Twin Disc, Inc.

Fiscal Third Quarter 2020 Earnings Conference Call

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CORPORATE PARTICIPANTS

Stan Berger, *Moderator*

John Batten, *President and Chief Executive Officer*

Jeff Knutson, *Vice President of Finance*, *Chief Operating Officer, Treasurer*

CONFERENCE CALL PARTICIPANTS

Noah Kaye, *Oppenheimer & Co.*

Josh Chan, *Baird & Co.*

Simon Wong, *G.research*

PRESENTATION

Operator

Good day. Welcome to the Twin Disc, Inc. Fiscal Third Quarter 2020 Earnings Conference Call.

Today's conference is being recorded.

At this time, I would like to turn the conference over to Stan Berger. Please go ahead, sir.

Stan Berger

Thank you, Valerie.

On behalf of the Management of Twin Disc, we are extremely pleased that you have taken the time to participate in our call. Thank you for joining us to discuss the Company's Fiscal 2020 third quarter and nine-month financial results and business outlook.

Before I introduce Management, I would like to remind everyone that certain statements made during this conference call, especially those that state Management's intentions, hopes, beliefs, expectations, or predictions for the future, are forward-looking statements. It is important to remember that the company's actual results could differ materially from those projected in such forward-looking statements. Additional factors that could also cause actual results to differ materially relate to the global COVID-19 crisis.

Information concerning factors that could cause actual results to differ materially from those in the forward-looking statements are contained in the company's Annual Report on Form 10-K; copies of which may be obtained by contacting either the company or the SEC.

By now you should have received a copy of the news release, which was issued this morning before the market opened. If you have not received a copy, please call Annette Mianecki at 262-638-4000 and she will send a copy to you.

Hosting the call today are John Batten, Twin Disc Chief Executive Officer, and Jeff Knutson, the Company's Vice President of Finance, Chief Financial Officer, Treasurer and Secretary.

At this time, I will turn the call over to John. John?

John Batten

Thanks, Stan. Good morning, everyone.

Before I begin, just in case you hear a random dog barking or a person walking by, I apologize, but it's the new world of operating remotely.

Before I turn it over to Jeff to go over the finances, just a couple of comments on the quarter. The third quarter, in very many ways, was very good operationally. We made a lot of headway in cost reduction on products that we've identified in previous calls in transmission in the marine area.

If it were not for the continuing performance issue on our 8500 Frac Transmission, our gross margin would have had more sequential improvement although operationally, there was improvement. We also made quite a bit of headway in developing new projects and customers in North America for our best product and a lot of new application for industrial products.

In very many ways, the third quarter started off very normally. Our 8500s were working extremely hard in the field and that led to the increased charge. The issue is as the transmission becomes out of the alignment or the rig becomes—is used more and more hours, we have a steel issue and we need to change that before we have a leak and then the clutch (inaudible).

What's happened in the third quarter is the transmissions were used—being used very, very hard. We couldn't get to all of them as quickly as we could, so there is the belief that there are more clutch failures. That has pretty much changed dramatically as everything comes to a rapid halt. I'll come back to what we're doing there.

Again, in late March, as with everyone—I mean, all the good things that would happen in the quarter came to a rapid halt. In late March and extending into April, outside of North America, all of our operations whether our factories or just distribution operations in Singapore and Australia basically had to shut down at some point depending upon the country for minimum of a week, sometimes longer, up to two weeks. In Belgium, it was two weeks. Italy rotated two weeks. All of our operations with the exception of Singapore right now are starting a slow open back up. We're back working in Italy, back working in Belgium, coming up slowly as we see rest of suppliers are up and how many hours, we need to ship that is on order.

All of our employees globally that can work remotely are working remotely, that includes Jeff and me today. We started back in our North American corporate offices in March before it was deemed necessary by ramping up 25%, 55%, 75%, and then everyone that could operate remotely.

I'm very happy to say that we've had very low COVID-19 infection rates. To date, the only place we know for certain was in Belgium; five cases and all are recovering nicely.

The Racine Plant and North American operations never shut down. We operated with a smaller crew and much fewer people—only the people necessary in the office, albeit at a low shipment rate. We've also put our Lufkin facility has been paused probably for three months because we couldn't finish up the construction there. That should be back on track later this summer.

In April, we applied and received a PPP loan. Most of you have seen that press release. Do we think that other small businesses should have gotten the PPP funding? Yes. Did we follow the rules laid out in the CARES Act? Yes, and we acted absolutely in good faith. Are we prepared for the audit afterwards? Absolutely. Do we think that this process could be vastly improved? Definitely.

