

Transcript of
TechPrecision Corporation
Fourth Quarter 2020 Earnings Call and Webcast
June 11, 2020

Participants

Brett Maas - Hayden IR
Alexander Shen - Chief Executive Officer
Thomas Sammons - Chief Financial Officer

Analysts

Ross Taylor - ARS
Aaron Warwick - ES Capital
Mark Gomes - Pipeline
Richard Greulich - REG Capital Advisors

Presentation

Operator

Ladies and gentlemen, hello and welcome. Thank you for joining us for today's TechPrecision Fourth Quarter 2020 Earnings Call and Webcast. All participants are in a listen only mode but instructions on how to share a question will be provided following today's prepared remarks. This session is being recorded.

And now for opening remarks and introductions, we will go live to managing partner at Hayden IR, Mr. Brett Maas. Welcome Brett.

Brett Maas - Hayden IR

Thank you. On the call today is Alex Shen, Chief Executive Officer; and Tom Sammons, Chief Financial Officer.

Before we begin, I'd like to remind our listeners that management's remarks may contain forward-looking statements, which are subject to risks and uncertainties and management may make additional forward-looking statements in response to your questions. Therefore, the company claims the protection of the safe harbor for forward-looking statements as contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today and therefore we refer you to a more detailed discussion of risks and uncertainties in the company's financial filings with the SEC.

In addition, projections as to the company's future performance represents management's estimates as of today, June 11, 2020. TechPrecision assumes no obligation to revise or update these forward-looking statements.

With that out of the way, I'd like to turn the call over to Alex Shen, Chief Executive Officer to provide opening remarks. Alex?

Alex Shen - Chief Executive Officer

Brett, thank you. Good day to everyone and thank you for joining us. Net sales improved in the fourth quarter to \$4.9 million compared to \$4.7 million in the same quarter a year ago, resulting in total net sales in fiscal year 2020 of \$16 million, down from \$16.7 million in fiscal year 2019.

Gross margins also improved in the fourth quarter to 26.4%, higher than gross margins realized in the prior three quarters of fiscal 2020.

However, our fourth quarter results were negatively impacted by \$495,000 settlement related to a civil action brought by former employees for past wages claims under a paid time off program. We agreed to settle the claims to avoid expense and uncertainty of future litigation. The company will be released from all claims raised in this litigation once the court approves the settlement.

As a result, our fourth quarter net income was \$48,000 or less than \$0.01 per share.

Our full year fiscal 2020 results were negatively impacted by learning curve related cost overruns on a limited number of new projects, which added \$1 million to our loss provision. These new projects are an opportunity to demonstrate technical excellence and custom knowhow of complex fabrication and custom knowhow of complex machining. Furthermore, these specific projects represent an entry point into new business prospects as the highly complex nature of these projects and extended time period of performance spanning multiple fiscal years provide a showcase opportunity on Ranor's production floor. A number of these units have now been completed. We expect improved margins going forward as the remaining of these projects approach completion and their cost stabilize, and other new projects come online during fiscal year 2021.

We reported a net loss of \$342,000 for the full fiscal year 2020 compared to net income of \$1.1 million in the prior year.

The company's sales order backlog was \$16.8 million on March 31, 2020 compared with \$12.6 million in the prior year, as approximately \$20.1 million of additional orders were booked over the full year in fiscal 2020. We continue to replenish backlog. We believe this will provide a steady revenue and profitable margins in fiscal 2021.

Overall, fiscal year 2020 was a great year of positioning the company for future growth, securing new orders, characterized by part numbers that are new to the company, clearly demonstrating customer confidence in our ability to execute on our core business, which is complex fabrication and complex machining.

I will address the impact of COVID-19 on our business and customers, following a brief review of our fiscal 2020 financial results with Tom Sammons, our CFO.

Tom?

Tom Sammons - Chief Financial Officer

Thank you, Alex. As Alex mentioned, net sales for the fourth quarter of fiscal 2020 were \$4.9 million, 5% higher when compared to the same period a year ago, primarily on increased shipments in the industrial sector. Cost of sales were 12% higher than the prior year due in part to \$178,000 charge in our fourth quarter for lost contracts.

Gross profit was \$1.3 million or 11% lower than the same period a year ago.

