

# CUI Global, Inc. - Q2 2019 Earnings Conference Call - Transcript

9 August 2019

## CORPORATE PARTICIPANTS

**William J. Clough** - CUI Global, Inc. - *Chairman, CEO, President & General Counsel*

**Daniel N. Ford** - CUI Global, Inc. – *Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS:

**Eric Stine** - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

**Jeffrey Bernstein** - *Cowen Inc. - VP*

**Michael Wallace** - *White Pine Capital, LLC - CIO, Managing Partner, Principal and Portfolio Manager*

**Robert Brown** - *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst*

**Sanjay M. Hurry** - *LHA Investor Relations (External Investor Relations Counsel, CUI Global) - VP*

## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter 2019 CUI Global, Inc. Financial Results Conference Call.

As a reminder, this call is being recorded.

It is now my pleasure to introduce Investor Relations Counsel, Sanjay Hurry.

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### Sanjay M. Hurry - *LHA Investor Relations*

Thank you, operator. Good morning, and welcome to CUI Global's Second Quarter 2019 Results Conference call. A copy of the company's earnings press release and accompanying PowerPoint presentation are available for download on the Events & Presentations page of the Investor Relations section of the CUI Global website.

With us on the call today are William Clough, President and Chief Executive Officer; and Daniel Ford, Chief Financial Officer. The purpose of today's call is to review the company's financial results for the second quarter and to provide you with management's perspective on the balance of fiscal 2019. Following management's remarks, the call will be opened to question and answers. A telephonic replay of this call will be made available until the 25<sup>th</sup> of August. You may also access the archived webcast and accompanying PowerPoint at any time on the Investor Relations section of the CUI Global website.

As a reminder, this call will contain certain forward-looking statements made within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Such statements are subject to risks and uncertainties that could cause actual results to vary materially from those projected in forward-looking statements. The company may experience significant fluctuations in future operating results due to a number of economic, competitive and other factors, including, among other things, the company's reliance on third-party manufacturers and suppliers, government agency budgetary and political constraints, new or increased competition, changes in market demand and the performance or liability of its products. These factors and others could cause operating results to vary significantly from those in prior periods and to those projected in forward-looking statements. Additional information with respect to these and other factors which could materially affect the company and its operations are included in certain forms the company has filed with the Securities and Exchange Commission.

Before turning over the call to management, please note that both Bill and Dan will be in attendance at the 18<sup>th</sup> Annual D.A. Davidson Industrials & Services Conference in Chicago on September 18.

With that said, I'd like to hand the call over to William Clough, Chief Executive Officer. Good morning, Bill.

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Thank you, Sanjay. Good morning, everyone, and thank you for joining our call today. I'll begin this morning by touching on some highlights from our second quarter results and an update on the strategy we unveiled last quarter to create an energy infrastructure services company. Following my remarks, Dan Ford, our Chief Financial Officer, will provide you with a review of certain of our results for the second quarter and offer insight into actions taken during the quarter to right-size costs to anticipated revenue. Following Dan's remarks, I will provide an update on some of our other initiatives, including news we have received from our Italian distributor, Socrate, regarding the Italian re-metering project and a report on our investment in VPS and their progress toward market adoption. We will then open the call to your questions.

To begin, we delivered a solid operating quarter while sharpening our focus on cost management and cash preservation. We are especially pleased with our consolidated operating loss that substantially narrowed year-over-year and on a sequential basis. Our Energy segment was a standout due largely to higher integration revenue, we believe, is testament to Orbital's growing reputation for outstanding customer service and technical excellence in the industry.

This is especially true in the North American oil and gas market, where our Houston facility serves as the linchpin to our energy infrastructure services strategy. Our Power and Electromechanical segment softened as inventory levels built ahead of the current round of tariffs and imports from China resulted -- resulting in lower distribution sales for the quarter.

Regarding our strategy to construct an energy infrastructure services company through the proposed transaction we announced in May, it is admittedly taking much longer than we would like. We announced in mid-July that we had culled our original set of 4 acquisition targets to 2 because of the extensive due diligence we had conducted. We have since rejected a third, leaving us with one of the 4 initial candidates.

