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Bovie Medical Corporation

Corporate Update Conference Call

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CORPORATE PARTICIPANTS

Charles Goodwin, *Chief Executive Officer*

Jay Ewers, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Matt Hewitt, *Craig-Hallum Capital Group*

Matthew O'Brien, *Piper Jaffray*

David Turkaly, *JMP Securities*

Russell Cleveland, *RENN Capital Group*

PRESENTATION

Operator:

Good morning, ladies and gentlemen, and welcome to the Corporate Update Conference Call for Bovie Medical Corporation. At this time, all participants have been placed in a listen-only mode. At the end of the Company's prepared remarks, we will conduct a question-and-answer session. Please note that this conference call is being recorded and that recordings will be available on the Company's website for replay shortly.

Before we begin, I would like to remind you that our remarks and responses to your questions today may contain forward-looking statements that are based on the current expectations of Management and involve inherent risks and uncertainties that could cause actual results to differ materially from those indicated, including those identified in the Risk Factors section of our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, as well as our most recent 10-Q filing. Such factors may be updated from time to time in our filings with the SEC, which are available on our website. We undertake no obligation to publicly update or revise our forward-looking statements as a result of new information, future events or otherwise.

This call will also include reference to certain financial measures that are not calculated in accordance with Generally Accepted Accounting Principles, or GAAP. We generally refer to these as non-GAAP financial measures. Reconciliations of those non-GAAP financial measures to the most comparable measures calculated and presented in accordance with GAAP are available in our earnings press release on the Investor Relations portion of our website.

I would now like to turn the call over to Mr. Charlie Goodwin, Bovie Medical's Chief Executive Officer. Please go ahead, sir.

Charles Goodwin:

Thanks, Chris (phon). Welcome, everyone, to our Corporate Update call. I am joined on this morning's call by our Chief Financial Officer, Jay Ewers.

Let me provide you with a quick agenda for today's call. I'll start off with a brief revenue of our second quarter and first half '18 financial performance, since we didn't host a call when we reported our Q2 financial results and 10-Q on August 1. Then I'll provide an overview of what NewCo looks like now that we have closed the transaction with Symmetry Surgical in which we divested and sold our Core segment. Then I'll turn the call over to Jay who will review our updated financial guidance for 2018 which we announced in a press release earlier this morning. This overview will, of course, include a summary of financial and accounting impacts we expect as a result of this transaction to help analysts and investors with updating their models. Finally, I'll provide an update on some of the operational milestones and progress we have made since we last hosted a call with the investment community in early July, and share our current expectations for what we are focused on over the balance of 2018. Then, we will open the call for questions.

Let's get started with a review of our second quarter and first half 2018 financial performance. Note, these results are on an as-reported basis for the period ending June 30 and include our Core segment results as the transaction with Symmetry was not announced until July 9.

Total revenue for Q2 was $11.5 million, up $1.7 million or 17% year-over-year. Our total revenue growth in the second quarter was driven by strong sales performance in our Advanced Energy business segment which increased by $1.3 million or 72% year-over-year.

Second quarter Core and OEM revenue increased $374,000 or 5% year-over-year. As I discussed on prior calls, we expect our Advanced Energy segment to be the primary driver of growth of our company and we are focused on leveraging our internal resources to drive adoption of our Renuvion technology within the U.S. cosmetic surgery market while continuing to utilize and expand our network of international distributors. We are pleased that our revenue results over the first half of the years have been the result of our strong execution of this strategy.

In terms of profitability, we are pleased to report improvements in gross margin, operating loss and Adjusted EBITDA in the second quarter. Specifically, our second quarter gross margin improved more than 300 basis points to 54.7%. Our operating loss improved more than $1 million year-over-year to a loss of $269,000 and our Adjusted EBITDA improved $3.3 million year-over-year to $2.3 million.

Turning to a review of NewCo following the closing of the strategic transaction with Symmetry on August 30. As detailed in our press release and 8-K last week, the Board of Directors of Bovie Medical hosted an annual meeting of stockholders on August 30 where, among other items, stockholders were asked to vote on the asset sale transaction with Symmetry. Bovie Medical stockholders voted overwhelmingly to approve the divestiture and the sale transaction, and we announced the closing of the transaction on August 30.

