**Titan International, Inc. (TWI)**
**Transcript of Q2 2022 Earnings Call and Webcast**
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***Company Participants***

*Todd Shoot - Senior Vice President, Investor Relations and Treasurer*
*Paul G. Reitz - President and Chief Executive Officer*
*David A. Martin - Senior Vice President and Chief Financial Officer*

***Conference Call Participants***

*Steve Ferazani - Sidoti & Company*
*Kirk Ludtke - Imperial Capital*

**Presentation**

**Operator**

Good morning, ladies and gentlemen. And welcome to Titan International, Inc. Second Quarter 2022 Earnings Conference Call. At this time, all participants have been placed on listen-only mode and we will open the floor for your questions-and-comments after presentation. [Operator Instructions]

It is now my pleasure to turn the floor over to Todd Shoot, Senior Vice President, Investor Relations and Treasurer for Titan. Mr. Shoot, the floor is yours.

**Todd Shoot**

Thank you, Elliot. Good morning and welcome everyone to our second quarter 2022 earnings call. Joining me on the call today are Paul Reitz, Titan's President and CEO and David Martin, Titan's Senior Vice President and CFO.

Just a reminder that the results we are about to review were presented in the earnings release issued yesterday, along with our Form 10-Q which was also filed with the Securities and Exchange Commission yesterday.

As a reminder, during this call, we will be discussing certain forward-looking information, including the company's plans and projections for the future that will involve risks, uncertainties and assumptions that could cause the actual results to differ materially from the forward-looking information.

Additional information concerning factors that either individually or in the aggregate, could cause actual results to differ materially from these forward-looking statements can be found within the Safe Harbor statement included in the earnings release, attached to the company's Form 8-K filed earlier, as well as, our latest Form 10-K and Forms 10-Q, all of which have been filed with the SEC.

In addition, today's remarks may refer to non-GAAP financial measures, which are intended to supplement, but not be a substitute for the most directly comparable GAAP measures. The earnings release, which accompanies today's call contains financial and other quantitative information to be discussed today, as well as, a reconciliation of the non-GAAP measures to the most comparable GAAP measures.

The second quarter earnings release is available on our website and a replay of this presentation will be available soon after the call within the Investor Relations section on our website as well. A copy of today's call transcript will be made available on the Investor site afterwards as well.

I would now like to turn the call over to Paul.

**Paul Reitz:** Thanks, Todd, and good morning. As a reminder, we updated our expectations for 2022 in mid-June. At that point, that's a reflection of the momentum that we saw in our business continuing in a positive direction and I have to say our Q2 results certainly did not disappoint on that front. This quarter Titan had sales of $573 million, up 31% from last year, with a strong adjusted EBITDA of $82 million, which compares to $37 million last year. I think we also did a good job of translating the earnings into cash flow, with our free cash flow coming in at $56 million for this quarter. As indicated with updates to our 2022 forecasts and also with our Q2 results today, we feel good about our business. Our end markets and really the overall performance level of the Titan team. I have noted before and I'm going to do it again, our Titan team has done a very good job adjusting to the challenges of the past few years and our results clearly have supported that. We have a strong foundation in place with our people, our products and our production footprint that is well connected to our customers. You combine that with a management team that's going to continue running hard like a good long distance runner. Again, we feel good about the direction of where our company is going.

David will share more about the financial information and I'm going to switch gears now to the market landscape. I think in simple terms you can say our position remains bullish. There are a number of positive aspects that support that both within Titan and then externally in the end markets that really line up well for 2022 and even beyond that. Again, our press release issued yesterday afternoon shows results an updated guidance that illustrates that belief. So despite some of the recent noise around agriculture and construction, there is a picture that looks good for the future. What I mean by that comment is the headlines will tell you that the Farmer Sentiment Index and AG Capital Spending Index have slipped in recent weeks. It's a result primarily of corn and soybeans, the commodity prices dropping from record highs. You combine that with the input cost inflation and then you combine that with the OEM supply chain concerns and it's helped fuel some, like I said, drop in the index is a concerns with some folks. Yes, those headlines of statements are accurate. But no, they do not illustrate the complete accurate picture.

So let's start with farmers, are clearly going to still make a lot of money this year and if you look at the indications from the USDA that is going to continue in coming years. That's a really good place to start to feel good about where things are going. The sky is not going to fall from the rising input costs, farmer income is going to be good and it's going to compare very favorably to where it's been at historically. Not to mention that farmer balance sheets are in good order as well and you're going to continue to get good government support around the world for the AG sector.

