S&P Global
Market Intelligence

Rockwell Medical, Inc.

NasdaqCM:RMTI

Earnings Call

Monday, August 14, 2023 1:00 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	9

Call Participants

EXECUTIVES

Heather R. Hunter
Senior VP & Chief Corporate Affairs Officer

Mark Strobeck
President, CEO & Director

Paul E. McGarry
SVP of Finance & Chief Accounting Officer

ANALYSTS

Dipesh A. Patel
H.C. Wainwright & Co, LLC, Research Division

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Good morning, and welcome to Rockwell Medical's Second Quarter 2023 Results Conference Call and Webcast. Please note this event is being recorded. At this time, I would like to turn the conference call over to Heather Hunter, Senior Vice President, Chief Corporate Affairs Officer at Rockwell Medical. Heather, please go ahead.

Heather R. Hunter
Senior VP & Chief Corporate Affairs Officer

Good morning, and thank you for joining us for this update on Rockwell Medical. Joining me on today's conference call are Dr. Mark Strobeck, Rockwell Medical's President and Chief Executive Officer; and Paul McGarry, Rockwell Medical's Senior Vice President of Finance and Chief Accounting Officer.

Before we begin, I would like to remind you that this conference call will contain forward-looking statements about Rockwell Medical within the meaning of the federal securities laws including, but not limited to, the types of statements identified as forward-looking in our annual report on Form 10-K and our subsequent periodic reports filed with the SEC. These statements are subject to risks and uncertainties that could cause actual results to differ. Please note that these forward-looking statements reflect our opinions and expectations only as of today. Except as required by law, we specifically disclaim any obligation to update or revise these forward-looking statements in light of new information or future events. Factors that could cause actual results or outcomes to differ materially from those expressed in or implied by such forward-looking statements are discussed in greater detail in our periodic reports filed with the SEC. Rockwell Medical's quarterly report on Form 10-Q for the 3 months ended June 30, 2023, was filed prior to this call and provides a full analysis of the company's business strategy as well as the company's second quarter 2023 results. Our Form 10-Q and other reports filed with the SEC along with today's press release, and a replay of today's conference call and webcast can be found on Rockwell Medical's website under the Investors section. Now I would like to turn the conference call over to Rockwell Medical's President and CEO, Dr. Mark Strobeck.

Mark Strobeck
President, CEO & Director

Thank you, Heather. Good morning, and thank you for joining us today for Rockwell Medical's Second Quarter 2023 Results Conference Call and Webcast. To get started, I'd like to spend some time reviewing our business strategy and capital structure, including greater detail about our recent acquisition of Evoqua Water Technologies' hemodialysis concentrates business. And then we'll discuss our quarterly results and what investors can expect for the remainder of 2023. It's been about a year since we began making changes to Rockwell's business focus and strategy. At the beginning of the third quarter of '22, we set out the goal for Rockwell to unlock the value of its business in a way that would let us increase our revenue, reduce our expenses, reduce and eventually eliminate our debt and drive our business to profitability.

We continue to believe that through the successful execution of this strategy, we will be able to drive shareholder value and reduce our reliance on the capital markets to operate our business. This has been and remains our focus. In just over a year, we have made significant progress against these objectives. We've increased our net sales by 13% year-over-year. We reduced our expenses by 60% year-over-year. We enhanced our gross margin from minus 5% in the first quarter of 2022 to 13% in the first quarter of 2023. We lowered our debt by over 50%, and we set a target to achieve profitability in 2024. As you can see by our results, we are making significant progress against our strategic plan and will continue to drive our business even further over the coming months and quarters. With the addition of Evoqua's hemodialysis concentrates business and the continued improvements we are making at Rockwell, we are accelerating our guidance on profitability and now believe that we can achieve profitability from our operations starting in the fourth quarter of 2023 and going forward.

