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RTIX - Q2 2018 RTI Surgical Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the RTI Surgical Second Quarter Earning Conference. (Operator Instructions) As a reminder, this call is being recorded.

I would now like to turn the conference over to Mr. Nathan Elwell with Investor Relations. Sir, the floor is all yours.

Nathan Elwell

Thank you, Ashley. Good morning, and thank you for joining the RTI Surgical's Second Quarter 2018 Earnings Conference Call. On the call today are Camille Farhat, our President and Chief Executive Officer; and Jonathon Singer, our Chief financial and Administrative Officer.

Before we start, let me make the following disclosure. The earnings and other matters we will be discussing on this conference call will involve statements that are forward-looking. These statements are based on our management's current expectations, but they are subject to various risks and uncertainties associated with our lines of business and with the economic environment in general.

Our actual results may vary from any statements concerning our expectations about future events that are made during this call. We make no guarantees as to the accuracy of these statements. Accordingly, we urge you to consider all information about the company and not to place undue reliance on these forward-looking statements.

During the call, we will also present certain financial information on a non-GAAP basis. Management believes that non-GAAP financial measures, taken in conjunction with U.S. GAAP financial measures, provide useful information for both management and investors by excluding certain noncash and other expenses that are not indicative of our core operating results. Management uses non-GAAP measures to compare our performance relative to forecast and strategic plans, to benchmark our performance externally against competitors and for certain compensation decisions. Reconciliations between U.S. GAAP and non-GAAP results are presented in tables accompanying our earnings release, which can be found in the Investor Relations section of our website.

Now I will turn the call over to Camille. Please go ahead.

Camille I. Farhat - *RTI Surgical, Inc. - CEO, President & Director*

Thanks, Nathan, and good morning, everyone. I am pleased to report that we produced strong second quarterly results and continued to make significant strides in our strategic transformation. The implementation of our 3 strategic objectives to reduce complexity, drive operational excellence and accelerate growth are powering an operational, financial and cultural transformation at RTI, which is imperative to increasing shareholder value over the long term. We know that advancements will never be linear, but are pleased with our progress to date and the momentum we are building as we execute across all 3 phases of our transformation.

For the second quarter, we delivered revenue of approximately $71 million, with recurring gross margins in excess of 52%. Adjusted EBITDA increased to approximately $9 million for the quarter, or 13% of revenues, primarily driven by the success of our current operational excellence priorities, focused primarily on the cost of tissue processing, which began to positively impact our cost of sales this quarter. When you exclude the impact of the various nonrecurring charges, adjusted net income for the quarter was $0.03 per share.

Our performance this quarter demonstrates the investments and hard work we began in 2017 to reduce complexity and increase operational excellence are paying off. It is energizing to see the way our executive leadership team has come together seamlessly, are building upon each other's ideas and executing on numerous initiatives. In short, we are delivering on our commitments, and our transformation continues to gather pace.

The continued strength of our OEM franchise is a credit to the team that has been able to both successfully refocus the franchise over the past year, getting closer to our customers and better understanding their needs, and to adjust operations accordingly to drive growth. The changes we have implemented are really paying off, and we are making similar moves across the portfolio, which we expect will have similar impact over the long term. These results underscore the value of our diverse portfolio, where every team has a period when they are a leading contributor and supports other franchises that are earlier in their strategic transformation.

Our spine franchise produced reasonable results for hardware, but biologics exhibited softer results due to the ongoing hesitance around map3, which we were expecting. As we previously stated, we have an open and cooperative dialogue with the FDA, but this situation has undoubtedly created opportunities for competitors and concerns for some customers. With that in mind, we have just announced an agreement with Aziyo Biologics for an exclusive distribution deal for ViBone in the United States. ViBone will join RTI's product portfolio as an additional biologic bone repair option for surgeons. Our commercial team will integrate ViBone into its sales and growth strategy in the U.S., effective immediately.

In addition, we will continue to pursue clinical research supporting map3 and intend to initiate new research on ViBone in the coming months. We are also encouraged by the spine product launches set to positively impact the second half of the year and remain committed to our outlook for the year.