Our fourth quarter operating income, which included the \$495,000 provision with a legal settlement was \$166,000, down from \$832,000 in the same period a year ago.

Net sales for fiscal year 2020 were \$16 million or 4% lower than fiscal year in 2019. Net sales in the defense and energy markets decreased by \$1.7 million and \$0.7 million, respectively, when compared to fiscal 2019, while sales for industrial markets increased by \$1.7 million. Cost of sales for fiscal 2020 was \$750,000 higher, primarily due to the increase provision of \$1 million for contract losses. As a result, gross profit was \$3.1 million or \$1.4

million lower than the prior year. Gross margin was 19.6% in fiscal 2020 compared to a gross margin of 27.5% in fiscal 2019.

Selling, general and administrative expense, excluding the \$495,000 provision for the legal settlement, was up \$39,000 or 1% over fiscal year 2019.

Interest expense was \$296,000 or 17% lower in the same period a year ago. In January 2020, we paid off in full our capital equipment loan that carried a 7.9% interest rate.

As a result of above, we recorded a net loss in fiscal 2020 of \$342,000 or -\$0.01 per share basic and fully diluted compared to a net income in fiscal 2019 of \$1.1 million or \$0.04 per share basic and fully diluted.

Moving to the balance sheet, our working capital was \$5.6 million at March 31, 2020, a decrease of \$656,000 when compared to working capital at March 31, 2019. The total debt at March 31, 2020 was \$2.6 million compared to the total debt of \$4.3 million at March 31, 2019 as we paid off our equipment loan in full in January 2020. Our net debt at the end of fiscal 2020 was approximately \$1.7 million.

Cash provided by operating activities was \$677,000 for fiscal 2020 compared with \$531,000 in fiscal 2019.

In December 2019, we signed an agreement to increase the amount available under our revolver loan to \$3 million from \$1 million and decreased our interest rate on the revolver by 50 basis points. In April 2020, we drew down \$1 million under the revolver for working capital purposes.

In May 2020, the company issued a promissory note and received \$1.3 million in proceeds under the Paycheck Protection Program established under the Coronavirus Act Relief and Economic Security Act, and administered by the Small Business Administration. The loan was made through Berkshire Bank.

With that, I will now turn the call back over to Alex to tell us more about the impact COVID-19 has had on our business.

Alex?

Alex Shen - Chief Executive Officer

Thank you, Tom. At the end of March 2020, the outbreak of coronavirus COVID-19 had spread worldwide as a pandemic. The full extent of the outbreak, related business, and travel restrictions and changes to social behavior, intended to reduce its spread – the full extent remains uncertain as the health crisis continues to evolve in the US and abroad.

The directives imposed by federal, state, and local governments did not impair our ability to maintain operations during the fourth quarter of fiscal 2020 as the company was designated an essential service. However, the pandemic has negatively affected our customers, our suppliers and labor force. And with the changing conditions as a result of the COVID-19 outbreak, the impact on our operations and fiscal year 2021 financial results remains uncertain.

The change in focus on the company on growing its defense business was started six years ago by the current executive team. This sharp focus put us on a successful trajectory to transform ourselves into a predominantly defense-centric entity. We became a full-fledged member of the defense industrial base and secured the designation of an essential service during this COVID-19 crisis. The two shipyards that we serve directly, our other key defense customers, as well as the US Navy itself, issued formal communications requesting and directing our Ranor subsidiary to remain open and productive during this time of crisis. As a result, we were able

to successfully continue to execute contracts and very importantly, retain our highly skilled custom workforce and provide full wages and benefits.

We must remain vigilant and take the necessary actions to protect our workforce, and by extension of families so that we can continue executing our mission. TechPrecision is proud and honored to serve the United States defense industry, specifically naval submarine manufacturing and carrier manufacturing through its Ranor subsidiary.

I would now like to open up the call for Q&A.

Operator

[Operator instructions]. Our first question today comes from Ross Taylor with ARS.

Q: First congratulations to you and your team. I think you guys continue, Alex, to do a great job. It looks to me from the backlog numbers that we are turning the revenue corner. We're starting to see the benefits of the work and the efforts you guys have put into building this business. Alex, do you think that would be a correct assumption, obviously, with the caveat of COVID-19 impacting the flow of business from your primes [ph]?

