Company: **MTS Systems**

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Moderator: **Laura Fox-Anderson**

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Operator: Good day and welcome to the MTS Third Quarter 2020 Earnings conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Mr. Brian Ross, MTS Executive Vice-President and Chief Financial Officer. Please go ahead, sir.

Brian Ross: Thank you (Shelby). Good morning and welcome to MTS Systems Fiscal 2020 Third Quarter Investor teleconference. Joining me on the call today is Randy Martinez our Interim President and Chief Executive Officer. I want to remind you that we will make forward-looking statements today as defined by the Private Securities Litigation Reform Act of 1995.

Future results may differ materially from these statements depending upon risks some of which are beyond management's control. A list of such risks can be found in our latest SEC Forms 10Q and 10K. We disclaim any obligation to revise the forward-looking statements made today based on future events. This presentation will also include reference to non-GAAP financial measures.

These measures are used by management to evaluate the operating performance of the company over time. They should not be considered in isolation or as a substitute for GAAP measures. A reconciliation of our non-GAAP measures to the nearest GAAP measures can be found in our Earnings Release. I will now turn the call over to Randy.

Randy Martinez: Thank you Brian and good morning everyone. It's great to have the opportunity to speak with you on today's call and we appreciate you taking the time to join us. And before I get started on behalf of all of my MTS colleagues, we would like to thank the healthcare professionals first responders and other front-line workers who are dedicated to keeping us safe and healthy.

Since I became MTS's Interim President and Chief Executive Officer in late May my top priorities have been simple and well defined. First focusing on the health and wellbeing of our employees along with the business challenges tied to COVID-19.

Secondly building relationships and trust with my direct reports and the management team.

Thirdly determining our top priorities in the near term and ensuring laser like focus on them.

Fourth emphasizing the basic blocking and tackling of business fundamentals and lastly continuing the efforts to deleverage the balance sheet and improve our gross margins. I have also spent a good deal of time engaging with our employees and meeting as many employees as possible with the restrictions COVID has presented.

The leadership team has also helped me gain an up-close perspective on many areas of our business including our product offerings market structures competitive dynamics client buying behavior and engagement levels and collaboration amongst our teams.

I look forward to continuing to gather feedback and exchange ideas with our employees and other stakeholders to more thoroughly understand MTS's current operating realities and future opportunities.

I'll continue today's call by covering our Q3 market environment and performance then quickly review the critical actions we have taken to protect our business in response to COVID-19. I will conclude by outlining the leadership team's near-term priorities for MTS. In test and simulations which came off a record order's performance in the second quarter headlined by the largest order in MTS history with the seismic table win in China we experienced lower orders of $81 million in the third quarter.

This was a 22% decrease year-over-year. As customers continue to restrict access to their facilities and defer capital expenditures and discretionary spending, we saw an increase in order deferral rates within our opportunity pipeline a metric we monitor closely.

Order placement delays increased on a consecutive quarter basis demonstrating the dramatic turn and short-term sentiment caused by the virus during the quarter. The initial impacts we began to feel from COVID-19 at the end of Q2 accelerated in the third quarter as the pandemic spread from China through Europe and the Americas. As a result of the ensuing macro-economic conditions and movement restrictions customers delayed large capital expenditures aggressively and preferentially.

Likewise limitations on travel and access to customer facilities hindered service installation and maintenance sales. (HRM) has been heavily affected by the COVID-19 impact on the aviation and entertainment industries. This overall order profile within the quarter reflects the continuation of smaller investment spending with larger spending continuing to be delayed.

While most of our markets experienced a decline in orders year-over-year our R&D entity in Denmark continues to exceed expectations despite market conditions. As a reminder we completed the acquisition of R&D effective December 31 of 2019. R&D is benefiting from continued strong investment and renewable energy and more specifically wind power.