Finally, we reviewed our good faith certification process with legal advisors, financial advisors, and our Board after research and all other funding options.

With the PPP funds we have received, we brought people back in the scene and some of those are working on the 8500. Part of that charge that (inaudible) slip in the third quarter is reflective of doing the repair work with our distribution service techs. More of this work is going to be done internally with people that are not necessarily needed for production and in other areas. We're going to be doing the repairs internally.

We also recognize that this loan is temporary and that we fully understand that we need to have the cost-structure in place once this loan of this funding ends in late June.

Jeff, with that, I'll turn it over to you right now.

Jeff Knutson

Thanks, John.

Good morning, everyone. I will briefly run through the Fiscal 2020 third-quarter numbers.

Sales is $58.6 million. For the quarter, we're up $9.1 million or just over 15% from Q2, but down $8.8 million or 11.2% from the prior-year third quarter. The quarter decline from the prior year was primarily the result of the significant reduction in new build and after-market activity in the North American fracking market along with the softening in the global marine and industrial markets.

The oil and gas declined accounting for approximately $10 million with the third quarter reduction in sales. As a continuation of the slowdown, we've seen—it started toward the end of Fiscal 2019. Through the first three quarters, sales are now down $42.8 million or 18.6% compared to the prior year, with foreign currency exchange contributing $2.9 million to the decrease. The third quarter margin percent was 24.1% compared to 29.9% in the prior year third quarter.

Our gross margin performance for the quarter will begin severely impacted by a continuation of the unsavable product which began in Fiscal 2019 fourth quarter, with lower fracking demand in the new reconstruction and reduced after-market demand as being the primary drivers.

In addition, we recorded an additional $2.2 million charge related to the product performance issue initially identified in the first fiscal quarter. Adjusting for this charge, the gross margin percent would have been 27.4% for the third quarter, which would mark the third consecutive quarter of sequential gross margin performance improvement. This improving operating trend is the result of targeted cost reduction actions on key products and overall focus on cost containment and production efficiency.

As we discussed in the year-end's Fiscal '19 Earnings Call, we anticipated the continuation of this difficult sales mix and have been focusing on cost reduction and pricing actions to drive margin improvement.

Spending on marketing, engineering, and administrative costs for the Fiscal '20 third quarter decreased $2 million or nearly 12% compared to Fiscal 2019. The decrease is resolved in reduced bonus, marketing spending, stock-based compensation, and professional fee along with the impact of the Mill Log sale which happened during the third quarter of last fiscal year.

With the oil and gas market struggling over the past four quarters, along with the anticipated downturn associated with COVID-19, we have aggressively pursued cost reduction opportunities to compensate for the decline in gross profit.

A restructuring charge of $500,000 was recorded in the third quarter primarily relating an ongoing cost reduction and productivity actions at our European operations.

With the unprecedented combination of the COVID-19 uncertainty and the decline in global oil prices, we accelerated our impairment review into the third quarter. This resulted in a non-cash incentive charge totally $27.6 million recorded in our third fiscal quarter.

With the reduced third quarter volume challenging product mix and a significant impairment charge, we recorded an operating loss of $26.9 million in the quarter compared to a $7 million operating cost in the Fiscal '19 third quarter. Adjusting for the impairment charge, operating cost, it would have been a positive $1.3 million in the quarter. Due to the first three quarters, operating profits declined by $57.3 million to an operating loss of $38.7 million from an operating profit of $18.5 million in the Fiscal '19 first three quarters.

Fiscal '20 year-to-date result includes $4.9 million of restructuring charges, a $6.1 million product performance charge, and a $27.6 million impairment. Adjusting for these items, the year-to-date operating income would have been roughly breakeven or $19 million decrease from the Fiscal '19 three quarters on a $43 million reduction in sale.

The effective tax rate for Fiscal '20 to date was just 8.9%, significantly lower than the prior rate of 24.6%. The current year rate was significantly impacted by the $27.6 million impairment charge recorded in the third quarter, which resulted in a 13.8% decrease for the current year effective rate.

The current year rate was also impacted by the GILTI provisions of the Tax Cut and Jobs Act which requires the inclusion of foreign income but prohibits certain foreign investments in credit only on domestic loss position.

The GILTI inclusion decrease year-to-date effective rate by 2.7%. The net loss for the third quarter of Fiscal '20 was $25.2 million or $1.92 per diluted share compared to a net profit of $4.6 million or $0.34 per diluted share in the prior year third quarter.