Alex Shen - Chief Executive Officer

I think your characterization of turning the revenue corner, I don't know if it is or not, but certainly the numbers are better.

Q: Is there any reason we should expect them not to continue to get better?

Alex Shen - Chief Executive Officer

I don't see a reason for that.

Q: And you had what \$1 million in cost overrun losses on new part numbers that you were picking up. What was the revenue base that was around those, that million dollar loss?

Alex Shen - Chief Executive Officer

I'm thinking. Tom, help me out here. I know it's over \$1 million.

Tom Sammons - Chief Financial Officer

Yes, and it is over \$1 million, it's probably about, give me one second, I'll come up. The only caveat I would say is that the loss that we booked is scheduled or expected to be the total loss. I mean, that's what we're estimating. So, even though we haven't recognized all the revenue to date, the loss, it's really the question of how much of that loss versus the contract amount.

Q: Yes, that's what I'm looking for.

Alex Shen - Chief Executive Officer

Let me come back to it [overlapping voices].

Q: And so, while we're waiting to come back to that, also going forward you've indicated that this is business that you are both continuing work on expect to see continued work on going forward. So, I was going to try to get to an idea the magnitude of the opportunity that this, or these particular projects offer us?

Alex Shen - Chief Executive Officer

I think I want to make sure that I expound on my characterization of this opportunity. So, this opportunity is not just an opportunity to re-secure the same part numbers again, this opportunity was an entry point into potentially securing other new part number opportunities, hopefully, similar in nature to the highly complex and critical, nature of these projects, similar projects. And so, I tried to add more color into it and tell us about the extended time period of performance, spanning multiple fiscal years, which actually lead these parts on the Ranor's production floor to be showcased, since seeing is believing.

And because it's been such a long period of time, it far will outstrip this limited people contact time until the time where there's more customers that come back and visit us once again, this extended time period of performance will be then. I might—that was coming up pretty clunky, I guess.

Q: No, what you're looking at it's a multiyear opportunity here—

Alex Shen - Chief Executive Officer

[Overlapping voices] and it's a multi-part number, new part number opportunity, not just these part numbers that we have the learning curve crossover of that.

Q: And it's of such a quality or precision or the work is so sophisticated that you actually consider this work to be in my words an advertisement for the capabilities of Ranor?

Alex Shen - Chief Executive Officer

I would completely agree with you.

Q: Now with these parts, were they on vessels that spend most of their time at sea, above or below the water?

Alex Shen - Chief Executive Officer

I won't be able to answer that question. I'm sorry.

Q: Okay. Now you are seeing revenues, I would assume at this point the last quarter and does the backlog include revenues from all three of the vessel types on which you were working—Columbia, Virginia and carriers?

Alex Shen - Chief Executive Officer

Does the backlog include all three classes? Yes. The backlog does include all three classes.

Q: And so basically, at this point, what we're seeing is we're starting to see all of these areas ramp and you've successfully demonstrated the capabilities of the company. And so, you said when you're getting new part numbers, are those part numbers being, those contracts being given to you by the primes or by subcontractors for the primes?

Alex Shen - Chief Executive Officer

Primes, you mean the two shipyards?

Q: Yes. Are they seeing you guys as a way to outsource business that's complicated and difficult to basically say, allows them to focus their resources on higher, other areas where they feel that can be more effective? Or is what this is that you're finding you're picking up business from people who stand between you and the final assembler?

Alex Shen - Chief Executive Officer

We're picking up new part numbers from all of them as a whole. Not just from the shipyards and not just from the guys that are Tier 1 for the shipyard, from both sides [overlapping voices].

Q: And then going forward you obviously this year had—

Alex Shen - Chief Executive Officer

I have a quick answer I think [overlapping voices], let me just check in with Tom to make sure. I think the contract value is north of \$3 million. I think it's safe to say, Tom?

Tom Sammons - Chief Financial Officer

Yes.

Q: Okay. So what made these components so difficult? Was someone else, was this something that someone else was doing or wasn't doing effectively? Was this something that is new that was brought to you? I mean, obviously they were quite complicated, because your engineering and capabilities are quite good. So, I'm curious what about them in some ways made them so complicated?

Alex Shen - Chief Executive Officer

There's about 30 pages of a write up on this that's ongoing so far. I'm not completely—I'm a little bit at a loss to—the devil's in the details, Ross, especially on this one, very much in the details. Highly complex nature. I can tell you for sure, these part numbers were new to our Ranor subsidiary.

