

Zomedica Corp. (AMEX:ZOM) Q4 2022 Earnings Call Transcript March 15, 2023

Operator: Good afternoon, and welcome to Zomedica's Fiscal Year 2022 Earnings Release Call. As a reminder, this call is being recorded and all participants are in a listen-only mode. The call will be open for questions and answers following the presentation. On today's call is Zomedica's CEO, Larry Heaton; and CFO, Ann Cotter. Before we begin, the company would like to remind everyone that various remarks about future expectations, plans and prospects constitute forward-looking statements for purposes of safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Zomedica cautions that these are forward-looking statements and are subject to risks and uncertainties that may cause their actual results to differ materially from those indicated including risks described in the company's filings with the SEC.

Any forward-looking statements made on this conference call speak only as of today's date, Wednesday, March 15, 2023. And the company does not intend to update any of these forward-looking statements to reflect events or circumstances that occur after today. I will now pass the call over to Zomedica's Chief Executive Officer, Larry Heaton. Please go ahead.

Larry Heaton: Thank you. I'd like to start by thanking our shareholders for their support, and wishing our prospective investors and analysts and others a good afternoon, and welcome you to the Zomedica fiscal year 2022 earnings release call. On this call, I'll be providing an update on the business, followed by Ann Cotter, our Chief Financial Officer, who will review our financial results. After our prepared remarks, we'll open the line to your questions. In a bit, Zomedica will be releasing its financial results for the year ended December 31, 2022. As we reflect on these results, we're very pleased with the progress the team has made on multiple fronts as we continue our transformation into a market leader in point-of-care diagnostics and therapeutic products for companion animals.

At Zomedica, we're bringing products to veterinarians to help them do the things they really love to do, improve the quality of care for the pets and the satisfaction of the pet parents, and to help them do the things that they really need to do, improve workflow, cash flow and profitability. 2022 was another transformational year for Zomedica through acquisitions of products that meet the standard, along with significant improvements in infrastructure, manufacturing capacity and commercial capabilities. In 2022, we significantly expanded our product portfolio to include five high-value technology platforms, expanded our sales and marketing organization and capabilities, built a comprehensive internal support infrastructure, grew our revenues from zero in 2020 to \$4 million in 2021 to almost \$19 million in 2022, and established a pipeline of several new product launches for 2023.

We were pleased with our progress with our TRUFORMA platform during the year. This platform is a great example of the razor and blade model and that we provide the instruments at no cost to the customer in return for a lifetime and enduring revenue stream from high-value diagnostic tests. To build the value of this platform, we expand the installed base of instruments and expand the menu by introducing new assays. During the year, we launched two new TRUFORMA assays for ACTH and Free T4, both providing the only assay of their type available

at the point-of-care. In January of this year, we entered new license agreements with our TRUFORMA development partner, giving us the opportunity to develop and manufacture assays and instruments ourselves.

We are planning to continue our investment in the development of additional assays, which we believe will increase the utility of the TRUFORMA for our customers over time and generate higher revenue per installed instrument. For 2023, these include planned assays for non-infectious gastrointestinal disease and our first assays for horses both of which we expect to launch this year. Our PulseVet platform continues to perform strongly. While historically used in the treatment of horses, the recent introduction of the X-Trode hand piece, which enables use with small animals without sedation, is now being marketed to small animal veterinarians. Over the last decade, avian patients have benefited significantly from this clinically proven non-invasive therapy.

Now small animals could be readily treated with Shock Wave Therapy for over 20 clinical applications, backed by peer-reviewed clinical literature and providing alternatives to costly medication therapy that carries potentially harmful side effects or expensive surgeries. We've been pleased with the uptake of this technology, which is covered by most pet insurance policies by small animal veterinarians and pet parents alike. In fact, small animal device sales grew 405% in 2022 from 21 devices in 2021 to 106 devices in 2022. We believe PulseVet set sales will remain strong into 2023, especially given the efforts around development of the small animal market. Our Assisi LOOP of products, which joined Zomedica's portfolio of offerings in the third quarter proved to be a solid contributor to our 2022 results with roughly \$2.1 million in sales for the year.