Next, if you look at the global supply/demand economics for the primary grains, they look good not just for this year, but well into the future. And that, again, is going to provide support for elevated commodity prices and strong farmer income. These economic factors combined with an age AG fleet that needs updated, especially if they're going to take advantage of the improved technologies that are coming, along with the continuing historically low inventory levels that we're seeing in large AG, both in used equipment and new equipment at dealers, all this really pushes and forms a strong foundation for solid demand for large AG to continue into the foreseeable future.

So elaborate a bit further on that, these market forces combined with the delays in order deliveries from the OEMs due to related production challenges, provide further indication of good support momentum for a multiyear demand cycle in large AG. On the other side of the equation, with the shortfalls in OEM new

equipment deliveries, we are seeing in our business solid aftermarket demand reflecting the needs for replacement tires in the midst of these shortages and available equipment. But it also illustrates the strength of our LSW product portfolio that simply makes existing equipment perform better. As reiterated recently by the major OEMs, it still does not appear likely that you're going to see 2022 OEM production levels really move the needle much with the historically low dealer inventories and large AG. So, therefore, you're really looking at 2023 before meaningful inventory replenishment could take place and that unmet 2022 retail demand is going to carry forward into the future. Again, the point being, there are a good number of positive forces in the AG sector and it definitely appears this positive wave is going to keep flowing.

Now AG is clearly an important driver of our company, but let's move over from the AG world to Earthmoving and Construction, as a reminder that's a little over 35% of our business. Our undercarriage business ITM is a significant driver of this segment for us and ITM had just flat out an excellent quarter. The strong results were driven by solid OEM demand in all major geographies and along with that OEM performance, we had good growth in our aftermarket business. We stated last quarter and still believe the outlook for our EMC segment looks promising as we're basing that foundation on a good order book. And we're also seeing continuing growth in our mining replacement parts where the market looks favorably supported by the production activity that's taking place.

So looking into the future, you're going to get some infrastructure investments that will kick into gear and that'll provide some further support beneath that demand. Also similar to AG, there is a continuing production pressure at the OEMs to meet current orders and that really does again, like AG provide a longer tail to this current demand cycle.

So wrapping things up, our expectations for 2022 remain strong and we expect continued topline and bottom-line expansion relative to prior year. Obviously, the business climate these days has a lot of moving pieces that require attention and the ability to adjust rapidly. We have been consistently demonstrating our ability to navigate through these challenges and we have confidence in our team to continue to take the appropriate timely actions as needed. Most importantly, I'm confident in the quality products our people build around the world every day and the important role these products play in meeting the evolving needs of our customers and the end users. So given our strong Q2 performance and our current visibility in the second half of the year, we now expect 2022 full year sales of around $2.2 billion and we have increased our target for adjusted EBITDA to be between $240 million and $250 million. This will also drive improvements to free cash flow performance that is now expected to be in the range of $90 million to $100 million.

With that, I'd now like to turn the call over to David.

**David Martin:** Hey. Thanks, Paul, and good morning to everyone on the call today. The momentum we have seen in our business is significant. As you can see our sales remain very strong. But more importantly, our margin performance was of note and our cash flow came through like we expected, as our teams continue to drive very hard.

So here are a few key stats on this quarter's performance. We saw our eighth quarter of sequential sales growth and was the strongest sales quarter since Q2 of 2013. Net sales grew 3% sequentially from Q1 and 31% from Q2 last year. Keep in mind, we sold the Australian business at the end of March, which had a 2% impact on sales this quarter. Our gross profit grew by 78% from last year and our margin reached 19%. Our adjusted EBITDA was $82 million, which increased $25 million from last quarter and $45 million from Q2 last year. On a trailing 12-month basis, adjusted EBITDA now stands at $210 million.

Our cash balances increased this quarter to $117 million with strong operating and free cash flow. In fact, free cash flow for the quarter was $56 million, as Paul said earlier, that's very significant for us. Our net debt drops significantly in the quarter to $368 million, down from $424 million last quarter. And our debt leverage now stands at 1.8 times adjusted EBITDA on a trailing 12-month basis, coming from improved profitability and our strong working capital management.