In parallel, we are continuing to work on a very promising acquisition opportunity we identified late last year. We are in the advanced stage of negotiations with this target and look forward to entering into a purchase and sale agreement as soon as practicable. We expect this transaction will be structured in a way that minimize dilution to our shareholders.

Our pursuit of these acquisition targets underscores our conviction that our strategy to build an energy services infrastructure company with CUI Global as the platform addresses both a large and growing market, while offering our shareholders a compelling path to higher value. Once we close this transaction, we anticipate that Jim O'Neil will be appointed CEO of CUI Global. Our pacing is methodical, but our goal remains clear. To quote Jim, "The companies you don't acquire are as important or more important than the companies you do acquire." We remain committed to utilizing CUI Global as the public company platform through which to aggregate energy and telecommunications infrastructure operators to create a new market entrant in the North American energy services industry.

As part of the transformation of CUI Global into a platform company, we still anticipate a divestiture of our Power and Electromechanical business at the appropriate time so as to use the proceeds to fund additional acquisitions that fit our energy services infrastructure strategy. We also intend to expand our Board in the near term to include individuals with energy industry expertise and experience aligned with our strategy.

Now let me turn the call over to Dan for his review of our financial results. Dan?

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**Daniel N. Ford - CUI Global, Inc. - Chief Financial Officer**

Thank you, Bill. As you may know, in the earnings press release we issued earlier today, we announced that we have filed a Form 12b-25 with the Securities and Exchange Commission for an automatic 5-day extension to file our quarterly report on Form 10-Q for the quarter ended June 30, 2019. We require additional time to resolve noncash issues related to the valuation of our investment in VPS. The resolution may result in a gain recognition on our initial investment. We utilize third-party technical experts and time of the investment and are working to finalize the transaction accounting treatment with the pending completion of a third-party valuation of that investment. Therefore, on today's call, I will review our consolidated income statement only down to the operating loss line. Consistent with our past practice, I will also cover segment revenue and gross profit, our consolidated cash position at quarter end and outlook for operating capital.

Starting with our consolidated results for the second quarter. Total revenue was relatively flat at \$22.8 million compared to \$23.1 million in the second quarter of 2018. Higher revenues in the Energy segment offset lower revenues in our Power and Electromechanical segment for the 2019 period.

Likewise, gross profit and margin were essentially flat at \$7.3 million versus \$7.6 million for the prior year period, with gross margin of 32.2% and 33%, respectively.

Selling, general and administrative expenses for the second quarter decreased fractionally to \$9 million from \$9.2 million in the year-ago period. SG&A expenses as a percentage of revenue was essentially unchanged at approximately 40%.

Including depreciation and amortization, R&D and other expenses, consolidated operating expenses declined 17% or approximately \$2 million to \$9.8 million compared to \$11.8 million in the prior year period, reflecting the absence of a \$1.3 million goodwill impairment charge associated with our Orbital U.K. subsidiary incurred in the prior year period and \$0.5 million reduction in R&D expenses.

During the second quarter of 2019, we initiated actions to align our cost structure to expected future revenue, including a reduction in R&D costs, headcount alignment and reductions in variable costs where appropriate. As a result, on a sequential basis, total operating expenses declined by approximately \$1 million from \$10.8 million. Operating loss for the second quarter was \$2.5 million compared to \$4.2 million in the prior period.

Turning to our segment revenue and gross margin, I will begin with our Power and Electromechanical segment. Revenues for the quarter were \$16.6 million compared to \$20.3 million in the year-ago period, a decrease of approximately 19%, reflecting lower revenues in the Power and Electromechanical segment due to lower sales through our distribution customers due to higher-than-normal inventories in the distribution channel.

Gross profit was \$5.6 million for a 33.9% gross profit percentage compared to \$7.3 million or a 35.7% gross profit percentage for the second quarter of 2018. The decline in gross profit was due to a less favorable product mix in the current quarter.

