CALL PARTICIPANTS

EXECUTIVES

Joseph B. Armes
Chairman, President & CEO

Greggory W. Branning
Executive VP & CFO

Adrianne D. Griffin
VP of Investor Relations & Treasurer

ANALYSTS

Jonathan E. Tanwanteng
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Brian Lau
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PRESENTATION

Operator

Greetings and welcome to the CSW Industrials Third Quarter 2020 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Adrianne Griffin, Vice President of Investor Relations. Thank you, you may begin.

Adrianne D. Griffin
VP of Investor Relations & Treasurer

Thank you, Christine. Good morning everyone and welcome to CSW Industrial's Fiscal Third Quarter 2020 earnings call. Joining me today are Joseph Armes, Chairman, Chief Executive Officer and President of CSW Industrials, and Gregg Branning, Executive Vice President and Chief Financial Officer.

If you have not received the earnings release, it is available on our website at www.cswindustrials.com. This call is being recorded. A replay of today's call will be available, and details on how to access the replay are in the earnings release.

During this call, we will be making forward-looking statements. These statements are based on current expectations and assumptions that are subject to various risks and uncertainties. Actual results could materially differ because of factors discussed in today's earnings release, in the comments made during this call, and in the Risk Factors section of our Annual Report on Form 10-K and other filings with the SEC. We do not undertake any duty to update any forward-looking statements.

This call will also include an analysis of adjusted operating income, net income and earnings per share, which are non-GAAP financial measures of performance. These non-GAAP measures should be used as a supplement to, and not a substitute for, operating income, net income, and earnings per share computed in accordance with GAAP. For a more complete discussion of adjusted operating income, net income and earnings per share, see our earnings release.

I will now turn the call over to Joe Armes.

Joseph B. Armes
Chairman, President & CEO

Thank you, Adrianne. Good morning and thank you for joining our fiscal third quarter conference call.

As we prepared to discuss our strong quarter and year-to-date results, I was reminded that we are now in year five of our effort to build a diversified industrial growth company. Approximately four and a half years ago, we recognized the potential value that could be created by combining the companies that form CSWI. Our initial efforts to consolidate these companies under a single operating structure, to share resources and best practices, and to optimize our manufacturing footprint, have definitively enhanced profitability. In the last year, we largely completed the first phase of this transformation and we are now in a strong position as we look to the future.

As we continue along our path of maturation, we remain committed to investing in people, processes, and systems necessary to drive long term profitable growth, guided by our compelling investment thesis. Through ongoing product introductions, deploying technology and innovation, and pursuing M&A, we are confident in our ability to provide growth in excess in the end markets we serve today, and to deliver attractive risk-adjusted returns to our shareholders.

Before I begin a discussion of our results in end markets, I would like to acknowledge prospective concerns in these early days of understanding the potential global impact of the coronavirus. At this point, we do not expect any material impact on our financial position or our results of operations. We would like to express our concern for those who have fallen ill, and our appreciation to those who are vigorously responding to the people impacted by this virus.

Like others with supply chain relationships that include companies located in China, we are closely monitoring the possible economic impact of this virus. We source several products from Asia and specifically from areas of China outside of Wuhan, and at this stage we have determined that our inventory position with these products is sound, thus mitigating near term conceivable impacts. We would remind everyone that our international sales are less than 20% worldwide, and approximately 1% of that is sold in China. At the present time any impact related to sales into China would be immaterial.

Now I will provide a brief recap of our results for the quarter and year-to-date, followed by segment highlights and a review of our end markets. Then I'll hand the call off to Gregg for a closer look at the numbers.

I'm pleased to report our results for this quarter beginning with consolidated revenue of $83.7 million, representing 8% total growth, of which 3.4% was organic growth, compared to the prior year period. I'll remind our audience that the fiscal third quarter of last year was exceptionally strong, emphasizing this quarter's solid growth. Comparing our organic growth rate to the recently reported 2.1% fourth quarter 2019 GDP growth rate further emphasizes our outperformance. Consolidated quarterly operating income increased over 11% to $10.5 million and there were no adjustments to operating income in the quarter in either year.

Given that we are nine months into the fiscal year, I would also like to highlight that our team has delivered excellent performance of 11.1% of total revenue growth compared to the prior year period, with our two recent acquisitions contributing 4.5% or 450 basis points of this growth year-to-date. The 6.6% year-to-date organic revenue growth resulted from our team's focus on new product introductions that are driving market share gains, customer-specific programs targeting share of wallet growth, and investments in our sales and marketing organization, including personnel, product training and performance-based compensation.

