and money market funds. This generated $334,000 of interest income in the second quarter compared to $307,000 in the prior year period. Assuming no significant changes in the interest rate environment, we expect to generate interest income in excess of $1.2 million in 2024.

Our net loss for the quarter narrowed to $421,000 or $0.01 per share compared to a net loss of $1 million or $0.03 per share in the same period 1 year ago. Adjusted EBITDA loss was $529,000 compared to an adjusted EBITDA loss of $1.2 million in the same period last year.

Lastly, moving to the balance sheet. Our financial condition remains strong. As of June 30, we had cash and cash equivalents of $10.4 million and short and long-term investments totaling $20 million. Working capital was $25.8 million or $0.85 per share. Stockholders' equity was $43.6 million or $1.43 per share, and the company continues to have no outstanding debt. We remain confident in our ability to maintain a strong financial position and fund our growth initiatives. I will now turn the call back over to Vince.

Vincent Arnone

Thank you, Ellen. Operator, let's please go ahead and open the line for questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] The first question comes from Amit Dayal with H.C. Wainwright. Please proceed.

Amit Dayal

Thank you. Good morning, everyone.

Vincent Arnone

Good morning, Amit.

Amit Dayal

Congrats on the bounce back in the second quarter. Just focusing on some of the DGI side of things, looks like business development efforts are progressing well. What are you seeing currently, for how big some of these contracts could be for you? If you could share any range for how large these opportunities potentially could be? It would be very helpful. Thank you.

Vincent Arnone

Yes. Thanks, Amit. I mean, we've discussed this a little bit previously. I think, when we talk about revenue range for DGI systems, it will depend on the size of the application that we're looking to serve. I mentioned that we're looking at a couple of demonstrations right now. One is for a large – it's a large food processing plant and their wastewater treatment plant is sizable. The system that we would provide to a site like this could be between $0.5 million and $1 million, just as a range for application. As we're looking at an aquaculture site, and it will depend on the size of the aquaculture site, but I would expect perhaps something a little smaller than that revenue range. So it will definitely get down to the size of the application for which we're looking to provide the dissolved oxygen. And – but the system range could be anywhere from as low as $200,000 to $300,000 to in excess of $1 million.

Amit Dayal

Understood. Thank you for that. And with the work you've done so far of this segment, gross margin trends will align with sort of current levels for the legacy business for DGI?

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Vincent Arnone

Yes. We are going to be targeting 35% plus gross margins for DGI just as a general statement. But as technically, we are not commercial yet, it's a little premature. But at a minimum, we are going to be targeting 35% gross margin levels or better.

Amit Dayal

Okay. Thank you.

Vincent Arnone

You're welcome.

Amit Dayal

FUEL CHEM seems to be doing much better, especially going into 2025. Are you taking market share from sort of other players, or are these just previous customers who you already had a relationship with, went dormant, are now sort of reengaging you?

Vincent Arnone

Yes. No, we – technically speaking, Amit, there really isn't competition for what we do with our FUEL CHEM technology. So, what's happening at this point in time is we are finding that there are – again, some pockets of opportunity, whether our units in certain geographies that are being tasked to dispatch at higher load levels. They are burning some fuels that are difficult to burn, but it's very advantageous for them to try to keep themselves up and available to run, particularly during the peak dispatch times of year, that being summer and winter time. So, it's these couple of facilities that are giving us the opportunities for additional business at this point in time. One, we are up and running on now, the demonstration is going well. The additional one where we are targeting at looking at a start-up as we move towards the end of this year or early next year. But those two accounts are indeed brand-new customers for us.

Amit Dayal

Okay. Understood. And you highlighted that if you close on this account in Western U.S., you could generate like record level margins? Like what would those margin levels be for the FUEL CHEM business?

Vincent Arnone

I did not say record. I think the word I used was returning to historic levels, returning to our historical levels, if you will. So, not record levels. But through the first half of the year, our FUEL CHEM gross margin on a year-to-date basis is a little bit lower than our norm. It's in the 44% to 45% range. With the additional volumes that we are going to see in the second half of the year, our overall year-to-date numbers as we proceed throughout the year should increase more towards our historical average of that 48% to 49% level, 50% level some years. So, we will see some margin improvement as we move throughout the remainder of the year.

