PIONEER POWER SOLUTIONS INC.

Fourth Quarter and Full Year 2014 Conference Call
March 31, 2015

CORPORATE PARTICIPANTS

Nathan Mazurek, *Chairman and Chief Executive Officer*

Andrew Minkow, *Chief Financial Officer*

Brett Maas, *Investor Relations Manager*

CONFERENCE CALL PARTICIPANTS

Matt Koranda, *Roth Capital*

Michael Epstein, *Northeast Securities*

PRESENTATION

Operator:

Good day and welcome to the Pioneer Power Solutions, Inc., Fourth Quarter and Full Year 2014 Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Brett Maas of Hayden IR. Please go ahead, sir.

Brett Maas:

Thank you and good day, and welcome to Pioneer Power's 2014 Fourth Quarter and Full Year Financial Results Conference Call. The call today will be hosted by Nathan Mazurek, Chairman and Chief Executive Officer; and Andrew Minkow, Chief Financial Officer. Following this discussion, there will be a formal Q&A session open to participants on the call. We appreciate having the opportunity to review the 2014 fourth quarter and full year financial results.

Before we get started, let me remind you this call is being broadcast over the Internet, and that a recording of the call and the text of Management's prepared remarks will be available on the Company's website. During this call, Management will be making forward-looking statements. These statements are based on current expectations and assumptions that are subject to risks and uncertainties that could cause actual results to differ materially. Please refer to the cautionary text regarding forward-looking statements contained in the earnings release issued today, and in the posted version of these prepared remarks both of which apply to the content of this call.

I will now turn the call over to Nathan Mazurek, Chairman and CEO, Nathan.

Nathan Mazurek:

Thanks, Brett. Good morning and thank you for joining us today—or good afternoon and thank you for joining us today for our conference call.

Three months into 2015, I can report that our confidence in the near-term and long-term future for Pioneer has never been stronger. My confidence is based on the growing backlog which suggests strong growth for 2015 and beyond, as well as an expanding pipeline of opportunities for businesses we acquired in 2013 and early 2014.

Taking a step back, the strategy is working. We have purchased small businesses on favorable terms augmenting our portfolio of offerings and creating savings through internal sourcing and robust cross-selling opportunities. We have invested in those businesses transitioning them from slow to no growth and nominal profits to accelerating growth and more robust profitability. Today, our recently acquired businesses have sales functions that are delivering improving top line performance and we are now bidding on larger projects and more components of them resulting in a sales pipeline that is notably stronger, both in terms of its quality and quantity. I am pleased with this progress.

During the fourth quarter, we identified risks in our internal control over financial reporting which is a result of the rapid expansion of our business through acquisitions combined with the simultaneous efforts to deploy new business information systems and adequately prepare and train our financial and nonfinancial personnel in its use.

In January, as part of our year-end review, our team identified $900,000 of additional costs of goods sold that should have been recognized during the first through third quarters of 2014. Andrew will discuss this in more detail, but even while these costs were immaterial to any of those three quarters and did not change our results for the full year, the cumulative effect of recognizing these out of period costs; all during our fourth quarter, contributed to an unexpected quarterly operating loss.

Needless to say, the situation creates a frustrating conclusion to an important year of transition, but we are certain the issues uncovered can be put behind us by initiating quick and decisive actions to strengthen our financial reporting, internal control processes and procedures. Once we complete these actions to strengthen our financial reporting function at the subsidiary level, we will be better equipped to scale efficiently and profitably in the future.

In summary, while I am frustrated that this occurred, it does not alter our results for the full year or my outlook for 2015 or beyond. Our backlog as of December 31st, 2014 stood at $36 million, up 48% compared to the backlog as of December 31st, 2013, and up 33% compared to the backlog as of the end of our third quarter. In addition to the growth and size, our order backlog is also more diverse than it ever—than it has ever been before and provides us with higher visibility into our expected revenue over the next several month—months. The same trend is evident in our order rate. As a result of this progress, we continue to expect that 2015 will be a strong year for us in terms of top and bottom-line performance. This is despite exceptionally challenging demand conditions in Canada as a result of decline in oil and the Canadian Dollar affecting more than one-third of our business.

