

# NASDAQ:RCMT Q2 2025 Earnings Call Transcript

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## **Kevin Miller | Chief Financial Officer:**

Good morning, and thank you for joining us. This is Kevin Miller, Chief Financial Officer of RCM Technologies. I'm joined today by Brad Veazey, RCM's Executive Chairman. Our presentation in this call will contain forward-looking statements. The information contained in the forward-looking statements is based on our beliefs, estimates, assumptions, and information currently available to us, and these matters may materially change in the future. Many of these beliefs, estimates, and assumptions are subject to rapid changes. For more information on our forward-looking statements and the risks, uncertainties, and other factors to which they are subject, please see the periodic reports on forms 10-K, 10-Q, and 8-K that we file with the SEC, as well as our press releases that we issue from time to time. I will now turn this call over to Brad Veazey, Executive Chairman, to provide an overview of RCM's operating performance during the second quarter.

## **Brad Veazey | Executive Chairman:**

Thanks, Kevin. Good morning, everyone. As alluded to our last call, the business remained resilient in the face of economic uncertainty, a testament to the model, which revolves around aligning the right talent in defensible positions of secular growth markets. Furthermore, our brand equity continues to strengthen, providing increased leverage to the business model while allowing us to diversify and strengthen our core client base. With increasing business success comes additional capital markets exposure and inclusion of RCM into the Russell 2000 growth index for the first time in its 50-year history. An important milestone in the journey of our great company and a testament to the strength and commitment of our employee base. I will now provide an update on the progress of each of our business units. We are pleased to report that the Healthcare Services Group posed out the 2024-2025 school year with the momentum. We saw strong growth across our portfolio, driven by our commitment to quality, innovation, and class satisfaction. As we looked ahead to the 2025-2026 school year, we are entering it with tremendous excitement and confidence. Our roster of new school partners is expanding, and we are equally encouraged by the commitments from our existing clients to broaden our role in staffing their schools. This speaks volumes about the trust we have built and the results we have delivered. One of the achievements we are most proud of is our ability to win over districts previously served by competitors. These wins are a direct result of RCM's consultative approach, one that emphasizes partnership, responsiveness, and a relentless focus on quality. Our internal training programs continue to sell us part. enabling us to deliver providers who are not only highly qualified, but also better prepared to meet the unique needs of each district. Our pipeline remains robust, with a strong flow of additional opportunities that position us well for continued growth. Additionally, we continue to leverage our outstanding team in the Philippines. This resource has proven to be a highly cost-effective asset, accelerating our ability to scale and support new client engagements with speed and efficiency. In short, we are entering the new school year with strong tailwinds, a clear strategy, and a deep commitment to delivering value to our clients and shareholders. Transition to life sciences data and solutions. In the life sciences division, we continue to see momentum driven by our strategic focus on innovation and operational excellence. Our recent investment in AI-driven equipment qualification has streamlined compliance protocols while reducing turnaround times across manufacturing sites. Additionally, advancements in data integrity solutions are improving audit readiness and strengthening our competitive position with pharma partners focused on speed to market. These initiatives reinforce our commitment to digital transformation in regulated environments and set the stage for scalable growth. This combined with building a dedicated life sciences engineering group will clearly differentiate RCM for the future. From an IT perspective, we have made meaningful progress in AI and analytics, particularly as applied to life sciences. This continues to unlock actionable insights from predictive