R&D brought with them a strong backlog of projects which now exceeds $39 million and continues to grow with contract duration stretching into 2022. We remain very bullish about the industry trends driving R&D's success and believe they have the right expertise and customer relationships to further capitalize on the growth of renewable energy investments.

As we move into the final quarter of FY20 customer order intentions and timing are firming as the macros economic outlook is becoming somewhat less foggy. We expect stronger orders growth in Q4 as delayed customer orders begin to be released particularly in Asia and Europe.

We also believe that test services which was heavily impacted in our third quarter by customer facility closures will begin a slow but consistent recovery as customers increasingly return to work and allow access to their laboratories for equipment service and installation. Importantly our test and simulation pipeline remain at strong levels. Likewise our backlog of $373 million will continue to support our operating stability as we navigate the effects of COVID.

Now let's turn to the performance of our sensor's business. As a reminder the three largest sectors for this business are the tech sector which includes laboratories that test new products as well as our Department of Defense contracts our industrial sector which is primarily targeted toward machine automation and our position sector which comprises both industrial automation and heavy equipment applications such as earth movers construction and climbing equipment.

After posting record orders in the second quarter sensors orders were muted in the third quarter at $70 million down 8% from the prior year reflecting the impact of COVID-19.

Our sensors test sector saw another increase in orders for the quarter with additional funding under our Department of Defense program of approximately $5 million and significant contributions and orders from the newly acquired Indepco operations. However the rest of our sectors saw a decline in the quarter.

Orders within our industrial sector were weaker in the third quarter due in part to a record performance last year. This decline was led by slower energy market demand and the predictive maintenance business. Geographically Europe saw the most significant declines. Orders within the position sector remained weak in the quarter.

While we continue to see application expansion in this market with new design wins and the worldwide manufacturing contractions that started well before COVID-19 was only worsened by COVID and we continue to see reduced ordering by our largest OEMs who are in the process of working down existing inventory as they adjusted their own reductions in demand.

I'd like to give some additional context on the market environment we're seeing for the full company. The uncertainty of timing for the reopening of the global economies led us to withdraw our specific guidance for the fiscal year but we remain excited about our growth prospects as the world moves toward normalization in the months as quarters ahead. Importantly despite widespread customer impact from COVID we have seen no order cancellations of significance.

This reflects the financial strength of our customers and the importance they placed on their long-term research and development investments. What we have seen however is a slowdown of product deliveries due to the temporary closure of some customer facilities and more difficult logistics along with slower placement of orders from the pipeline.

Recognizing the near-term impact COVID was having on our business our team acted decisively to enhance our financial flexibility. As we announced in mid-April, we executed restructuring and numerous costs reduction initiatives temporarily curtailed cash compensation for our board of directors and senior executives and suspended dividend payments.

Further we disclosed yesterday that we were successfully - we successfully amended our credit agreement to maximize our total liquidity position under our current capital structure. Combined these actions will help ensure that we emerge from the pandemics prepared to resume our growth trajectory.

Looking ahead I recognize a lot of uncertainty remains in the market. COVID has certainly weighed on our business in fiscal 2020 and we continue to see its affects which were pronounced in the third quarter. As we look to the fourth quarter, we expect to sustain our performance sequentially while recognizing improvements in our order profile.

Further with a strong total company backlog of $451 million and an improved cost structure and liquidity position we are well positioned and navigate the current economic cycle. We will continue to refine our business model as needed to weather the storm and emerge stronger on the other side which includes looking deeper into certain areas of our operating model and identifying areas where we can take action.

While these may not be visible on the outset, they will improve our operating metrics either by reduction in cost or rationalization of product lines and will certainly redirect our focus to more profitable areas. As I mentioned at the start of the call, I have had extensive conversations with the executive team and my fellow board members.

Everyone I spoke with is very proud of how we have advanced MTS Systems through our acquisition activity over the last few years. These investments have greatly diversified our products and technology offerings on markets and customer base and made each business much stronger in a normal environment. Now our focus is on executive and ensuring we get the return expected from these investments.