Year-to-date, the net loss is $38.1 million or $2.89 per share compared to a net profit of $11.5 million or $0.90 per share in Fiscal '19.

Negative EBITDA of $24.9 million for the quarter is down from a positive EBITDA of $10 million in the prior year third quarter. Again, adjusting for the $27.6 million impairment charges except for the quarter year has been a positive $2.7 million or $4.7 million improvement from the previous quarter.

From the first week quarters, EBITDA is now negative $31.5 million compared to $27.1 million positive EBITDA in the Fiscal '19 first three quarter.

As we reported during the call last quarter, we were able to complete the third amendment to our current agreement with BMO on January 28. This amendment was intended to provide temporary covenant relief as we work through the market challenges we were facing at that time.

Our third quarter results were in compliance with the revised covenant levels with Adjusted EBITDA ratio of 4.56 which is within the revised covenant requirement of 5.0. With the recent market development and even more challenging outlook, we will be reviewing alternative covenant arrangements with BMO for our fourth fiscal quarter and beyond. Those discussions are ongoing as very (inaudible).

Inventory was down $7 million in the quarter as reduction efforts started to gain traction. We filed inventory improvement and good working capital result. Free cash flow was positive $2.9 million in the quarter contributing to a $9.6 million decrease in debt in the third quarter.

Six-month backlog finished the quarter at $87.4 million which is down 8% from the previous quarter and 12% from the end of Fiscal '19.

Operating cash flow was positive $5.3 million in the quarter and year-to-date, $17.5 million better than the prior year first three quarters despite significantly reduced earnings.

Cap ex levels remain relatively high in the quarter similar to prior-year levels as we execute on some key investments and machinery and equipment. (Inaudible) the ongoing cap ex had been improved several quarters and is nearing completion.

We continue to expect this trend between $11 million and $13 million this year, but given the current market outlook, we are reviewing all capital projects and deferring all non-essential capital spending.

Now, I'll turn it back to John for some final comments.

John Batten

Thanks, Jeff.

Looking at the next couple of quarters, we feel at the next six months will be very challenging and unpredictable. We know that customers and distributors are actively working down their inventory as well as we are. Our end market, it could be down 20%, could be mean a short-term downturn for us for 40% in the next couple of quarters looking at the income and order rate.

We're continuing aggressively to follow strategic objectives of market diversification through our Veth acquisitions and our Lufkin investment in focusing our industrial products with (inaudible).

Just a final comment on the impairment at that. This is no way indicative of a (inaudible) that that was absolutely a right acquisition at the right time forward. Just given the uncertainty of market recovery and the length of the COVID-19 pandemic, the impairment charge was the right decision.

Finally, before I turn it over to questions, we feel like things are changing so fast. We have regular calls, with customers, with our distributors. We have regular calls, update calls with the Board. Management feels that it's only appropriate that we try to have another call with you, our investors, sometime between now and our fourth quarter results call, which would probably be in the first week of August.

Jeff and I will be sending out a press release, probably in the next month or so on the timing that we're anticipating somewhere around late June, early July, and obviously, we'll stay away from the Fourth of July weekend. Although, we feel that things are changing so fast. We don't know exactly what we'll be talking about, but I'm sure we have something to be talking about. We'll not be going over any other financial results. That will be more on market conditions and what we're seeing.

With that Valerie, we'll open it up for questions.

Operator

Thank you.

If you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you're using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Again, press star, one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

We'll take our first question from the line Noah Kaye of Oppenheimer. Please go ahead.

Noah Kaye

Well, good morning and thank you for taking the questions.

First of all, it's very good to hear that you and your employees are in good health. Of course, we hope that those who have gotten the infection continue on their path to recovery, so let me just say that (inaudible).

John Batten

Thanks. Thank you, Noel.

We have been extremely lucky. We recognize how lucky we've been so far.

Noah Kaye

Quick question to start us off. Just so we have this right, what would be the actual EPS impact to the impairment charge net of tax? I get (inaudible) that figure for everyone.

Jeff Knutson

Yes, the net was—I think we have a $1.8 million tax impact on 20.76, 20.48—so about a $1.86.

Noah Kaye

Okay. (Inaudible). Yes.

You commented on the impairment not being indicative of reaching confidence in the acquired (inaudible). Can you just tell us how year to date, how are net sales? If you could use actual figures that would be great, as well as to prior years and what drove the impairment? What were the considerations and (inaudible)?

Jeff Knutson

Yes, I guess I can take some of that, Noah.