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Let me review why we believe that this updated path to profitability is achievable and why our strategy is proving to be on target. Rockwell Medical is a different company today than it was a year ago. Different management team, different approach, different market dynamics, different strategy and different focus. Today, Rockwell is focused 100% on our hemodialysis concentrates business through which we generate nearly 100% of our net sales. This is where we believe we can and will be successful. As I described in our third quarter 2022 conference call, we believe that Rockwell Medical has a robust business, which has been historically compromised by a number of factors, including, but not limited to, restrictive and disadvantageous contracts, mounting expenses and competing priorities. Since freeing ourselves from these limiting factors, we have begun to unlock the value for Rockwell's shareholders.

Let's look at the changing dynamics of the hemodialysis concentrates market. To date, the dialysis market has largely been comprised of in-center dialysis clinics and hospital-based dialysis providers. Historically, suppliers of concentrates to these providers have included Rockwell Medical, Fresenius, Gambro, Baxter, Medivators, now Evoqua and others. For several reasons, the number of hemodialysis concentrates manufacturers have significantly declined to essentially 2 major players: Fresenius and Rockwell Medical. While the number of dialysis clinics in the U.S. has remained fairly stable. And the demand for dialysis concentrates has historically grown at a steady state of approximately 3% annually, which mirrors growth in patient census of dialysis clinics. While dialysis clinics saw a reduction in patient census during the pandemic, Fresenius and DaVita reported in their most recent earnings conference calls that patient census is again on the rise and is beginning to return to historical levels. We expect this will potentially have a positive impact on our business with increased volume purchases and with new and existing customers.

Additionally, we have seen a rise in home dialysis treatments through the increased market adoption of Outset Medical's at-home Tablo hemodialysis system. Early estimates suggest that over time, the at-home dialysis in transitional care markets have the potential to address up to 80% of the total dialysis market. We believe this is an important new segment and Rockwell is well positioned to address this expanding market. We hope to have more to say about Rockwell's efforts to address this growing home dialysis market in the coming quarters. As we have stated previously, Rockwell's hemodialysis concentrates business was focused on supplying clinics throughout the Northeast, South, Midwest and the United States. We believe there is a large market opportunity for us in the West. If we successfully access the West, it would enable us to increase our market share even further. Over the last 6 months, we have made a number of great strides on that front. We are now making select deliveries in the West to approximately 80 clinics from our manufacturing and distribution facility in Texas. With the signing of our co-promotion agreement with B. Braun, we will be looking to add new customers in the West through their targeted sales effort. Third, with our acquisition of Evoqua's concentrates business, we now serve over 400 clinics in the West, which represents a 400% increase over the number of clinics served prior to the acquisition.

And lastly, starting in September, we will be setting up our first distribution center in Utah to distribute Rockwell's products to the West. As you can see, we are beginning to make significant inroads in the West and we'll look to enhance our presence even further as we grow this portion of our business. So what does all of this collectively mean for Rockwell? First, as only 1 of 2 major players in the U.S. market, this allows Rockwell to economically construct advantageous product purchase agreements that reflect the inherent value our products provide to patients. This has enabled us to grow our gross margins from 3% in the first half of '22 to approximately 10% in the first half of '23. Currently, our highest gross margin products are in the 50% to 60% range. Our goal in the coming years is to drive our business to achieve consistent combined gross margins between 15% and 20%. We realized, however, that there is a lot we have to do to achieve these margins. Second, we have been laser-focused on the optimal product mix for our business. Over the last 12 months, 80% of our product volume has been dry powder products and 20% liquid. We have established this mix as it's more cost-effective to distribute dry products than liquid products, especially the larger 55-gallon drums. We believe this product mix is economically optimal and we will continue to pursue a comparable ratio going forward.