We have realized growth in both our industrial products and specialty chemicals segments, which year-to-date have delivered healthy sales growth across the HVAC-R, plumbing, rail, energy, mining, and architecturally specified building products end markets, with flattish results in the general industrial end markets. We are particularly pleased with such strong organic growth well above the end markets we serve and nearly three times 2019 GDP, further demonstrating our team's outstanding performance.

Third quarter adjusted earnings were $0.48 per diluted share compared to $0.46 in the prior year period. Year-to-date, we have delivered $2.35 of adjusted earnings per diluted share, an impressive 16.3% increase over the prior year period. This continued growth in earnings per share is the result of leverage from increased sales, ongoing benefits from commercial team initiatives, and the outstanding performance of our recent acquisitions.

Our capital allocation strategy continues to guide our investing decisions with a priority to direct capital to the highest risk-adjusted return opportunities within the categories of organic growth, strategic bolt-on M&A, and return of cash to shareholders through our share repurchase and dividend programs. We have remained true to this capital allocation strategy with our 6.6% fiscal year-to-date organic revenue growth and incremental 4.5% fiscal year-to-date revenue growth from recent acquisitions.

Additionally, through the repurchase of 12,000 shares of our stock in the quarter and the $6.1 million in dividend payments to shareholders in the first three quarters of the year, we have returned approximately 15% of our operating cash to our shareholders year-to-date.

Looking forward, we remain very pleased with our robust M&A pipeline, which we develop through in-house relationships, market knowledge, and fostered through intermediaries. Our M&A pipeline grew throughout Calendar 2019 and today includes opportunities such as product line extensions and bolt-on acquisitions that could expand our size and scale, diversify product offerings, or increase geographic footprint within the end markets that we currently serve. We remain committed to our disciplined acquisition process, and while we are not in a position to make an announcement, we persist in our focus on compelling, value-accretive opportunities.

As part of our commitment to return cash to shareholders, in January we announced our fourth quarterly dividend that is payable on February 14 to shareholders of record on January 31 at an annualized rate equaling $0.54 per share. With the inaugural four quarters of our dividend program announced, we believe the first quarter of Fiscal 2021 is the proper time to discuss with our Board the appropriate size of any increase in our dividend, as well as the trajectory of future dividend growth. We expect to provide an update on this on or before our next earnings call.

Moving to our quarterly segment performance, beginning with industrial products, sales grew by 11.5% of which 3.3% was organic, compared to the same prior year quarter. Organic sales growth was predominantly associated with volume growth in the HVAC-R and plumbing end markets. During the quarter, we saw softening in the organic growth of our architecturally specified building product end markets due primarily to customer-driven project delays common with commercial construction projects, compounded by the ongoing tightness in the labor market. We remain confident in the quality of our backlog; and further, our bookings continue to outpace revenue, driving an increased backlog which provides us with good visibility through the end of this fiscal year and into the next.

In order to augment our expertise in this end market, during the quarter we made a strategic hire for the leadership team within our industrial products segment. I'm pleased to welcome Scott Stratton, Vice President CSWI and General Manager of Building Safety Solutions, which is a newly created role. Scott joins us most recently from ThyssenKrupp Elevator and brings deep commercial and operational experience in the architecturally specified building products end market. We look forward to seeing the impact of his focus on driving continued organic growth and enhanced margins.

The industrial product segment delivered a 7.2% increase in quarterly operating income to $8.6 million. Compared to the prior year quarter, we realized a 70 basis point decline in segment operating income margin as we experienced negative mix and execution challenges in our architecturally specified building products business, coupled with lapping a strong comp. The issues we experienced in fiscal Q3 are likely to continue into fiscal Q4, but we anticipate improvement as we exit this fiscal year.

During the fiscal third quarter, our specialty chemicals segment reported operating income of $5.4 million, or 15.4% of sales. This reflects a 3.6% increase in sales over the prior year period, all of which was organic, as well as realizing a 190 basis point improvement in operating income margin due to sales leverage and positive sales mix. The increased sales were primarily driven by the rail, plumbing, and mining end markets, partially offset by softening in the energy end market as rig count was 20% lower than the prior year period.

