Twin Disc, Inc.
Second Quarter Fiscal 2014 Financial Results Conference Call
January 28, 2014

Operator: Good day ladies and gentlemen. Thank you for standing by. Welcome to the Twin Disc, Inc. Second Quarter Fiscal 2014 Financial Results Conference Call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be opened for questions. If you have a question, please press the star, followed by the one, on your touch-tone phone. If you'd like to withdraw your question, please press the star, followed by the two, and if you're using speaker equipment, please lift the handset before making your selection.

I would now like to turn the conference over to Mr. Stan Berger. Please go ahead, sir.

Stan Berger: Thank you, Camille (ph). On behalf of the Management of Twin Disc, we were extremely pleased that you have taken the time to participate in our call. Thank you for joining us to discuss the Company's Fiscal 2014 second quarter and first half financial results and business outlook.

Before I introduce Management, I would like to remind everyone that certain statements made during the course of this conference call, especially those statements—I'm sorry—especially those that state Management's intentions, hopes, beliefs, expectations or predictions for the future are forward-looking statements. It is important to remember that the Company's actual results could differ materially from those projected in such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained in the Company's Annual Report on Form 10-K, copies of which may be obtained by contacting either the Company or the SEC.

By now you should have received a copy of the news release which was issued this morning before the market opened. If you have not received a copy, please call Annette Mianecki at 262-638-4000 and she will send a copy to you.

Hosting the call today are John Batten, Twin Disc's Chief Executive Officer, President, and Chief Operating Officer and Chris Eperjesy, the Company's Vice President of Finance, Chief Financial Officer, and Treasurer. At this time, I will turn the call over to John Batten. John?

John Batten: Thank you, Stan and good afternoon everyone. Welcome to our Fiscal 2014 second quarter conference call. As usual, we will begin with a short summary statement and then Chris and I will be happy to take your questions.

Looking at our second quarter results, sales for the 2014 fiscal second quarter were 63.2 million, down 12.5% from 72.3 million for the same period a year ago. The decline in sales was primarily driven by lower demand in the North American and European markets. Continued record levels of sales into Asia partially offset these declines as demand for our pressure pumping transmissions in China and commercial marine transmissions throughout Asia remained at historically high levels in the quarter.

Looking at our broader market, global sales for our industrial products and marine products were down slightly in the quarter versus last year, but sequentially flat when compared to the first quarter. Shipments for both marine and industrial were lower to both North America and Europe than a year ago. While part of the follow-up in industrial can be explained by our shipping from both Racine and India during the startup of our plant near Chennai, there was a notable—noticeable drop in demand in North America for the first half of the fiscal year. Recent order trends may suggest that this may start to turn in the next quarter or two. While our marine shipments are lower than year ago levels, demand remains at high levels for the offshore oil and gas market, especially in the U.S. Gulf Coast and Southeast Asian markets. Recent improvements in new orders for our large commercial marine transmissions, is a good sign that these markets look healthy going forward.

Gross margins for the quarter were 29.3% compared to 30.8% a year ago, and 31.1% the previous quarter. The slight decline in gross margins was primarily driven by lower sales compared to the previous year, but partially offset by a slightly better mix of product. Year-to-date gross margins are 30.2% versus 29.6% a year ago.

Second quarter spending in marketing, engineering, and administrative, or ME&A expenses, rose slightly by 415,000 versus the same period last fiscal year, from 16.7 million or 23.2% of sales to 17.2 or 27.2% of sales. The higher ME&A spending for the quarter relates to resource additions in Asia, as we continue to grow in the region, and increased spending with respect to patent and trademark protection, partially offset by a reduction of the ME&A spending at our North American and European operating facilities. Year-to-date ME&A spending is down 688,000 when compared to year ago levels, or 25.2% of sales versus 23.7% of sales. As we have mentioned in the last few calls, we continue to rationalize our resources and overhead in our European and North American operations. Even with the opening of the plant near Chennai and the adds to the Sales and Service organization in Asia, our net employment is down versus Fiscal 2012 and Fiscal 2013 year-end as we are constantly evaluating each subsidiary's spending and overhead.

Looking at the bottom line, Fiscal 2014 second quarter net earnings were 518,000 or $0.05 per diluted share, compared to 3.4 million or $0.29 per diluted share for the same period a year ago.