During the second quarter, we launched Fortilink as planned, adding to a growing series of interbody fusion devices featuring our proprietary TETRAfuse 3D technology. Based on the positive feedback and its unique design, we believe we are forging a new frontier in spine surgery, and Fortilink is a great example of our commitment to developing innovative spine focus solutions that meet the demands of surgeons and improve patients' outcomes.

As a reminder, we began the year with the acquisition of Zyga and continued to be impressed with that team and their ability to execute. Adding this innovative, minimally invasive treatment has enhanced our spine portfolio and is a great example of our spine expansion strategy to pursue niche differentiated products, to gain scale to improve customer retention and to support portfolio pull-through. The Zyga team are seeing real momentum with procedural and revenue performance. Thanks to the hard work of numerous people across the company, the integration is complete, and the team recorded its best month on record in June.

Finally, I'd like to give an update regarding the next steps of our focus areas. First, reducing complexity. Based on our announcements yesterday to transition our 2 remaining owned tissue procurement agencies to strategic partners, you can see we are further reducing the complexity of our operations by increasing our focus on our strengths in tissue processing and reducing vertical integration. We maintained strong partnerships with the organ procurement community that ensure we will continue to expand the number of patients served with our differentiated allograft product.

Over the last 12 months, we will have moved all 3 company-owned agencies to strategic, high-quality partners that will be effective stewards for these important assets. Our immediate near-term focus is to ensure the transitions occurs normally and successfully for all stakeholders involved, be it donor families, partners, customers and employees.

Next, driving operational excellence. With initial results starting to positively impact our performance, we are looking to identify additional operational excellence initiatives to maintain the positive momentum and cultural shift so the improvements continue. And we are continuing to implement lean manufacturing initiatives that we expect will pay further dividends in the coming quarters. At the same time, we are maintaining the unquestioned quality of our product and have reached an important milestone during this quarter. We now have had more than 8 million biologic implants processed with 0 confirmed incidents of implant-associated infection. Simply put, a fantastic achievement.

And finally, accelerating growth. In light of the progress we have made with the first 2 elements of our transformation, I am primarily focused on accelerating growth. We are working to strengthen our R&D pipeline, developing product road maps for each of our business lines. With the Zyga integration complete, the team is focused on continuing to build their momentum and is on track for the year. As I mentioned earlier, June was their largest month on record, which bodes well for the second half of the year. We are actively exploring deals that will add products or companies that would advance our strategy and market position at logical valuation.

As planned, 2018 is a year of focused execution for RTI. Our team is closely aligned around driving our strategic transformation. We have a solid foundation for continued long-term profitable growth, which is highlighted by the fiscal 2018 financial guidance we are reiterating today and our commitment to achieving our long-term strategic goals of $500 million in revenue with EBITDA margins of 20%.

By continuing to focus on execution of our strategic initiatives, we are building upon our solid core tissue-based portfolio, which will generate predictable earnings and cash flow that will, in turn, support expansion and investment in our growing spine portfolio.

And with that, I will hand over to Jon to outline our financial performance.

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

Thank you, Camille. Jumping right in at the top, RTI's worldwide revenue for the second quarter of 2018 were $70.7 million, down slightly compared with $72.1 million during the same period for the prior year. Excluding the $3.7 million reduction from the sales, substantially all the assets of the cardiothoracic closure business completed in August 2017, our total revenue increased $2.2 million or 3.3%. Second quarter revenue were once again driven by growth in the OEM franchise, partially offset by declines in our other businesses, substantially due to declines in biologic sales.

As Camille outlined above, to partially offset the impact of the decreased distribution of map3 implants, we signed a distribution agreement with Aziyo Biologics to supplement our biologics portfolio with an alternative allograft stem cell product.

Gross profit for the second quarter of 2018 was $30 million, inclusive of a $6.8 million charge for the write-off of excess inventory related to decreased distributions of our map3 implant and the purchase accounting step-up of Zyga inventory. Excluding the excess inventory charge in purchase accounting impact, gross profit for the second quarter of 2018 was $36.8 million or 52.1% of revenues compared with 37% or 51.3% of revenue in the second quarter of 2017. The 100 basis point improvement in margin from last year is directly related to the operational excellence initiatives we have taken in our tissue processing operations. We continue to be on track to drive cost reductions of approximately $13 million in 2018.

