

Company: ADVANCED FORMING TECHNOLOGY
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Operator: Good day and welcome to the Advanced Forming Technology ARCW Group Q2 2019 earnings call. Today's conference is being recorded. At this time I would like to turn the conference over to Aaron Willman. Please go ahead, sir.

Aaron Willman: Hello, everyone. Welcome and thank you for joining us on the call today. As most of you are aware, this call contains forward-looking statements as defined by the federal securities laws. Forward-looking statements are indicated by words such as expect, anticipate, plan, believe and similar words and certain future events.

All future events are inherently uncertain and actual outcomes may differ materially. We do not guarantee future performance and past performance does not necessarily indicate future results. Further we undertake no obligation to update our forward-looking statements.

We encourage you to review the risks that we face and other information about our company and our filings with the SEC including our annual report on Form 10-K and quarterly report on Form 10-Q. ((Inaudible)) on our Web site.

Please note that during the call, all financial measures presented will be non-GAAP unless otherwise indicated. I will now share results of the Quarter 2 Fiscal 2019. Highlights for the 2nd Quarter of Fiscal 2019 as compared to the 2nd Quarter of Fiscal Year 2018 for continuing operations, sales of \$20.9 million which was an increase of 19.9%.

This was primarily driven by increases in MIM plastic builds that Jed Rust our VP of Sales will highlight shortly. Gross profit of \$1.5 million which was increase of 602% over prior year. This was both due to higher sales and the cost-saving initiatives performed in Fiscal Year 2018.

EBITDA of \$.8 million which was an increase of 168% over the prior year same quarter. This quarter was negatively impacted due to some one-time extraneous events. The included legal settlements, primarily related to the sales (technical) field, these cancellations and some other operational issues.

Net of these gross profits would have been \$1.8 million and EBITDA would have been 1.45. Highlights for the first six months ended December 30, 2018 as compared to the first six months ended December 31st of 2017 are as follows: sales was \$41.4 million which was an increase of 13.6%.

Again Jed will cover this here momentarily in his sales presentation, gross profit of \$4.6 million which was an increase of 414%, this again was due to increased sales and the cost saving initiatives of Fiscal Year 2018 and finally EBITDA on the six months of \$3.3 million, an increase of 508%. I will now share - I will now turn over to Alan Quasha, our CEO to discuss the sale of 3DMT.

Alan Quasha: Yes, thanks Aaron. The sale of 3DMT was a tough decision for the board to make but we've made it. We still expect this transaction to happen in this current third quarter..

I do want to make it clear that given the confidential nature of these discussions and agreements, I will not be able to address any specific questions about the transaction other than what we have already communicated so now I will turn it over to Jed Rust, our VP of Sales to discuss some of our important sales initiatives.

Jed Rust: Thank you, Alan. Good afternoon, all. I wanted to spend just a few minutes to go over some of the sales and new product highlights for our Fiscal Q2. As Aaron mentioned, our Q2 sales of 20.9 were up \$3-1/2 million from the same Q2 the year before and for the first half we achieved \$41.5 million compared to the \$36.5 for the first six months last year.

This gross was driven across multiple industries, all of which are benefiting from new products we launched over the past years. Our medical sales were incredibly strong in Q2 with both new tooling revenue as well as new product launches for minimally-invasive surgical devices as well as dental components.

These new components have supplemented the already strong robot surgery and laparoscopic surgery components that we manufacture. As noted in our results, we also had extreme growth in our aerospace sector within the MIM business unit. We have not only seen volumes increasing on the products we launched over the past two years but are seeing good progress qualifying several new engine components for our large OEM.

The MIM technology continues to give aerospace ((inaudible)) cost savings over the already-capacity-constrained small casting supply chain. Lastly as we look at the defense and firearms sector, we saw strong demand for several of the new products we launched in both our metals MIM division as well as our plastics division.

One item of note is a plastic subassembly that we historically supported for the consumer sector that was recently adopted by a branch of the military. This led to increased demand as well as some longer-term orders with our OEM customer.

You know, as we look forward toward the future, we continue to be disciplined about our sales approach to ensure that we drive both top-line growth as well as ensure part platform profitability. With that, let me turn it over to Alan for some closing comments before we move into questions.

Alan Quasha: Well, thanks Jed. I don't have a lot more to say other than as I mentioned in the press release, I'm pleased with the progress - meaningful progress that ARC continues to make and with that we're happy to take any questions that anybody may have so we open it for questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star 1 on your telephone keypad. If you are 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. There are no questions in the queue at this time. Again to ask a question, please press star 1. We have a question from (Paul Ready).

(Paul Ready): Yes, hi, I'm a private shareholder and I was concerned about the price of the stock and how long it's been under \$1 a share? Does the company have any concerns about the stock becoming delisted and if not, what kind of reassurance do you have for its current really core shareholders towards this regard? I appreciate it, thank you.

Alan Quasha: Yes, well obviously we think the stock should be higher but a lot of insiders always prevented from buying and from my perspective this is Alan Quasha we think this is obviously a buying opportunity. We're not particularly worried about delisting. We haven't gotten any messages from any exchange and so it's not something that we particularly worry about.

(Paul Ready): Thank you.

Operator: Again to ask a question, please press star 1. Our next question comes from (Ralph Well).

(Ralph Well): Yes, I'm driving in a car so I don't know if you can hear me well but I'm very happy to see that your sales are going-up and that your business prospects are going-up and the aerospace area and the medical area and I'm just wondering what is happening in the firearms area?

Do you see any possible improvement in fortunes there which would then come about as you're improving the medical and aerospace and you know, would become reflected in some really better results going forward?

Jed Rust: Sure, I'll answer that, this is Jed. As we look at kind of what precipitated and what drove our first half, while I did mention the positive trend we've had on medical and aerospace, I did want to highlight that the defense sector has remained actually fairly strong for the first six months.

As we look kind of towards some of the political environment that does have a tendency to weigh on that market segment. We do expect that as we start looking toward calendar year '20, things could continue to be strong there just based off of the political environment that usually spins-up that industry a little bit but beyond that, you know, the products that we are on continue to remain strong and stable throughout both the last six months and kind of our immediate term that we're in right now.

Operator: We have no further questions in the queue. This concludes today's teleconference. You may now disconnect.

Aaron Willman: Thank you.

Alan Quasha: Thank you.

Jed Rust: Bye bye.