EBITDA for the first quarter was 4 million versus 8.2 million a year ago, and 6.6 million last quarter. Year-to-date, our EBITDA is at 10.6 million compared to 13.5 million for the same period a year ago.

Turning to the balance sheet, we ended the second quarter with net cash of 6 million due to positive changes in our working capital, including generating 7.7 million of free cash flow in the second quarter and 16.6 year-to-date—15.6 million year-to-date.

Inventory has remained essentially flat at 103 million for the last few quarters with the impact of foreign currency translation, with the increased net inventory by 1.5 million versus June 30, 2013. Adjusting for the impacts of fx, inventory was down roughly 1.7 million, primarily at our domestic manufacturing operation. The 2 million decline in the six-month backlog from 58 million to 56 million continues to reflect extremely soft North American oil and gas cap ex budgets, general weakness in all European markets, and a reduced order board for our legacy military transmissions. Offsetting these slower markets were the incoming orders from Southeast Asia and the Gulf Coast for our commercial marine transmissions and a continued demand for 8500 and 7500 oil field transmissions in China.

The 2014 second fiscal quarter continued to be influenced by the same dynamics that have affected our business during the past several quarters. We continue to see strong demand from our global commercial marine customers and international oil and gas markets, which is more than offset by continuing weak activity from the European global mega yacht and North American oil and gas markets. While we feel very good about our backlog prospects with Asian oil and gas and the global offshore oil and gas markets, we are hopeful that the potential opening of the gas fields in Mexico and general increase in demand and price of natural gas here in the U.S. will spur a recovery in cap ex spending for the domestic pressure pumping suite. We are all aware of the increased efficiencies being realized by the frac services companies, but I am optimistic that in the next few quarter orders will be placed for new spreads.

Middle to long-term, we are well positioned to take advantage of the global opportunities ahead of us. Our leading positions in the markets we serve, our innovative product developments, and geographic diversity reflect a sound strategic plan for the future.

That concludes our prepared remarks and now Chris and I will be happy to take your questions. Camille, please open the lines for questions.

Operator: Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. As a reminder, if you have a question, please press the star, followed by the one, on your touch-tone phone. If you'd like to withdraw your question, please press the star, followed by the two, and if you're using speaker equipment, please lift the handset before making your selection.

Our first question is from the line of Josh Chan with Robert W. Baird. Please go ahead.

Josh Chan: Good afternoon, John and Chris.

John Batten: Hi, Josh.

Chris Eperjesy: Hi, Josh.

John Batten: How are you?

Josh Chan: Very good. Could I ask for more color on the sales decrease, the 13%? I was under the impression that, you know, North American oil and gas is no longer a comparison issue and it sounds like industrial and marine were down slightly, as described, so I guess just wondering where the weakness was that led to that number.

John Batten: Well, go ahead, Chris.

Chris Eperjesy: Josh, I mean, you touched on it. I mean, part of it was North American oil and gas was very low last year, but it actually did go down a little bit versus that comparison last year, offset, as John was describing, by what's going on in Asia but then, commercial marine in North America has been, particularly on the Gulf Coast in the second quarter, industrial, and I think John also talked about legacy marine—sorry, legacy military, so it was a combination of all of those.

John Batten: And, in the industrial markets, Josh, we do have some of our larger air clutches that go into the oil fields, but are industrial products, and those were down versus year ago levels and I would just say outside of offshore oil and gas, you know some of the crew boats and supply boats, it was just a general slight dip, I would say, in our marine sales versus a year ago, but I'm happy to say the orders, the incoming orders, particularly in the fourth quarter, kind of reversed that trend.

Chris Eperjesy: Fourth calendar quarter.

John Batten: Yes, fourth calendar quarter.

Chris Eperjesy: Correct.

Josh Chan: Okay. I guess maybe it's a good segue to talk about different types of orders in different markets. Could you talk about—elaborate a little bit more on what you're seeing in terms of the improvement in the industrial side and then also, I guess what provides you the confidence that you're going to see, you know, the North American oil and gas orders in the next couple of quarters?

John Batten: Well, I'll start with the Industrial. We had kind of our best month of incoming orders were late in the second—late in the quarter and all of our products in industrial are within the—within a three-month window, so everything is booking in shipping rather quickly. I'm optimistic because in the last few days I've seen some positive commentary from some of the larger OEMs that see improving business, so that generally translates to both our aftermarket and industrial business. And, my confidence in the North American oil and gas, I think if there is going to be some more activity imploding on spreads going, North American producers looking for South America or potentially Mexico and I know that they have been operating the fleet pretty regularly and my sense is if we get the—you know, late in the summer, maybe the third calendar quarter, that we should see some replacement activity going on.