Lastly, we are working to customize and configure our product offering so that we can take advantage of and support the rapid market adoption of at-home dialysis treatments. So what has prevented Rockwell from achieving these improved margins for its hemodialysis concentration business historically. As we've addressed previously in 2014, Rockwell effectively sold its U.S. and international business through an

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

exclusive license to Baxter. This agreement gave Baxter the ability to set prices on Rockwell's products. The prices Baxter established for Rockwell's products in many cases, did not result in reasonable or sustainable profit margins for Rockwell. Additionally, this agreement disincentivized Rockwell for managing or lowering its cost to produce Rockwell products because any and all additional profit generated from savings would revert to Baxter. It's no wonder Rockwell historically struggled to make meaningful margins on this business. Rockwell had no control nor any ability to recuperate its margins based on the construct of this exclusive license agreement. Last year, we purchased our business back from Baxter and terminated this agreement, freeing ourselves from these restrictions.

What does this mean for Rockwell? For the first time in nearly a decade, we were able to set prices that are favorable to Rockwell and generate improved gross margins. Our team has spent the last 6 months renegotiating product purchase agreements and working to convert the more than 700 customers over to Rockwell's platform with updated pricing. Over the same time frame, we have signed new customer agreements, supply agreements, product purchase agreements and distribution agreements that rightsize pricing on our products, driving each towards improved margins for Rockwell. We have a significant pipeline of multiyear contracts that our commercial team is actively working to close. We are already beginning to see the benefits of these enhancements. One way to address gross margins and profitability is to increase top line revenue, which we've done and continue to do. An additional path to improved gross margins to adjust our expense line. As you know, we began this process shortly after I joined Rockwell, immediately eliminating expenses in areas that were not yielding value for the company. At the end of the second quarter of 2023, continuing into the third quarter, we restructured operations in our South Carolina facility and consolidated a portion of our production into our Michigan and Texas facilities.

To accommodate the Evoqua acquisition, we are further restructuring our operations. We have significantly reduced expenses year-over-year and continue to find ways to eliminate additional expenditures. We expect to realize the impact of these cost reductions over the coming quarters with the greatest reduction in expenses to be realized when we are able to move our product manufacturing to a more fully automated process. This brings me now to Rockwell's purchase of the hemodialysis concentrates business from Evoqua. At Rockwell, we are constantly evaluating ways to enhance our business, grow our revenue and reduce costs associated with manufacturing our products so that we can achieve profitability more quickly. We look for opportunities that deliver economic and strategic benefits, are immediately accretive and can be acquired at attractive valuations for Rockwell. Evoqua's hemodialysis concentrates business checked all of these boxes. For over 20 years, Evoqua's concentrates business through legacy brands such as Mar Cor, Medivators and Cantel has serviced clinics and patients throughout the United States and is well known throughout the dialysis community. Evoqua manufactured and sold a similar portfolio of liquid and dry acid and bicarbonate concentrates, however, they did so to a significantly different customer base than Rockwell's customer base. This represents an additional 1,500 new clinics for Rockwell. Additionally, Evoqua's business fits squarely into Rockwell's core business and offers us a number of additional advantages. One, one of Rockwell's key business objectives have been to enhance our revenue. Through this acquisition, we gained approximately $18 million in annual net sales.

With the addition of the Evoqua's concentrates business, Rockwell increased its 2023 revenue guidance to between $82 million and $86 million. This also has the potential to positively impact our revenue guidance for 2024. Second, Evoqua's business is profitable and expected to achieve over $3.3 million in annual EBITDA. We now expect with synergies this business to deliver between 20% and 22% EBITDA margin to Rockwell. Third, we are taking ownership of a fully automated manufacturing operation. Why is this strategically important for Rockwell? Today, our manufacturing operations are significantly manual whereas the Evoqua business is fully automated and currently only running at 50% capacity. We believe that over time, we will be able to take advantage of these fully automated liquid and dry lines thereby reducing the costs associated with manufacturing our products. As I stated earlier, the greatest opportunity of expense reduction for Rockwell is to fully automate our manufacturing processes. Accessing Evoqua's operations will now let us take full advantage of that. Fourth, by acquiring the Evoqua concentrates business, Rockwell is now the leading manufacturer and supplier of liquid bicarbonate products in the United States. This carries with it strategic value and positions Rockwell with unique pricing options.