Marketing, general and administrative expenses were $29.3 million for the second quarter of 2018 compared to $29.5 million in 2017. Research and development expenses were $3.3 million in the first quarter -- in the second quarter of 2018 compared to $3.7 million in 2017. The decrease is primarily due to the reduction of our organizational structure driven by improvements in organizational efficiencies.

During the second quarter of 2018, RTI incurred nonrecurring pretax charges to support the ongoing strategic transformation of the business. The company incurred $4.5 million in asset impairment and abandonment charges related to decreased distribution of our map3 implant. Due to our ongoing dialogue with the FDA and the continued negative impact of the warning letter on map3 distributions, we reduced our forecasted distribution for map3 allograft. The reduction in the forecasted distribution was considered an impairment triggering event for the applicable accounting standards.

As a result, we completed an asset group impairment test utilizing revised long-term forecast and determined carrying value of certain assets was not recoverable. The analysis resulted in an impairment charge of $1.7 million against property, plant and equipment and an impairment charge of $2.8 million was recorded against acquired licensing rights. During the second quarter of 2017, the company incurred $3.4 million of nonrecurring pretax charges.

Adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, for the second quarter of 2018 was $9.1 million or 13% of revenues compared with $8.3 million or 11% of revenues for the second quarter of 2017. The increase in adjusted EBITDA is primarily driven by the reduction in operational expenses associated with efforts to reduce complexity and increase operational excellence implemented over the last 18 months.

Net loss applicable to common shares was $6.4 million or $0.10 per diluted common share in the second quarter of 2018 compared to a net loss applicable to common shares of $2.6 million or $0.04 per diluted common share in the second quarter of 2017. As outlined in the reconciliation tables in our earnings release, excluding the impact of the various nonrecurring charges, adjusted net income applicable to common shares was $2 million or $0.03 per fully diluted common share in the second quarter of 2018.

Briefly looking at liquidity. Our cash position at the end of the second quarter was $14.2 million, and working capital totaled $125.2 million. During the quarter, we entered into a new credit agreement with JPMorgan Chase. The new credit agreement provides for a revolving credit facility in the aggregate principal amount of up to $100 million. The company will be able to request an increase to the facility by up to $50 million supported by the applicable borrowing base. Initial borrowings made under the 2018 credit agreement will bear interest at a rate per annum equal to the monthly LIBOR 30 rate, plus an adjustable margin of up to 2%. Our current rate on debt outstanding is only 3.7%.

Finally, the company agreed to an amended and restated certificate of designation of our Series A convertible preferred stock of RTI Surgical, Inc., amending certain provisions of the current preferred stock agreement. The primary provisions of the amendment include dividends on the Series A preferred stock will no longer accrue after July 16, 2018; the company will not force a redemption of the Series A preferred stock prior to July 16, 2020, so an extension of 3 years from the existing agreement; and the holders of the Series A preferred stock may not convert the Series A preferred stock into common stock prior to July 16, 2021, a similar extension.

Turning to guidance. Based on our current business outlook, the company is reiterating our financial guidance for 2018 originally issued on January 5, 2018. The company expects full year revenues in the range of $280 million and $290 million. The company expects full year adjusted EBITDA to be in the range of $32 million to $38 million. The following assumptions are included in our guidance: relatively stable market conditions in regulatory environment; continued positive revenue contributions from the acquisition of Zyga Technology announced on January 4, 2018; ongoing positive impact of efforts to reduce complexity and implement operational excellence; and finally, continued demand of map3 cellular allergenic bone graft or alternative allograft stem cell products. Our guidance is intended to be for the full year. However, given that everyone develops quarterly models, I'll share some thoughts on the performance drivers in the third quarter of 2018.

We anticipate full year growth for the OEM business to be in the mid-single digits. Many of our customers have built inventory in the first half to support full year demand, therefore, we expect OEM to experience sequentially lower sales in the second half of the year. We project continued positive momentum on Fortilink and the Zyga product line to support the long-term growth of the spine franchise, however, we are not projecting continued deterioration of the sales from -- however, we are projecting continued deterioration of sales from the biologics portfolio. We believe it will take most of Q3 to implement the new distribution agreement to support the overall biologics demand. Finally, Q3 typically experiences reduced demand for sports and spine products due to the reduction of discretionary procedures during the summer month. All these factors contribute to a sequentially -- a sequential revenue decline in the third quarter of 2018 as compared to the first 2 quarters of the year with the resumption of growth in Q4 2018.