Our Energy segment produced revenues of \$6.3 million, an increase of 123% over the year-ago period when we reported revenue of \$2.8 million. The year-over-year variance is due to higher integration revenue and the timing of customer project delivery schedules. We recorded higher revenues from both our Houston facility and from our U.K. facility.

Energy segment gross profit improved approximately 1,400 basis points to 27.5% from 13.5% due to higher integration volumes and related efficiencies in 2019. As a reminder, gross margin in our Energy segment improves as the mix of technology solutions, including GasPT and VE sampling systems increases and as capacity and integration is efficiently utilized, offsetting lower-margin, integration-type project work.

Consolidated backlog was \$31 million at quarter end compared to \$37.5 million at December 31, 2018, reflecting declines in both segments due to timing of orders in the Energy segment and lower sales to distribution customers in the Power and Electromechanical segment relating to the higher-than-normal distributor inventory levels throughout our electronics distribution channels, which are actively being adjusted by distribution partners. For those of you who follow the electronics industry, this will be a familiar refrain.

Backlog for the Power and Electromechanical segment was \$19.2 million as compared to \$21.8 million at December 31, 2018. The Energy segments backlog at quarter end was \$11.8 million compared to \$15.7 million at December 31, 2018. For the 6 months ended June 30, 2019, consolidated revenue was \$45.8 million compared to \$45.1 million in the same period last year. Higher revenues in the Energy segment offset lower revenues in our Power and Electromechanical segment for the 2019 period. Power and Electromechanical revenue declined 9% to \$34.1 million from \$37.3 million in the prior period, reflecting adjustments to inventory carrying levels and distribution and the early impacts of the new tariffs. Energy segment revenue was \$11.7 million compared to \$7.8 million last year, a 51% increase and due to the aforementioned timing of customer project delivery schedules.

Consolidated gross profit for the 6-month period increased by approximately \$854,000 or 6% to \$15.1 million compared to \$14.2 million in the prior period. Consolidated gross margin improved fractionally to 32.9% from 31.5%.

On a segment basis, Power and Electromechanical gross margin improved 230 basis points to 35.7% from 33.4% in the prior period. The Energy segment delivered a 250-basis point gross margin improvement to 24.8% compared to 22.3% in the prior period.

Consolidated SG&A increased by approximately \$200,000 in the 6-month period to \$18.6 million from \$18.4 million in the prior period. Operating loss for the 6-month period was \$5.5 million compared to an operating loss of \$8 million in the prior period.

We ended the quarter with cash, cash equivalents and restricted cash of approximately \$3.2 million. This compares to \$4.5 million at December 31, 2018, and \$1.3 million at March 31, 2019.

We closed on a new \$10 million facility with Bank of America Merrill Lynch during the quarter, which doubles our borrowing capacity at more favorable terms. In addition to obtaining a new credit facility, we have \$9 million of positive working capital, primarily related to trade accounts receivable and the company's inventory, less current liabilities that the company will manage in the next 12 months.

With these factors, together with recent actions taken to align our cost structure to expected revenue, our current business forecast and quarter-end cash balance, we believe the company will have sufficient cash flows to meet its obligations for the next 12 months. We continue to look at areas to improve working capital balances and review areas where expenses may reduce, while maintaining a growth strategy and supporting ongoing activities with customers.

This concludes my prepared remarks. I will now turn the call back to Bill for additional commentary.

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Thank you, Dan. Our operating results with respect to our Energy segment are moving in the right direction. For the balance of the year, we will look to build on this segment's progress.

First, we received the initial order for GasPT for use in an industrial application in the second quarter through our global distribution partner, SAMSON AG. That order taps into a greenfield application of GasPT. We are seeing growing awareness of and interest in Gasp's value proposition for industrial use cases. Together with SAMSON AG and through our go-to-market efforts, we are building an exciting pipeline of opportunities for commercial GasPT orders from potential customers in Europe, North Africa and other geographies.

Staying with GasPT a moment longer, we are quickly approaching an end-of-year deadline for the Italian national gas network operator and end user of our GasPT solution to put forward its network installation and CapEx plan to the Italian government for the years 2020 through 2025. Our sales and technical team met with our Italian distributor, Socrate, just last week, and we're advised that a meeting with the Italian customer is expected in the fall as the Italian government expects a rollout plan for the re-metering project to be in place by spring of 2020.