Like our PulseVet products, the Assisi LOOP products, which generate targeted pulsed electromagnetic wave therapy to reduce inflammation and pain, they provided non-invasive and non-pharmacological approach to pain relief for pets. Also like PulseVet, our Assisi products showed year-over-year growth, both as part of Zomedica as well as when they were a standalone company. The difference between the two is that the Assisi products are positioned to be used at home by pet parents, including them in the treatment pathway for their pets. So the vet can treat the patient in the clinic with PulseVet Shock Wave therapy and then send the healing home with the Assisi LOOP products. As we leverage our communication and marketing networks, we expect Assisi recognition and brand awareness to increase resulting in expected growth in 2023.

Although not part of our 2022 results, we do expect additional growth in revenue in 2023 from sales of the VetGuardian zero-touch wireless vital science monitoring system, which launched in early January, as well as our new TRUVIEW digital microscopy platform, featuring the first automatic slide preparation system available anywhere to improve both workflow and image quality, which is expected to launch in the second quarter. Overall, we're pleased with our progress in 2022 and excited to continue building on this traction and growth trajectory. In addition to putting in place measures to grow our top line results, we have also put forth

considerable focus and effort into developing and enhancing our internal processes, including hiring additional people, with significant increases in R&D, business development and sales and marketing.

Included in these hires are industry experts, scientists, veterinarians and other personnel with extensive experience and knowledge in the companion animal field and investing over \$1 million to develop our manufacturing capability and capacity through our new global manufacturing and distribution center in Roswell, Georgia. This facility, which we moved into in August of 2022, expands our manufacturing and distribution capabilities, enabling us to meet growing commercial global demand and support future growth and new product offerings. With a healthy cash position and projected sales growth at 2023, we feel we are setting ourselves on a strategic pathway to create and enhance shareholder value. We're pleased with our progress along the pathway to cash flow breakeven and profitability, which we consider to be significant milestones for growth and shareholder value.

We believe these require a combination of substantial growing revenue and efficient manufacturing producing substantial margins, while at the same time, investing in operating expense to enable both growth from organic sources and drove by acquisition. We have invested in an experienced leadership and growing commercial team and a robust marketing capability, along with expanding our manufacturing capacity. Now, we have the opportunity to leverage these investments by launching and growing new products and acquiring new ones as well, to generate increased revenue to move us further on the path to profitability. In closing, we are optimistic about Zomedica's future. And with that, I'll turn the call over to Anne to take us through Zomedica's 2022 fiscal performance and provide additional thoughts on what to expect in fiscal 2023.

Ann Cotter: Thank you, Larry, and good afternoon, everyone. During this portion of the call, I will be focusing on selected aspects of our income statement, cash flow statement and balance sheet. While I will be providing brief explanations on various drivers, much of this information is covered and broader depth within our recently filed 10-K. I encourage you to review this document for additional detail and commentary. Revenue for the fourth quarter of 2022 was a very healthy \$6.2 million, an increase of \$2.1 million or 51% from the fourth quarter of 2021. The primarily driven by an increase in PulseVet sales and the inclusion of our recently acquired Assisi products, we saw an upward trend of increasing revenue in 2022, going from \$3.7 million in sales in Q1, \$4.2 million in sales in Q2, \$4.8 million in sales in Q3, and \$6.2 million in sales in Q4.