As a reminder, the divestiture and sales transaction was limited to our Core business and Bovie brand. The remaining company is comprised of both our Advanced Energy business segment and our OEM business segment. We also retained our manufacturing facilities in Clearwater, Florida, and Sofia, Bulgaria, and we'll continue to maintain operations at these locations.

We do plan on renaming the Company and are working with an external consulting firm on this endeavor. We should have something in place early in 2019. In the interim, and for purposes of today's discussion, we'll refer to the go-forward entity as NewCo.

The transaction with Symmetry did include several ancillary agreements with Symmetry in addition to the agreement to sell the Core business. For purposes of understanding what NewCo looks like going forward, the most important of these ancillary agreements is the Generator Manufacturing and Supply Agreement. This agreement calls for us to operate as an OEM provider of generators to Symmetry for a period of at least 10 years. This will result in top line contributions to our OEM segment over this period, and will help leverage our fixed expenses related to our manufacturing operations in Sofia, Bulgaria.

With the transaction closed and behind us, we would like to update the investment community on our expectations for growth and profitability for NewCo. We will review our updated financial year 2018 financial guidance as a framework to discuss both the composition of, and the growth expectations for, each of the NewCo businesses.

For the fiscal year period ending December 31, 2018, we expect total revenue from Continuing Operations in the range of $15.2 million to $15.6 million. This represents growth in the range of 49% to 53% year-over-year compared to the $10.2 million in total revenue from Continuing Operations we reported in Fiscal 2017.

Our updated Fiscal Year 2018 guidance for total revenue in the range of $15.2 million to $15.6 million is built upon two key assumptions: first, Advanced Energy revenue in the range of $11.8 million to $12.2 million, which represents growth of 55% to 60% year-over-year; second, total OEM revenue of approximately $3.4 million. Note the total OEM revenue figure is comprised of our legacy OEM business and the incremental sales related to the aforementioned manufacturing agreement with Symmetry. The $3.4 million in total OEM revenue we expect for Fiscal Year 2018 is driven by approximately $2.6 million in legacy OEM and approximately $800,000 of Symmetry-related new business over the last four months of 2018.

We recognize there are multiple items to work through when evaluating our updated guidance on a Continuing Operations basis and Jay will be providing additional color shortly to help with your models. For now, let me share a few key takeaways you should consider when evaluating our updated Fiscal 2018 guidance.

First, the midpoint of our guidance range assumes an increase in total revenue from Continuing Operations of approximately 51% year-over-year. This compares to the midpoint of our prior guidance range which was assumed total revenue for Continuing Operations of roughly 31% year-over-year.

Second, the increase in growth expectations implied by our updated guidance range is a result of both stronger than expected Advanced Energy sales we reported during the first half of the year, and the incremental OEM sales from the Symmetry agreement which was not contemplated in our prior guidance.

Third, the Advanced Energy business is the growth engine of the Company. Specifically, the midpoint of our guidance range assumes roughly 85% of our total company revenue growth during Fiscal 2018 is coming from our Advanced Energy business, which is exactly what we planned for and communicated to the Street coming into the fiscal year.

With that, I'll turn the call over to Jay for a review of the financial details of the transaction and additional color on our updated guidance for 2018. Jay?

Jay Ewers:

Thanks, Charlie. I'll start off by highlighting a few items that we have filed with the SEC via 8-K that I think investors will find helpful as they work through the financial impacts of this transaction.

Notably, we have filed unaudited pro forma financial data for the fiscal year periods ending December 31, 2016 and 2017, and the six-month period ending June 30, 2018, which includes income statements with and without our Core business segment in each of the respective periods, to assist with updating your models. The key point to understand, as you work through updating your models following the sale of our Core segment is that beginning with the third quarter of 2018 we will report our results from Continuing Operations and any financial impacts related to the Core segment will appear as Discontinued Operations.

Turning to a review of our updated Fiscal Year 2018 financial guidance, I wanted to walk through the changes in expectations of the Company on a Continuing Operations basis, and highlight how this compares to what was implied by our prior guidance range, which had included contributions from our Core segment.

Our prior guidance range called for total revenue in the range of $41 million to $42.5 million, which was up 5% to 9% year-over-year. This guidance range assumes sales from our Core business segment in the range of approximately $27.8 million to $28.8 million. Excluding this Core revenue contribution, our prior guidance range had assumed revenue from our Advanced Energy business and our OEM business in the range of $13.2 million to $13.7 million, representing growth of 29% to 34% year-over-year.