As we have entered our fourth fiscal quarter, I would like to provide a brief overview of the outlook in each of our major end markets. We have continued to see strong demand across the largest end markets that we serve, including HVAC-R, plumbing, and architecturally specified building products, which collectively contribute approximately 70% of consolidated sales.

In rail, energy, mining and general industrial, we continue to deliver long-term end market outperformance.

In HVAC-R and plumbing, outlook for demand remains strong and we expect to continue to drive growth rates well in excess of these end markets. Anecdotally over the year, our industrial products team invested approximately $1 million of capital on additional production capacity to support demand for our products in the ductless mini-split market. Ductless mini-split accessories have been a fast growing product category for us and we are pleased with our team's innovation in this emerging sector of the HVAC-R market. Building upon this momentum, our team is continuing to innovate and develop additional products for HVAC-R maintenance and repair, adding to our suite of best-in-class products that improve end user productivity and help the tradesmen grow their business.

We have achieved over 15% growth in the architecturally specified building products end market year-to-date, driven primarily by our recent acquisitions and organic sales growth of our fire and smoke-related products. We are confident that the combined strength of our growing backlog and additional leadership focus on the architecturally specified building products end market will result in a return to improved profitability and stronger organic growth.

In summary, our team has delivered double-digit revenue and adjusted operating income growth year-to-date driven by organic initiatives and successful acquisitions. We continue to have confidence in the 7% total revenue growth rate for the second half of the year that we mentioned in our last earnings call. This continued growth, profitability and strong cash flow generation are funding investments in our business and returning cash directly to shareholders.

With that, I'll turn the call over to Gregg for a closer look at the numbers.

Greggory W. Branning
Executive VP & CFO

Thank you, Joe, and good morning everyone.

As Joe mentioned earlier, our consolidated revenue during the fiscal third quarter of 2020 was $83.7 million, an 8% increase over the prior year period. Higher revenue was driven by increased sales in both our industrial products and specialty chemicals segments, primarily due to the 3.4% organic growth and acquisition-related revenue. Increased organic sales were driven by the HVAC-R, plumbing, and general industrial end markets, partially offset by the architecturally specified building products and energy end markets.

In looking at our quarterly segment level revenue, operating income and growth drivers, our industrial product segment posted revenue of $48.7 million, which grew 11.5% over the prior year period. Organic revenue accounted for 3.3% of the growth and was driven by increased sales volume in HVAC-R and plumbing end markets, partially offset by declines in architecturally specified building products end market.

Our GAAP segment operating income increased 7.2% to $8.6 million, and there were no adjustments to GAAP results in the current or prior year within this segment. As we indicated on our last earnings call, operating income margins typically decrease in the third quarter. We experienced a 70% basis point decline over the same period last year due primarily to negative mix in our architecturally specified building products end market.

With respect to the negative margins, as we have stated in prior quarters, we would expect our operating income fall-through on incremental sales in industrial products to be in the 25% to 35% range, assuming normal mix. So if you take that range of fall-through and multiply it by our organic revenue growth, you can approximate the impact on the negative mix, as we do not want to give a specific number on this due to competitive reasons.

As I mentioned last quarter, our trailing eight quarter book-to-bill ratio is greater than one, and the architecturally specified building product backlog currently contains a portfolio of projects that are in our wheelhouse, and we have seen a slight uptick in our book-to-bill ratio as we exited the quarter. Given this backlog confidence, we intentionally did not reduce labor, as we made a longer term decision based on the projects in our backlog and the need for the skilled labor to meet future delivery requirements.

Moving to specialty chemicals, our segment revenue was $35 million, a 3.6% increase over the prior year period, all of which was organic. Sales growth was primarily driven by increased volumes in rail, plumbing, and mining end markets, partially offset by a decline in the energy end market. Sales leverage and positive mix has resulted in mid-teens operating income margins, a level we continue to be pleased with and that matches expectations we indicated a number of quarters ago.

Moving onto our consolidated results for the fiscal third quarter, consolidated gross profit increased 10.1% to $37.7 million, driven primarily by leverage from increased sales and recent acquisitions. Our gross margin as a percentage of sales improved 80 basis points to 45%, as compared to the prior year period, primarily as a result of the positive impact on recent acquisitions and leverage from increased sales, partially offset by negative mix and execution challenges in architecturally specified building products. We expect the negative mix from architecturally specified building products to continue in the fourth quarter, as Joe mentioned earlier in his comments.