Our growth expectation is made possible by our investments in the last 24 months to elevate our core earnings power through the integration of three acquisitions, the broadening of our addressable market and the expansion of our sales and engineering teams in order to capitalize on previously unavailable sales opportunities. I believe the combination of these activities has significantly enhanced Pioneer's profile for sustainable growth.

I will now turn the call over to Andrew Minkow, our CFO, to provide some additional color regarding details of our 2014 fourth quarter and full year financial results as well as a review of our 2015 guidance.

Andrew Minkow:

Thanks Nathan. Before I get into review of the financial results, let me provide you some additional details surrounding our internal control and financial reporting that we disclosed in our press release today and that Nathan briefly mentioned.

During our year-end closing and reporting process, we identified several risks within our internal control and financial reporting. These are an unfortunate outcome of increased complexity resulting from the rapid expansion of our business through acquisitions, in addition to our simultaneous efforts to deploy our new ERP system and adequately prepare and train our people in its use, an initiative which ultimately will benefit us in our reporting and financial controls, this new system roll-out exacerbated the situation.

In January 2015, through the application of our year-end controls and procedures, our team identified $900,000 of additional cost of goods sold that should have been recognized during the first two—first three quarters of 2014 by two of our operating units. The amount of these costs were not material to the results we previously reported in each of those first three quarters; however, the cumulative effect of recognizing these costs all during the fourth quarter rather than spread out across the previous three quarters contributed to the fourth quarter loss. Approximately, half of the amount related to a single purchase order transaction that occurred at the very end of the third quarter. That situation is easily preventable in the future by having modified our (inaudible) and review procedures.

The other half of the out-of-period costs recognized during our fourth quarter reflects more a systemic problem at our Bemag Transformer reporting unit in Canada. As a result of Bemag's reported loss for the year and its reduced outlook for 2015, given the rapid recent devaluations in the Canadian Dollar and the price of oil, we also recognized a noncash impairment charge of 1.4 million in the fourth quarter relating to the carrying value of Bemag's goodwill and intangible assets.

Key notes about this situation. First, it's important to note, we identified it, that is the $900,000 and reported it to our auditor. Second, we've moved quickly and are implementing actions to strengthen our financial reporting internal control processes and procedures.

As part of our review and remediation efforts, we have identified and have taken direct actions in the following areas. First, we will be significantly upgrading our divisional accounting strength to include the recruitment of senior personnel at our—at our reporting unit locations and provide additional training for our existing accounting staff as it relates to our financial reporting requirements. Second, members of management and the accounting staff have and will receive additional training in the policies, procedures, controls including Pioneer's policies regarding monthly reconciliations and supervisory review procedures for all significant accounts. Thirdly, additional training has and will be provided to nonfinancial and financial personnel related to the new ERP system that was implemented at the reporting units in question to foster utilization of tools available for timely review of production runs and projects in progress.

Through these collective efforts, we believe we are addressing the issues that affected our financial results. Our progress will be monitored with the assistance of independent review by our independent Sarbanes-Oxley consulting firm and for certain business processes by our independent accounting firm. We are committed to making sure these issues are not repeated.

Finally, as Nathan indicated, none of them temper our long-term optimism. The revenue line was not impacted. Demand for our solutions is as strong as it has ever been as evidenced by our backlog and growing sales pipeline. We will improve back-office operations and be in a better position to move forward efficiently, accurately and profitably.

With that said, let me now turn to a review of the results for the December quarter and full year and then provide some comments regarding our 2015 guidance.