Let me take just a few moments to address margin performance which occurred in the second quarter and for that matter over the last year. It's a complete testament to the team strong efforts to manage everything from top to bottom, from supply chain to production scheduling, from logistics to sales management with our customers, which includes pricing in this inflationary and volatile environment. It isn't just one thing that has led to our exceptional performance and each of our business units across all regions are performing well with no exceptions. Paul gave a solid update on the world around us and the market indications and our outlook. I will update you on a few other key metrics for 2022, including all things cash flow here in a minute, which is continuing to improve as well.

Now let's talk about performance at the segment level starting with Agriculture. Our Agricultural segment net sales were about 56% of total sales again this quarter or $319 million, an increase of $87 million from Q2 last year and was up sequentially from Q1 by almost $9 million, representing 3% sequential growth. We had strong growth from both aftermarket and OE this quarter with healthy production balance. We continue to bounce between growth in volume and the impact of higher pricing, reflecting cost of raw materials and other inflationary costs. Currency devaluation impacted sales by 3% in the quarter and we had a similar effect on the first half sales.

Our Agricultural segment gross profit in the second quarter was $62 million, up from $35 million in the prior year, representing a 75% improvement year-over-year. The gross margins were 19% for AG in Q2, up from 15% in Q2 last year, and 15.5% last quarter. It goes without saying our growth in gross profit margin was impressive in the quarter, driven largely by improved efficiencies across all of our production facilities, along with pricing and favorable product mix, including healthy growth in LSW and other new and updated product lines in the U.S.

Our Earthmoving and Construction segment experienced a solid quarter. Overall net sales in EMC grew by $34 million or 19% from Q2 last year. This also compares favorably to first quarter 2022 levels, with sequential growth of $9 million or 4.5%. All of the major geographies experience year-over-year growth during the quarter with the largest growth coming from ITMs undercarriage business which grew 20% from Q2 last year. Q2 represented the strongest revenue quarter for ITM in its history. Growth for the segment was driven by increased volume and pricing relative to raw materials and other costs of inflation. And again we had healthy volume increases across the segment as well which was partially offset by currency devaluation of 5%.

Gross profit within the Earthmoving and Construction for the second quarter was $36 million, which represented improvement as $14 million or 63% from gross profit last year. The gross profit margin in EMC segment was significantly better at 17% versus the prior year at 13%. Again, the largest driver of profitability came across from increased sales in ITM undercarriage business while growth occurred across all of our businesses and geographies from last year.

The Consumer segment Q2 net sales were up 44% or $13.5 million compared to Q2 last year. Similar to last quarter our specialty product growth initiatives are kicking in, most notably our custom mixing of rubber stock here in the U.S.

Gross profit in the segment for the second quarter was very strong at $11 million, an increase of $7.6 million from last year. Gross margins were at 26% improved from Q2 2021 margins of $13, reflecting positive mix of products which carry higher margins.

Our SG&A and R&D expenses for Q2 was $37 million, which represented 6.4% of net sales for the quarter. This was down from last quarter's spend as well. Again, like recent quarters, our expenses included variable spending in compensation, reflecting the significant increase in sales and our profitability during the period. As a percent of sales, our operating costs dropped 160 basis points year-over-year in the second quarter. For the first half, it's dropped 180 basis points as a percentage of sales compared to last year.

During the second quarter, we recorded $22.5 million related to indirect tax credits in Brazil. Our Titan Brazil operation prevailed in illegal action regarding non-income indirect taxes that had been previously charged and paid. All supporting documentation was submitted and approved during the second quarter and income was recorded. We also recorded $7.8 million in income taxes related to the recognition of those tax credits. We expect to utilize the majority of the credits against future tax obligations over the next 12 months. This recognition was excluded from adjusted EBITDA for the period and as you'll see in the reconciliation in the earnings release. During the third quarter, we'll be filing supporting documentation to the tax authorities for another Brazilian subsidiary and we could receive approximately $10 million of additional indirect tax credits to be applied to future tax obligations. We will record these benefits upon approval from the tax authorities.

Our recorded taxes on income in the second quarter were $19 million, which is fairly large increase from last quarter, again $7.8 million of that provision related to income from the indirect tax credits I just talked about. As a percentage of pretax profits, the overall effective tax rate was 21.6% in the quarter and if you exclude the income and the tax relative to the indirect tax credits, then effective rate would have been approximately 17% in the second quarter. With improved full year profitability expectations, income tax expense for the full year are expected to be in the range of $35 million to 40 million, inclusive of the impact from recording of the indirect tax credits. As a percentage of pretax income, I anticipate the effective rate to be around 23% to 24% for the full year. Our cash taxes are expected to be around $20 million for the full year, reflecting some positive impact from the Brazilian tax credits.