The re-metering project for which our GasPT is a key component and from which we have a fully funded 3,300-unit order is part of that plan. We offer no guidance at this time on the timing of a restart of the re-metering project or at what pace of orders to us, but we bring this to your attention as it would have very positive implications for us from a cash flow standpoint.

Turning to our Power and Electromechanical segment. As Dan mentioned, this segment and the industry as a whole are experiencing slower distribution channel sales in 2020 than 2019 in relation to a large inventory correction within distribution. Additionally, we are encouraged by the investment made in Virtual Power System.

For its part, VPS is working with some of the largest customers in the industry across hyperscale, colocation and enterprise data centers and has developed a robust pipeline of opportunities. VPS continues to maintain its technology leadership position in software-defined power and is progressing with new partners. It is still early days for the adoption of VPS technology, but by virtue of our equity ownership in the company, we are pleased to be in on the ground floor of this exciting opportunity.

This concludes my prepared remarks. Operator, please open the call to questions.

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## **QUESTIONS AND ANSWERS**

### **Operator**

(Operator Instructions)

Our first question comes from the line of Eric Stine with Craig-Hallum.

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### **Eric Stine - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst**

Maybe if we could just start with the acquisition, the outlook there. Maybe the -- first of all, the process that you've cut from 4 down to 1. That also the process of finding now a potential second? And then would love to just hear, as much as you can share, of these 2 companies now that you're moving forward on, maybe a description of those companies and how you think they fit.

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Yes, I think that's a great question, Eric. The elimination of the companies basically is through due diligence. One of the things that Jim and the entire team are working very hard on is to pick the right companies especially out of the box. The first companies that we go -- we acquire have to be the solid, stable platform that we can use to grow. And in a couple of cases, that just wasn't the case when we dug down deep. And so those companies, while we may look at them again, they just did not fit with this initial acquisition.

The companies that are left are infrastructure companies. One is in the electric infrastructure space. The other is in the gas and oil infrastructure space. So, it's still our intent to build an energy services company that will service both the telecommunications, electric distribution and infrastructure and oil and gas infrastructure. We still feel very strongly as a group that the business being conducted literally within 40 miles of our Houston facility is going to be so dramatic over the next several years, but we want to be a part of that. And so, to address that business, we need to be that type of a platform company.

Both of the remaining companies that we're looking at, the one that we identified last year and the one involved in the announcement, are solid. They look good to us. And I think we'll be able to put something together in the next few weeks. Again, we want to be sure that the target we acquire is the right target. That's the critical issue here. We don't want to make a mistake coming out the door. And I think that's really Jim O'Neil's big push is that he wants to make sure that we come out with a very strong acquisition that shows exactly where we're headed. So that's what we're doing.

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**Eric Stine - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst**

Got it. And maybe it's too early, but I know when you had the 4, you were able to kind of talk about a pro forma EBITDA and that sort of thing. I mean is it -- are you able to give that for these 2? Or is that kind of getting ahead of things?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Yes. I think at this point, that would be getting ahead of things. The one thing I will say, and we've said it in the release and also in our prepared remarks is it's going to be much less dilutive than what we anticipated. So, we will have that issue off the table. But again, I think for us to give any specifics at this point would be a little early.

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**Eric Stine - Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst**

Yes. And then I guess last one, just on -- I know in May when you laid this out, you also laid out a pretty aggressive plan for what was going to happen after the original 4. And I know that, that also included quite a bit of dilution. I mean should we look at this as kind of a signal that maybe you still have a goal to roll things up as part of your plan, but it would be maybe a little -- I mean, it'd be on a smaller scale and less dilutive?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Correct. I think that's a very good way to put it.

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**Operator**

(Operator Instructions) Our next question comes from the line of Rob Brown with Lake Street Capital.