Amit Dayal

Thank you for clarifying that. Appreciate it.

Vincent Arnone

No problem.

Amit Dayal

That's all I have Vince, will take my other questions offline. Thank you.

Vincent Arnone

Thanks Amit.

Operator

The next question comes from William Bremer with Vanquish Capital Markets. Please proceed.

William Bremer

Good morning Vince.

Vincent Arnone

Hey Bill. How are you?

William Bremer

I am doing well. Thank you. I appreciate the update on the future political compliance rules. That's very helpful. Especially, there is a few of them out there. The question I have and I am going back almost 6 years was a release by you guys, September 10, 2018, and in which it was a very sizable release totaling $15.8 million, if you recall. But more importantly, in this release, this was the second contract that you received in the data center power market, going back 6 years, okay? It was at its infancy, and we all know that the data center power market has been an enormous play. My question to you is, that we supplied the selective catalytic reduction and the urea reagent technologies to these data centers. Why haven't we received the bulk load, if we were so early on this end market, where has been the future follow-up orders? And as I voiced in the past, we haven't had a book to burn over 1.5 in some time. Now, today's announcement of $5 million is commendable, it's not earth shattering, but it's commendable. It's a step in the right direction. But we were so early on this end market, and yet there hasn't been any follow-through whatsoever.

Vincent Arnone

Understood. I know – obviously, I know the order that you are making reference to. It was actually – it was two separate contract awards, but in total, there was for 20 units of SCR in support of gas turbines that were backup power for a data center. And yes, that was in the 2018-2019 timeframe. Now, interesting because we actually did think that we would see more opportunity from the data center market over this past handful of years. But what we found out is a couple of things. Primary point is the requirement for the use of post combustion control. In other words, the – our systems for reducing nitrogen oxide emissions is very specific to each application. Because the requirement for that emissions reduction depends on how many hours that these units are going to be permitted to run on an annual basis. And if the permits that are obtained don't require these units to run over that requirement level, if you will, then they don't require the pollution control systems on those units. So, we have been watching this very, very closely. Believe me, there is no one that's more disappointed that we haven't seen more revenue from this marketplace than us, because it's something that we definitely had some high hopes for. But as we have come to find out that the data centers that are being permitted, they are not requiring the pollution control requirements, because of how they have written those permits for those applications. So, we are still in contact with the gas-driven providers that we worked with previously and other ones as well. So, we are watching this market space. And if it happens to turn our way again, we will be there ready to interact and engage. But unfortunately, there hasn't been a further expansion of the requirement for the pollution control technologies on these applications. And a long answer, but that's the best knowledge that we have today.

William Bremer

No, I appreciate the articulation of that. I truly do in the education. Second question, our equity actually traded down to $0.91 this week, far below our cash per share. Basically, the market is telling us that they don't value our products, our management, a separate we are trading below cash per share. We need to turn this around. I have articulated in the past that we need a complete change in our sales cycle or additional sales personnel, have any of these changes been implemented since the last call?

Vincent Arnone

No changes in sales cycle, Bill, nor in sales team as we sit here today. Our sales cycles are challenging cycles, and they have always have been. Sometimes our sales cycle for our air pollution control business is 5 years to 7 years long from when we first have an inquiry and provide a budgeted bid. So, it's something that we watch all the time. So, what's interesting to note is, as part of the contract orders today, the great majority of that contract value is international in nature. So, that's caused a little bit of a nuance and a little bit of surprise, particularly with the contract values that we are talking about. But what we are looking to continue to do is, not just focus domestically, but look to find partners that are doing business all over the world that can utilize our technology and some of the expertise that we have developed over the past four decades. So, we follow our sales cycles very closely. One thing I will share with you is that, we have never seen, call it, longer periods of time to come to contract than we have over this past 2 years to 3 years, 4 years post-COVID. I don't know if it's the way businesses interact with each other. I don't know if it's how budgets are being set and managed or just uncertainty in the timing of when projects are pushed forward, but that has been a recent trend that we specifically noticed with our business over this past, again to a 2-year to 3-year timeframe, just coming to contract closure is taking longer than we thought. Some of the orders that we announced today, I mean we have been trying to get the contracts finalized for the past two months, three months, four months, although we had final agreement two months, three months or four months ago, but just working through final terms and conditions, exceptions, payment terms, all your usual legal language as part of a contract, it just takes longer to get those things done. So, just general trends, but on an overall basis, I am pleased with where we stand today, relative to our APC contract outlook. I am expecting to see some material awards between now and the end of the year, or even as we move into the first month of next year. You may have noted in our contract award press release today, that one of those contracts came with an option for additional units, and that option expires in January of 2025. If the customer exercises that option, it's a significant contract, incremental contract award for us. So, I am pleased with what we just announced yesterday, long overdue. I will definitely agree with that. But I do see good activity coming our way in this next 6 months to 12 months.