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Finally, we purchased this business at an attractive valuation of less than 1x sales and modest initial cash outlay for all of its strategic advantages. Our daily activities have transitioned into actively integrating Evoqua's hemodialysis concentrates business into Rockwell. We have assembled the transition team with representatives from every functional area from within Rockwell who are actively interacting with the respective counterparts of Evoqua. Additionally, we have spoken to a number of key Evoqua customers and given our reputation for consistent production and delivery of products to dialysis clinics across the U.S. and internationally, they are all excited to have Rockwell as their primary supplier of concentrates. Our teams are meeting daily with the goal to seamlessly transition 100% of the Evoqua business into Rockwell by early October. With this acquisition, improved efficiencies and improved margins, we now anticipate that Rockwell will be profitable beginning in the fourth quarter of 2023 and going forward. We are also actively in the marketplace looking at additional opportunities to expand this business into new product categories and into new geographies, and we hope to be able to discuss this more in coming quarters.

Let's take a moment to review our capital structure and how we financed the Evoqua transaction. To give this financing some context, it's important to look back to May of 2022 when Rockwell Medical completed 2 financings for a total of $30 million, half of which came from DaVita and the other half of which came from Armistice Capital Master Fund. DaVita invested $15 million in Rockwell Medical in the form of preferred equity. DaVita's conversion price is $11 per share, which further illustrates DaVita's continued support for Rockwell and our mutually beneficial and strategic partnership. Armistice financed the remaining $15 million in a registered direct offering in which Rockwell issued and sold to Armistice, 844,000 shares of common stock at $1.39 per share and prefunded warrants to purchase up to an aggregate of approximately 9.1 million shares of common stock. These prefunded warrants carried with them an ownership blocker of 9.99%, meaning that Armistice could never own more than 9.99% of Rockwell's outstanding common stock immediately after the exercise. Over the last 12 months, these prefunded warrants have all been exercised, the last of which was exercised in July of 2023. These shares entered our pool of outstanding common shares, bringing our total common shares outstanding to 18.5 million just prior to the acquisition.

As part of the financing transaction last May, Armistice was also granted a warrant to purchase an additional 9.9 million shares at a strike price of $1.39 per share. After Armistice exercised all their prefunded warrants, they subsequently notified us that they intended to exercise this additional warrant and purchase the additional 9.9 million shares, which generated $13.8 million in proceeds for Rockwell and brought our total outstanding shares to approximately 28.5 million. With the additional $13.8 million of cash in hand, we had a pivotal decision to make. After evaluating a number of options, we chose to reinvest the $13.8 million to purchase Evoqua's hemodialysis concentrates business, which carries with it all the expected advantages we previously described and an accelerated path to profitability. The exercise of the Armistice's warrant continues to improve our capital structure and removes the overhang on our cap table while continuing to put Rockwell in increasingly more stable and stronger financial position. As part of the transaction, Rockwell provided Armistice a reload warrant to purchase 3.75 million shares at the closing price on July 10, which has a $5.13 -- which was at $5.13 per share. Now instead of having 9.9 million shares of underlying warrants with a strike price of $1.39 a share, we have warrants to purchase 3.75 million shares at $5.13 per share outstanding, which if purchased, would provide Rockwell another $19.2 million.

As it pertains to the potential for future financings, as we've previously stated, we do not need to raise additional money to achieve profitability. If we do pursue any future financings, it would be used as growth capital, not working capital, so that we can further accelerate the growth and development of our organization, accelerate the paydown of our debt and put Rockwell in a better position to deliver value to shareholders. I hope this discussion provides better context as to how our business model works and the importance and transformational elements of this acquisition and further clarity regarding our capital structure.