forecasting to real-time monitoring. These updates reflect how we are leading technology not just to optimize operations but to fuel innovation at the core of our business. Lastly, we see continued evolution of our HCM practice beyond our flagship UKG ready managed service program with our reseller and extension to other future partners. Now shifting to engineering, energy services continues to move forward with increasing velocity. As we migrate into the second half of the year, we are seeing a sharp acceleration in activity as we align to an expansive integrated strategy, combining our custom engineering capabilities with our turnkey EPC solutions to meet surging market demand. As the need for reliable and resilient power delivery continues to outpace legacy infrastructure, our team is increasingly called upon for engineering design, builds, and upgrades. We have made a number of changes in the organization, including increasing efforts to align our brand with our marquee project work, and industry is taking notice. Furthermore, our ability to deliver precision engineered solutions across the most demanding environments at scale has served as a key differentiator. This is enabled by our growing EPC footprint, our high-performing engineering teams, and our focus on integrating advanced technologies and industry-leading 3D design into the delivery model. With continued growth in grid modernization, infrastructure upgrades, and data center expansion, our teams are delivering custom solutions that align with evolving market needs. Key developments this quarter include. Our integrated growth strategy, which is comprised of an expanded focus on custom engineering and turnkey EPC solutions for substations and infrastructure builds to support large-scale client programs. Expanding our depth of services with utility and industrial clients by designing and upgrading facilities with advanced energy-efficient technologies and providing engineering solutions for data centers and supporting substations and electrical infrastructure. Continue technical contributions to the IEEE Power and Energy Society, reinforcing RCM's leadership in the power engineering space. Operational maturity, resulting in streamlined project execution, enhanced talent integration, and improved cross-unit coordination through shared services. Our engineering teams remain in the forefront of enabling next-generation energy solutions, positioning RCM as a trusted partner in an increasingly complex, opportunity-rich market. Now to aerospace. Due to the ongoing significant ramp up on existing programs and the addition of new clients The Aerospace and Defense Group has exceeded our business plan goals through the second quarter by almost \$3 million in revenue with a healthy margin EBITDA performance. Though we have an aggressive plan for 2025, barring any unforeseen circumstances, we are on our way to achieving it. That count continued to increase through Q2 2025 by 53 additional hires, topping Q1 performance. As projected, we have realized a significant year-over-year increase in gross margin and EBITDA in Q2 2025, as well as sequential increase of 11% and 8% in gross margin and EBITDA, respectively. Our vertical lift and technology innovator customers doing business with the US government continue to spearhead our growth thus far in 2025 with multiple opportunities on the horizon. As anticipated, Continued success in supply chain manufacturing and quality engineering with new clients continue to have a positive impact on 2025. Additionally, wins at the beginning of 2025 with two existing customers on two large multi-year projects for S1000D conversion continue to contribute to our success in delivering to our aftermarket clients. Our recruitment team, which continues to build trusted value relationships throughout the client and candidate base, have solidified our year-to-date goals. Our integration of new tools and technologies have kept our team in the forefront of providing enhanced speed to market capabilities. We continue to add new clients in Q2 2025 with customers requiring our expertise in supply chain manufacturing and quality engineering with continued requirements for software and systems expertise. We anticipate our growth to continue throughout 2025 as more of the opportunities in hand are realized with the aerospace and defense environment, seeking American companies who can hold clearances up to secret and top secret levels. We anticipate a record year for the Aerospace and Defense Group in 2025. Now, I will return the call to Kevin to discuss the Q2 2025 financial results in more detail.

### **Kevin Miller | Chief Financial Officer:**

Thank you, Brad. Regarding our consolidated results, consolidated gross profit for the second quarter of 2025 was 22.3 million, which grew 11.4% over Q2 2024, and yielded our highest gross profit over the past 13 course. Adjusted EBITDA for Q2 25 was 8.1 million as compared to 7.2 million for the Q2 24, growth of 12.9%. Adjusted EPS for Q2 25 was 69 cents as compared to 57 cents for Q2 24, growth of 21.1%. As for