We are committed to delivering consistent financial performance that aligns with the expectations of our shareholders. Working together the leadership team has identified four key areas of focus to guide us strategically through the pandemic and beyond as mentioned at the beginning of my remarks. But to be clear we are not changing our overall strategy that has made MTS a global leader in the test and measurement space.

The balance between the two business divisions has generally provided more stability as well as size and scale to our operations. The four key areas of focus are critical for the execution of our strategic growth plans and they are first the health and wellbeing of our employees and their families remain our top priority. Because we serve a wide array of customers critical to many industries, we are considered an essential business.

Our customers have continued to meet our products and services and we have been here for them open for business throughout the pandemic. That said we will continue to do everything possible to ensure safe working environments in all of our facilities.

Second, we are committed to executing on our financial priorities which include our debt leverage and liquidity gross margin improvement and cost containment. These priorities will help us stabilize the top line and grow our margin metrics. We are also establishing a sustainable cost structure that allows us to be cost competitive while enabling us to make investments that provide value for our customers. Our investments are focused on operational improvements research and development technology upgrades and automation.

Third we are focused on optimizing our strategic investments. This means we are committed to ensuring the acquisitions we have made over the last few years deliver the anticipated returns. Towards this end we will look to advance integration efforts realized additional cost efficiencies and capitalize on the natural synergies that we foresee by leveraging our diversified globally focused organizations.

Fourth we are committed to preparing and building for the future. Our markets are changing our customer demand is evolving the competition is increasing and technology is advancing at an unprecedented pace. Remaining agile in this environment will allow us to capitalize on the market well into the future. Foundational to each of these focused areas is a healthy company culture.

Acknowledging that people are at the heart of everything we have work streams dedicated to strengthening our culture which emphasize rigorous data driven talent management succession planning and leadership development. I am pleased to say we have a highly experienced deeply knowledgeable very dedicated and accountable team that serves our customers well and shares my commitment to achieving better day to day execution.

Ultimately that's what we need to do drive value in these key areas through solid and basic blocking and tackling. I am often amazed at the impact MTS's products and services have on customers past and present. After the transition announcement numerous friends contacted me with stories of working with MTS over many decades. Got more involved in university studies some in research institutes and others in product development laboratories.

Their comments were universally positive and many spoke to MTS's innovative spirit. This kind of unsolicited feedback provides further conviction as to the incredible reputation MTS has in the marketplace. The MTS team has taken decades to earn this reputation and it is up to each of us to do our part in building upon it as we go forward.

I will conclude by saying that MTS's leadership is extremely grateful to all of our dedicated employees for adjusting to the new working environments designed to protect them while meeting our customer's expectations to the best of our abilities. But to our entire employee base thank you for your hard work and steadfastness during these unprecedented times.

And to our customers we are forever grateful for your confidence and trust in our product and service offerings and thank you for the relationships we have been able to build with you over the years and even decades in many cases. You are why we exist and supporting your efforts and making products that change the world is a part of our DNA.

Now I'll turn the call over to Brian to discuss our third quarter results in more depth and provide additional detail on our cost reduction actions as well as our balance sheet and liquidity positions. Brian.

Brian Ross: Thank you Randy. Our third quarter consolidated revenue was $196.2 million a decline from the prior year of 15.5%. This brings our year-to-date revenue to $613.5 million a decline from the prior year of 8.2%. The year-over-year decline in our tests and simulation business of 14.7% year-to-date has been offset by year-over-year growth in our sensor's business of 3% for the same period.

Revenue was adversely impacted during the quarter by COVID-19 related issues. With year-to-date revenue growth of 3% compared to last year our sensor's business saw a decline of 4.8% in revenue in the third quarter which is the first decline after 11 consecutive quarters of growth. Test and simulation revenue declined 21.5% in the third quarter bringing the year-to-date revenue to $362.6 million a year-over-year decline of 14.7%.