As detailed in our press release this morning, we now expect total revenue from Continuing Operations in the range of $15.2 million to $15.6 million, representing growth of 49% to 53% year-over-year. The midpoint of our Fiscal Year 2018 total revenue guidance range increased approximately $2 million, driven by the stronger than expected Advanced Energy segment revenue results over the first half of 2018 and the incremental $800,000 in OEM segment sales we expect from our new Agreement with Symmetry.

We have also updated our Fiscal Year 2018 GAAP net loss and Adjusted EBITDA loss expectations, both of which were also detailed in this morning's release. Specifically, we now expect a GAAP net loss from Continuing Operations in the range of $12.7 million to $12.3 million, compared to a GAAP net loss excluding Core segment results of $11.9 million last year, and we now expect Adjusted EBITDA loss from Continuing Operations in the range of $11.7 million to $11.3 million compared to Adjusted EBITDA of approximately $12 million last year.

As a reminder, we have included a full reconciliation from GAAP net loss from Continuing Operation to non-GAAP Adjusted EBITDA from Continuing Operations in our press release this morning.

Lastly, for modeling purposes, for the full year 2018, we expect gross margin from Continuing Operations of approximately 56%, stock-based compensation expense of approximately $1.5 million, depreciation and amortization of approximately $750,000, and weighted average diluted shares outstanding of approximately 34 million shares.

Turning to a summary of our balance sheet condition, as of June 30, 2018, we had cash and cash equivalents of $8.5 million and we had no outstanding borrowings other than the mortgage on our Clearwater facility building.

In conjunction with the deal closing, we paid off the remaining $2.5 million balance of our mortgage, leaving us debt free. We expect our September 30, 2018 balance sheet to include net after tax proceeds from the sale of the Core business of approximately $68 million, which leaves us with the strongest balance sheet condition in the Company's history.

With that, I'll turn the call back to Charlie for closing remarks. Charlie?

Charles Goodwin:

Thanks, Jay. Before we open the call for questions, I wanted to review the progress we have made towards the strategic initiatives we have discussed with the investment community on recent earning calls.

As discussed on prior investor calls, the strategic direction that I believe offers the highest growth, profitability and return potential for the Company going forward is to focus intently on the opportunity our Advanced Energy business has in serving the cosmetic surgery market. Our J-Plasma technology is highly differentiated and we are disrupting the cosmetic surgery market with our commercialization of these products and are now being marketed and sold under our recently created channel-specific brand Renuvion Cosmetic Technology. Despite the commercial traction we have seen in the U.S. since we began to focus our efforts exclusively on the cosmetic surgery market, we continue to believe that we remain in the early stages of the adoption curve for our Renuvion technology. We expect our growth this year will continue to stem from our ability to raise awareness of the benefits of our Renuvion technology among the market's early adopters, which we define as many physicians who fully appreciate the potential of this technology and are willing to pursue Renuvion in advance of substantial clinical validation.

With this in mind, we remain focused on creating a foundation of support for our Renuvion technology to move beyond the early adopter phase and encourage its broader adoption in the cosmetic surgery market over a multi-year period.

When discussing the strategic plan for Renuvion commercialization in prior quarters, I have mentioned that we are focused on maximizing our internal resources towards this compelling growth opportunity. Now, with the enhanced balance sheet following the transaction with Symmetry, we have the capital to begin investing in expanding our selling infrastructure in the U.S. to better position the Company for growth in the years to come.

Over the balance of 2018, we will implement a plan to enhance our selling infrastructure and increase the selling feet on the street. As a reminder, we employ a hybrid selling model which offers us the flexibility to add selling resources, whether either direct reps or by partnering with independent sales agencies. At the end of the second quarter, we had 17 direct sales reps and 14 agents. We also had three sales management professionals leading the team. Going forward, we anticipate adding direct reps and contracting with independent agencies.

Importantly, many of these independent agencies employ multiple selling agents, which enhances our ability to build commercial scale quickly, and all of the independent selling agencies we invite to join our organization will be selected because they have established sales excellence in the cosmetic surgery market.

Our current plan is to add eight to 10 direct reps, and two to three agencies over the balance of 2018. This plan will potentially have us ending the year with a field sales team approaching 50 people, compared to a field sales team of 31 at the end of the second quarter. This is obviously a key aspect of our strategic initiative to enhance our foundation for future growth of our company, one that we expect will begin to drive incremental growth in early 2019.