Revenue for the year ended 2022 was \$18.9 million, an increase of \$14.8 million or 361% from the year ended 2021. Again, primarily driven by a full year's worth of PulseVet sales and the inclusion of the recently acquired Assisi products. When considering stand-alone sales or sales exit we had owned Assisi and PulseVet from January 1, 2021, our sales were up 25%. Given the continued uptick in sales of our current offerings, that is TRUFORMA, PulseVet and Assisi as well as our expected launch of VetGuardian and Revo related products. We expect revenue

to continue to grow in 2023. Gross profit margin for the year ended 2022 was \$13.7 million or 72% compared to \$3.1 million or 74% for the year ended 2021, an increase of \$10.6 million. Although, our margins continue to be extremely healthy, the drop in margin compared to 2021 relates to a changing mix of product sales, including Assisi, TRUFORMA and PulseVet small animal devices and trod.

In general, we believe gross margins will remain relatively unchanged in percentage terms due to a variety of factors. Research and development expense for the year ended 2022 was \$2.6 million, an increase of \$0.9 million or 53% from the year ended 2021, primarily driven by an increase in contracted expenses for research fees and trials, as we continue to develop and test our next-generation TRUFORMA assays. Our new license agreements with our TRUFORMA development partner gives us the ability to expand our assay development program, which may result in increased total expenditures in the short term, although with a lower cost of development on a per-assay basis. Selling, general and administrative expenses for the year ended 2022 were \$33 million, an increase of \$10.2 million or 45% from the year ended 2021, primarily driven by salaries and noncash stock compensation expense associated with increased hiring campaign, the inclusion of PulseVet, Revo Squared and Assisi headcount, acquisition-related intangible amortization, increase in office expenses, travel and trade show attendance associated with lifting COVID restrictions and the marketing of our new TRUFORMA assays and our new product lines.

Our net loss for the year ended 2022 was \$17 million, a decrease of \$1.4 million or 8% from the year ended 2021. The net loss in each period was attributed to the matters described earlier. We expect to continue to record net losses in the future periods until time — until such time as we have sufficient revenue from product sales to offset our operating expenses. Zomedica had cash, cash equivalents and available-for-sale securities of approximately \$156 million, as of the year ended 2022, a decrease of \$39 million or 20% from the year ended 2021, primarily driven by cash used in operating and investing activities, as I will discuss. Net cash and operating activities for the year ended 2022 was \$11.7 million. The reduction — the reduction in operating expense is a result of the increased revenue we recognized and a reduction of overall operating expenses compared to the prior year.

Net cash used in investing activities for the year ended 2022 was \$155.9 million, an increase of \$84 million or 117% from the prior year 2021, primarily driven by significant investments in available-for-sale securities, our acquisitions of Assisi, Revo Squared, and other leasehold improvements and expenditures to improve our e-commerce internal sales and accounting programs. Net cash provided by financing activities for the year ended 2022 was zero. This is a 100% decrease from 2021 of \$219.2 million, as we did not complete a public offering of our shares in 2022. Our balance sheet continued to show strong ratios in 2022. Our working capital is strong at \$115.7 million. Our current and quick ratios are strong at approximately 16% showing a high amount of liquidity, our debt-to-asset ratio is approximately 4%, showing a high level of solvency.

Assets remained flat at \$280 million as cash used for Revo and Assisi purchases were offset by related increases in goodwill and intangibles, as well as cash used to purchase PP&E associated with our manufacturing center upgrade. Liabilities increased primarily due to the earnout liability recorded from the acquisition of Revo and larger accruals in AP for inventory and other operating expenses, all of which are growth oriented. Due to our projected increase in sales and decrease in operating cash needs and a very strong balance sheet, we believe Zomedica has a strong future, and we are optimistic about the future of the company. With that, I'll turn the call back over to Larry.

Larry Heaton: Thank you, Ann. And before we move to Q&A, I'd like to take this opportunity to thank you, Ann, not only for this report, but for your many years of tireless service to Zomedica. Ann has decided to retire from Zomedica and we have worked out a transition plan, whereby she will continue with the company for the next 30 days to ensure a smooth transition to a new CFO and is planning on continuing to consult with Zomedica afterwards. We'll provide more information on the timing and transition over the next few days. But for now, on behalf of myself, our colleagues and the Board of Directors, I'd like to extend our deepest gratitude to Ann for her considerable contributions to Zomedica over the years, and thanks in advance for her assistance going forward.