Operator, I would like to open the line to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Lucas Baranowski.

Lucas Grant Baranowski - *Craig-Hallum Capital Group LLC, Research Division - Research Analyst*

Yes, this is Lucas Baranowski on for Matt Hewitt here at Craig-Hallum. Last quarter, you mentioned that you were expanding your lean manufacturing initiative to additional sites. I was just wondering, could you give us some color on how that's been progressing?

Camille I. Farhat - *RTI Surgical, Inc. - CEO, President & Director*

It's progressing well is -- would be my answer to that one. And as we have discussed that the initial focus of our cost reduction activities and implementation of lean manufacturing lies around the tissue business, we're very pleased to see progress that we're seeing with the tissue. And you're seeing that come in our results and show up in our results. We feel we have a long way to go. In my discussions with employees around the world when we talk about how we're doing as a business and where the opportunities are, we still believe that there is an entrap of about 20% capacity in the way we work together, and that's not just specific to the manufacturing side. So we're expanding our reduction of complexity activities. There is some work being done at the Marquette plant, as we have talked about, and at the Neunkirchen plant as well with the new leadership in place. But we expect that there is more to free up in terms of organizational capacity around the company based on the feedback our employees have been giving us.

Lucas Grant Baranowski - *Craig-Hallum Capital Group LLC, Research Division - Research Analyst*

That's helpful. And then you also have mentioned that the OEM sales force is being revamped. How far along is that initiative? And are you still expecting headcount there to remain the same?

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

Yes, I think overall, when you look at the OEM organization and the changes that we're putting in place, I would say we're probably 2/3 to 75% around what we intend to put in place from a structural perspective. And that's really just bringing in what you would consider to be higher level account executives that have a high degree of customer intimacy and are able to work collaboratively with our large OEM partners to identify innovation that we can support through our excellence in tissue processing. And so we're seeing very good progress with that, as you can see in the results, and I think we're -- overall, I don't think -- if you look at the changes that we're implementing in the structure of that business, it's more of a shifting of competency relative to how we do business as an overall increase in the people. I think, really, where we'd like to see the most investment is around innovation, working collaboratively with our customers.

Operator

Our next question comes from Jayson Bedford with Raymond James.

Jayson Tyler Bedford - *Raymond James & Associates, Inc., Research Division - Senior Medical Supplies and Devices Analyst*

Just a few. I guess on map3, is there any way to quantify kind of the impact on the business that you're seeing?

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

When you say any way to quantify, do you mean what's the impact of the revenue decline and the earnings impact?

Jayson Tyler Bedford - *Raymond James & Associates, Inc., Research Division - Senior Medical Supplies and Devices Analyst*

More so the revenue, yes.

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

Yes, I mean I think if you look at it year-over-year, it's about a 15% to 20% decline, which correlates between $1.5 million and $2 million in the first half of the year. But what's also happening, that's the direct impact from map3 specifically. What we're also seeing is the distributors carry map3, they carry nanOss, they carry DBMs, so they carry the entire biologics portfolio. So the direct impact on map3 is in line with what we outlined. The indirect impact is an overall softness of demand on the biologics side. So if you're looking across map3 and nanOss, for instance, they're down a combined 20% to 25% year-over-year in the spine portfolio. So the majority of the decline in spine revenue, in fact, all of the decline in spine revenue, which is really the biologics decline, which is then being offset by hardware and Symmetry. That's why we announced the investments in ViBone, because we think it's a great alternative for our customers, and it will strengthen the overall biologics portfolio. And we anticipate as we work with the team to roll that out that on top of mitigating the exposure from map3, it will strengthen our overall offering, not only in the spine business but in the orthopedics portfolio as well.

Jayson Tyler Bedford - *Raymond James & Associates, Inc., Research Division - Senior Medical Supplies and Devices Analyst*

Okay, that makes sense. And in terms of further research on map3, are you still expecting to run an IND trial here?