Fourth quarter revenues were $24.1 million, up 14% from $21.2 million in the fourth quarter of 2013. The $2.9 million year-over-year increase was driven by our critical power businesses, which accounted for $2.4 million of the increase and includes our Titan acquisition, which contributed $1.7 million of that during the month of December. The remaining $0.5 million of the increase was driven by sales of switch gear by our operation in Los Angeles, partially offset by lower sales of electrical transformers, which were 3.6% lower on a year-over-year basis as compared to the same three months of 2013. From time-to-time, our sales figures are negatively impacted by the effects of foreign currency translation when comparing our results to prior periods, as was the case this quarter.

Our gross profit for the fourth quarter was down to $2.4 million, or 9.8% gross margin, compared to a $5.2 million gross profit or a 24.6% gross margin in the fourth quarter of 2013. The fourth quarter cost of sales includes approximately $900,000 in expenses that related to the first through third quarters as I previously mentioned, which negatively impacted our gross margin by about 3.8%. In addition, during the fourth quarter of 2014, we accelerated the timing of several new product development initiatives, which further reduced our gross profit margin by another 2% or $0.5 million. The two largest of these projects included one to attract a significant new data center oriented OEM customer, which was successful, and began shipping at the end of the fourth quarter, and the second project related to obtaining UL approval for a new switchgear offering by our critical power business.

For the quarter, SG&A expenses decreased 9.5% on an absolute dollar basis to $3.7 million as compared to $4.1 million in the fourth quarter of 2013. As a percentage of our revenue, SG&A expenses decreased from 19.2% of revenue in the fourth quarter of 2013 to 15.2% of revenue in the fourth quarter of 2014.

Operating loss for the quarter was $2.6 million compared to operating income of $1.3 million in the fourth quarter of 2013. The decrease was primarily the result of lower gross margin and noncash impairment charges which were $1.4 million related to the impairment of all the goodwill and a portion of the intangible assets associated with our Bemag Transformer business in Canada, which was slightly offset by higher overall sales and lower SG&A expenses.

Our net loss for the quarter was $2.9 million including those noncash charges, compared to net income of $2.1 million in the prior year's quarter.

Adjusted EBITDA loss was $0.8 million during the quarter compared to EBIDTA of $1.8 million or 8.5% of revenue in the fourth quarter of 2013. Our non-GAAP diluted EPS was a loss of $0.18, down from earnings of $0.18 in the prior year's quarter.

Turning to our 12-month financial results for the period ended December 31st, 2014, first as we've reported in our annual report on Form-10K, in connection with our 2014 acquisition of Titan, we realigned our operations into two reportable segments. The first being transmission and distribution solutions and the second being critical power solutions. Our transmission and distribution solutions business segment provides equipment solutions that help customers effectively and efficiently manage their electrical power distribution systems to desired specifications and this comprises our Pioneer Transformers, Jefferson Electric and Pioneer CEP brand names. Our critical power solutions business provides customers with sophisticated power generation equipment, switchgear, related electrical distribution infrastructure, preventative maintenance services and an advanced data collection and monitoring platform, the combination of which is used to ensure smooth uninterrupted power to operations during times of emergency. These solutions are marketed by us under the Pioneer Critical Power and Titan Energy Systems brand names.

Turning to the full year results. Our revenues for the year were $92.2 million, up 4.5% or $4 million from $88.2 million in the comparable period of 2013. Breaking this down further, revenue from our transformer product line decreased by $5.1 million or 5.9% driven by lower sales from our Canadian operations, which were down 12.4% (or 4.8% on a constant currency basis) primarily due to cyclically lower spending in 2014 by our two largest utility customers. As a reminder, this compares to all-time high levels of spending by each of these two utilities in 2013.

Our sales in Canada were also impacted by a number of large unrepeatable project-based orders delivered in 2013; particularly in the oil and gas sector, that were not fully replaced in 2014. Partially offsetting the Canadian market decline was a 7% increase in sales to our US customers. The US sales increase was led by significant growth in our OEM solutions, which were up 29% or approximately $2.1 million. The $4.1 million increase in our sales of transmission and distribution switchgear was primarily the result of including a full year of Pioneer CEP in our 2014 revenue as opposed to approximately only three months in 2013.