Q: Is there any recovery possibility—

Alex Shen - Chief Executive Officer

The other side of it would be that they're not new to the world.

Q: Is there any recovery possibility? Meaning that [overlapping voices] some of the problems was—did you inherit it?

Alex Shen - Chief Executive Officer

Did we inherit problems?

Q: Yes, the issues.

Alex Shen - Chief Executive Officer

Let me characterize this. Did we inherit problems? Yes. Did we create our own new problems? Yes. Did the customer create new problems? Yes. Did the supply chain that reports into us create new problems? Yes. The number of factors on such a highly complex project was—there's multiple factors that contributed, absolutely.

Q: And is there any ability do you think to recover any of the cost overruns by that write-downs? I'll take a no comment as yes.

Alex Shen - Chief Executive Officer

I think you know me by now, if there's a way that I can operate properly and get the adjustments, I will be doing so. I will not leave any rock unturned.

Q: And I'll step back out. But I want to say I think that this is really, the backlog building and the things you're talking about to me, make this a really exciting quarter. Congratulations once again to you and your team for the progress and success you guys have had in navigating a pretty difficult environment.

Alex Shen - Chief Executive Officer

Ross, thank you again for your continued patience and very strong support, and thank you very much.

Q: Patience is not a virtue I was born with, Alex, it doesn't come naturally to me.

Operator

Next we'll hear from Aaron Warwick [ph] at ES Capital [ph], and once again [operator instructions].

Q: It's good to hear that you're doing well amidst this pandemic and that the business has remained strong. Hope that continues going forward. I wanted to ask you, you've been commenting, at least now for, I don't know, probably 12 to 18 months, or I should say that starting 12 to 18 months ago you mentioned an opportunity that you had for \$80 million to \$100 million over two years and eventually then you started referring to it as \$100 million opportunity. On these calls, you've continued to say that was still in play. And I'm just wondering, apart from these new part numbers that you've been discussing, is that opportunity that \$100 million opportunity still in play?

Alex Shen - Chief Executive Officer

Tom, I'm going to take this one and you pitch in where you see fit. So let me be really clear. I don't think the \$100 million over two years is something that I have said, period. Then the next part is the \$100 million opportunities in front of us, not separate from the new part numbers, including everything that exists. I will definitely make sure that we all know when it stops existing.

Q: When you speak of that opportunity then, over what timeframe are you speaking?

Alex Shen - Chief Executive Officer

Over many timeframes, because the world keeps changing. You know the impact of COVID itself sometimes changes. It's very dynamic. It's a snapshot in time. I check on it every day.

Q: You guys had in the press release, the backlog as of March 31st. I'm wondering, if you could tell us what the current backlog is?

Tom Sammons - Chief Financial Officer

I don't have that with me right now.

Operator

[Operator instructions]. We'll hear next from Pipeline, and Mr. Mark Gomes.

Q: Your introductory comments were unabashedly bullish, if not been tan [ph] I might ask. In the past you commented on your overall excitement around the business and what you see. Is it safe to say based on your introductory comments that your level of excitement about your business is as high if not better than what it has been on past calls?

Alex Shen - Chief Executive Officer

If I didn't know any better, I thought Ross was asking the question.

Q: I've learned from the best.

Alex Shen - Chief Executive Officer

Yes. My excitement has not diminished whatsoever.

Q: And with regard to the \$100 million opportunity, you said that it is an ever shifting opportunity and obviously you've been receiving orders incoming, which would shrink the opportunity and then it would have to be then replenished with other opportunities to remain at that \$100 million level. Is that an accurate assessment?

Alex Shen - Chief Executive Officer

Absolutely, otherwise, I would be lying to you, right?

Q: Just making sure you're not lying to me. Final question—

Alex Shen - Chief Executive Officer

Do you think I would?

Q: That's not for me to prejudge—

Alex Shen - Chief Executive Officer

[Overlapping voices] so does the United States government, right? So we serve with integrity, right. So we can't [ph].

Q: And I've been judging you for over five years and I've never been higher in my judgment of you. So with that my final question is, is there any additional commentary you could provide us with to help us understand, we see revenues, we see backlog, but we do not see wins that are not in backlog, nor do we see projects with which you have confidence that you will win and not have in backlog. So there's maybe four categories of things and we only get to see two.