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William Bremer

I appreciate that, I truly do. I hope that you and Bailey [ph] aren't content, okay? And I for one, I have more shares than yourself and Mr. Cummings combined, okay? And so I am not happy with the performance, being an exceptionally long-term shareholder that saw the value, the trends, etcetera. I just don't see the implementation on your end. This has to – you guys have to kick it off a notch, you really do. Thank you for your time, Vince.

Vincent Arnone

Thanks Bill. Appreciate the comments and believe me, we are not complacent in any way or form.

Operator

The next question comes from Marc Silk with Silk Investment. Please proceed.

Marc Silk

Hey Vince. How are you doing?

Vincent Arnone

Hi Marc. How are you?

Marc Silk

Okay. The first thing you discussed the FUEL CHEM at $1.52 million. The way you phrase it, does that sound like that could be recurring or it's just a one-off?

Vincent Arnone

If the customer fully goes commercial, post demonstration, it will be annualized revenue. It is recurring revenue.

Marc Silk

That's encouraging. Sticking with that area, let me see. What are the reasons of the return of the dormant customers? And how did that come about? Did they reach out to you, or was it an internal sales strategy?

Vincent Arnone

Actually, in this case, they reached back out to us. In one of the cases, we – our equipment was already on the site for this particular customer application. And they – because of regional power demand, they have been tasked to run these units, and they obviously have found it profitable to run these units. But when they run, because of the coal they are utilizing, they need to run our program. And so again, the levels that they are taking our chemical, we haven't seen from this customer in probably 3 years or thereabouts. So, that was a nice surprise. The other one is outside of the U.S., a customer down in – call it, the Island area, they burn oil. And this customer was actually looking to convert units to a different fuel source and use that different fuel source for power generation. Those conversions did not happen. They came to us and said, we need to start back up, and we need equipment for an additional unit as well, can you help us. And of course, we did. So, that was a nice surprise return as well. And believe me, it was a good fortune to have these two customers return back to us and here in 2024, very pleased with that.

Marc Silk

So, it kind of gets to this point. So, how do you leverage, the first example you gave is, they realize they need your product to – and they have used in the past, how do you leverage that to – again, you are the only player in town. And is there internal strategies as far as how to kind of leverage that testimonial, let's say, because you could capture lightning in a bottle.

Vincent Arnone

Agreed. And we have tried to leverage, call it, the benefits of the technology year-in, year-out over this past year, specifically, we do large advertising and e-mail campaigns, specifically targeted to coal-fired units that are operational today to see if we can provide them with benefit. But our program benefits are, they are really specific to the end user and what their needs and requirements are. They have to be burning a fuel that is causing them some difficulty. They have to be dispatched at higher loads, because if they are only running at 25% or 50% of their base load level, then in all likelihood, they are not going to have slagging and following issues on the inside of their boilers. So, it's very specific criteria that these end users need to have, for them to see benefit of our program. And our program isn't – it's not inexpensive. So, for them to calculate a return on investment, it ends up being more of a specific case that provides success to them. So – and yes, we are out there in the marketplace reaching out to anyone and everyone that we can to see if we can find additional opportunity for this particular application.

Marc Silk

Okay. And then the last question on FUEL CHEM before I move on is, you have got two new customers. So, how did that come about?