Ann Cotter: Thank you.

Larry Heaton: And with that, I'll turn the call over to the operator for Q&A.

Operator: Thank you. At this time, we'll be conducting a question-and-answer session. There are no audio questions at this time.

Larry Heaton: Okay. So can you turn this over to our IR team now, so that we could get questions off the web?

Paul Kuntz: Yes. This is Paul Kuntz with the IR team. We have a lot of questions on the webcast of 400-some people on here, so we'll just jump into some of these right now. Larry, one of our first questions was, does the recent bank crisis have any impact on Zomedica?

Larry Heaton: In a word, no. We have had no cash on deposit with either Silicon Valley Bank or with Signature Bank. And we also have pulled our major vendors to see whether they have any exposure and the answer has been no. And this is, of course, notwithstanding the fact that the government has also stepped in to address the issue. But we have — we see no impact on Zomedica from it.

Paul Kuntz: Thank you, Larry. And we've had quite a few questions on this subject. Can you talk a little bit about when the company — the path to profitability, when the company will become profitable?

Larry Heaton: Sure. So, we're really striving to reach two important milestones: cash flow breakeven and profitability. And to get an idea of what it takes to get the cash flow positive, let's dig into a couple of metrics. In 2022, per GAAP, we lost around \$17 million, with operating expenses of \$36 million. But of the OpEx, \$12 million was booked for non-cash expenses, depreciation and amortization and non-cash stock comp for the many employees that we've hired over the last 18 months. So to get to cash flow breakeven, if everything else was equal year-over-year, we would need to generate an additional \$5 million in cash. At 70% gross margins, that's another \$8 million in sales or about 42% up from 2022. Of course, sales above that or reduced expenses would push us past cash flow positive and further on the path to profitability.

Now D&A and non-cash stock comp decrease over time. But if they didn't, then we would need to generate an additional \$17 million in sales to get to profitability, which explains why we are heavily focused on investing in revenue growth, both organic and through M&A. So given our cash position and track record of acquiring, integrating and growing products through M&A, you can be sure that we're focused in this area so that we can accelerate reaching profitability. So, near-term goal is cash flow breakeven and cash flow positive, and then a little beyond that, trailing that will be our quest for profitability.

Paul Kuntz: Thank you, Larry. And our next question, with the recent uptake of AI in the world, is there anything in the works to maybe acquire AI products or partner up with an AI company to take advantage of technology in the pet industry?

Larry Heaton: I'm going to ask Greg Blair, our Vice President of Business Development, who's working in this area to comment.

Greg Blair: Thank you, Larry. AI is definitely gaining awareness and prominence across industries and the animal health industry is no exception. Through our My Zomedica platform, we do indeed collect data of varying types for most of our product lines. As we launch new product lines, including the TRUVIEW platform, we do see a role for AI going forward with our product lines. And we would anticipate that, that will play a part in managing the data that we're collecting and improving the diagnostic capability of the products that we offer to our customers.

Paul Kuntz: Thank you. And our next question is stock manipulation and naked short selling something you would consider addressing at all? And — or would you solely focus on the growth prospects of the company and believe the stock price will eventually follow.

Larry Heaton: Right. So the easy answer to that is that we're focused on building the value for our shareholders by building the value of the company, by generating revenue at high margins and ultimately getting to cash flow positive and profitability. A little more complex is the fact that, we've seen other companies fall victim to short selling. And we've seen other companies take action in this regard by engaging law firms and so on and so forth. As we look at it, we note that our stock price is relatively low at, I think, around \$0.25 today. I haven't checked it in the last

hour or so, but \$0.24, \$0.25 and our market cap then is around \$250 million, and we have \$156 million in cash, and we've had significantly rising revenues at high margins.