Can you qualify, not quantify but qualify, to what extent do those—are there wins that are not in backlog and other projects that you have confidence that you will win? I don't need to know how great those are. I just want to have an understanding of how much is—what's behind the veil without knowing how much is behind the veil?

Alex Shen - Chief Executive Officer

I'm going to rely on my consistent remarks of not responding properly to that question with an answer that satisfies the question. I won't be able to forecast what happens.

Q: I'm not looking for you to forecast. I'm really asking if you have—if the business is conducive to wins that would not show up in backlog and/or projects that you would have confidence you are going to win. Is this conducive to such things as opposed to a question I would ask if you have such things in hand?

Alex Shen - Chief Executive Officer

Meaning do I have something in hand, but didn't report it in backlog?

Q: No, I'm not asking that. I'm asking if the business is conducive to such a thing even existing?

Alex Shen - Chief Executive Officer

Can you repeat the question? I think I'm getting pretty confused here.

Q: You report revenues and backlog. Is it possible that you have wins that are not in backlog, is it possible that you have wins that are not in backlog? And is it possible that you have projects that you have extreme confidence that you will win that are not even wins yet? It is possible that such things exist that do not currently show up in backlog or revenue?

Alex Shen - Chief Executive Officer

So, the first question is do I have wins that don't show up in backlog. I do not have wins [overlapping voices]. I don't have any wins that don't show up in backlog.

Q: Okay.

Alex Shen - Chief Executive Officer

Tom, do I have any wins that don't show up in backlog?

Tom Sammons - Chief Financial Officer

Well, it depends on how you define win, if you're saying win is a PO, no, we don't have any wins that do not show up on backlog. If you're talking about a project that we know we're going to get, we just don't have a PO yet and I think that's what Mark might be getting to.

Q: Yes, sir.

Alex Shen - Chief Executive Officer

I don't know that, because something might change and then we don't get it, then what?

Q: I think this was appropriate color commentary to properly answer my response. I take that as a yes, and I thank you.

Operator

Thank you for your questions, Mark. [Operator instructions]. We'll hear next from Richard Greulich at REG Cap Advisors. I hope I'm saying that company name correctly, Richard, please, your line is open.

Q: Alex, I think you kind of threw people back a little bit when you were asked about the timeframe of which the \$100 million opportunities might present themselves, because I think actually in the past you had reflected about a two year timeframe over which you were talking about. Is that unfair to assume?

Alex Shen - Chief Executive Officer

Let me be really clear. What I'm asked about is the \$100 million revenue over two years versus \$100 million opportunity over two years. The opportunity exists whether or not it converts to revenue, that is not what I'm talking about.

Q: Okay, thank you for clarifying that. That's it. I have no more questions.

Operator

And gentlemen next we'll hear a follow up coming from Ross Taylor.

Q: Yes, I wanted to pick up on Mr. Gomes' line of questioning. Basically, a couple of things. First, where in the build project for the various things you're doing in the sub, say the Virginia's and the Columbia. Where does the majority of your order flow show up? Is it very early in the build or is it later in the build?

Alex Shen - Chief Executive Officer

I'm thinking, excuse me, I'm not trying to ignore the question. I'm trying to characterize it where—well, the majority, I think it's safe to say it's about 50/50.

Q: And then you do not put anything into backlog until you have a PO. But I think what I picked up from you exchange with Mr. Gomes was that you do have components that you have reason to believe will be Ranor

components when built that you do not have POs for, but that you are not willing to commit to because you're not exactly sure when, as you said, a lot of things can happen.

But in reality, at this point that the person for whom you are doing that component has basically probably told you that you are going to build that component, or that the contract you have while not a PO is actually a contract that will be filled, when they get around to it, in the build cycle. Correct?

Alex Shen - Chief Executive Officer

By and large, the problem really is one of timing. They can say things and then it doesn't time up the correct way, and the other problem also comes in when there's design changes. So let's remember, let's add some more color, Ross. I'm taking this opportunity to add color, which is kind of unlike what I usually do. The new things that are coming on are the VPMs, which is the middle section, adding four more missile tubes and firepower for the Virginia Class, as well as the Columbia Class, which is completely new.