The increase in critical power revenue was driven both by the timing of acquisitions and internal growth. On the acquisition side, our Titan business, which we acquired in December 2014, contributed approximately $1.7 million of our critical power revenue during the year. The remaining $3.3 million increase in critical power revenue is attributed to internal growth and is primarily due to the completion of six major orders for our paralleling switchgear solutions as compared to only two such large projects completed in 2013.

For the 12 months ended December 31, 2014, our gross profit was down 16.5% to $18.2 million at a 19.7% gross margin compared to $21.8 million of gross profit or 24.7% gross margin for the year ago period. The decrease in gross margin was driven primarily by lower transformer sales and an unfavorable shift in transformer solutions sales mix, the completion of two large critical power projects completed in 2014 that included a large component and products purchased by us and packaged into the project as compared to 2013, and the inclusion of our acquisition of Titan in December 2014.

Turning to SG&A, for the 12 months, our expenses were $15.2 million or 16.5% of revenues compared to $14.7 million or 16.7% of revenues in the year-ago period. The 3.4% increase in our SG&A dollars was driven primarily by the addition of new sales and engineering staff at our Pioneer CEP and critical power segment as well as increased expenses related to the Titan acquisition, which were partially offset by lower variable selling and bad debt expenses in our transmission and distribution solution—solutions segment.

For the 12-months, noncash impairment charges related to the impairment of all the goodwill and a portion of the intangible assets associated with our Bemag Transformer business in Canada totaled $1.4 million. The impairments are the result of Bemag's operating loss for the year coupled with market related pressure and execution challenges that have reduced and delayed our projections for revenue and cash flow in future periods.

Our 12-month operating income including impairment charges decreased 75% to $1.8 million from $7.1 million in the year-ago period. We posted a $0.3 million loss down from net earnings of $5.3 million in the prior-year period. Our adjusted EBITDA for the 12 months was $5 million or 5.4% of sales as compared to $8.9 million or 10.1% of sales in 2013. Lastly, our non-GAAP diluted EPS was $0.25, down from $0.80 cents in the comparable 2013 period.

Turning to the balance sheet, our total debt is $18.9 million as compared to $10.1 million at the end of 2013. As of the end of 2014, we have net working capital of $10 million including $3.8 million of cash and cash equivalents, compared to net working capital of $13.8 million, which included approximately $400,000 of cash at the end of 2013. Our ratio of current assets to liabilities stands at 1.4:1 and we have approximately $5 million of available and unused borrowing capacity from our revolving credit facilities; not including cash on hand. The availability of this capacity under our revolving credit facilities is subject to some restrictions on the use of proceeds and is dependent on our continuing ability to satisfy certain financial and operating governance, including financial ratio.

Lastly, as Nathan mentioned, today we are providing full-year revenue and earnings guidance for 2015 which is as follows.

For the year, we expect revenue between $110 million and $120 million. Now, that will be broken down into our two new reporting segments. Transmission and distribution solutions is expected to yield sales of $85 to $95 million and our critical power solutions segment is expected to deliver sales of $20 to $25 million. For the company, we expect adjusted EBITDA in the range of $6.5 million and $7.5 million and non-GAAP diluted EPS between $0.45 cents and $0.55 cents.

Our guidance is based on foreign exchange rate of US $0.78 to Canadian $1 which reflects an unfavorable 14% variance from last year and will affect over one-third of our revenues and some of our most profitable product categories. In addition, our below the line assumptions continue to include an effective tax rate of approximately 28% and a share count of approximately 7.4 million.

This concludes my remarks and now I will turn the call back over to Nathan.

Nathan Mazurek:

Thank you Andrew.

Operator, I'd now like to open the call for questions.

Operator:

Yes, sir. If you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you are using a speakerphone today, do make sure that the mute function is off to allow the signal to reach our equipment. Once again, that is star, one if you would like to ask a question, and we'll pause for a moment to allow everyone an opportunity to signal.