Our consolidated operating expenses in the current quarter of $27.2 million were consistent with the prior quarter's run rate, and as a percentage of sales operating expenses was 32.5%, a 50 basis point increase over the prior year period, driven primarily by increased personnel-related expenses and costs associated with acquisitions.

Our consolidated GAAP operating income for the fiscal third quarter was $10.5 million, an 11.3% increase over the prior year period. There were no adjustments to operating income in the third quarter of 2020, or the prior year period. The key for us is ongoing growth in top line sales, which will give us sales leverage to continue to drive improved margins.

The effective tax rate on continuing operations for the quarter ended December 31, 2019 was just over 22%. Year-to-date, our effective tax rate is approximately 25% and is in line with expectations for our Fiscal 2020 effective tax rate to be in the range of 24% to 26%. GAAP net income from continuing operations increased to $7.3 million, or $0.48 per diluted share, compared to $6 million, or $0.39 per diluted share, in the prior year.

Adjusted to exclude one-time items and applying a normalized tax rate in both years, adjusted net income from continuing operations in the fiscal third quarter of 2020 increased 5.2% to $7.4 million, or $0.48 per diluted share, compared to adjusted net income from continuing operations of $7 million, or $0.46 per diluted share, in the prior year period.

For the first nine months of the fiscal year, GAAP net income from continuing operations was $31.4 million, or $2.07 per diluted share, compared to $32.4 million, or $2.07 per diluted share, in the prior year period. After adjusting the current year-to-date period to a normalized tax rate and to exclude one-time items, the most significant being the $0.35 per diluted share charge in the fiscal second quarter to terminate our U.S. qualified pension plan, adjusted net income from continuing operations improved to $35.8 million, or $2.35 per diluted share. In the prior year period, adjusted net income from continuing operations, which was adjusted to exclude one-time items and applying a normalized tax rate, was $31.5 million, or $2.02 per diluted share, resulting in an increase of 16.3% on adjusted earnings per share.

Moving to our cash generation and balance sheet, our operating cash flow from continuing operations increased to $60.4 million year-to-date in Fiscal 2020 compared to $58.3 million in the prior year period. I'll remind everyone that in the prior year, our operating cash flow reflected a $10.4 million deferred tax benefit related to the disposition of our coatings business that did not repeat this year. Excluding that one-time benefit, our operating cash flow was up 26% due to our continued strong operations performance.

We ended the quarter with cash on hand of approximately $40 million, and had the full $250 million of borrowing capacity available on our revolving credit facility, which provides us ample flexibility to fund our growth and capital allocation strategy, including acquisitions.

With that, I will turn the call back to Joe.

Joseph B. Armes
Chairman, President & CEO

Thanks, Gregg.

The solid foundation of year-to-date results positions us well for the balance of Fiscal 2020 and into 2021. We will continue to drive integration and efficiency initiatives and to offer best-in-class products to serve our customers and to help their businesses grow; and also to steward well the capital entrusted to us by our shareholders.

Let me take this opportunity to thank all my colleagues at CSW Industrials who collectively own over 5% of our Company through our employee stock ownership plan, and also thank all of our other shareholders for their continued interest in and support of our Company.

With that, Operator, we're now ready to take questions.

QUESTION AND ANSWER

Operator

Our first question comes from the line of Jon Tanwanteng of CJS Securities.

Jonathan E. Tanwanteng
CJS Securities, Inc.

Good morning, this is Brendan on for Jon. I wanted to first go to the architectural, and then the mix issue that you called out. You talked about the delay—construction delays, especially with the labor shortages right now, as an issue. Was that part of the mix issue as well, and was this something that was known in the backlog? Was it something external? Then looking out to Q4 and beyond, how do margins and scheduling look?

Joseph B. Armes
Chairman, President & CEO

I'll start with that—this is Joe, and I'll let Gregg follow up. The issues of customer-driven delays was certainly a factor here, as they have been over the past few quarters. We're just seeing a number of delays and projects moving to the right. Some of those are related to labor shortages and, again, customer-driven, completely out of our control.

Secondly, there have been some execution issues there with respect to some re-work that needed to be redone on some materials that came out of the facility, and some installation issues that have impacted our profitability there. Thirdly would be—I would say with respect to those, it's important to note they're limited in scope, really primarily to one project, and limited in duration. So again, we suspect that those will continue throughout the final fiscal quarter for our fiscal year, but not beyond that. So again, limited in scope, limited in duration.