Now let's talk about cash flow. Our cash balance improved nicely this quarter and jump to around $117 million, up from $98 million last quarter. Our operating cash flow was strong at $67 million in the quarter, which is driven by the healthy increase in our bottom-line along with continued working capital management, even with a sequential quarterly sales growth. Our capital spending was in line with expectation at close to $12 million, which means we generated $56 million in free cash flow in Q2, bringing year-to-date free cash flow to $29 million.

I expect our full year capital expenditure target to be around $45 million to $50 million, which is the same as our original guidance for the year. Our programs for managing ongoing maintenance projects in our plants along with investments to bring about increased efficiencies and selected capacities expansion are going very well.

It was stated earlier in our press release that we expect free cash flow for the year to be around $90 million to $100 million. This reflects the overall improvements in our profitability and continued working capital management focus.

And I talked a lot about it on previous calls, but we remain very focused on working capital management across our business, and again, that was very clearly evident in the first half of this year. At the end of the

second quarter, our liquid working capital as a percent of annualized sales based on this most recent quarter was 19%, which was improved from Q1 and much better than a year ago. Our entire management team is aligned around cash flow generation and all of our efforts to-date have come together to deliver this result and we intend to keep the foot to the pedal in this regard. We will focus on continuous improvements in our processes, most notably our inventory management.

I mentioned it at the outset that our debt leverage at the end of June improved to 1.8 times trailing 12-month adjusted EBITDA, down from 2.9 times at year end. We made a marked improvement this quarter from last quarter as well, due to the improvement in EBITDA, but we also paid down debt at $34 million in the quarter, using our strong free cash flow generation. We're in a very manageable debt position and we're well poised to manage the business for future growth.

I continue to get the appropriate question, how we're going to allocate capital in an era where we're much more significantly at free cash flow positive. I will continue to state publicly that we intend to manage our debt position across the business globally first, and then we'll look to the appropriate investments in our business to put us in a position to grow profitably on a sustained basis. As far as cash to investors, we will continue to evaluate our best opportunities to deliver the best returns for the company on a long-term basis.

Our financial performance in the second quarter was exceptional and it truly showed the power of the business and the collective decisions that have been made, as we generated strong cash flow coupled with and in line with our increased profitability. Our full year outlook has continued to improve through the year and we expect to deliver growth and expanded margins in the second half relative to the prior year. We're increasing our expectations for the full year once again this quarter. To restate, we continue to anticipate full year sales at $2.2 billion with an EBITDA range of $240 million to $250 million. I've already given you what we expect in terms of capital spend and our free cash flow, we expect that we will continue to generate cash flow progressively from here through the rest of the year and it should be the strongest cash flow generation year in our history.

I've been saying it for a while now, but our story continues to build and it is exciting to share what we have going on at Titan.

Now I'd like to turn the call back to Elliot, the Operator for any questions you have today.

**Question-and-Answer Session**

**Operator:** [Operator Instructions] Our first question today comes from Steve Ferazani from Sidoti. Your line is open. Please go ahead.

**Steve Ferazani:** Good morning, Paul, David. Appreciate all the color on the call. I did want to ask about guidance coming off of what was a really, really strong quarter. I know 2Q is typically seasonally your strongest. We know last year given the demand and backlog, you didn't really have that much seasonality. The guidance raise seems to indicate you're expecting either something's going to weaken or much stronger seasonality or you're just being really conservative. Can you walk us through how you're thinking of the second half of the year?

**David Martin:** Yeah. We're thinking, obviously, we're expanding margins in the second half relative to last year. We believe that we will have our traditional type of year and that the second half is going to be really solid.

**Steve Ferazani:** Have you seen any shift in what you're hearing from customers, particularly from Europe that would caution you a bit or and you mentioned the mining you're still getting pretty good replacement demand? Those would be the two obvious places where there could be some cracks now right Europe and mining, anything there you're seeing?

**Paul Reitz:** No. No. We're really not. We've done a pretty extensive deep dive into our order book and ensuring that what we're expecting for the back half of the year is there and really actually looking already into 2023 at the order book and we're seeing really good signs in all directions that, the momentum that exists in our business and our end markets is still in place. And so, our main focus is produce the products and get them in the hands of our customers.