So it just doesn't make a lot of sense to us that people would regard us as a significant target for short selling, because they're upside is significantly limited while their downside is, I mean, it's my boggling what could happen. And in fact, anyone that's followed the stock over the last few years saw it really take a flyer a couple of years ago. So, my goodness, if you were shorted at that point, you would have not been really pleased. So I guess what I'm saying is that we continue to keep a look, keep a watch on it. We think that we're probably more susceptible to swing traders, people that see that, for whatever reason, and I think it's largely a result of the lack of institutional ownership of the stock, they see that it kind of travels pretty freely between around 23, 24 and 27 and trade those swings, which ends all legitimate and anyone that's buying our stock, we're a fan.

On the other hand, we would encourage people to consider holding it for the long-term, because we think for the mid to long-term we have a great opportunity to increase shareholder value as reflected in share price.

Paul Kuntz: Very good. Thank you, Larry. And our next question, how much is your customer acquisition cost? And do you see this number becoming lower in the future?

Larry Heaton: So, easy to answer the second part. The first part is a little more difficult. As you know, we currently are commercializing three product lines. Actually, it's 2023. We're now selling four different products. We have another one that we're launching next quarter. So there's not an easy answer to customer acquisition costs on the whole. For example, our PulseVet products are sold primarily by direct sales representatives, while our Assisi products are sold through distribution and online. So it varies by product line. What I would say, however, is that the second part of the question is, I see it going down for sure. In fact, that's been our strategy, right? When 18 months ago, we had only the single product and revenues were nominal, and we began to build the infrastructure and the sales and marketing engine that would expand to really any channel through which an animal health customer would like to acquire their products.

And we did that in anticipation of first growing revenues with the products that we had, but also being able to plug additional products into those sales channels without any additional expense associated with them. And so hard to answer the first question with any sort of a broad answer that is going to vary significantly between the products, but easy to answer that we expect considerable operating leverage from our commercial organization as we add new products.

Paul Kuntz: Thank you, Larry. And our next question, can you talk a little bit about the outlook for the coming year?

Larry Heaton: Sure. We — I think as we have spoken in our prepared remarks, we expect continued growth, for sure, both from the organic growth of PulseVet, Assisi and TRUFORMA

products, but also the introduction in January of the VetGuardian and next quarter of the TRUVIEW. Having said that, though, I do want to say that we do expect sales to be sequentially down in the first quarter of this year, due to the seasonality of PulseVet capital purchases, which are always highest in the fourth quarter and lowest in the following or first quarter, due to year-end tax rates for purchasing capital. We're not providing revenue guidance for the full year as we prefer to wait to do that until after we've gained some experience with our newest products, the VetGuardian system, which was launched in January, which we're pleased with, and the TRUVIEW digital microscopy platform, which we expect to launch next quarter.

So we expect to see growth in the year, driven by organic growth as well as the new products. Obviously, we also will continue a robust M&A set of activities, but obviously can't forecast that just now. So we should expect revenue down sequentially in Q1 and then up at each of the subsequent quarters.

Paul Kuntz: Great. Thank you, Larry. And our next question, when will we do an official launch of the Revo Squared products, including the MicroView and there's a second part, any prospect of releasing the cancer assay in late 2023?

Larry Heaton: Okay. So two very different questions there, so let's start with the Revo Squared. So, Revo Squared brought to us two products, the MicroView, which is what the product was called when we acquired it, which we've now transformed into the TRUVIEW System and we expect to launch that next quarter. In fact, we're beginning to build those systems now in our facility in Georgia. So we expect to launch that next quarter. We also, while we haven't made a big to do of it. We continue to sell the Revo Ultrasound System, which they call SonoView. It's not one of our major products. There are plenty of competitors out in the animal health space. The thing that differentiates the SonoView is the fact that our staff can guide individual users in the vet clinic, as they perform Ultrasound, they can train them, they can coach them, they can proctor those Ultrasound procedures.