Thirdly, because of the health of our backlog and our confidence in our backlog, we made a management decision during this quarter not to reduce labor within our facility, notwithstanding the slide to the right on some of these projects and some of the delays. That is because we have a very strong backlog going into 2021. We need to be able to serve our customers; we don't want to lose any customers or damage our reputation for on-time delivery, so we made a management decision there to kind of bite the bullet during this quarter, and the next, in the long-term health of our business.

It really is an investment in our business going forward because of our confidence in the backlog and our future prospects for that business.

Greggory W. Branning
Executive VP & CFO

This is Gregg. I'll add to Joe's comments. From the delays—the delays were not due to us; they were due to our customers and scheduling and our ability to get onsite.

And the decision to not reduce our labor, that's skilled labor both inside the plant and with our installers. So when you look at our backlog, as I mentioned in my prepared remarks and Joe mentioned a second ago, we have—our book-to-bill ratio has actually gone up over the last eight quarters from what it was a quarter ago. The quality of our backlog and the strength that's out there is vital for us to keep the skilled labor force in place. We wanted to make sure we helped everybody understand the impact of the slower sales in the quarter. And the negative mix in the quarter; that negative mix will also continue into fiscal Q4, but as Joe mentioned, we do not expect it to continue past that.

Jonathan E. Tanwanteng
CJS Securities, Inc.

Okay, great. Thanks for the clarity. Then moving onto the energy, you guys called our rig counts 20% lower. What are your thoughts on the oilfield and energy for 2020? What are you seeing, and where do you think it can go?

Joseph B. Armes
Chairman, President & CEO

This is Joe. I think that the weakness is likely to continue. Obviously oil prices could come down a little bit more. We don't spend a lot of time trying to predict commodity prices around here, we can just react to the market; but I would say that energy is a small part of our business these days. The other thing I would say is that we do buy base oils, so there is some natural hedge there. I don't think it's anywhere close to one-to-one, but there are some benefits to lower commodity prices that we can take advantage of.

So again, energy is a small part of our business and so we keep it in perspective, but we would not expect an immediate rebound in that business.

Greggory W. Branning
Executive VP & CFO

This is Gregg. To emphasize: it's a small part of our business. When you look at our architecturally specified building products, our plumbing, and our HVAC-R, that makes up over 70% of our total revenue. When you're left with that other 30%, it's much smaller slices, and so while rig count is important to us and we do pay attention to it; it's just not a huge driver to us.

Jonathan E. Tanwanteng
CJS Securities, Inc.

Yes, okay. Makes sense. Then on the M&A front, are you seeing more, or less, opportunities? Have valuations come in at all, or is it still tough to find good deals out there?

Joseph B. Armes
Chairman, President & CEO

You know, we have not seen any material change in valuations, but we have seen an uptick in our pipeline. We feel very, very good about the robust pipeline that we see; I think it's the strongest it's been since I've been here. We're very pleased with the opportunities that we're seeing. Again, some of those are intermediated, some are not. We're very pleased with what we're seeing, and confident that we're doing everything we can to bring in the opportunities, to evaluate those according to our disciplined acquisition process. We're ready, willing and able to transact when the right opportunities present themselves.

The good news is that small acquisitions can make a major difference, as you see through the MSD acquisition and Peterson that is still considered an acquisition or inorganic revenue growth for us. That is meaningful to us, and I would just remind everyone that we spent $20 million in capital on those two small acquisitions, and they are meaningfully impacting our top line growth and our profitability. It doesn't take a lot given the size of our enterprise, and so we're very pleased with what we're seeing and we're optimistic that we're going to continue to augment our organic growth with these acquisition opportunities.

Greggory W. Branning
Executive VP & CFO

This is Gregg. I will also add, as we've talked in many calls in prior quarters, cross-selling is important. The Peterson acquisition was a critical acquisition, as it opened up geographic and other markets for us. As well, we provide markets that the prior ownership didn't have; so we are cross-selling there. That's part of the reason that our backlog has improved, and why we've seen the uptick in book-to-bill. And we'll see the benefits of that in future fiscal years.

Jonathan E. Tanwanteng
CJS Securities, Inc.