3Q3 has been performing very well. Its sales are, I would say, essentially flat with the prior year, up from pre-acquisitions, so we've seen growth in their sales. They've had a lot of very strong market acceptance in North America that is sort of incremental with the business since acquisition, so the strategy was very strong and conforming.

I think what we faced was all of that doesn't really play into the impairment analysis. When we look at impairment, we're looking at market conditions going forward and our best estimate of what those might be. The environment that we're in—in particular in a good will impairment—it can become a very conservative exercise, so you're really looking at the forward market conditions through a difficult lens.

Maybe then we evaluate that strategy on an ongoing basis. It's kind of two different views of it. Certainly, we feel very strongly that that strategy and that (inaudible) is performing very well. We'll continue despite what might be a difficult four, six, eight quarters in front of them in terms of demand.

Noah Kaye

Right. Just following up on that. There may be some demand (inaudible). Can you just talk about your expectations for their overall resiliency? There are just some more respective call (phon) parts of the business.

John Batten

Noah, it's John.

I think they're well-positioned within the Company to be a kind of product line to be the most resilient. They also—I should add they were the other exception, I apologize. They remained open the entire time as well. They had some reductions in force, meaning not everyone was coming in but they also stayed open.

I never would have dreamed—and Jeff, we never would have dreamed taking any impairment charge on that until COVID-19. And really the exercise was the uncertainty on the length and the depth of this recession led to that and taking the full amount. But as far acceptance in North America, we're going to be very aggressive to take market share. We just don't—it's how long it's going to take, what customers—I mean, we definitely see some slowdown in project inactivity with things that are like sightseeing vessels. We just did a vessel for Niagara Falls, an all-electric vessel.

It's just markets like that that are relying on tourism or people coming together. We think those markets are going to be hit for an undetermined amount of time, but overall with their hybrid strategy, their all-electric—I think they have an incredibly bright future with us and we're very positive on that.

Noah Kaye

Right. Just thinking about original goals for the year to get to positive free cash flow, any comments and then on the press release as well, we've had some at the low end of cap ex basically, it looks like we generate $6 million, $7 million operating cash flow in the fourth quarter. You're exactly breakeven? Just talk about confidence in (inaudible) with me to get there. What are you doing right now to make sure (inaudible)?

Jeff Knutson

Yes, I can take it as part of that one, Noah.

Obviously, in this environment, we're hyper-focused on liquidity and generating cash. I think the third quarter was the start of good momentum in terms of inventory reduction. With our markets down and we expect it particularly in North America, oil and gas to be down significantly, it's a little more challenge on inventory reduction, but we're still confident we'll see inventory reductions through our fourth quarter.

What hard is—hard to know is what kind of volume impact we'll see in Q4. Our projection right now would be that we have continued positive free cash in Q4, but obviously, that's a very difficult forecast to make. With the uncertainty around what customers might be pushing out orders, what suppliers might be slow in getting us to come back, so a lot more uncertainty and variables in Q4 than normal, but we're certainly—we're pushing forward, continuing to see black numbers in free cash flow.

Noah Kaye

All right. And—

John Batten

Yes, Noah. It's John.

Noah Kaye

Sorry. Go ahead, John. Go ahead and start.

John Batten

Yes, we are again hyper-focused. We should see continued inventory reduction from the plant and that will continue. We feel pretty confident that we're able to, maybe not replicate what we did in the third quarter, but we'll have a pretty good result.

Noah Kaye

Yes. That's where—unless I have missed it, I think you're saying from initial thoughts of—the quicker next quarter, we're down about 40%. Although please correct me if I mischaracterized that. I guess the last question on the liquidity situation then, you gave a leveraged number first for purposes of tackling leverage with the impairment included or excluded. And then you mentioned that you're having some constructive dialog on meaning to amend the agreement further as needed. Can you talk about—understanding the question I'm going—expectations what that ultimately might be in terms of say, increase in interest expense for a period of time and any other options that might make (inaudible) just thinking about further increasing liquidity optionality between companies during bridge facility and things like that.

Jeff Knutson

Yes. All right.

Yes, the quarter—the EBITDA does add back the impairment, so the 4.5 taxes debt-to-EBITDA (inaudible) back to that impairment. Our covenant relief shut down from a 5:1 ratio in Q3 to a 4:1 ratio in Q4. We recognize that with our market conditions, what's happening in the world today, we're probably not going to operationally get to that. We have had initial discussions.