The quarterly and year-to-date decline is attributable to the previously mentioned slower orders profile in the last half of fiscal year 2019 and first quarter of fiscal 2020. These declines were offset by the R&D acquisition contribution of $14.1 million in the quarter and $28.8 million year-to-date. Gross margin mate - rate was 33.4% for the quarter a decline from 36.6% in the prior year mainly attributable to one-time restructuring charges of $2.2 million.

Excluding these one-time charges, our gross margin rate would have been approximately 34.5%. Year-to-date gross margin rate was 34.8% a decline from the prior year mainly due to one-time charges in the second and third quarters of fiscal year 2020 in addition to volume declines in the business.

Excluding one-time charges in both fiscal years the year-to-date rate would have approximated 35.9% compared to 37.7% in the prior year same period. The decline was due to a shift in product mix within both businesses and the startup of Indepco Production recently transferred into our sensor's production facilities.

With cost reduction efforts we have been able to mitigate the impact this is having on the gross margins however certain fixed costs of the business are currently being under absorbed. Operating expenses are $52.9 million were down 14.9% or $9.3 million from the prior year quarter inclusive of operating expenses from the acquisitions of Indepco and R&D which were not in the comparative quarter.

Operating expenses included approximately $600,000 of restructuring charges and $2.1 million of acquisition related charges mostly due to the earn out fair value adjustments. We have implemented cost containment programs that effectively reduced operating expenses within the third quarter by over $5 million inclusive of operating costs for the newly acquired businesses.

Net interest expense of $8.8 million increased by $2.2 million compared to the prior year quarter primarily due to increased debt related to the issuance of our senior unsecured notes in the fourth quarter of fiscal year 2019 an accretion on the earn out for R&D. We anticipate interest expense to be within the previously announced range of approximately $8.7 million to $9.3 million for the fourth fiscal quarter of 2020.

Within the third quarter we again took advantage of certain tax savings and reported a net discrete tax benefit of $1.5 million effectively making our year-to-date tax expense break even. We also continue to explore additional tax savings opportunities for our company including the CARES Act and additional discrete items that will help to lower our corporate tax rate.

Excluding these discrete tax items our effective rate would have been approximately 15.2% slightly higher than expected. Due to discrete tax items we expect minimal to no tax expense for the full fiscal year 2020. Third quarter adjusted EBITDA of $28.8 million was down 19% from the prior year quarter mainly due to the decline in revenue for the quarter.

This includes adjustments for $2 million of acquisition related and acquisition earn out fair value adjustment expenses $2.9 million of restructuring expenses and stock-based compensation expense. Stock based compensation expense in the quarter was negligible due to the large forfeiture of unvested equity awards recognized upon the departure of our former CEO.

For the nine months to date adjusted EBITDA was $90 million or 14.7% of revenue compared to $103 million or 15.4% of revenue in the prior year comparable period. This includes adjustments of $9.1 million of restructuring expenses $5.2 million for stock-based compensation expense $5.2 million of acquisition related and acquisition earn out fair value adjustment expenses and $1.1 million of acquisition inventory fair value adjustments.

We ended the quarter with $65.1 million in cash to measure it with the second quarter and up $7 million from the end of fiscal 2019. Notably we generated a positive third quarter free cash flow of $11.1 million or 6% of revenue a significant increase from the first half of the year. Year-to-date we have generated $13.4 million of operating cash flow capital investments totaled $21.1 million year-to-date to meet the growing demand in our sensor's business and to address the long-term needs of our facilities.

We have significantly slowed our capital spending in the second half of the fiscal year as we worked to preserve cash and liquidity measures for the company. We ended the quarter with total gross debts of $606 million making $7 million of debt payments within the third quarter.

Our current debt profile includes $170 million of term loan (inaudible) due in July of 2023 $86 million on a revolving line of credit with a maturity date of July 2023 and our senior unsecured notes of $350 million due in August of 2027. We ended the third quarter with a gross debt leverage ratio of 4.8 times and a net debt leverage ratio of 4.3 times in full compliance with our credit agreement.