Great, that's good to hear. Last thing. Looking at 2020, what worries you the most or excites you the most at this point? Has anything changed since last time you reported; any opportunities or headwinds that have come up?

Joseph B. Armes
Chairman, President & CEO

Well obviously the macro, I think is—there's a lot of uncertainty with respect to the macro, and it's completely out of our control. I think that's what keeps me up at night the most. I'm confident in our business and confident in our ability to navigate through whatever comes our way, but we're not completely immune to the macro uncertainty or any headwinds. I think that's the thing that bothers me the most.

Most excited about? I'd go back—I think our acquisition pipeline is pretty compelling at this point; very, very pleased with that, and optimistic that we'll see some movement on that front.

Jonathan E. Tanwanteng
CJS Securities, Inc.

Great, thank you.

Operator

Our next question comes from the line of Joe Mondillo from Sidoti.

Brian Lau
Sidoti & Co.

Hey, good morning everybody. It's Brian on for Joe. Thanks for taking my questions. Just to maybe talk a little bit more about some of those execution issues. Could you just talk about, have you implemented any processes or anything like that to make sure something like that doesn't happen again? Or is that something that maybe that new hire you guys addressed is going to be focusing on? Just any more color on that would be helpful.

Joseph B. Armes
Chairman, President & CEO

Yes, I mean, it's really both. Obviously you go and you do a root cause analysis and figure out what's going on, and make sure that those things get fixed early on. We've done that. Scott does bring a world of expertise and experience through his background with ThyssenKrupp, and literally having elevator mechanics out in the field that worked directly for him. He's a hands-on kind of manager, so he dove into this very, very quickly, in addition to kind of reviewing the quality of the backlog to make sure that we could be confident in that. Our confidence today is based in large part upon that review, and so yes, I think we've got our arms around it. It's just a single project and we've got to get the project finished. But yes, we've addressed those issues, feel like the business is fundamentally very, very healthy, the backlog is strong. No reason in the world to think this is going to recur.

Brian Lau
Sidoti & Co.

Great, appreciate that. Maybe then just on specialty chem, pretty strong margin performance obviously. Where do you see that long-term sustainable margin tracking? Also, it looks like you guys are coming up against a tough comp based on last year's fourth quarter, so how do you see that shaping up?

Greggory W. Branning
Executive VP & CFO

This is Gregg. We're obviously pleased with the strong margins we've posted in the quarter. Part of that was positive mix. Those margins are in line with what we've stated our long-term objectives are and will continue to be the case. So the key there, as we've said in prior quarters, is that we would expect, on a normal mix, to see fall-through between 20% and 30% on organic sales, and clearly we had very strong fall-through in the quarter. Part of that strong fall-through was driven by the fact that we had an inordinate amount of strength in consumables. Those consumables, in the end markets that we spoke of, have much better margins, and it's something that we're always concentrating on. It's what our core strategy is: to provide more and more consumables because it extends the reliability and the life of the assets that our customers are using them for.

You're absolutely right. We're coming up on some tough comps, just as we did here this year in this quarter, and last quarter for that matter, but we remain committed to our execution and performing in each of our businesses.

Brian Lau
Sidoti & Co.

Okay, and then real quick, you just mentioned the 20% to 30% flow through, so it's basically the 20% to 30% for specialty chem and then I think earlier you mentioned 25% to 35% on industrial products. Do I have that right?

Gregg Branning
Executive Vice President, Chief Financial Officer

That is correct, and again that's assuming normal mix. If you—

Brian Lau
Sidoti & Co.

On the organic only… Okay.

Gregg Branning
Executive Vice President, Chief Financial Officer

Yes. If you do the math, you see that in spec chem in the quarter, we had 70% fall-through, so hence our comment about normal mix. And then in industrial products, we had just under 12%, so we had the negative mix there. All things being equal, yes, those are good benchmarks or rails to work off of.

Brian Lau
Sidoti & Co.

All right, great. Thanks for taking my questions.

Gregg Branning
Executive Vice President, Chief Financial Officer

Thank you.

Operator

Thank you. We have reached the end of the question-and-answer session. I would now like to turn the floor back over to Management for closing comments.

Joseph B. Armes
Chairman, President & CEO

Great. I just want to say thank you to everyone for participating in the call today. Look forward to speaking to you again at the end of our fiscal year, and again thank you for your interest in our Company and your support of us as we continue in our journey. Thank you.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

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