Your first question is from Matt Koranda with Roth Capital.

Matt Koranda:

Hey guys, thanks for taking my questions.

Nathan Mazurek:

Sure Matt.

Matt Koranda:

Just wanted to start out with gross margins, it looks like a big portion of the decline in margins, year-over-year at least, is from the liquid-filled—or liquid-filled transformers. So, can you just talk about what gross margins were in this segment during the quarter. Then just your outlook for 2015, how much of that 8.4% decline can you guys get back on mix and you know how much of that is kind of lost to FX for the year in 2015?

Andrew Minkow:

Yes, a good amount of it is lost to FX in 2015. You know, the FX on translation doesn't affect the percentage margin, but you know what we are facing at is—what we're facing is buying large components of the raw materials we need in relatively more expensive US Dollars out there and which effects our margins. So, you know, it's going to be a tougher year than in the past in our liquid-filled transformers business. We are still expecting comparable sales obviously in Canadian dollars, but without much going on in the oil patch where we earn a lot of our larger profit margins, custom-type jobs, our profit margin and gross margin is probably good to slip another two or three points from where it was in 2014 on the liquid-filled product.

Matt Koranda:

Okay, and can you remind us again where it was in 2014, that two to three points, what are we slipping from?

Andrew Minkow:

From around 27% in 2014.

Matt Koranda:

Okay, got it. Then, it looks you guys are kind of making some fixes in hiring some more senior accounting personnel and doing some training activity during 2015 to rectify the internal control stuff, can you help us think about sort of quantifying the spend in 2015 associated with that?

Andrew Minkow:

Well, it's in our numbers. We have identified a number of actions we need to take. Frankly, some of our people are so new, not all the decisions have yet been met—made, but we've budgeted in a good $0.04 or $0.05 for it in our 2015 outlook. Is that direct enough?

Matt Koranda:

Okay, got it, that's helpful. Then in terms of—I know you guys have said that you think that it wasn't material enough to go back and restate any of the stuff from 2014, but as you dig further in, looking back, maybe even further, I mean, is there any risk here that we see, restatements, further back than 2014 and 2013 or other periods?

Andrew Minkow:

No, because really this is very specific to two divisions that switched over their ERP systems in 2014, so it should not go back to any prior periods.

Matt Koranda:

Okay, got it. All of that ERP switches is now done as of the end of Q1, is that right?

Andrew Minkow:

For those divisions, but we have more to do.

Matt Koranda:

Okay. When do you think that you'll have the full ERP implemented across all of the subsidiaries? Is that something that will be done by the end of this year?

Andrew Minkow:

That's our objective.

Matt Koranda:

Okay, got it. Okay, and let's touch on backlog and bookings just for a moment as well. Since we are done with Q1 pretty much as of today, could you just comment on bookings cadence during Q1, how was activity, maybe you could just talk about each segment, so just talk about critical power solutions and T&D solutions and if you could break T&D out between Pioneer and Jefferson that will be helpful.

Nathan Mazurek:

Yes, Matt, this is Nathan. So, I'll start—for the first quarter, the bookings for the largest unit, Pioneer Transformers was still strong, although we are budgeting and in the guidance I'm budgeting for a much reduced year profit-wise for them primarily because the oil and gas patch in Alberta is stone quiet. Jefferson is ahead of any kind of pace that they have set in their history. So, they are beginning 2015 at a torrid pace, which we expect to continue for the rest of the year. So, they are way, way ahead. In fact, probably by the end of the year, they'll be the largest revenue segment that we have, especially given to the translation of the Canadian Dollar. It might go toe-to-toe with Pioneer Transformer as far as EBITDA earnings.