our segment performance in the second quarter of 2025, in healthcare, Gross profit for Q2-25 was \$12.3 million compared to \$10.6 million for Q2-24, growing 15.4%. Gross margin for Q2-25 was 28.7% as compared to 28.8% for Q2-24. School revenue for Q2-25 was \$37.2 million compared to \$30.7 million for Q2-24, growing 21.1%. Non-school revenue for Q2 25 was 5.6 million compared to 6.2 million for Q2 24. In engineering, gross profit for Q2 25 was 6.5 million compared to 6.0 million for Q2 24, growing 8.8% on our best engineering gross profit quarter in our entire history. Gross profit for Q225, excuse me, gross margin for Q225 was 24.5% compared to 26.5% for Q224. As a reminder, our engineering gross margins can be volatile, but we generally expect normalized gross margins between 22 and 26%. In IT, life sciences, and data solutions, Gross profit for Q2-25 was \$3.5 million compared to \$3.4 million for Q2-24, increasing by 3.4%. Gross margin for Q2-25 was 39.8% compared to 34.9% for Q2-24. Regarding our balance sheet, though operating cash flow was weak for the quarter coming off a strong Q1, we anticipate fully debt-free cash flow to align with our net income. Specific to Q2, We had over \$10 million from two major school clients delayed due to school year 2024-2025. But we've collected over 80% of that money and expect the rest to come in this quarter. As a reminder, we have significant seasonality in Q3 with summer school closings and heavy vacation months for our billable workforce, which makes Q3 challenging to forecast. We do expect to continue to deliver at least low double-digit growth in adjusted EBITDA for the second half of fiscal 2025. And while we don't expect fourth quarter jump we saw in fiscal 2023, we do expect Q4 2025 will produce our highest adjusted EBITDA quarter for the year. This concludes our prepared remarks. At this time, we will open the call for questions.

### **Operator | Conference Call Operator:**

And with that, ladies and gentlemen, if you do have a question, please press the star 1 on your telephone keypad. Again, that's star one to join the question queue. And first up, I see Liam Burke of B Riley Securities.

### **Liam Burke | Analyst, B. Riley Securities:**

Thank you. Good morning, Vic. Good morning, Kevin. Good morning. Hi, Liam. We've talked, you talked about the data center infrastructure and the grid monetization and how that's accelerating. Could you give us some color on you have some multi-year preferred partner agreements, how that's working and how that's helping you accelerate into that sector?

### **Brad Veazey | Executive Chairman:**

Yeah, absolutely. You know, Liam, I think it starts with some of the initiatives that we've had in place for a number of years that are starting to come to fruition. um you know first and foremost i'd point to you know some of the projects michael markey projects that um you know are attracting a good bit of attention within the industry so naturally you know goes to become associated with your firm and there's brand equity that grows with it and word spreads and the phone starts to ring a little bit more uh in addition to that i think historically when you look at rcm You know, it has had a set of really good capabilities. Did not do a good job as far as coordinating and integrating the operations. That is something that we have put an increased focus on and really doubled down on, and call it the last 12 to 18 months, and ultimately rolling that out to the marketplace. So I think some of it is RCM specific, but also some of it is certainly industry specific. just at a very high level. I think, you know, we're all kind of reading the same things in the newspapers and, you know, through different media outlets. But, you know, I think the surge in spend, you know, that is, frankly, it's here. It is, you know, it's pretty overwhelming. I mean, it's historic without a question. And, you know, it's really hard to find an argument that we're anything but in the early innings of it. So if anything, I think when you look at the landscape of the industry, I think that we're facing a protracted secular bull market. And in many ways, it's almost guaranteed in my mind because you simply have a number of bottlenecks within the supply chain that just simply take years to unlock. So, you know, all else being equal, that would lengthen the cycle regardless.

But, you know, from our perspective, I mean, the industry is so large and, you know, we're certainly, you know, starting to hit our stride at a good time that, you know, it's hard not to see it be a big positive for the business.

**Liam Burke | Analyst, B. Riley Securities:**

Great. Thank you. You seem to be adding contracts in the healthcare space on the educational side. Are most of those still K through 12, or are you able to leverage your brand into other areas of education like community college or other municipal health programs?

**Kevin Miller | Chief Financial Officer:**

No, they're primarily K through 12. You know, we're very, very excited about this coming school year. You know, we've added another, you know, dozen or so new contracts, you know, half of which we believe can be of a decent, you know, a meaningful impact to the revenue for the, you know, 2025-2026 school year. So, you know, we're having a lot of success in the K-12 area. That doesn't mean we're not looking at other areas, but we're pretty focused on K-12.

**Liam Burke | Analyst, B. Riley Securities:**

Just to follow on to that, you mentioned that you've gone in and you're taking new business at the expense of competitors. Is that a trend we can expect to continue to see as you continue to add districts?