With these new things, the design is not mature and stable. So there are changes that happen. So, when we're securing opportunities and we're going through that pursuit cycle, sometimes there's changes that happen that either cause a part number to transform itself into something different, or it would cause a tremendous different kind of delay that would be fairly traumatic if I counted on securing the order at a certain time. So, there's timing and there's also, I would call it, changes to the design.

Q: If a part is designed or the change in the design occurs, I think what we're getting at is that, let's say you're picked to do a door, a launch tube door for ease of the conversation. And they decide later to change the design of that launch tube door. It's generally safe to assume that you're still going to make the launch tube door, but it might be rolled back in time and it might change what you're doing and the value of the contract might change, because of all those factors.

And I think that's kind of what we're getting at, just those things that you have strong reason to believe you will supply to the Navy for the build of these vessels that are not yet POs, but you have every expectation will be POs inside some reasonable future with the caveat being that you cannot control timing. Right?

Alex Shen - Chief Executive Officer

Right, that's on the timing part of it. And then there's other design changes that just drastically change it. So now that it doesn't exist there anymore, or it got integrated into something else. So, now the "my" part number is no longer a part number, because it's somebody else's and you know, the door is now not leading [ph].

Q: And that goes two ways though, correct? You also can pick up business as you demonstrate your capability to consolidate part numbers and things of that nature.

Alex Shen - Chief Executive Officer

Well, we don't influence the design as much as the shipyards influence their own design. But either way, I was just trying to make sure that we understand the color behind it.

Q: Right. No, I understand. And also the other thing is because of the fact that the Navy is rolling out these contracts, they basically roll out POs on a per vessel basis, correct? It's not a lot that the Navy is ordering on the front. And they're not saying we're building nine boats or ten boats of this class, and we're going to need X number of months, or I should say launch two doors and so we want you to build 158 launch tube doors. So instead say boat X is coming online, it's going to have Y number of launch tube doors. Therefore, your contract is to build them for that boat then when the next boat comes online then you end up getting another, a new purchase order for that next boat. Correct?

Alex Shen - Chief Executive Officer

I don't think we should characterize it like that, Ross.

Q: I'm trying to make it simple, Alex.

Alex Shen - Chief Executive Officer

Right, except it's a hodgepodge. I think it just depends case-by-case. Some part numbers act that way and some part numbers don't. And then with the changing dynamics the parts that acted that way don't act that way anymore. A lot of it has to do with how specific funding gets released.

Q: Does your backlog include any parts that you don't expect to deliver in the next two years?

Alex Shen - Chief Executive Officer

Yes.

Q: It does. Okay, cool that's interesting. Thank you very much.

Alex Shen - Chief Executive Officer

Not very many.

Q: Not very many.

Alex Shen - Chief Executive Officer

The percentage of the dollars is not very significant, but the answer to your question is, yes.

Operator

Gentlemen, next we'll hear once again from Aaron Warwick.

Q: Alex, you like to talk about opportunities it seems like instead of revenues, so I'll ask it this way, about the Virginia Class versus Columbia Class subs. How do your opportunities change when you're looking at comparing Virginia to Columbia, when you're looking at Columbia, talking to some people that are familiar with the industry and with the company, they tell me that they think the opportunity for Ranor with Columbia Class subs is anywhere from 50% or 100% higher in terms of what might eventually convert to revenue, but that opportunity is significantly higher for Columbia Class. How would you characterize that or compare those two?

Alex Shen - Chief Executive Officer

I don't. I think putting on a number, a fictitious number is it's a futile exercise. It really depends. I don't know how to characterize it to be truthful.

Q: Okay, that's fair. And then finally, what have you seen, I know you've talked, I think, you started talking about it several quarters ago about reviewing strategic alternatives. And I'm just wondering how—if that's changed at all or slowed down at all, because of the COVID crisis. It's heated up, because it seems like the submarine business has finally getting going, you have some new parts. How would you characterize that activity compared to say last quarter?

Alex Shen - Chief Executive Officer

I think we're always looking for that opportunity. And I don't think that stance changes quarter-over-quarter. We need to be on the lookout for the right opportunities.

Operator

Gentlemen we'll hear once more again from REG Capital Advisors and Richard Greulich.