Now let's turn our discussion to our second quarter 2023 financial results. Net sales for the 3 months ended June 30, 2023, was $18.1 million compared to $19.7 million in the first quarter. The decrease was primarily due to timing of revenue recognition. On the timing piece, we had over $1 million of orders made and shipped by the end of June 2023. However, when we used our subsidiary of Rockwell Transportation

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

to ship our products, revenue isn't recognized until the product is delivered to the dialysis clinic. In the second quarter 2023, while the $1 million of products shipped in June, it wasn't delivered until July and will therefore, be booked as revenue in the third quarter of 2023. Secondly, we instituted a route optimization plan designed to reduce our distribution costs in our transportation group, which is also affecting timing of realized revenue. Historically, Rockwell received an order, made the product and then would deliver the material to the clinic. This means that trucks were always running, but at times, the trucking route or the truckload was neither optimized or at capacity. Rockwell has recently employed a route optimizing software, which when applied across our 3 plants has the potential to reduce our number of deliveries by approximately 15% per month and still deliver the same amount of material. That's the plan we've initiated. It's taking time to work through our system, but we believe that these actions will begin to positively impact on our financials starting in the third quarter of 2023.

As we look to the remainder of the year, here's what we expect. With the addition of Evoqua's hemodialysis concentrates business, which we announced last month, after evaluating the expected synergies between Rockwell's and Evoqua's hemodialysis concentrates businesses and product lines, we believe that our net sales for the third quarter of 2023 will be between $21 million and $23 million. Additionally, we have updated our 2023 guidance as follows. We increased our 2023 revenue guidance from between $78 million and $82 million to between $82 million and $86 million. We are increasing our gross profit guidance from 2023 from between $7 million and $9 million to between $8 million and $10 million. And we are updating our guidance on profitability and now expect Rockwell to be profitable in the fourth quarter of 2023 and going forward.

I'd like to take a moment before I turn the call over to Paul to provide you with an update on our international partnerships for Triferic. As we've discussed previously, while Rockwell has several international partnerships with companies looking to develop and commercialize Triferic in their respective countries, these international partnerships required no capital expenditure and very little operational resources from Rockwell. While these partnerships have the potential to generate near and long-term revenue for Rockwell, there can be no assurance that they will, and we have not factored this potential into our revenue forecast nor any of our projections for success. We just learned from Wanbang Biopharmaceutical, our commercialization partner in China, that the main efficacy results for its Phase III clinical studies for Triferic while safe, failed to demonstrate efficacy when compared with placebo. As a result, Wanbang will not be pursuing this program further towards registration. We are currently working with Wanbang to determine next steps while this is not the outcome we were looking for, it continues to support Rockwell's approach to deprioritize this program and exclude these international partnerships for Triferic from our guidance as they are no longer material to our overall success. Overall, we are pleased with the financial performance of our business so far in 2023 and remain focused on continuing to position Rockwell for future growth. With that, I will now turn the call over to Paul to provide you with our financial results for the second quarter. Paul?

Paul E. McGarry
SVP of Finance & Chief Accounting Officer

Thank you, Mark. Net sales for the 6 months ended June 30, 2023, were $37.7 million, which represents an 8% increase over $34.8 million for the same period in 2022. Overall, product revenue for the 6 months ended June 30, 2023, was $36.1 million compared to product revenue of $33.1 million for the 3 months ended June 30, 2022, an increase of $3 million. Net sales for the 3 months ended June 30, 2023, were $18.1 million compared to net sales of $19.7 million for the 3 months ended March 31, 2023, and $18.7 million for the second quarter of 2022. The difference between the first and second quarter 2023 net sales is a result of product revenue recognition timing. Gross profit for the 6 months ended June 30, 2023, was $3.6 million, a 278% increase over $1 million for the same period of 2022. Gross profit increased by $2.6 million, primarily due to restructuring and supply contracts, onboarding of new customers, increased pricing to other customers and recognition of the remaining deferred revenue related to the termination of the Baxter distribution agreement.