**Kevin Miller | Chief Financial Officer:**

We better. Yeah, no, we certainly expect that. And just to put a, you know, To put a little bit more on that, while we are certainly grabbing market share from competitors, it is a high-growth market, right? So you don't necessarily need to grab market share from competitors to grow. But, you know, we look to do both, obviously.

**Brad Veazey | Executive Chairman:**

Yeah, the other thing, William, I'd add to that is if you step back and look at the K-12 market as leaders, right, I mean, like a lot of, you know, relatively nascent markets that are highly fragmented, there's really a lack of, you know, institutionalization for a better term, you know, best practices, et cetera. So, kind of as a leader in that space is a big opportunity for us to step in and really demonstrate, you know, our knowledge base and ultimately win against some of the more local and regional competitors. And, you know, naturally, when you think about the different segments of the healthcare market, I mean, you know, the things that make the market special, right? I mean, the inability to replace that human touch, right? I mean, you know, you magnify that when you start to deal with kids. And so there's a significant opportunity from our perspective that, you know, certainly from our vantage point and our size and given the market opportunity, there's a way to go there.

**Liam Burke | Analyst, B. Riley Securities:**

Great. Thank you, Vic. Thank you, Kevin.

**Operator | Conference Call Operator:**

All right, next up we have Bill Sutherland of Benchmark.

**Bill Sutherland | Analyst, Benchmark:**

Hey, Bill. Thanks. Hey, good morning, guys. Hey, on health care, Kevin, did you give the breakout of school and other?

**Kevin Miller | Chief Financial Officer:**

Yeah, we did. Hold on, let me just grab that number.

**Bill Sutherland | Analyst, Benchmark:**

Okay, then I'll just – I can get that later then.

**Kevin Miller | Chief Financial Officer:**

I wanted to – Let me see real fast. It's 30 – we were at 37.2 for schools and – 5.6 for non-schools for the quarter. Okay.

**Bill Sutherland | Analyst, Benchmark:**

Okay. Interested in that internal training program you mentioned. Can you give us some color on that in healthcare?

**Kevin Miller | Chief Financial Officer:**

In terms of our internal training program?

**Bill Sutherland | Analyst, Benchmark:**

Yeah.

**Kevin Miller | Chief Financial Officer:**

I mean, we go out, we find people that we think would make, you know, good candidates for our schools, and we train them up ourselves. And we have training centers – you know, in several different locations. You know, it's not something I want to speak a lot about just for competitive reasons, but, yeah.

**Bill Sutherland | Analyst, Benchmark:**

Are these paras or is this, I mean, because you're doing a lot of behavioral health now.

**Kevin Miller | Chief Financial Officer:**

It can be paras or RBTs as well, but mainly paras. But, you know, there are other types of people that we engage in training as well.

**Bill Sutherland | Analyst, Benchmark:**

Okay. And what about the international nurse side? I know you've been confirming that.

**Kevin Miller | Chief Financial Officer:**

Yeah, well, they just moved up visa retrogression for a couple of countries, and, you know, we think we're probably going to have about, I don't know, 15 to 20 nurses coming in either this year or early next year. But if the visa retrogression gets moved, which we think it will at some point, you know, we could have who knows how many. We have probably 500 nurses in our pipeline that are interested in coming to the U.S. You know, if you have any inroads with this administration, please write a letter.

**Bill Sutherland | Analyst, Benchmark:**

Yeah, I wish I did. The Engineering GM bounced back very nicely, as you guys noted. Is this kind of a level we should think about as kind of where the business is at this point?

**Kevin Miller | Chief Financial Officer:**

I think it's a good indication of where the business is. But, you know, like I said earlier, it's volatile, right? You're going to see quarters where it spikes up, and you're going to see quarters where it spikes down, depending on what the mix shift is. And, you know, as we said on our last call, we're very, very focused on gross profit dollars and then managing the cash flow around those gross profit dollars. So, you know, if we drop under 20% and we have strong gross profit, that's great. If we push it up and we have strong gross profit, that's great, too. We're just really, really focused on gross profit dollars.

**Bill Sutherland | Analyst, Benchmark:**

Okay. That's great. Thanks, guys. Good quarter. Thanks.