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**Robert Brown - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst**

Just wanted to follow up on that -- Eric's question about the pro forma kind of numbers. Is this -- would the sort of the thinking here and the terms be a stock kind of based purchase price? Or how do you kind of view the terms of these acquisitions at this point?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

I think the earlier acquisitions, the ones that you'll see soonest, will be a combination of stock and cash. I think more cash than stock, though, to be frank with you. Because again, we think at this stage with the stock at the level it is, it really doesn't make sense to use it as a currency. I think we're going to be pushing more for cash. There will be some stock component, but as I mentioned, far less dilutive than what we had anticipated.

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**Robert Brown - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst**

Okay. And then I just wanted to clarify, your debt facility you talked about, did you get an incremental \$10 million? So, we see you have a \$20 million facility at this point probably?

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**Daniel N. Ford - CUI Global, Inc. – Chief Financial Officer**

No. The \$10 million line of credit, they closed this year.

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**Robert Brown - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst**

Okay. Got it. Got it. And then -- okay, so the \$10 million's -- and then the -- you said the -- I guess, in terms of the receivables on the balance sheet, what's -- I just want to clarify what you said in terms of what you have. I think you said \$9 million. Is it receivables and inventory that you can liquidate fairly quickly? Or just some clarity on kind of the cash displacement.

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**Daniel N. Ford - CUI Global, Inc. – Chief Financial Officer**

No, that's just referencing the working capital that we have on the balance sheet, and it's referencing that it's primarily -- that the overall working capital balance is primarily associated with AR and inventory, as it always has been.

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**Robert Brown - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst**

Yes. Okay. And then on these acquisitions, will they be -- ultimately, these businesses will be EBITDA-positive businesses that generate cash flow? Is that the plan? Or just some kind of high-level view on what these 2 businesses' financial situations are.

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Yes, that is absolutely the plan. They -- each of them have profitable businesses that are operated by, we believe, very confident entrepreneurs. And they'll obviously in each case, add to the -- both top and bottom line.

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**Robert Brown - Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst**

Got it. Okay. Good. Then last question on SAMSON, I think it's good you get your first order in that business. How is that pipeline going and that international expansion looking?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

They are working very hard and have seen some real traction develop, especially in areas that we didn't expect, areas like in North Africa and in Asia. They're seeing some real interest, and I think that pipeline is starting to grow. I think we're going to see some fairly significant revenues towards back end of this year from them.

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**Operator**

And our next question comes from the line of Jeff Bernstein with Cowen.

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**Jeffrey Bernstein - Cowen Inc. - VP**

Just looking for a couple of updates. And I was curious on the Energy segment, why the backlog is going down. I know there was a lot of opportunities out there, although I know some are with some governments that are not moving so quickly these days. But maybe you could talk about that. And then love to hear an update on the GE turbine opportunity, what's going on in LNG and your Canadian opportunities.

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**Daniel N. Ford - CUI Global, Inc. – Chief Financial Officer**

Sure, Jeff. I'll cover the backlog, what's going on there. And then I'll let Bill cover those other opportunities and where they stand.

So, the backlog is primarily timing of customer ordering cycles and their delivery schedules. As I noted in the conversation, our revenues for the period for the Energy segment were up 123% and for the year-to-date, up 51% over the prior year, so pretty big jumps for the quarter, 3 months and then for the 6-month period as well. That's played a factor into it, and that's just really timing related. And then we also have several large opportunities that are out in final stages with customers right now that we believe we're in strong contention for that will swing that backlog back the other way here shortly. And so it -- again, it has to do with timing of customer schedules.

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

And then -- as your -- as to your other question, the large turbine operator that we're working with, we're still working with them. We are making forward progress there. Obviously, as we've seen in the past, slow moving, but we feel confident that we're going to have a deployment this year to a U.S. energy group that is waiting for the certification that they need. And we think we can get that in the next little while. Obviously, it will be an announcement that we make the minute we have it.

Canada, again, also is moving forward. We believe there's a big opportunity up there. They are quite interested in the technology. They've had several units in test phase. Those tests have gone very well. And I think we're really waiting for final certification from Measurement Canada, which again, we expect at any point.