Turning to a brief review of our other four initiatives we are focused on this year. Number one, securing new clinical evidence that demonstrates the safety and efficacy of our Renuvion technology; number two, formulizing our regulatory strategy to pursue specific clinical indications, enabling us to fully market and sell Renuvion for our target procedures; and number three, enhancing our physician and practice support for our cosmetic surgery customers; and number four, improving our manufacturing capabilities and efficiencies. We believe that by pursuing these four initiatives we will position NewCo for substantial long-term growth in the cosmetic surgery market.

Beginning with our first initiative, expanding clinical support for our Renuvion Cosmetic customers, we are focused on pursuing our IDE clinical study evaluating the use of Renuvion and dermal resurfacing procedures, which represents a new target procedure for NewCo in the cosmetic surgery market. Recall, this is a multi-center, single-arm, evaluator-blind prospective study designed to evaluate the safety and efficacy of Renuvion for the reduction of facial wrinkles and rhytides. We completed enrolment of the 55th patient in mid-May and we are working through the period of patient follow-up and data evaluation. The clinical data from our dermal resurfacing IDE study will be the basis of clinical evidence used to support our FDA 510(k) submission.

Moving forward to our second strategic initiative, formulizing our regulatory strategy to pursue specific channel indications, enabling us to fully market and sell Renuvion for our target procedures. As discussed on our first quarter earnings call, we made an important addition to our leadership team in March with the addition of Dr. Topaz Kirlew as Regulatory Director, a newly created position for the Company. Under her direction, we are focused on developing an effective regulatory strategy to secure specific channel indications for our target procedures in the cosmetic surgery market. Our efforts to pursue a specific clinical indication for dermal resurfacing is the first step in this regulatory strategy, but I am very encouraged by the progress Dr. Kirlew and team have already made in developing a multi-year regulatory strategy. We are not in a position to share additional details on the longer term plan at this time, but certainly plan to do so at the appropriate time in the future.

Moving to our third strategic initiative, enhancing physician and practice support for our cosmetic surgery customers, we are now a little more than five months into our launch of Renuvion Cosmetic Technology, the dedicated brand for our J-Plasma generators and hand pieces in the cosmetic surgery market and feedback from our customers and sales reps has been extremely positive. We look forward to building support for the Renuvion brand and enhancing its visibility in the marketplace for the benefits of our physician customers.

Importantly, all of our efforts with this launch represent a foundation of brand awareness and clinical practice support that we expect will allow us to introduce new procedures to the cosmetic surgery market more effectively in the coming years. For example, following the expected 510(k) clearance for Renuvion in the dermal resurfacing procedures next year, we are incredibly well positioned with a platform of channel-specific branding, website, patient marketing materials, clinical practice programs and support, all of which improves our ability to scale a new product more effectively.

Lastly, with respect to our fourth strategic initiative, improving our manufacturing capabilities and efficiencies, as global awareness and adoption of our J-Plasma technologies and Renuvion products continue to grow, we are focused on identifying new ways to improve our manufacturing capabilities and ensure that we are able to meet the strong demand we anticipate for our generators and hand pieces for the years to come.

In conclusion, we are very pleased with the second quarter and first half 2018 fiscal results, which were fueled by continued strength in sales of our Renuvion products. We have closed a very compelling strategic transaction with Symmetry that we believe is beneficial for all constituents, our Core business customers, our employees and our stockholders. This transaction allows us to focus on the largest, fastest growing market opportunity by leveraging our highly differentiated Renuvion technology with the potential to achieve attractive outcomes for physicians and their patients in the cosmetic surgery market, and we will pursue this focused strategy with a balance sheet that is extremely well positioned to fuel our longer term strategy to encourage broad-based adoption and ultimately achieve strong, sustained and profitable growth for the benefit of our stockholders.

Thanks, everyone, for your participation on today's call and your interest in our Company, and of course, I would like to thank all of our Company's employees and customers.

Operator, we will now open the call for questions.

Operator:

Thank you. If you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment.

Our first question will come from Matt Hewitt of Craig-Hallum Capital. Your line is open.

Matt Hewitt:

Good morning, gentlemen, and thank you very much for taking our questions and for all the details this morning.

Charles Goodwin:

Hi, Matt. How are you?

Matt Hewitt:

I'm doing well. A couple of questions from me. First off, thank you for the details on the sales (inaudible). How should we be thinking about those additions, both direct and the agencies? Will that primarily occur here in the third quarter, or do you expect that to kind of be rolled out over the course of the second half?