So we have sold some systems. And as we look forward, we expect that we may expand that, but for now, we're just sort of doing business as usual in Revo. On the other hand, the microscope, the TRUVIEW is something that we're really looking forward to launching next quarter. The second part of that question was to do with the cancer test. So as you may, if you followed Zomedica for a while, you may know that, years ago they had a program, a partnership with a company called Celsee to develop a test for detection of cancer in dogs. Celsee was sold to a company called Bio-Rad and Bio-Rad has focused on other projects. They haven't — they do not have an active program now in this Cancer Detection area. We note that we received issuance of a patent in 2022 that relates to the technology.

But as of now, we do not have an active program underway to develop that product. And we would need a new partner if we decided to do that. We also note that there are a couple of other companies that are out in the market now, which wasn't the case several years ago, that are already providing this product into the marketplace. So we have no immediate plans. And

please don't read into that that we, — well, it's not immediate, but it's downstream. We don't have any plans at this point.

Paul Kuntz: Great. Thank you, Larry. And actually the next two are related in this case. One of the questions is, it has been previously mentioned, considering a reverse split when markets and core business momentum is in the company's favor. Is that still the plan, or would share buybacks also be in consideration with increasing revenue and condition of the business. And a related question is, is there a chance that the company could be de-listed as it's been under \$1 more than a year?

Larry Heaton: All right. So I'll take the last part of that first, because it's pretty easy. There are some exchanges that require the stock price to be at \$1 for or not below \$1 for a certain period of time. That does not apply to the New York Stock Exchange — American Exchange, which is where we're listed. There — they — their expectation is that your stock will remain above \$0.20 per share and not go below \$0.20 per share for some period of time. So, we're currently trading above \$0.20 a share. We did dip below that toward the end of last year into the first few days of this year. On the other hand, we did not receive any official notice of delisting or whatnot. So, it's all up to the market. That's who prices our shares.

But as long as we stay above \$0.20, we'll be good. And it's good that that's the case because many times companies that are struggling with one or other aspect of their activities find themselves in a position where they're trying to do a reverse stock split really from a position of weakness. They need to do it to get the stock price above, but the reverse stock split in and of itself doesn't make a company that's been struggling all of a sudden not struggling. And so off times, those reverse stock splits are not — they don't have great outcomes. In our case, we do believe that at some point, a stock — a reverse stock split would make sense, not because we're in a position of weakness or we're struggling, but rather because it would enable us to fairly quickly enable certain institutional investors that may otherwise have an interest in acquiring Zomedica stock, but can't do it because our stock is not above the threshold that their charters require of \$1 in some cases \$2, in some cases, heck, I've heard of some of that you can't invest in the stock that's less than \$5.

So, for us, we think that it would be desirable to have institutions be able to acquire stock in Zomedica, not at the expense of retail investors, not at the expense of our many shareholders, but rather as a complement because these institutions typically take a large positions and longer view. They hold it for a little bit longer, normally. And we think that that sort of foundation, not only will that reduce the actively traded float, but it may also dissuade short sellers or swing traders from viewing Zomedica as an attractive target. So, what I have said before and what I'll say now is that I think that in the future, a reverse stock split would make sense for us, but it's not something that we would do until we believe that our shareholders and other potential investors would view us as doing it from a position of strength.

In other words, we get cash flow positive. We get much closer to or realize profitability. And at that point, I think people would understand we're not — this isn't the beginning of a downward

cycle, but rather the beginning of an upward movement. With respect to a stock buyback, we continue to believe that the best use of our available capital is to fund organic growth and enable additional M&A activity. So, we have no near-term plans for a stock buyback.

Paul Kuntz: Thank you, Larry. And I'm going to pass the call now back to the operator for — we have a few callers in the queue. And for the rest of our webcast participants that have entered questions, we will request a follow-up with everyone in the next 24 to 48 hours. But for now, we're going to go back to the phone queue. Rob, please go ahead.