**Steve Ferazani:** Right. In terms of the numbers in the quarter, the one that really stood out to me and I know it's a smaller one, but in the Consumer segment you generated a really nice margin in Q1 You said it was going to be sustainable. It actually was much, much better in Q2, a non-seasonal revenue growth. What's going on with mix there and how sustainable is it off of this level?

**David Martin:** Yeah. I would say that, it is pretty sustainable. We have a significant amount of improvement that's coming from products that carry higher margins in the business. Most notably our rubber mixing here in the U.S. and we had an exceptional quarter and we have good strong order books for the second half of the year as well.

**Steve Ferazani:** So you think rubber mixing continues at this type of level to overall revenue, because I'm assuming that's what's driving margin or I could be wrong, or driving the substantial growth in margin comparatively?

**David Martin:** When I think about the margin expansion, yes. In -- our Q2 performance in that area specifically, should be sustainable as we ended the second half of the year.

**Steve Ferazani:** You mentioned the strength in -- you're seeing developing in low sidewall. I know that was something you were bullish on, it was kind of slowly developing. Have you seen a ramp now that you're getting into a much stronger replacement cycle? Are you seeing greater adoption of LSW and what do you think that means longer term?

**Paul Reitz:** Look, I mean, as we've been saying, our LSW product it continues to gain momentum and it's a reflection of the investments we've made to connect to the marketplace that connected the end users and ensure that the value proposition is a win, win from all sides of the equation from the OEMs, the dealers, the end users and from Titans.

And so, to answer your question, yes, we have seen that continue to accelerate as one OEM production delays have limited the amount of available used equipment in the marketplace. So we've been able to get really good traction through the used market. But also we're getting the traction through the OEMs and so the growth is really all around now.

I would say, if you look back historically, we really connect more directly to the dealers and the end users, but now the growth is coming in again, OEMs, dealers. And so there's absolutely no reason why that won't continue to grow. The reason I say that is it goes back to the basic foundation of what it is, it makes equipment perform better. What it does is an improvement for the end user and it brings a good value to anybody that puts the LSW onto their equipment.

**Steve Ferazani:** Appreciate the detail. Thanks, Paul, David.

**David Martin:** Yeah. Thank you.

**Operator:** Our next question comes from Kirk Ludtke from Imperial Capital. Your line is open. Please go ahead.

**Kirk Ludtke:** Hello, everyone.

**David Martin:** Hey. Good morning.

**Paul Reitz:** Good morning.

**Kirk Ludtke:** Congratulations on the quarter. Thank you for the presentation. Just a couple follow ups on a couple of topics. One is the guidance. What type of working capital assumptions do you have built into that second half guidance, working capital source, used, what?

**David Martin:** Yeah. Very similar. In fact, as we head towards the end of the year, I think, we have some improvements that we still expect to see. But as a percent of sales, it should continue to be very strong. Yeah, no significant inventory build or anything like that.

**Kirk Ludtke:** Okay. Excellent. I did go back in time and look at your inventory turns over the last few years and you're turning inventory a lot faster than you have historically. Despite the fact that commodity prices are high, so you really made a lot of progress there. Is that -- would you attribute that progress to some of the things you've done in terms of your systems or is that more a function of end market demand or both?

**David Martin:** I'd say that we have a significant amount of analysis that goes into our production planning and making sure that we have the right type of raw materials in hand, a lot of focus in that regard. And then as far as finished goods inventory goes, we are doing a much better job of just getting product to our customers and not having -- have -- not having to hold as much inventory and stuff. So, again, it's across the Board, but a lot of focus inside the company, and I guess, across all business units globally in that regard. So we have teams that are focused very heavy on specific high running skews, if you will, and making sure that we've increased those turns. And it's been pretty dramatic in some regards. So, yes, it's a lot of hard work.

**Kirk Ludtke:** I bet. So I guess maybe at the risk of oversimplifying this, it sounds like these turns are sustainable?

**David Martin:** I firmly believe so. Yes.

**Paul Reitz:** Yeah. We haven't done it with smoke and mirrors or some secret sauce. I mean, like, David said, it has been good hard work and we have improved our forecasting systems in some key parts of our business. So, we're seeing that the information that we have internally is leading where our customers are going and so, it's a great accomplishment for the Titan team that we've put in the work not just this year, it's something we just put a focus on this year. It's something we've really been emphasizing through the years. And again, our people have gotten really much improved and doing a good job, but also we've improved some systems. So one thing I've seen is when we talk to customers, the information that we have is valuable to them and that's, again, a strong accomplishment for the Titan team. We know what we're doing.