Charles Goodwin:

Our goal is to bring on the reps as soon as we possibly can so they can have the largest impact on 2019, but obviously there's timing and a pace associated with everything, but we would like to have them sooner than later.

Matt Hewitt:

Okay, then I guess as you start to look at 2019, is it your expectation that you would continue to add as necessary, and maybe as new markets are opened, or will you kind of take your foot off the gas on the hiring at that point, get some production out of the new hires and then add maybe later in '19 and as you get out farther?

Charles Goodwin:

We're not giving any guidance on '19 as we go, as we're here today, but just generically speaking, obviously as we keep getting more indications, we'll need more people to take advantage of those opportunities, and so that's just generically speaking. As things come to fruition, we will keep our foot on the gas.

Matt Hewitt:

Okay, great. Then, maybe a couple of more here. The OEM relationship going forward with Symmetry, $700,000 here over the second half of the year, is that kind of a run rate that we should be using on a full-year basis, or is there anything that's hitting maybe here in the second half of '18 that wouldn't repeat next year?

Charles Goodwin:

It was $800,000 over four months, and so if you want to use that as a broad-based number that's well within the ball park.

Matt Hewitt:

Okay, great. Then, one last one from me. In the proxy statement, you had provided some prospective numbers post asset sale, and I'm just curious how—I mean, you had $42 million for 2019, and as an example, obviously a significant ramp, but how should we thinking about those numbers? I mean is that something that we should be modeling, or should we use that as part of a range? Thank you.

Charles Goodwin:

Yeah. Look, that was a scenario that we put in the proxy and obviously I mentioned we're not giving 2019 or forward guidance at this point in time, but suffice to say we're very positive about the opportunity that we have in front of us, especially with the newly created balance sheet that we have. We're positive on our opportunity but we're not giving anything for '19.

Matt Hewitt:

Understood. All right, thank you very much.

Operator:

Our next question comes from Matthew O'Brien of Piper Jaffray. Your line is open.

Matthew O'Brien:

Thanks so much. Good morning, everybody. Thanks for taking the questions. Just, Chuck, could you talk a little bit about the $2 million improvement that you're expecting from the Advanced Energy business here in 2018? Where exactly is that coming from? Is it coming from new accounts? Existing accounts? Placing the actual generators? Disposables? Anything along those lines you can provide us will be helpful.

Charles Goodwin:

Yeah, so just to be clear, the $2 million was $1.2 million more in Advanced Energy and the extra $800,000 over the last four months from the OEM Symmetry deal.

Out of the $1.2 million where we'd talked about on prior calls, after the second quarter, is it's an increase in utilization for the disposable hand pieces. That's the part that we're overachieving the budget on is that utilization part, and that remains the case.

Matthew O'Brien:

Got it. Then, as far as the sales force expansion goes, can you talk a little bit about how do we think about the revenue per rep on a direct basis, on an agency basis? I know the agencies got multiple people working for them and a little different economics, but how do we think about those two buckets as far as when they get up the learning curve a little bit in terms of the revenue they can generate on an annual basis on average?

Charles Goodwin:

Yes, look, I think that—I know exactly what you're looking for; you're looking for me to give you a number so you can multiply it by the number of people, but I think there's probably a good three to six month ramp period to have somebody kind of get up to speed, and then after that we would expect that a fully functional rep could do somewhere around a million dollars in revenue.

Matthew O'Brien:

Do you need to have the dermal resurfacing indication to be able to get that million dollars per rep?

Charles Goodwin:

Yeah, that would be factored into that, yes.

Operator:

Our next question comes from Dave Turkaly of JMP Securities. Your line is open.

David Turkaly:

Thanks. Congrats on the deal and the quick close.

Charles Goodwin:

Thanks, Dave.

David Turkaly:

Sure. I guess at a high level again, not '19 per se, but we're looking for I think Advanced Energy growth 55% to 60% this year. You've got more money to invest. You're going to have more reps and another indication, so just high level as we're looking out maybe three to five years or even beyond '19, any thoughts or color on sort of what the growth rate could look like, or could we possibly even accelerate from there? I would imagine what we could say at least is that something north of 20% or 30% is certainly possible, but I'd love to get any sort of color you might want to give on the outlook, given this capital.