Josh Chan: Okay, that makes sense and in the press release you talked about the second half results of the fiscal year being similar to the first half. I guess historically the second half has fairly consistently been stronger than the first half until the last two years and apparently this year it might be similar, as well. So, I guess, how do you think about your business from a seasonal perspective, first half versus second half, and I guess what has changed while it is at the (cross-talking)?

John Batten: Well, I would say I think that there's potential for upside in the second half. I mean, we—anything that we can potentially—and we have. We can book and ship some oil and gas transmissions that won't—that they could book in January and could be out the door by March, so we see some opportunistic orders coming in, particularly for Asia in oil and gas and if more of those come in, it certainly brightens the outlook for the second half of the year. And also, you know, the—if natural gas stays up a little bit in price, that's also positive impact. Certainly reading some of the conference call subscripts in the last couple of days I see more optimism than I maybe did last quarter, so we certainly have the capacity to have a second half that is better than the first half. We just, you know, need some of the orders and the projects that are in the pipeline to be brought up and we can certainly respond.

Josh Chan: Okay, great. Thank you for your time and best of wishes for the second half.

Chris Eperjesy: Thanks, Josh.

John Batten: Thanks, Josh.

Operator: Our next question is from the line of Walter Liptak with Global Hunter Securities. Please go ahead.

Walter Liptak: Hi. Thanks. Wanted just to say another follow-on on the comments you're making about the orders picking up for oil and gas in the next couple of quarters and I just want to make sure I understand a little bit more. Is this specific to some basins where you're seeing demand, you know, for pressure pumping or is it related to, you know, certain projects that are going on? I wonder if you could provide a little bit more color that way.

John Batten: Sure. I would say that, you know, one of the things that are giving us the most optimism is maybe some orders for the Eagle Ford, South of the U.S. Mexico border. That would be a very near-term plus. We have received orders from North American suppliers to supply down into Argentina and I know of some domestic builders quoting for some projects in the Mideast. Specific to, you know, the North American shale fields, I don't know if there's any one play that's, you know, for us it's going to bring the orders first over another one. I wouldn't know with confidence right now which ones—where they'd be going, but certainly we have some upside potential even in Asia for the second half of the year.

Walter Liptak: Okay, great. But, leaving out Asia for a second, it sounds like that, you know, it's been weak for some time and it sounds like this, you know, even though the order backlog was down that, you know, that at some point it sounds like we may be seeing the beginnings of what might be occurring. Is that how you want us to view the market?

John Batten: I would—yes and, you know, it's not just—I'm trying not to operate in a vacuum. I've been reading some of the larger oil field service companies and how they're looking particularly at dry gas, where I think they would probably put the investment first with some higher horsepower transmissions. But, my guess, you know, having read some of the—you know, the recent transcripts is that it's still, you know, two quarters out and they are really focusing on efficiencies and making sure that they can do everything they can with the existing fleet that they have.

Walter Liptak: Okay. Then, you know, just switching over to the 7500 and 8500s and—in China and I wondered, you know, we spent a lot of time last conference call talking about those and the progress. I wonder if we could just get some—an update on you know, how that market is progressing and if it's—you know, if it's—you know, what the true trajectory looks like.

John Batten: Well, I still think that they—I mean, they are systematically adding kind of the annual horsepower, you know, kind of in the quarter of a million range, tends toward the higher horsepower. We have a good order board for 8500s. We have an order board now for 7500s. So, it's project by project. You know, it is—thankfully it hasn't been kind of a boom or bust but steady progression. Certainly, depending upon the order, our shipments may differ; go up, go down, but the overall trend has been very good and increasing.

Walter Liptak: Okay. And then, if I can switch gears just to a couple of the negatives, like the military. I don't have that in my model what the percentage of revenue is, but how—so, I'm just trying to understand how big of a headwind is ahead in the quarter? I don't know if you can quantify it.