When computing leverage we also utilized proforma adjusted EBITDA from our acquisition to drive a trailing 12-month proforma. On July 30, 2020 we entered into a fifth amendment to the credit agreement which covers the term facility and revolving credit facility to increase the maximum leveraged ratio to six times through March 31, 2021 with step downs thereafter.

In addition we amended the interest coverage ratio to maintain three times through March 31, 2021 with subsequent step ups thereafter. This amendment was completed to maximize flexibility and available liquidity under our current capital structure in the event we would need to access additional funds. The amendment also - almost doubles our liquidity position to approximately $180 million including our cash and undrawn credit available through our revolving credit facility exclusive of amounts reserved for letters of credit.

As announced in the second quarter we significantly reduced our cost structure in both permanent restructuring measures as well as temporary measures to address shorter term conditions and position the company for longer term operational efficiencies. We expect to realize in excess of $10 million in savings in the second half of this fiscal year the permanent restructuring savings in addition to temporary cost reduction actions yielded a savings of over $5 million during the third quarter exceeding our cost savings expectations with a mix of savings between operating expenses and cost of goods sold.

We recognize $2.7 million of restructuring charges in the third quarter of fiscal year 2020 with $2 million for restructuring actions that took effect immediately and an additional $700,000 for the ongoing reorganization of our test and simulation European operations.

While we expect these actions will be sufficient to provide the needed flexibility to weather the current economic environment, we continue to evaluate the ongoing impact of COVID-19 and may take further cost reduction actions or other actions in future as needed.

While we have suspended our guidance, I feel it is important to note a few items as we look to complete our fiscal year. We are expecting an uptick in orders in the fourth quarter on a consecutive basis as we believe the third quarter was a low point for us in orders. We are expecting a very similar financial performance in the fourth quarter as to what we delivered in the third quarter.

Our adjusted earnings per share adjusts for restructuring charges acquisition related expenses acquisition inventory fair value adjustments and the impact of the earn out fair value adjustment related to the R&D acquisition.

We expect additional restructuring charges in the fourth quarter due to our previously announced restructurings. We also expect additional adjustments to the fair value of the earn out as R&D continues to perform to expectations and meeting their overall earn out payments. Adjusted earnings per share does not adjust out amortization expense for acquired and tangible assets related to our multiple M&A transactions.

The amortization of purchased intangible assets decreased our earnings by 26 cents per share for the third quarter and 71 cents per share year-to-date. Amortization expense is expected to impact earnings per share in the range of 90 cents to $1 per share for the full fiscal year.

Quarterly amortization expense has increased in the last six months as a result of the acquisition of R&D at the beginning of our second fiscal quarter. In addition adjusted earnings per share does not adjust out stock-based compensation expense which approximates 12 cents per share on a quarterly basis.

In closing we remain laser focused on the operational efficiency of the company and mitigating the economic impact of COVID-19. While we have taken aggressive actions to address immediate disruptions the pandemic impact has the potential to be longer term in nature, we will continue to take the appropriate steps to ensure MTS's strategic and financial flexibility for the future.

With that Randy and I are happy to take questions.

Operator: Thank you. If you would like to ask a question please signal by pressing Star 1 on your telephone keypad. If you're using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment. Again press Star 1 to ask a question. We'll pause for just a few moments to allow everyone an opportunity to signal for questions.

We'll take our first question from Deepa Raghavan with Wells Fargo.

Deepa Raghavan: Hi good morning Randy Brian, how are you?

Brian Ross: Good morning Deepa...

Randy Martinez: Good morning Deepa.

Deepa Raghavan: Hi. A few questions for me. First, I'll start with Randy. Randy can you talk about how the quarter played out? Did you expect June better than April May and, you know, was July sequentially better than June? Any comments there and if you can rewin your thoughts if some (inaudible) actually improved better than you've expected and perhaps there are also some (inaudible) that have been decently awaiting sequentially?