I really don't have enough details to—I'd say we're not deep enough into it to give you any guidance on whether that would result in an interest increase or what kind of covenant might make sense. I think it's something that all bankers are working through right now. I'm quite confident that BMO will work with us and we'll come to a solution that works for both sides. They've been great with us. The relationship is very strong and I couldn't be happier with where we are in our banking right now.

Noah Kaye

Yes. Sorry. Go ahead, John.

John Batten

I just want to add when I said that if these markets are down, we could be down 40%. I don't have any concrete evidence of that yet, that was just to say that we need to be ready with plans and a cost-structure in place if that happens. If we see that happening, then we will react to that in reality.

Noah Kaye

Yes, and I would think as well are you guys managing the balance sheet and the working capital and commissioning to be able to generate something close to positive cash flow. I mean, on the other side of it there should be possibility. Appreciate all the update and good luck on (inaudible). Thank you.

John Batten

Thanks, Noah.

Noah Kaye

Thanks, John.

Operator

Thank you.

If you find that your question has been answered, you may remove yourself from the queue by pressing star, two.

We'll take our next question from the line of Josh Chan of Baird. Please go ahead.

Josh Chan

Hi. Good morning, John and Jeff. Hope are you both staying safe.

John Batten

Thank you. I hope you are too.

Josh Chan

Yes. Thank you.

I'd like to start off with the quarter (inaudible). Did I hear correctly that oil and gas contributed $10 million of revenue decline in the quarter?

Jeff Knutson

Yes, compared to the previous quarter.

Josh Chan

Right. I guess that means the rest of your business actually did fairly well, at least within the quarter. Could you talk about—I know Veth was pretty good but areas that were a little bit more stable or even had some relative strength?

John Batten

Sure. I think the groundwater applications in North America, the push boats along the river with units and spare parts, then also, summer-type push boat in Asia did fairly well. Again, after market have been a fairly strong component in industrial; and then our market had remained stable and an uptick in our military legacy transmission sales. As I said in the—really, Josh, until we got into March, we're feeling pretty good about the quarter. We still had oil and gas—and we still have, smaller now though—oil and gas shipments into Asia. The third quarter for two and half months was going along as planned or better than planned until everything changed in mid-March.

Josh Chan

Right. Yes. That definitely it makes sense.

You mentioned some order of cancelations, I think, in the press release. Are those limited to oil and gas or was it more broad based than that as we got into April timeframe?

John Batten

It was more broad based. Certainly, there were some oil and gas, spare parts order cancellations from unit push out. A lot of it, I think, was buying in advance of projects primarily in marine. Some industrial, but I'd say most of it is in marine. Again, customers and distributors deciding to work down their inventory and not replace it, so a lot of the projects will still go on, but our distributors may not replace the units whenever they sell out the inventory with new units.

Josh Chan

That's all (inaudible).

John Batten

In many cases, Josh, those orders could come back in a quarter or two, but yes. I can't point to any one market other than a lot of our distribution partners deciding to work down their inventory.

Josh Chan

Right. I guess that the 40% potential decline, would you handicap certain verticals or geographies being worst or better than others?

John Batten

Yes, I would say most of the activity in North America and Asia, but also quickly to come back—our concern is you see order cancellations, you see push outs or you don't see new orders, just orders come in like—well, the markets are down 20. History has shown that that potentially could mean double for us, so you resize and staff for that but it's short lived. We got caught in this back in '16 and '17 and it wasn't just oil in North America—oil and gas that came rolling back. We had some other markets coming back too. That's why we continue to have our regular calls with our distribution principals and other customers. We want to know what they're doing so we don't overreact one way on the downside and we're not there for them on the upside.

The unknown, Josh, and it's unknown for everyone. I certainly don't think this is a V. I don't know if it's a U, because I don't know if that recovery on the right side of the U will be as great as the contraction on the left side. We're trying to get clarity in how long is that bottom going to be. Is there a chance that we have one quarter like if it's a first quarter next year or a second quarter, is there a quarter that could compare 40% down from a year ago comparable? There's absolutely that chance, but I don't think it'll be four quarters in a row or anything like that. We're trying to make decisions on our cost structure based on our best guess with what the next six to eight quarters are going to look like.

Josh Chan

Yes, absolutely appreciate the dynamic environment there.

John Batten

Uh-huh.

Josh Chan

I guess the last question I have—we covered some ground on the liquidity side, but how low can cap ex be next year if you really limit to the discretionary spending there?

Jeff Knutson

I think we've been as low as in the $5 million to $6 million range. I think that's about where—

Josh Chan

Yes.