Camille I. Farhat - *RTI Surgical, Inc. - CEO, President & Director*

Yes. I mean this is the path we've committed to, this is the path we continue to make progress on with the agency and we're -- yes, we're working on -- through the protocol leading to a submission at this point. And as I just said in the script as well, we will be also -- there is a big push on differentiation. Allow me to just maybe make a broader comment. We want to carry differentiated products where you'll see we're making investments in clinical activity with our Fortilink product, you're seeing us do that with our Symmetry product, you're going to see us do that with map3, you're going to see us do that with ViBone as well. We just feel that there is an opportunity for us to continue to differentiate our offering while, at the same time, building scale to be relevant for our customers and be able to serve them.

Jayson Tyler Bedford - *Raymond James & Associates, Inc., Research Division - Senior Medical Supplies and Devices Analyst*

Just on that one, Camille, we don't -- we get an R&D line item, so we don't know all the different factors in that. But it does look like R&D spending has kind of trailed off at least this quarter when I look at it versus last year. So should we expect a pickup in R&D spend?

Camille I. Farhat - *RTI Surgical, Inc. - CEO, President & Director*

Yes. As we have talked about, I don't think anybody should be surprised. When we talked about -- last year, if you think about early in the year, the only most visible program was around the bovine tendon, which we subsequently have made the decision to deemphasize. We looked at a dry pipeline in a couple of areas in our business. And as we have shared with you even last quarter, now that we have the operational excellence and the reduction of complexity relatively underway, we were starting to shift in rebuilding the product pipeline and in focusing our activity and leaning forward with more differentiation and more R&D. We care a lot about our R&D being relevant, our R&D being disciplined and our R&D being productive. So we just didn't feel like until we have the road map for each of our businesses, spending R&D money that is not in line with the strategy was prudent. But yes, you will see that change. And Jon has provided some guidelines, I'd ask him to comment just to kind of calibrate as well from the modeling perspective. Hope this helped. Jon?

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

Yes, no, as Camille indicated, we've been pretty stable between the first and second quarter of the year as we look out, but we'll start seeing sequential increases in that. But I think that as we work through the operating plan in 2019, we'll have a better sense of the investment and the cost of the programs that we're supporting. Most of the cost today is utilized in internal resources, on voice of the customer, scope, usability, all of those characteristics. As we finalize that, we'll then do an evaluation around internal, external resources and how do we best optimize the skill sets of our organization or where do we bring in outside expertise to support the development. And that's really -- it's the external spending which, for the most part, will drive the incremental spending. But as Camille indicated, that's going to be directly tied to programs around expansion driven by the worldwide product plans that we have in place for the various businesses.

Jayson Tyler Bedford - *Raymond James & Associates, Inc., Research Division - Senior Medical Supplies and Devices Analyst*

Okay, that's helpful. Just last couple, if I can sneak them in. Jon, I understand the impact from the commercial business from the cardiothoracic divestiture last year. But what was the dollar contribution from cardiothoracic in OEM sales in the quarter?

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

It was, in the quarter, about $1.8 million.

Jayson Tyler Bedford - *Raymond James & Associates, Inc., Research Division - Senior Medical Supplies and Devices Analyst*

$1.8 million, okay. And then last one for me. Camille, you mentioned in the script, I think it was in the press release as well, deals at logical valuations. And it seems acquisition is a part of the growth story going forward here. But just the logical valuation comment, is it fair to assume that you're kind of not fully comfortable with some of the valuations you're seeing out there today?

Camille I. Farhat - *RTI Surgical, Inc. - CEO, President & Director*

In the world of acquisitions, I think what matters is the deal that you're working through. As I think through it, we have had situations where we have looked at opportunities and we felt that it wasn't in line with what we think was realistic. And we're pretty prudent and disciplined in that area. That said, going back to the broader evolution of our transformation, coming into a job with no product pipeline, we knew -- and we knew we needed to focus the business, so that's the first thing we did on the reduction of complexity, and we'll continue to make advancements in that area. We knew for an area of the business that is not growing or big part of the part that we are in, in tendons and bones that were not -- was not growing, we needed to kind of control cost and generating cash. And then as we're turning the corner in the meantime then, until you build the product pipeline for what you want your R&D team to work on, then that gap is going to be filled with acquisition around the areas we've highlighted. We feel that there is enough opportunities for us to bring our strategy and our goal to life. We're not alarmed by what we're seeing in the marketplace, but I think you should expect us to continue to be disciplined in what we believe is fair to all involved from a valuation perspective.