Randy Martinez: Deepa thank you very much for your question. And yes, the quarter did end up improving as we went through it. June being better than. May and as we look at July, we are seeing some up size in July especially on the orders front. So there's a little bit of optimism there and so, you know, we're excited about that. In terms of some of the verticals, you know, we've seen strength in infrastructure spending and we expect that to continue.

Obviously, the renewable energy infrastructure spend has been good as we've talked about in our R&D strong performance. And industrial automation is picking up so the trends are at least positive there and we hope that continues. On the defense side the Department of Defense has been a great benefit for us and especially for the products that we offer so we're encouraged by their spending and see that continuing.

If we had to identify a couple of the lagging industries obviously aviation, you know, has been impacted around the globe. And we have a couple of businesses that have a bit of exposure there but not a lot. And then of course service is down a little bit so that's kind of an overall view.

Deepa Raghavan: That's very helpful color. So automotive too I'm assuming is kind of a little surprise or did you see any sequential uptick there?

Brian Ross: It's a little bit suppressed but I - we'll see if it starts to come back a little bit as we go forward.

Randy Martinez: Yes (Depa), you know, automotive obviously it's been a point of discussion for the last couple of years for us. And we continue to see pressure in the automotive world. And we talked about many reasons why that's happening. So we don't see a lot of return in the automotive space here in the short term however we just continue to monitor the market going forward.

Operator: And again to ask a question please press Star 1. We'll take our next question from John Frenzreb with Sidoti & Company.

John Frenzreb: Hi guys. Just a little bit on the service side of the market. I realized it is tough to get into facilities during the peak of COVID. We could talk a little bit about what's easing and what's not easing as far as the service businesses both in test and sensors? Thanks.

Brian Ross: Yes good morning John and thanks for the question. You know what I would say is service certainly has been difficult for us for the last couple of quarters. What we did see is a little bit of uptick here in the latter part of the third quarter. We are starting to see access to customers although it's a little bit muted still at this point we're seeing some progress in that area.

I would say largely, you know, the China region we've seen that starting to emerge a little bit faster than what we've seen in the Americas and Europe. And with the majority of our service revenue sitting in test and simulation I would state that, you know, there's not much to state around the sensor side of it.

So we have been depressed in the service world almost solely due to access to our customers. And that's been, you know, pretty heavy focus for us over the last few years to grow our service business. So we're starting to see some progress there I would say cautiously optimistic that we'll continue to progress here in the fourth quarter.

John Frenzreb: Okay. And when you look at historically the opportunity pipeline can you talk a little bit about what markets tend to come back faster, tend to try to redesign or refresh their products versus others?

Brian Ross: Yes overall for the entire company and looking at, you know, I would state that sensors is probably the market that we see rebound a little bit faster. Test has shown us in the past where it's taken a little bit longer to rebound.

Automotive being in the point where it’s been for the last couple of years and where their focused spending, you know, automotive is at the current time frame we see a slower recovery for automotive. Of course our infrastructure focus products that we're providing continue to be a really good point for us. And the renewable energy wind space it's continued to be resilient through this especially with our R&D asset.

The, as far as the industry automation heavily into our sensors business it was in a really good spot for us leading into COVID and we anticipate a return to growth in that area as the world becomes more automated, as factories become more automated, as machines and other things become more automated preventative maintenance is a huge item for that, positional sensing, automated factories.

We think that even in a time frame like this where human focused items become restricted because of access or ability to come into work that there could potentially be the need for even faster automation which plays nicely for us in the industrial side of the world.

Operator: And we'll take our next question from Deepa Raghavan with Wells Fargo.

Deepa Raghavan: Hey sorry guys I think I got cut off before I could ask my follow-up.

Brian Ross: Yes that’s okay.

Deepa Raghavan: I apologize. Brian, this is for you. How much leave it to heaven taking additional cost action without actually structurally impacting wind recovery emerges? I mean it doesn’t look like you announced additional actions for that it's not something that impacts Q4 at this time. Is that correct first?