John Batten: It is—I would say it's not a very big percentage on the revenue side. These transmissions are fairly complex, so when the volume goes down it hurts, kind of on the absorption, that affects the gross margins and the questions I've got, is this part of sequester? It's really not. It's just that, you know, these—this fleet has been used heavily in Iraq and Afghanistan and I think the realization now that everyone's coming home, they just don't need as much as they did before, so—and it's not going to go to zero, but I see the volume in this series of vehicles coming down, you know, in the order of 50% going forward.

Chris Eperjesy: In recent years, Walt, this business has been, you know, 5% or less, yes.

Walter Liptak: Okay, and then the last one, just on Europe; I was wondering about the—obviously Europe's been weak for a while, but I wonder, you know, what product categories are weakened on the pleasure vessels, luxury vessels? You know, there's—you know, we've been hearing a little bit better coming out of Europe. Is there any, you know, pick up that might be showing on there eventually?

John Batten: I would say to start with the market that's been relatively stable and that's the industrial market that we serve out of our plant in Italy, but all of the marine markets have been extremely weak, you know, for—

the pleasure crafts being number one since really 2009 and never really recovered. What goes up and down, depending upon the quarter, are some of the European yards that are supplying international offshore oil vessels or patrol boats to the Mideast, but really—in the first half of the fiscal year, the first and second quarter, really none of those projects have originated in Europe. So, sales into Europe from the European subs, particularly in the marine market—and they don't really have a transmission market, so really the marine market is what's suffered in the European markets in the first half of the year.

Walter Liptak: Okay. Thank you very much, guys.

John Batten: Thanks, Walt.

Operator: Our next question is from the line of Jon Braatz with Kansas City Capital. Please go ahead.

Jon Braatz: Good afternoon, gentlemen.

John Batten: Hi, John.

Chris Eperjesy: Hi, John.

Jon Braatz: A couple of questions. Returning to China, obviously China's been in the news recently; things slowing down apparently over there. Anything that you see over there and what you're seeing in order rates and so on, that would suggest that maybe things might be moderating a little bit or is energy getting its—more than its fair share of investment in China?

John Batten: Thanks John. My gut says that it's the latter, not the former. I don't—I—you know, maybe there's not the upside that there was two or three quarters ago if—you know, and I—we see the same thing, you know the overall economy is moderating, but they do say—when I was there at the oil and gas shows and our guys are there every day, is there is a definite plan for domestic energy production and natural gas and oil and pressure pumping is part of the mix. Where we have seen maybe—where it has affected us or are some of the orders for the Indonesian coal tugs because we do see some of the imports of coal into China coming down a little bit, so that's the one area I would say where we've seen, I guess, as you say a drop off or some weaknesses is tugs being built in Indonesia for coal transportation.

Jon Braatz: Is there any—you probably won't answer this, but maybe you can give me a general—so, I mean is there any sense you can give me on the size of your Asian and China revenues versus sort of the domestic pressure pumping revenues; any quantification that might be helpful?

Chris Eperjesy: No, we don't really disclose that, Jon, but, I mean, obviously last year China became a 10 percenter for us for the first time so, I mean, you have (cross-talking).

Jon Braatz: Okay.

Chris Eperjesy: They were over 30—well, right around 30 million last year and Asia—we have talked about is just under a third of our overall business in Fiscal '13. We disclosed that in our Investor Relations presentation, so Asia is the second largest market after the U.S. for us now.

Jon Braatz: And, is that…

Chris Eperjesy: For China, I should say.

Jon Braatz: Is that principally pressure pumping?

Chris Eperjesy: No. Its equal parts pressure pumping, commercial marine.

Jon Braatz: Yes, okay. You also mentioned that in terms of Gulf Coast activity I guess you're selling systems to—transmission systems to the boating industry in the Gulf Coast…

John Batten: Right.

Jon Braatz: And you're seeing that pick up. What can you tell me a little more about, you know, what kind of boats and how much of a pickup you're seeing in there—in that area?

John Batten: Well, I would say certainly the orders picked up. I think a lot of it has to do with timing.

Jon Braatz: Okay.

John Batten: General activity of building, it's generally crew boats and supply boats for the oil and gas industry. They're going out from Oregon City, New Orleans out to the offshore rigs.

Jon Braatz: Mm-hmm.