**Operator | Conference Call Operator:**

Thanks, Joel. Next up, we have William Duberstein of Stone Oak Capital.

**William Duberstein | Analyst, Stone Oak Capital:**

Hi, guys. Hey, morning. Nice to talk to you guys again. Great quarter. A couple details coming through. Nice sequential improvement in the engineering gross margins, but just Double-clicking on that, you guys are, I think, winning a lot of new customers. Could we expect new contracts to sort of – with new clients to sort of start at a lower gross margin and then potentially expand over time as you prove yourselves out? Or is it just sort of standard between – I don't know if you want to get into your contract.

**Kevin Miller | Chief Financial Officer:**

Yeah, are you talking about engineering?

**William Duberstein | Analyst, Stone Oak Capital:**

engineering specifically?

**Kevin Miller | Chief Financial Officer:**

You know, we don't really look at it that way. I mean, certainly, you know, if we really want to get into a client and we need to bid something at a lower margin than we normally would, we certainly will consider doing that and would do that for the right client. But for the most part, we're looking to get our margin that we think is fair and competitive. And, you know, I don't think that it's a Frankly, it's a super price-sensitive market. I mean, it's price-sensitive, of course. You're dealing with utilities. But, you know, they're much more interested in quality than there are a couple of points, you know, or a couple of bucks, you know, and obviously they don't know what your margins are. But, you know, there's a lot of work out there, right? And quality work gets more work at good margins. And that's the way that we kind of see it. You know, the biggest reason why you potentially see you know, lower margins in our, you know, in our engineering group is when we have, you know, our fixed price contracts that in any given quarter are heavy on the subs, you know, and we have the subs, you know, costs running through our income statement, you know, we're going to see, you know, we don't make the same margin on our subs, obviously, than we do on our internal, you know, salaried engineers. So that's typically why you're going to see a little bit, you know, where you might see it drop a little bit. And there are other factors involved. But, you know, when we start talking about, you know, engineering and we look at the three pillars, you know, aerospace is a little bit more competitive, so those margins tend to be, you know, a little bit lower. But the other two groups in terms of, you know, energy services and our industrial processing, those margins are generally pretty good. But, again, they will come down depending on what's running through the projects in any given quarter, as I talked about, in terms of how much of our revenue is driven by ourselves.

**William Duberstein | Analyst, Stone Oak Capital:**

Does that make sense? Got it. Yeah, yeah, absolutely. Thanks for that, Collar. It was nice to see the improvement there from last quarter.

**Kevin Miller | Chief Financial Officer:**

And we're generally trying to drive margins in the engineering above where we were in the second quarter. But, you know, again, it just depends on the mix shift.

**William Duberstein | Analyst, Stone Oak Capital:**

Got it. Got it. That's helpful. And then just bringing back up the cash collections, I know you mentioned it in your opening remarks. Should we expect receivables to go up? at the end of Q2 because it's the end of the school year, or was this quarter sort of – were there idiosyncratic factors between those two schools you mentioned?

**Kevin Miller | Chief Financial Officer:**

Well, it's really both. The two schools that we mentioned just frankly ran out of money on their POs, and they couldn't pay us until they got new POs. And that happens, you know. Look, we crushed it with those two schools, so they ran out of money to pay us. which happens in the school systems. But that's okay. You know, I'll wait. We'll wait for the money and drive the revenue because, you know, we always get paid by the schools. Like, we never have write-offs and, you know, or virtually never. And, you know, they got the POs in place, and we've actually been paid about 80% of the money today, and I just got a notice yesterday we're going to get the rest of it next week. So, yeah, I mean, it's... It's unfortunate that our receivables don't look great at the end of Q2, but it's a temporary situation. It's cyclical, and we should see those receivables come down in Q3 most likely, although depending on how much we're pushing the envelope with some of these new schools, maybe it will be up. And if it's up, it will be a good thing.

**William Duberstein | Analyst, Stone Oak Capital:**

Got it. That makes a lot of sense. And then finally, In a previous question, I think you touched on the immigration and that you have a lot of nurses interested in coming to the U.S. Is immigration and supply a gating factor at all right now? I mean, you guys posted great numbers there, so probably not. But I was just wondering if it was possible you could have done even more if the supply side opened up more or if that's just sort of a future. Yeah.