Charles Goodwin:

Yes. Well, obviously, having this capital and the ability to invest not only in the feet on the street but also to be able to invest in marketing programs going forward and then people inside to support this growth puts us in a different category than we were before, and I think that's really the takeaway of this transaction and why we're so excited about the opportunity that we have in front of us. In the short run, obviously, we would expect the growth rate to be higher than what it is right now, and then depending on how fast we're able to do that it would—as the numbers get bigger you run into the law of large numbers, but I think just from a generic point of view those are the things that we're excited about.

David Turkaly:

I appreciate that. Then, $68 million net of tax, I imagine—you mentioned the rep increases. Is there any potential for M&A? Any bolt-on opportunities that you think you would use some of that for, or is it primarily headcount and R&D investments?

Charles Goodwin:

Look, obviously having that money puts us in a different—it puts us to think about things differently than we necessarily were before, but I want to make sure that everybody understands that we are focused on executing this opportunity and we think that we are in the early innings of this opportunity and that we've got a lot to do in order to keep disrupting this market and take market share in this market, and be the technology in this marketplace, and as we've talked about many times, it is a large market and there's a lot of work that we still have to do. As I mentioned, we are just getting started here. Our focus in the short run will definitely be on executing and taking advantage of this opportunity.

David Turkaly:

No, that's great to hear. One quick last one for me, maybe for Jay. As you look at sort of breakeven EBITDA, if you look out maybe a couple of years or into the future here, is there a level that you think Advanced Energy and this OEM sort of stuff you need to have to get there, and do you think that the $68 million, I would imagine, probably gets you there comfortably, but any color you'd like to give on sort of when you think something like that might happen with the NewCo dynamics? Thank you.

Jay Ewers:

Yes, sure. One of the things that we mentioned in the prepared remarks was that gross margin in 2018 would be about 56%, and that's due to the absorption of facility and overhead costs that we're shifting to Advanced Energy. But, we also had mentioned that our prior guidance was at a $42 million revenue range we would be EBITDA positive in 2018, and I think going forward—we're not going to give guidance for 2019, but you can expect margins will improve as revenue ramps to absorb that overhead that's now being absorbed by a lot less revenue.

I think if you look, our breakeven point would be less than what it would have been historically with the Core business, with Advanced Energy coming in with the higher margins that we expect going forward.

David Turkaly:

Got it. Thanks a lot.

Jay Ewers:

You're welcome. Thank you.

Operator:

Again, if you would like to ask a question, press star, then the number one on your telephone keypad. Our next question comes from Russell Cleveland of RENN Capital. Your line is open.

Russell Cleveland:

Good morning and congratulations on closing this transaction. I think the market is very excited about it. Two questions. The first one is comment on the international growth. I know we're looking at Europe, but we also look at places like Argentina, Brazil and so forth. That's the first question. I have one other question for you.

Charles Goodwin:

Okay. No, there's no question that we still have—as I mentioned earlier, we're in the early phases of this adoption and the early phases of this growth, and there are still lots of countries outside the United States that we've got large opportunities in, and the cosmetic market outside the United States is larger than the United States, and so we will keep pursuing other countries. We will keep getting registration in key markets and it's for sure part of the execution that we need to do to achieve these goals.

Russell Cleveland:

Great. Now, the other question, J-Plasma in cancer, heart and other things that we talked about and we're not pursuing as a main event, what are we going to do in that area? Are we still supplying J-Plasma products in that area, or are we just going to keep this in our back pocket? What's the thought there?

Charles Goodwin:

Yes, that's a good question. Look, J-Plasma, as everybody who's followed this Company for a long time knows, has applications in just about every specialty, and as I've said on other calls, outside the United States, especially in Europe where a lot of these procedures are done in the hospital, we are actually still selling J-Plasma into different surgical procedures in Europe and we'll continue to do that because it's right there on our call point, and the same hospitals that are doing gyn, cancer, liver procedures are also doing plastic surgery procedures. In the United States, though, we will remain focused on the cosmetic surgery application and we will focus and drive there, but it will be market dependent and it will be depending on what goes on in each of the different markets. We still do have an opportunity with J-Plasma outside the cosmetic space, but we've got a long ways to go to maximize this first.

Russell Cleveland:

Great. Okay, thanks, again. I appreciate it.

Charles Goodwin:

Thanks, Russ.

Operator:

That does conclude our conference for today. Thank you for your participation.