For Bemag, the pace is probably in line exactly with what was going on in 2014 from a revenue point of view. The Canadian economy, but more specifically to us, the Canadian construction market is very weak right now. Everybody is complaining, but we are looking for it to be no less than stable with last year. The switchgear business, (inaudible) business which rounds out the T&D solutions segment, continues to grow—continues to grow at an exceptionally fast rate. Their challenge is not so much their growth, but their challenge is to grow with a better mix and to improve their profitability They will still continue to drag significantly on our earnings for the year.

Critical Power which is now much larger and much more diverse business than it was previously for us, given the acquisition of Titan, will of course grow because the acquisition is the reason for most of the revenue growth—the big revenue growth that we're going to experience from '14 to '15, but I would say that the early indications are that the equipment side of their business is growing at a good to modest pace, which is great, over 2014 and the service business is growing at a much quicker pace than that.

Andrew Minkow:

Then to break some of the numbers down, we put out there, $36 million of backlog. The way that breaks down is $10 million is critical power, $26 million is T&D, transmission and distribution. About the $26 million, since we started with Pioneer Transformers, about 60% of that $26 is in the liquid filled, about another 20% is Jefferson, which is driven in large part by this major new OEM customer I touched on earlier in the call, it's a data center driven business, and the remainder of our T&D backlog of about $2 or $3 million, whatever that adds up to, really is split evenly between Bemag and our Los Angeles switchgear operation.

Matt Koranda:

Okay, awesome. That's very helpful color around the backlog and bookings outlook here. So great. I was wondering in the outlook if you could, maybe, just touch on the $20 to $25 million that you have for critical power, how much of that would we attribute to Titan for the year and what's kind of the remainder for the base critical power businesses?

Nathan Mazurek:

Yes, I mean, in broad structure, about 20, or 18 to 20 for Titan, the balance for the business that we bought and have been nurturing since the first half of 2013, since April or whatever, March or April 2013, and of Titan's 18 to 20, probably about 7'ish is equipment sales and the balance is service.

Matt Koranda:

Okay.

Well, plus (inaudible).

Matt Koranda:

Sorry, what was that, you said…?

Nathan Mazurek:

There was a piece of their business that sort of—I don't know, is a hybrid-type business. So, if you threw that into equipment, it's almost even, 10 from equipment sales and 10 from service.

Matt Koranda:

Yes, okay, 10:10, got it. Okay, great. One more from me here. Could you—I mean, is there a bit more color you can share on the OEM customer with Jefferson? It sounds like it was kind of a material step up in business for them and it's related to data center, could you just give a little bit more color on sort of what (cross talk)?

Nathan Mazurek:

Sure, I mean, yes, 100%. From the time we bought Jefferson, which was in April of 2010, the push has been to migrate them, to move them up the value chain and start doing more in custom magnetic solutions where the value proposition and the margins are higher as opposed to the standard ventilated distribution unit, which is going in through primarily commercial construction. It's one thing to say it, it's another thing to do it, and so it has taken a number of years of effort, of investment, of personnel, upgrade, of being dogged in certain markets, but in 2014, although it really began already in 2013, but in 2014, that shift really began to manifest itself. So, they did more on the OEM side as the percentage was for the first time a super-significant percentage of their business than it had ever been historically and that's beginning to pan out. This particular customer is in the data center vertical. They are manufacturing and they have several competitors, some of which Jefferson is serving or is angling to serve as well, a special item we call PDUs, power distribution units, specific to the data center market. Jefferson is providing them with a particular magnetic solution, a magnetic piece of equipment that's installed into their equipment. The markets that they are serving are the big data guys. This company is a Fortune 500 company which in turn serves the alpha dogs of the data center market, which, without discussing which particular customer we are serving, includes the Amazons, Microsofts, Facebooks, Googles, I am probably missing somebody who is going to be upset.

Matt Koranda:

(Inaudible).

Nathan Mazurek:

Those are the big monsters of the data center market. So, that's what they are serving.

Andrew Minkow:

So, to clarify, our customer is one of the international major electrical equipment companies who's incorporating our assembly into their products and their customer is one of the major technology companies that Nathan gave a few examples of.