Jeff Knutson

—you would expect we would drive to.

Josh Chan

Uh-huh. Okay. Great. Thanks for the color, and best of luck managing through the environment.

John Batten

Thanks, Josh.

Jeff Knutson

Thanks, Josh.

Operator

Thank you.

We'll take our next question from Simon Wong of G.research. Go ahead.

Simon Wong

Hey, John and Jeff. How are you?

John Batten

Hey, Simon. How are you doing?

Jeff Knutson

Hey. Good. Simon (inaudible).

Simon Wong

I'm good. Thank you. Looks like oil and gas down $10 million year-over-year. That puts your oil and gas around at $8 million for this quarter. How much is that is new equipment versus consumable?

John Batten

Yes, I don't have the numbers in front of me—80/20; 90/10?

Jeff Knutson

Yes, just making through how many units we deliver to Asia, right. That would be the new equipment. Yes, something to that maybe (inaudible).

Simon Wong

(Inaudible)

John Batten

Yes.

Jeff Knutson

Okay.

John Batten

Again, it's fine. We're still in the quarter, had pretty healthy shipment ratio.

Simon Wong

Okay. In terms of (inaudible) how much long you have incurred the extra cost related to the pressure-pumping customers that's having issues? How big is the fleet and how far along are you in the repairs?

John Batten

I would say we are closer to 75% and it just got a lot easier because everything has pretty come to a stop. Our goal was to get to as many as you can do on the rig in a couple of hours to get that all buttoned up here pretty quickly. We still have—again, the repairs that need—just like December to bring out the flush, you have to take the transmission off the rig. We're going to do as much of that work internally as possible with the people that we brought back from PPP.

Simon Wong

Okay. It should wrap up in the fourth quarter or so?

John Batten

No. No. Other than—no, just paying labor charges. Just man-hours now, and that's been accrued for.

Simon Wong

Okay. With the latest frac spread down—count down to by 85, probably going to 50, after this week or next, down from 485 a year ago. There's a lot of (inaudible) part inactive for maybe two quarters. What's the process for them to return to work in terms of the consumable business that opportunity per rig—opportunities for (inaudible)?

John Batten

Yes. It's all over the map, Simon. I think you're going to see or read a lot of stories about people cutting up in the oldest frac spread and only maintaining the ones that are relatively newer. My hope which didn't necessarily happen four years ago, five years ago now, we're not still the best manners that people have the cash available to do the right preventive maintenance and putting them away. Could we get some overhaul and maintenance work on the front end? The answer is yes, but it's not significant. It's all stuff that you can do on the outside, maybe changing oil—just I don't see anything where they're breaking the part to do any maintenance ahead of time.

I wish people would, because it just pushes us into the beginning of a cycle down the road where everyone wants new units and overhaul work. I don't have a number. I can't begin to predict, but I know that a significant amount of what is considered available horsepower will be scrapped this calendar year.

Simon Wong

Uh-huh. Okay. My final question's related to CARES Act. Anything opportunity for tax (inaudible) impact to you?

Jeff Knutson

Yes, we're certainly—we're reviewing all of that, Simon, and there are opportunities, I think. We're still working through what they are and how they might impact us. There's some interplay between the different programs. For instance, in terms of the deferring payroll withholding taxes, you can't do that if you're going to do request forgiveness of the PPP loan. We're trying to balance the interplay between the different programs and making sure that—and even not just the U.S. CARES Act and the benefits there, but also there are programs in all of our foreign jurisdictions that we're pursuing, so I feel like we're spending a lot of time in getting some good assistance from our advisors to make sure we're taking advantage wherever possible. I can't really quantify it for you though at this point.

Simon Wong

Okay. Great. Thank you. That's all I have.

Jeff Knutson

Thanks, Simon.

Operator

Thank you.

Once again, if you'd like to ask a question, please signal by pressing star, one on your telephone keypad.

It appears that there are no further questions at this time. I'd like to turn it back to the presenters for any additional or closing remarks.

John Batten

All right. Thank you, Valerie.

Thank you, everyone, today for taking your valuable time to join us on the call.

Like I said earlier, we'll be sending out notifications to have a mid-Q4 call late June, early July to talk about the issues in the markets that we're seeing. Won't have any audited financial results to go over, just what we're seeing in our end markets with our suppliers in different regions of the world.

Thank you very much. We'll look forward to talking to you late June, early July.

Valerie, I'll turn it back over to you.

Operator

Thank you.

This concludes today's call. Thank you for your participation. You may now disconnect.