John Batten: Those typically take four to five—well, for crew boats and supply boats, four to five of our larger transmissions; supply boats, two of our larger transmissions. That activity has been very high for calendar 2013. It looks like it should be more or less the same in 2014, so it really is the timing of the orders. That's been extremely strong. The same types of vessels built in Southeast Asia for Southeast Asian offshore oil and gas rigs. The Gulf Coast has also been very strong recently in repowering a lot of fleets, also push boats and tug boats along the river, and so that's been a very big component, again all going through, though we say the Gulf Coast we tend towards the hub of the marine activity, New Orleans and Louisiana in general. You know, that has been particularly strong; the same in Southeast Asia for us. I mentioned the coal tugs. For the last two years, those have been very successful; again, building tugs and push boats for moving the coal from Indonesia back up towards China. So, those markets have been strong and recent orders suggested that that's going to again be strong throughout calendar '14.

Jon Braatz: We've been reading a lot about a lot of oil moving up and down the Mississippi in barges. Would you have any—a role to play in barge construction, if you want to call it that?

John Batten: Not barge construction; barge movement.

Jon Braatz: Barge movement, yes.

John Batten: Yes, absolutely. Each one of the vessels moving one of those barges would probably have two of our transmissions on it.

Jon Braatz: Okay, but you didn't really mention that. Are you not seeing that?

John Batten: That has remained steady. No, I neglected. Yes, that has been a very strong market.

Jon Braatz: Okay, all right. Thank you very much.

John Batten: You're welcome.

Operator: Our next question is from the line of Peter van Roden with Spitfire Capital. Please go ahead.

Peter van Roden: Hey, guys.

John Batten: (Cross-talking) Peter.

Peter van Roden: Can you spend a couple of minutes talking about the size of the pressure pumps and the opportunity in the replacements demand versus, you know, guys that are in new spreads?

John Batten: Sure. I would say—and I mentioned this on one of the last calls. When we were at the height of the boom, several operators said that they wanted to replace up to 30% of their fleet annually and I think—I don't—I can—it's safe to say (inaudible) we never reach that. I would hope once they work through the inventory—the excess inventory and more in a normalized that somewhere between 5 to 10%, maybe more can be expected to be replacement every year. It's just, when do we get to that normalized level?

Peter van Roden: Got it and generally how many hours do you have to put on a rig just to have to put a brand new transmission in?

John Batten: They're measuring kind of two hours; it's the engine operating hours and then the hours on pumping, and certainly we want to see well above 3,000 hours in operating, as far as pumping. Engine hours, that typically has been I think a higher number of hours, but I think they're narrowing the spread so, when the engines are running, I think—I believe the hours now are close—the pumping hours are closer to the overall engine hours. So, engine hours, probably I would say 6,000 hours.

Peter van Roden: Okay, that's helpful, and then, moving kind of back up to a more macro or company-wide sense, how do you kind of describe, as you work through your different end markets, you know where you think we are in the cycle for each one of them and I don't know if it's appropriate to kind of give a utilization rate? I guess I've been looking to you guys to sort of help me understand the right measure there.

John Batten: Sure, that's a—boy. Well, I would say we just came off a discussion on marine commercial, you know Gulf Coast work boat, offshore oil; I would say that is the one market globally that's doing well, so I think there's still continued growth there. I would say industrials—our broader industrial markets are probably near the bottom and I think there's growth ahead of it. Certainly North American oil and gas for cap ex for building frac rigs, it's at the bottom and there's—I would hope for people supplying to new frac rig construction, there's nowhere to go but up, and I still think in Asian oil and gas, it's still in the growth phase. So, Europe, I would say every market has an opportunity to grow. Certainly for us, that is by far, as far as the geography, the broadest, weakest market.

Peter van Roden: Okay, that's all I had. Thanks for taking my questions, guys.

John Batten: Thank you.

Chris Eperjesy: Thanks, Peter.

Operator: As a reminder, ladies and gentlemen, if there are any additional questions, please press the star, followed by the one, at this time, and if you're using speaker equipment, you'll need to lift the handset before making your selection.

Our next question is from the line of Robert Vermillion with F/64 Capital. Please go ahead.

Robert Vermillion: Hi. Good afternoon.

John Batten: Hi, Robert.

Robert Vermillion: A couple of questions. One was: do you provide the breakdown on gross revenue between manufacturing and distribution segments?

Chris Eperjesy: We do in the Q. We don't disclose it—we didn't disclose it in the press release.

Robert Vermillion: When will the Q be filed?

Chris Eperjesy: It'll be filed next—I believe it's next Wednesday.