And curious how do they think about decrementals going forward versus the temporary nature of some of the cost cuts like traveling, et cetera, it's probably going to come back maybe some salary cuts are going to come back in the next few quarters. But also offset with some potentially additional from actions that you could take I'm assuming without structurally impairing a recovery that emerges. Can you talk through the please?

Brian Ross: Yes certainly. And yes, we haven't announced additional actions here in the quarter. It's kind of ongoing restructuring charges that we saw in Q3 as well as we'll see in Q4 for our European reorganization.

And overall that's the important piece for us it's not to structurally impair the business in the long term. And so we continue to focus on areas within the business where we can get more efficient sometimes that's just getting more efficient sometimes it does include, you know, the cost reduction side of the world.

But it's a continuing piece for us that we will continue to search through the organization make sure that we're making not only investments but also slowing areas that are not good for the business long-term or as we see a reemergence for this. So with Randy coming on board we'll continue to look into the business to make sure that we are actually working as optimally as possible with a cost structure as optimal as possible.

Decremantals overall what I would say is very similar to Q3 is we still have the ability if things were to go in the wrong direction from a market standpoint to reduce our cost structure. But we feel the actions we took at the end of Q2 leading into Q3 set the stage for us as operating structure that we have.

Certainly we haven't incurred a lot of traveling expenses and that really depends on the ability to access our customers one and our ability and willingness to travel to see our customers and customers and our employees globally. But for the time being that's pretty much shut off and that would start to come back on time allowed as well as safety of our employees were there.

Randy Martinez: And Deepa I would just add to Brian's comments that, you know, I have come in with a bit of a different lens to look through at where MTS has been. And I believe that we have reduced the cost structure to the relevant point needed, you know, to ensure our liquidity needs are met in the short term.

But if conditions, you know, where to worsen or if we determine changes need to be made in specific areas of our business, we will continue to do what, you know, we need to do to ensure business performance. And I focus a lot on the cost structure the team will tell you that.

Deepa Raghavan: No that's helpful. Randy, just again through your lens you brought that out. Can you give us your thoughts on capital deployment? I think my question is twofold. One, how do you think of M&A continuity given big backdrops? You've announced a few this year pretty accretive, you know, good deals but how do you think about continuity in the next, in the near term and versus the need to conserve capital? And two your thoughts on dividend green statement timeline if at all? Thank you.

Randy Martinez: Well I guess I would start by first saying that, you know, I think our M&A activity that we've had over the past few years has been very productive to the foundation we now have here as I talked about in my remarks. But we're very pleased with, you know, the ability to diversify our product offerings, our markets and our customers through these acquisitions.

Frankly my focus now from a capital standpoint is our leverage and trying to get our leverage, you know, reduced as quickly as we can. I think it's really crucial for our shareholders and just for the stability of our balance sheet. So that's a big focus for me so that's kind of how I'm looking at this.

Brian Ross: Yes, we did suspend our dividend and that's, you know, for the time being. And that's the way we look at it. We feel that deleveraging is certainly a powerful point for us and something that we have a concerted focused effort on. I would state that, you know, the renegotiation of our debt agreement on the revolver the important thing there is it provide some flexibility and maximum allowance to liquidity if need be.

But at the current time with generating positive free cash flow in the third quarter that is really just around our ability to access if needed. So for right now our capital deployment is really debt focused as well as maintaining some internal investment in the business that we we've working on that will help improve margins.

Deepa Raghavan: Got it. Thank you very much. I'll pass it on.

Operator: And we have no more questions in the queue at this time.

Randy Martinez: Okay. Well thank you so much for participating on our call today and for your interest in our company. And we look forward to updating you on our progress again next quarter. So thanks so much for being with us and have a nice day.

Operator: This concludes today's teleconference. Thank you for your participation. You may now disconnect.