Q: Alex, the PPC funds I think were \$1 million, \$1.5 million, something like that. Are those forgivable, and what would be the circumstances under which that loan will be forgivable?

Alex Shen - Chief Executive Officer

Tom, I don't think that's an Alex question. I think it's a Tom question. Tom?

Tom Sammons - Chief Financial Officer

The PPP loan is forgivable under certain circumstances. A lot of that depends on what you spend the funds on. And all I can say at this point, I've had conversations with the bank, things keep changing and by the time we get to the point where we are perhaps ready to look at getting a forgiveness loan, we'll see what the criteria is at the time. But in general, it's money to be spent on labor costs, salaries, health benefits—

Alex Shen - Chief Executive Officer

I think the specifics are in the public domain and we don't need you to maybe iterate it.

Q: So, those definitions are totally fungible, whether you take the money from this to spin it for the salaries or do for that. So it's likely it seems to me that's probably going to be forgivable at the end of the day.

Alex Shen - Chief Executive Officer

Those are your words, not ours.

Q: That's correct.

Alex Shen - Chief Executive Officer

Okay. We won't know until we get there, is I think what the answer we got from Tom.

Tom Sammons - Chief Financial Officer

Yes, I'm not counting on anything right now. Wait and see, when I get to that point.

Q: In terms of the ongoing strategic review, Graham Corporation in their conference call the other day was talking about their continuing interest and looking for acquisitions, so which you would be about the right size for what they're actually looking for. So here's my concern, that right now, while your stock is actually doing relatively well, the earnings haven't come through that are likely to be coming through over the next year to two. And that somebody like them or somebody else may perceive that with a little bit longer timeframe perhaps than some investors would have, and would be able to acquire the company at a premium to the market but a discount to what the longer term value will be. What do you think about that?

Alex Shen - Chief Executive Officer

Well, I don't think we're there right now to think on it too seriously on how much we're going—or what the—basically you're asking me, how much do you want to sell it for, right?

Q: Well, or what can you do about it if somebody makes a bid that in your opinion is lower than what the longer term value might be, but it's higher than the market?

Alex Shen - Chief Executive Officer

I think we would probably need to get together with our board and make the correct decisions at that point in time. I don't think we can come up with a theoretical answer to a theoretical question. As you say, the future looks very bright, I believe so too. So, if we're going to be sold, it should include that very bright looking future and not

discount it. That's what I think. I think we should be really incorporating all the brightness that's true, which it is. Why wouldn't we?

And Tom, do you have anything to add?

Tom Sammons - Chief Financial Officer

I'm going to let that one lie.

Q: Yes, the fly in the ointment is that—and I understand your reluctance to get too specific on anything where it could have competitive implications. But for investors, it makes it a little bit difficult to then totally unveil what the future is possibly going to hold, or likely to be holding. I have my own estimates of what I think could happen, but it's hard for most people I think to actually see those numbers.

Is there anything else that you could do to, again, while protecting your competitive position, to add a little bit more specific details that would help people to understand that?

Alex Shen - Chief Executive Officer

So, as we help people understand that we also help our competition, and we also help our customers criticize us and perhaps—you know, it's difficult.

Operator

Gentlemen, we'll hear next once again from Mark Gomes.

Q: So, in your second exchange with Ross regarding part changes, providing uncertainty around wins that you might have in hand, but feels not in hand. Just to boil it down, simple math. Your opportunity that you see in front of you remains at a strong \$100 million thereabout and therefore, I would conclude that nothing traumatic has happened when those wins to this point that have not been offset by anything equally promising to maintain your opportunity at \$100 million. Would that be fair to say?

Alex Shen - Chief Executive Officer

I get pretty confused during the follow up you're saying. Can you break it down simpler? The \$100 million opportunity has not gone down.

Q: Correct and therefore, nothing traumatic has happened to any of your parts or positioning that would put you in an adverse opportunity situation that hasn't been at least offset by some other opportunity to replace it. And what I'm saying is on a net-net basis, you remain at \$100 million, because on net your opportunities coming in are at least equal to those going out.

Alex Shen - Chief Executive Officer

Right, it's hasn't diminished.

Operator

And gentlemen, we have no further signals from the audience. I'll turn it back to our leadership team for any additional or closing remarks.

Alex Shen - Chief Executive Officer

Thank you everyone for attending. Have a great day.