**Kevin Miller | Chief Financial Officer:**

Let me tell you how we look at it, which is pretty simple. We're going to grow 25-26 school year, whether immigration opens up or not. We're very confident in our ability to grow our school business, you know, this school year compared to last school year. If immigration cooperates, it can make the difference between a good year, like a good 2026 and an incredible 2026, right? So, you know, we'll see what happens. We just, we can't obviously predict what's going to happen with immigration. You know, we may not get any meaningful number of nurses in in 2026. We may get, you know, 100 or more. It's just, it's really hard, you know, to say, but what we believe is that over time, immigration always, you know, usually comes around to the conclusion that if you want nurses in this country, you better go get them from somewhere else because we're not making enough nurses in this country to satisfy demand. It's just that simple. And I don't see that changing anytime soon.

**William Duberstein | Analyst, Stone Oak Capital:**

Got it. Great. Hopefully that does open up. And that was all I had. Great job, guys. Thanks.

**Operator | Conference Call Operator:**

All right. Seeing no further questions in queue, I'll remind everyone you can press star 1 on your telephone keypad if you would like to ask a question. That is star 1 on your telephone keypad. All right. Next up we have Ben Andrews.

**Ben Andrews | Analyst:**

Good morning, Ben. Hey, guys. How are you? Great. I enjoyed the quarter. Thank you very much. I'd like to just make a couple of statements and then just give me feedback on what you can and your thoughts. If I look at RCM and kind of, you know, the bigger trends out there, and I think you've positioned the company in two

areas where, the wind seems pretty strong at your back, which is the education and the engineering slash T&D. And those trends seem to, you know, looks to me at least to be multi-years going forward. And, you know, during, you know, the last three or so years, you know, our stock has pretty much gone sideways. And I think you guys have done an excellent job. you know, before the stock took off and after the stock took off and has essentially gone sideways and fallen out of bed a lot of times to reduce the share float. I think that was incredibly wise and some of the best I've seen, you know, over my career management doing that. But And so if I look at those two divisions where I think there's a solid win that you're back, it seems that, you know, even though RCM's businesses can be volatile, it seems that like, you know, roughly two bucks in EPS, you know, going forward per year seems achievable. You know, it doesn't seem like you're going to do a dollar or 50 cents or anything like that. It seems like you're going to be somewhere in a solid area like that. So, yeah. My thoughts are, and I mean, if we look at the stock trading action and stuff in these small cap stocks as well as some of the large cap stocks, I don't even think there's humans trading them anymore. I just think it's this total AI. And so my thoughts are if we instate a dividend, say an 80 cent dividend, which should easily be covered if you're making money, making a couple of bucks a year in EPS, you know, open the world up to, you know, a little different shareholder base. And the people that own your shares and have been loyal to you for many years, you know, get a little bit of a boost. And I just think kind of where you're positioned now after these, you know, work, hard work to maneuver some of these divisions and in what the divisions can throw off in EPS and kind of where the stock is to where you've been buying it back historically. I just think it's a much better case to implement a dividend.