**Kirk Ludtke:** Excellent. Thank you. That's -- yeah. No. That's -- I mean, that's like fun money, right?

**Paul Reitz:** Yeah. Exactly. I will see that.

**Kirk Ludtke:** On…

**Paul Reitz:** Number of year…

**Kirk Ludtke:** On capital allocation? Yeah.

**Paul Reitz:** Yeah. Go ahead.

**Kirk Ludtke:** Yeah. That's a long -- I know that's a long-term project. On that -- follow up on capital allocation. You did mention your priorities here, managing debt, CapEx and then returning cash to shareholders? Do you still have $25 million left on your authorization?

**David Martin:** Yeah. We still have that available to us. But it's certainly not something that's the highest priority for us today. We obviously looking at a number of different opportunities to make sure that we deliver the highest returns we possibly can, a lot to be analyzed over the next, call it, few months, six months or so. So we're really focused on, really just continuing to find ways to grow the company. At the same time…

**Kirk Ludtke:** Got it. That's helpful. Thank you.

**David Martin:** …being conservative as to paying down some low hanging fruit on our debt levels, so.

**Kirk Ludtke:** Right. A couple quarters ago, you mentioned, I guess, the last time you reiterated your leverage target, I think, it was still 3 times to 4 times, that seems dated now. But is that still, I mean, are you still targeting net leverage of 3 times to 4 times on a normalized basis?

**David Martin:** Well, I would say, we currently -- those are some initial targets, given the where we had come from. We are going to maintain a conservative posture and as far as to a specific number, if we see opportunities to grow the company, we're not going to go out and go crazy on a debt level to get past these 3 times or 4 times. I think that's we don't want to be worse than that, but we're going to certainly be in a much more favorable territory at this point in time. So it's a great position to be in. It gives us a lot more flexibility and a lot more opportunities to grow the company.

**Kirk Ludtke:** Got it. Got it. That's helpful. And then, I guess, the last topic is, how long does this last and I know you don't share backlogs and things like that. But can you give us some color as to, how far out you're taking orders, anything that would kind of give us a sense for, how much runway we have and then that's it, I really appreciate it? Thank you.

**Paul Reitz:** Yeah. I mean, I think the market conditions are favorable for multiyear period here and that's supported in a number of different ways. I think when you look at AG, you can find -- again, I can put a laundry list together of exact reasons why I believe it's multiyear and I think the activity you're seeing with commodity prices, related to the mining sector are going to be favorable with the driving activity. So what we're looking at, kind of taking that market information, what we look at internally is, what trends you're seeing in your order books, what you're hearing from your customers and we spent a lot of time just last week diving into that. And so are the order books strong? The answer is yes. Are we seeing anything that says, our business is going through any changes that we need to be concerned about? The answer is no. We do spend a lot of time as we answering the prior question about working capital, we spent a lot of time on the forecast, we spent a lot of time on understand the information where we need to

go, how we manage our production, how we manage inventory. So, this isn't something that, the P&L is just given you the end result, at the end of the quarter, is a heck of a lot more that goes into it before that and we need to be right and that's important to our entire management team and so, so far, you've seen in our results this year. I mean, this is the best quarter in the history of Titan. The guidance that we're putting out there is going to make this one of, if not the strongest financial year in the history of the company. Do we see strong momentum going into the future? Yes, it's here, right now. Are we concerned about where things are going? Like I said, it's our job to make sure we're prepared to take care of our customers, our customer's needs and right now, our customer needs are very -- they're strong and we got to be continuing to take care of them and that's our main focus. So, again, the P&L at the end of the quarter is going to give you the results, but it's us understanding where the market is going and be prepared for our customers is the most important thing. And we put it -- again, we put a lot of effort into that and we see market conditions that are very favorable.

**Kirk Ludtke:** Great. Thank you very much.

**Operator:** This concludes our question-and-answer session. I would now like to turn the conference back over to Mr. Reitz for closing remarks.

**Paul Reitz:** Yeah. I want to thank everybody for their time and attendance this morning and certainly appreciate the results of our Titan team for the second quarter. Look forward to talking to you again for the update in Q3. Thank you.

**Operator:** Thank you for attending today's presentation. The conference call has now concluded.