Nathan Mazurek:

Right. These projects that they've procured are quite long, although they sort of dole it out to us in multi-month segments, but these projects are slated to last about five years.

Matt Koranda:

Okay.

Andrew Minkow:

So, we have in our guidance one phase of one project for Jefferson —once you are in there, it's easier to get a piece of the next phase and project, so long as you don't do anything wrong.

Matt Koranda:

Right.

Andrew Minkow:

So, I think, we'll see, this nfold in the the first quarter to some extent. You asked about the first quarter order rate, but for Jefferson in particular, the first quarter order rate and in tandem with that, their sales rate are at levels not before experienced in their history that I know of. I only know 20 years back; before that, I can't say.

Matt Koranda:

Okay, that is…

(cross talk)

Andrew Minkow:

We have a lot of doom and gloom on this call about the price of oil and currency, if not for this particular customer relationship, we wouldn't still be talking about 20 to 30% revenue growth next year.

Matt Koranda:

Okay got it, understood. All right. I'll jump back in the queue guys, thank you.

Operator:

As a reminder to our audience, if you would like to ask a question, please signal by pressing star, one on your telephone key pad.

We'll move on with Michael Epstein with Northeast Securities.

Michael Epstein:

Good afternoon, gentlemen. I'm just a little new to the story, so I apologize, but can we discuss recurring revenue aspects of the company and the quality of the earnings. I am hearing a lot that the oil patch in Canada is down, but I'm sure it's all over the world, any other industry that we can serve to make up for that shortfall?

Nathan Mazurek:

Yes, of course. Thank you, Michael. We are always looking to do more business and widen our base. It doesn't happen as quickly. The decline in oil was so violent to the down so quickly, projects just stopped immediately. So, it takes a little while to compensate for that. So, it's not like everything is still out, probably I don't know, X percentage of our liquid-filled business, probably about 15% of our liquid-filled business was dedicated or it was serving oil and gas for the last few years as a very profitable business for us. So, for that to violently go down and to shut off so quickly takes a little time to make that up, but we're trying.

Andrew Minkow:

To your point, Mike, I mean, you are correct. We have a very nicely profitable service business, annual contracts, two-year contracts, three-year contracts with some major retailers in the country and it's a nice, stable, dependable, type of an earnings stream for us. It takes some time to build. We brought in a new head of sales for national accounts in order to build that business more rapidly, but for 2015, we are trying to keep close to the chest and not expect too much out of it all in the first year. So, the acquisition of Titan is something that we feel has a long time to grow. So, we spent a lot of time in the last two months trying to organize the policies and the procedures of how the company goes to market and how people have incentive to do sales in order to set a base to grow that business much bigger, but at the moment, Nathan talks about oil and gas, right now the oil and gas, it outweighs that portion of our business.

Michael Epstein:

It looks like you could use some cash. Are we expecting some sort of public offering in 2015 to build the treasury up?

Andrew Minkow:

Yes, I mean Mike, one, our cash position is still relatively strong. We still have a lot of untapped borrowing capacity too. We still have a lot of cash sitting and the business overall continues to generate cash. We are not really looking for cash right now. We will of course go to the market when we think that we're in a position of some strength or for some other purpose to raise more equity and to create a wider, more liquid market for our stock, but right now, the focus on 2015 is to really rebound from the disappointing performance of 2014 and demonstrate that our business units are capable of earning much more money in the shorter and longer term.

Michael Epstein:

Thank you. I am looking forward to attending your annual meeting and meet you, Nathan and Andrew, so looking forward to that, thank you.

Nathan Mazurek:

Okay, our pleasure as well.

Andrew Minkow:

Thanks, Michael.

Operator:

At this time, there are no questions in our queue, and I would like to pass things back to Management for any closing, any additional remarks.

Nathan Mazurek:

Okay, thank you all so much for your time and attention. I look forward to updating you again on our next call.

Operator:

Ladies and gentlemen, that does conclude today's presentation. We appreciate everyone's participation.