### **Brad Veazey | Executive Chairman:**

Yeah, Ben. Look, that's a fair question. That's something, as you know, I think about often. We dialogue about it frequently as well. And look, you know, depending on the facts and circumstances at the moment, you know, you might come out on a different side of the ledger, right? So what I'll say, you know, where we sit today is, you know, the company is in a really good spot. And I think that the ability to put a dividend in place with a, you know, completely debt-free balance sheet having reduced close to 45% of the share count, maybe have a small met cash position, you know, it probably makes as much sense as ever. So and, you know, it's something that we'll continue to evaluate and, you know, as that day gets closer, you know, it could become more of a reality. That being said, you know, there's some great things going on in the business right now. I agree with your assessment with respect to the transformation of the capital markets, particularly in our segment of the marketplace. The flip side of that is, you know, when you have a lot less shares outstanding and, you know, a relatively limited supply of high-quality companies in this segment of the market, you know, you could be, you know, the prettiest girl or guy at the dance, right? And, you know, having a clean balance sheet as growth accelerates with a lot less shares, you know, as you know, this is something that hasn't changed in the last, you know, 20 or 30 years. These things can happen overnight in terms of stock appreciation. So... In the meantime, appreciate the patience. You know, we're in the trenches every single day, you know, working towards building the business and making it stronger. You know, but the good news is we're not just getting stronger on an absolute basis. We're getting stronger on a relative basis and increasingly attractive. Also, you know, when you think about the funnel of opportunities, right, I think this is an area where our size is an advantage. As you continue to distinguish yourself, right, as a little, you know, I almost think of it as a little big company, right? You know, we're a company that has a lot of big things, big attributes, but the reality is our size is relatively small from a valuation perspective. As bigger outcomes start to come to fruition, right, they have a disproportionate impact on the P&L. Like, for example, I appreciate, you know, your \$2 earnings figure, but I got to tell you, I'm going to be pretty disappointed if we're only at \$2 of earnings 24 months from now. You know, we very much think of the company as a growth company, you know, especially when you start to think about our performance relative to our pure base of all sizes, really. you know, we've significantly outperformed on a relative basis, and we anticipate attractive performance on an absolute basis. So, you know, the valuation will take care of itself. I mean, just to sum it up.

**Ben Andrews | Analyst:**

Yeah, yes, I agree. I agree, and I agree with your assessment that, you know, usually you can put in work for years, and then all of a sudden your valuation comes all within 30 days, you know, even though you're sitting around 36 months waiting for it. That usually is what happens, especially with these smaller cap stocks. The reason I kind of threw that \$2 out there, because I think it's a pretty solid number by me just looking at your divisions, and you certainly don't want to, you know, overreach when you put in a dividend. And if you put in a, you know, 80-cent dividend, then you've still got money to still pay down debt. You've still got money to do some IP acquisitions. I think where we're aligned in conversations in the past is I think it's wise to, you know, spend money to buy IP and so it can be assimilated into your company rather than doing some huge acquisition that often, you know, ends up blowing up in your face 24 months later. So that was the thought where money is spent, you know, more evenly across a couple of areas rather than, you know, just one area. But I appreciate your thoughts, and I appreciate how you guys have built this company. So thank you.

**Brad Veazey | Executive Chairman:**

Yeah, and don't be too bad. One more thing I just inserted in there, Ben, right, and just to emphasize, you know, working towards a clean balance sheet, though we think our balance sheet is well within the range of very comfortable in our target range, we'll call it loosely defined, is, you know, as you think about, you know, the potential outcomes that exist, you know, if we're a company our size, particularly to the upside, right, in this dynamic of an environment, right? So, you know, having a clean balance sheet is really – it's almost a strategic asset in a lot of ways because, you know, some of these partnership dialogues, right, I mean, they could be obviously material, and ultimately that's why we refer to them and we move them forward, and oftentimes they start off – on solid footing and then they grow every single year and, you know, you wake up a few years down the road and they're very sizable. But look, I mean, sometimes they can go very, very rapidly too. Again, we're in dynamic markets. You know, we've got – we've positioned ourselves really well. We've got some really talented folks. We have discussions, right, and ultimately – you know, how those mature, right? There's unknown aspects of that. But, you know, we want to position the company so we can, you know, maximize the value of those discussions, right, you know, when that moment comes. So, in other words, those opportunities for step function growth, we're not constrained in any manner, frankly. Okay.

**Ben Andrews | Analyst:**

Understood, Brad, and you're a people business, and I think leveraging up people businesses is not a great move. You can get lucky, but if you don't get lucky, then you're in a world of hurt. So I'd rather see a clean balance sheet. I agree with you.

**Operator | Conference Call Operator:**

All right. This does conclude today's Q&A session. Speakers, I'll turn it over to you for concluding remarks.

**Brad Veazey | Executive Chairman:**

Thank you for attending our Q2 conference call. We look forward to our next update in November.

**Operator | Conference Call Operator:**

Bye, everyone. All right, ladies and gentlemen, this does conclude your call. You may now disconnect your lines, and thank you again for joining us today.