Operator: Thank you. Our first question is from Clint Wilkerson, a private investor. Please proceed with your question. Hey, you're live. Clint, are you muted?

Unidentified Analyst: I'm sorry. My question was the CAC, which he has already covered.

Operator: Okay. If you have no more questions, I'll go to the next question. Okay?

Unidentified Analyst: Thank you.

Operator: You're welcome. Our next question comes from with Zomedica Corp. Please proceed with your question.

Unidentified Analyst: Hello, everyone. I have two questions. Recently, in January, they forecasted ZOM to be around \$6, what's your intake on that? And would they reach there if — would ZOM reach that without a reverse split? What do you think you have the assets to get to that without a reverse split? Second question, with the anticipated recession, if we don't see a soft landing, would that affect the price of ZOM, would it go lower under \$0.20 maybe? That's it. Thank you.

Larry Heaton: Okay. Just one point of clarification, I think the caller was identified as being with Zomedica Corp, but that's not the case. He is not a member of Zomedica. So having said that, I'm happy to answer the questions. So we are covered by an analyst and that analyst did put a price target of \$6 per share on our stock. If you read the report, which as you can imagine, we've done quite extensively. That \$6 — the valuation of \$6 does not assume a stock split. In other words, what he's saying is that 10 years out in 2030, the stock, the company will be generating revenues. If you read the report, you could see revenues are quite substantial. And he believes that at that point, the price — the stock price would justify a \$6, the performance of the company would justify a \$6 price target.

Now having said that, in the report, and he clarified this in the subsequent issuance. He does say that he thinks that Zomedica will do a reverse stock split at some point. And when and if Zomedica does do a reverse stock split, that at that point, he would come back and re-up is price target. In other words, if we — well, I think you all know the mechanics of reverse stock split, so that would obviously affect the price. But the \$6 itself assumes no split although qualitatively, he looks at things kind of the same way we do, I guess, which is that a stock — a

reverse stock split would make sense for us. So that's the first part. Second part, had to do with the recession. And I think if we don't have a soft landing, if we have a worsening recession and things get worse, obviously, that's going to affect all of us as individuals everywhere.

On the other hand, from a business standpoint, it's not going to affect so much what we do for our pets. So what we've seen is that the pet animal healthcare market in the pet market is super large billions and billions of dollars and continues to grow in spite of inflation and so on. And this particular market has proven to be fairly recession resistant, if not recession proof as recent surveys have shown, there's plenty of things that people would give up before they would give up health care for their pet. I think probably if I'm spending a whole lot of money on a special fancy dog food, I might decide to go with a little less fancy, but I'm also not going to go to nothing. But when it comes to our products, our products are sold to veterinarians to use when pets are sick, to use with pets or injury.

And while a pet parent might schedule well patient visit, because they just went six months ago and the dog looks fine, it's young, running around, catching a ball. If that pet is injured or if they're sick, we believe that, that pet parent is going to go to the vet, and that's where our products come in, either to diagnose what the condition is or to treat the condition. And so while we'll be always sympathetic or empathetic towards what's happening in the economy, we believe our products, our growth is largely unaffected by a downturn in the economic situation.

Paul Kuntz: Okay. We have reached the end of the question-and-answer session. I'd now like to turn the call back over to management for closing comments.

Larry Heaton: Okay. So thank you for those of you that have listened in and that follow the company. We appreciate the support of our shareholders, and we appreciate your interest in Zomedica. We especially appreciate of those that ask questions. It gives us an opportunity to more fully explain how we look at things. We welcome any future interactions if you have questions as Paul mentioned earlier, those other questions that have come in on the website, we'll endeavor to get those answered rather quickly if we haven't already answered them. And we look forward to being good stewards of your invested capital as we continue to grow Zomedica in the quarters and years to come. Thank you.

Operator: This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.