Vincent Arnone

Well, one new customer. That's the one that we are demonstrating right now. This new customer actually has, call it, some common relationships, if you will, from other plants where we have done business before. And so they end up coming to us because of their familiarity with what we have done on other units.

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Marc Silk

You mentioned you invested in new technologies on your press release. Is that DGI or are there other parts of the business that…

Vincent Arnone

DGI, specifically.

Marc Silk

Okay. So, one thing that got overlooked and maybe it's not a big issue because it didn't even come up in a conference call, but when you talked about your $5.5 million backlog, this is the first time I heard you discuss renewable energy market. So, can you expand on the possibilities and where you guys can find business opportunities?

Vincent Arnone

Yes. So, the renewable reference within our contract press release, and so one of the orders that we were able to bring in-house was, it's an application where ammonia is being fracked and it's being broken down into hydrogen and its other components. And whenever ammonia is broken down like that, it creates an emissions flow, if you will. And we are providing technology to address the emissions from that ammonia fracking process. And it's actually at two locations in Europe, whereby we are providing our equipment. So, it's a nice adder for us to say that we are associated with, call it, a renewable energy application. It is fact. And hopefully, we will find more applications like this prospectively. The ultimate end customer that we are dealing with is looking to build facilities like this in multiple locations around the world. If we do well with our execution on our contract with them, hopefully, we will be well aligned for additional business with them in the future.

Marc Silk

Great, because that is a nice buzzword. And then maybe to piggyback on the last caller, so you talk about it seems like there are so many opportunities there. Obviously, the Supreme Court hasn't done you any favors, but maybe things can change. I am not going to rely on the kindness of people's hearts that they are neighbors. They don't care if the neighbors get lung cancer or whatever. So, there is no doubt you are undervalued, especially you have done a good job maintaining your cash balance and this stuff. So, I do appreciate a healthy balance sheet. But now that you are covering at the $1 range and I don't know if – I don't know if anyone would be short the stock, but if people could try to manipulate this below $1 to try to get you delisted, I think now it's time to talk about a very small, just to announce a share buyback, let's just use $1 million or $1.5 million. $1.5 million can basically retire 5% of your shares outstanding. So, when things turn around, there is going to be less – the supply and demand is going to be in these long-term shareholders' favors. But you can have orders below the market, that if something happens where the market tanks like it did this week and has got to $0.91, you might have been there at $0.92, $0.93, $0.85, what $0.95, whatever. I think strategically, using a small portion of your cash, and that's the important part. I am not telling you to do a $5 million buyback, but – and I haven't even proposed this before, but I think now is the time maybe it makes sense to announce a small buyback just so you have – you can retire shares at a ridiculously cheap price. And then as the business gears up, then it was a great investment as well.

Vincent Arnone

Understood, Marc, I appreciate the commentary. As I have mentioned previously, we do discuss that at Board level, the best utilization of our cash. And we have discussed buyback scenarios on a recurring basis. And it's something that we will indeed discuss again. I can't make any specific comments about whether or not it's something we will move forward and do at this point in time. I will tell you that, obviously, we watch the dollar threshold very, very closely. We take it very seriously. And if indeed, we needed to take action to cure a dollar share price, we will do it, and we will find the best way to do it.

Marc Silk

Yes. And like I said, it would be using a lot of the money. And as Warren Buffett said, you are not out there in the market buying the stock on the way up, you are just there saying, I am going to retire stock at a ridiculous level, because as you give out options, it's going to be a plus, plus. So, hopefully, they look at this more seriously than they have in the past. And again, the dollar number, I don't think would impact the balance sheet that negatively because I am not looking for a $5 million or $10 million buyback. I am trying to be realistic here. Okay.

Vincent Arnone

I appreciate the commentary.

Marc Silk

Good luck going forward my friend.

Vincent Arnone

Thank you.

Operator

Thank you. At this time, I would like to turn the call back over to Mr. Vincent Arnone for closing comments.

Vincent Arnone

Thank you, operator. I would like to thank everyone for taking the time to join us on the call today. We are continually looking to find ways to increase our shareholder value and we look forward to discussing further our results as we move throughout the year. I wish everybody a good day and we will talk again soon. Thank you.

Operator

Thank you. This does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a great day.

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