Robert Vermillion: Okay, got it. And then, I believe in your prepared remarks you made a reference to trademark or patent protection spending on the corporate side. Could you provide more detail there?

Chris Eperjesy: Sure. We have—you're probably not going to be surprised; it has to do with a company in China. One, we have just more patents in general that we're bringing out new technology and we're filing patents on it, so that has increased our legal expense. But, one issue we have is a trademark. A company in China trying to use Twin Disc and our red oval basically for their use. So that was kind of—the delta year-over-year was, legal expenses both here in the U.S. and in Hong Kong to stop that activity.

Robert Vermillion: So, that's a competitive transmission product that they're trying to pass off as yours?

Chris Eperjesy: No; more just trying to use—a trading house using our name and trying to sell our product—other competitors' products. They're more of a spare parts…

John Batten: Mostly unrelated products.

Chris Eperjesy: Yes, unrelated.

John Batten: Completely unrelated.

Robert Vermillion: Yes.

Chris Eperjesy: Basically trying to buy spare parts in the U.S. and sell them into China, but using our name to do it.

John Batten: It's more using domain names, using our Company logo, using our—the Twin Disc name. We're not talking about significant or recurring costs at this point.

Robert Vermillion: Okay, got it. Great, thank you.

Operator: Our next question is from the line of Rand Gesing with Neuberger Berman. Please go ahead.

Rand Gesing: Hey, guys.

John Batten: Hey, Rand.

Rand Gesing: Do we have to do the call at 3:00 every quarter or?

John Batten: No. Typical, as you may recall, we've been doing it earlier. We just personally had a conflict this morning.

Rand Gesing: Okay.

Chris Eperjesy: That we couldn't get out of.

John Batten: You can blame me. It was my fault.

Rand Gesing: Yes, okay. I just—it's a little long in the day to wait…

John Batten: Yes.

Rand Gesing: To hear you guys talk about, you know, what's going on. In Europe, it sounds like you have a little bit of incremental weakness versus a year ago. Can you just sort of size it? I mean, are your revenues in Europe sort of down 5 to 10 from last December quarter.

John Batten: I would say they—Chris, do you have the sheet in front of here. It was—basically mirrored the percentage of what we were down.

Rand Gesing: Okay and I guess I'm in for a struggle. I mean, you went to the end markets and it's probably out there, but I didn't—just sort of for me—Europe, what's really sort of materially weaker?

John Batten: We have basically a lot of our European operations rely on the marine horsepower segment of let's say 100 horsepower up to 1,500 horsepower, and that is the market globally that is still the weakest and particularly in Europe.

Rand Gesing: Okay.

John Batten: So, that's the market that has affected them the most.

Rand Gesing: Okay, so that's still pleasure.

John Batten: It's pleasure, it's pleasure craft, small work boats.

Rand Gesing: Okay.

John Batten: It's just that it's a whole bunch of markets with that kind of the horsepower range that—where they produce.

Rand Gesing: Okay. All right, so you'd say that's the bulk of it is the pleasure side?

John Batten: Yes.

Rand Gesing: Excuse me, is that horsepower range?

John Batten: But, it is marine, correct.

Rand Gesing: Okay. Any sense for what your market share is in China in oil and gas? Or is it sort of it's still rapidly developing?

John Batten: It's rapidly developing. We have a pretty good market share. I think…

Rand Gesing: I mean, is it different than what you would see in other, you know, oil and gas markets?

John Batten: Yes. I would say overall our market share in China is higher than it is in North America, just recognizing that we came in from the high horsepower here in the U.S. when the main part of the market was 2,300 horsepower and below…

Rand Gesing: Right.

John Batten: And, China has been focusing on the higher horsepower frac rates.

Rand Gesing: Right. Okay, great. Thanks. That's all for me.

John Batten: All right. Thanks, Rand.

Operator: Thank you. I'm showing no further questions at this time. I'd now like to turn the call back over to Mr. Batten for closing remarks.

John Batten: Thank you, Camille, and thank you for joining our conference call today. We appreciate your continuing interest in Twin Disc and hope that we have answered all your questions. If not, please feel free to call Chris or myself. We look forward to speaking to you again in April following the close of our third quarter. Camille, now I'll turn it back to you.

Operator: Thank you. Ladies and gentlemen, that does conclude the Twin Disc, Inc. Second Quarter Fiscal 2014 Financial Results. Thank you for your participation. You may now disconnect.