Operator

Our next question comes from David Turkaly from JMP Securities.

David Louis Turkaly - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Quickly on the biologics business, I was wondering if you could -- and maybe quantify the size of that with the map3 and nanOss and some of the other products you have. And that the $4.5 million, the impairment, was that related just to map3? Or is that to the entire biologics franchise?

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

I would say that about 40% of the spine revenue is biologics. So it's about 60% hardware and about 40% biologics. There's a little bit of biologics in the sports franchise, but I think that's probably between 5% and 8%. So most of it is in the spine franchise. And then, I'm sorry, David, what was the second question?

David Louis Turkaly - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Just the impairment charge, was it just map3? Or was it for that and the indirect impact as well?

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

No, no, it was all map3. So it was inventory, just basic excess and obsolete calculations based on the projections of the business. And then we have certain manufacturing assets that, when we kind of look at the impairment testing, we wrote off. And then we had a license agreement from the developer of map3 that we reduced the value of that.

David Louis Turkaly - *JMP Securities LLC, Research Division - MD and Senior Research Analyst*

Got it. And I apologize, I was jumping back and forth this morning on several. But OEM, did you call out exactly what was so strong in there, specifically like a partner or a product line that was particularly good in the quarter?

Jonathon M. Singer - *RTI Surgical, Inc. - Chief Financial & Administrative Officer and Corporate Secretary*

No, I think it continues to be across the portfolio. Now what I did say in the prepared remarks, we expect OEM for the year to be mid-single-digits growth overall which, given where it's been over the past several years, is a real testament to what the team has done in order to focus that organization. But I think a lot of what our customers were looking for from a demand perspective was really positioning them for the second half of the year. And so a lot of the strength is just driven across the board. There's not a single product category actually. All of our customers were pretty strong in the first half of the year, with the increment, also contributing to growth, was the cardiovascular closure business as well. So yes, just really, really solid performance, not only -- what's been pleasing is we've met with the customers, and we're extending the relationships. We're transitioning the business to longer-term forecast, longer-term purchase orders. All of the characteristics that when we talk about predictable consistent earnings, will form the foundation for the generation of that predictable, consistent earnings. So what we want to avoid is that we drive mid-single-digit growth this year and then we shrink next year. And so it's working with our customers on long-term forecast, balancing our inventory levels and their inventories, being intelligent about the investments that they're making in the inventory. And then most importantly, what we're seeing, which is most exciting, is collaboration around innovation that extends their product lines based upon our technology. And so as we -- if you look at the activities that we took, particularly around the reduction of complexity on the owned agencies, as you go through where are we most strong, we're great manufacturers, we have got differentiated technology on BioCleanse, we're driving efficiency and cost reduction through that platform. That's where we want to focus our investment in people, processes and systems. And then innovation, continuing to innovate and invest in tissue-based technology, whether it's utilization of allografts through our OEM partnerships or expansion of our biologics portfolio. And so we're continuing to make investments in these areas in order to keep our track record. As Camille indicated, there's not another product that you can look across the medical technology landscape that has 8 million implants with 0 infection rate, 0 failure rate. I mean it is -- we have a wonderfully safe, high-quality set of products, and our customers appreciate that and they are going to invest in us in order to expand in that.

Operator

(Operator Instructions) I'm showing no questions at this time. I'd like to hand the conference back to Mr. Farhat for closing remarks.

Camille I. Farhat - *RTI Surgical, Inc. - CEO, President & Director*

Thank you, Ashley. Thank you for your ongoing interest in RTI Surgical. We are confident that our strategic transformation remains on track and is building momentum. We are focused on the execution of our plans and look forward to updating you on our progress in the coming months. Have a great day, everyone.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may all disconnect. Everybody, have a great day.