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**Jeffrey Bernstein - Cowen Inc. - VP**

Great. And are you guys winning anything in the LNG projects that are coming forward now?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Yes, we have had actually some pretty good traction develop, especially with the VE technology, some of the sampling [phases] that we've got. And yes, there have been some really nice wins there. In fact, I think you'll see a couple of press releases over the next couple of weeks regarding just that.

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**Operator**

And our next question comes from the line of Mike Wallace with White Pine Capital.

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**Michael Wallace - White Pine Capital, LLC - CIO, Managing Partner, Principal and Portfolio Manager**

A couple of questions. The acquisitions you're looking at, can you give us some sense of revenue and EBITDA, just some ranges that we could be thinking about in terms of them coming on board?

And then second, can you talk a little bit more about Jim's role here? He's gotten on the Board now. You granted him 600,000 options. And just help us understand what his role is here and where it is going to be going forward.

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Yes. You broke up on that, on the first part of your question. If you're asking for EBITDA and revenue ranges on the targets, I don't feel comfortable sharing that at this point. I think that's a little too detailed until we get further into the process.

As far as Jim's role, he did get 600,000 options, which I think you're aware vest over 3 years. And the plan is still as it has been and as we announced, at the time we make this first acquisition and step into the role of this platform company, it's our intent to bring him on as CEO. At that point, I'll step down to a President's position and General Counsel. And he will, at that point, take on the duties of the CEO. And that's still our plan, that's still his involvement.

He is obviously more involved in the acquisition stage and the due diligence simply because that's his expertise. So as opposed to a standard Board member, if you will, who is reviewing some of the things we're doing, he's actually very involved in the due diligence, very involved in the companies. And frankly, he brings a lot of, not only credibility to the table, he knows these companies. And so that's one of the reasons that, as I mentioned, a couple of companies just didn't make the grade because he looked at it and saw some things that he didn't like. So that's really his position right now as a hyper-Board member, if you will, and then he's going to be coming on as CEO.

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**Michael Wallace - White Pine Capital, LLC - CIO, Managing Partner, Principal and Portfolio Manager**

So, are you and Dan also on the team that's working with these? Yes. Okay. And then who else is included on the team that's doing the evaluation?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

It depends on the company that we're looking at, but it's going to be the technical group. Tom Knight, Jim McGinty looks at it. There's an entire group that we have looking at each of these companies. And again, it would depend on their area of expertise or what they're doing as to who we have look at it.

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**Michael Wallace - White Pine Capital, LLC - CIO, Managing Partner, Principal and Portfolio Manager**

Okay. And maybe -- I know you probably can't give us too much on revenue and EBITDA, but just some broad ranges would be helpful. And second on that, timing-wise, can you give us some feel? Is this -- something has to happen between now and year-end or sooner?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

It's -- I believe it's going to be sooner than that. It's certainly between now and year-end. We're pushing as hard as we can to move as quick as we can. To be frank with you, I hesitate to give you a specific time frame because, frankly, I thought it would be done by now. But we are being, again, methodical and cautious because we want to get the right company. We think we've identified those targets now. And so again, now it's a matter of dealing with our bankers and going out and getting financing and doing what we need to do.

As we do that, when we're able to, we will be announcing -- making announcements along the way. But I certainly think it will be before end of the year, and I believe sooner than that. I think we'll have something done certainly by the end of summer.

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**Michael Wallace - White Pine Capital, LLC - CIO, Managing Partner, Principal and Portfolio Manager**

Is Bank of America going to be -- are they involved with the team? And are they going to be part of the possible funding source?

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**

Yes, absolutely. They're our bankers, of course.

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**Operator**

Thank you. And that concludes today's question-and-answer session. So, with that, I'll turn the call back over to CEO, William Clough, for closing remarks.

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**William J. Clough - CUI Global, Inc. - Chairman, CEO, President & General Counsel**



And again, just in closing, thank you all for your attendance at the call. We are very excited about the prospects of the company moving forward, particularly with the strategy we have around the Energy division. So, I hope that you'll continue to stay with us and watch for press releases over the next few weeks and months. Thank you again. Thank you, operator. That ends the call.

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