Gross profit for the 3 months ended June 30, 2023, was $1 million compared to gross profit of $2.6 million for the 3 months ended March 31, 2023, and $1.7 million for the second quarter of 2022. The difference between the first and second quarter of 2023 gross profit is a result of product revenue recognition timing.

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

For the 6 months ended June 30, 2023, Rockwell's net loss was $5.1 million compared to $12.1 million for the same period of 2022. For the 3 months ended June 30, 2023, Rockwell's net loss was $3.3 million or $0.18 per share compared with a net loss of $5 million or $0.43 per share from the same period of 2022. Cash and cash equivalents and investments available for sale at June 30, 2023, was $14.9 million, compared to cash and cash equivalents and investments available for sale of $16.8 million at March 31, 2023, and $21.5 million at December 31, 2022.

On July 10, 2023, which was after the end of the second quarter of 2023, Rockwell received gross proceeds of approximately $13.8 million from the exercise of warrants which the company used to fund the Evoqua's hemodialysis concentrates business acquisition. Rockwell acquired Evoqua substantially all of the assets related to Evoqua's business of its manufacturing, marketing, distributing and selling hemodialysis concentrates products for $11 million upfront in cash plus approximately $1.2 million for the estimated inventory amount. Following the close of the Evoqua transaction and taking into account the exercised warrants, Rockwell had approximately $16.2 million in cash and cash equivalents and investments available for sale on a pro forma basis. I will now turn the call back over to Mark.

Mark Strobeck
President, CEO & Director
Thank you, Paul. Operator, please open the phone lines for any questions.

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of Dipesh Patel from H.C. Wainwright.

Dipesh A. Patel
H.C. Wainwright & Co, LLC, Research Division

And I got a few questions regarding the acquisition and then a few questions regarding Triferic. How is the integration of the latest acquisition going? And has the sales effort been optimized?

Mark Strobeck
President, CEO & Director

Yes. Thank you for the question. The integration is going incredibly well. Evoqua has been a tremendous partner for us and is working seamlessly with our transition team to move the business over into the Rockwell platform. We feel very good about the progress that the team has made and believe we'll be able to meet the objective of transitioning the entire business over to Rockwell by the middle of October. We are now similarly taking a path to integrating the sales activity. And so with that, we're loading all of our new customers into our systems so that we create a uniform customer database for us to interact with. Similarly, we're also undertaking a strategic evaluation as to how to optimize the utilization of that manufacturing facility. That's a process that's also similarly underway as we look to move some of our manufacturing activities into that fully automated process. Our goal is to be able to provide more of an update in our third quarter conference call as to the success of that transition and the savings that we'll see associated with that.

Dipesh A. Patel
H.C. Wainwright & Co, LLC, Research Division

Got it. Got it. And what do you think are the key marketing strategies you expect to employ to expand the market for hemodialysis concentrates?

Mark Strobeck
President, CEO & Director

So for us, being 1 of only 2 players in this marketplace for dialysis organizations that are seeking to purchase hemodialysis concentrates really have 1 of 2 options to go to. So for us, from a marketing perspective, it's important that we continue to supply partners on a consistent basis. We continue to provide the sort of the white glove customer service that we provide all of our customers and that we continue to get positive feedback that they appreciate and is one of the reasons why they select Rockwell. We need to be able to demonstrate that we have an ability to continue to expand our distribution into the West. We believe opening this first distribution warehouse in Utah will certainly expand that for us. And then I think, finally, as I mentioned during the call, working to find products that will begin to satisfy the at-home dialysis market will also be incredibly important for us, and we're actively working on that as we speak.

Dipesh A. Patel
H.C. Wainwright & Co, LLC, Research Division

Great. I know we did or you had mentioned profit margins. Do you think there is room for meaningful, I guess, additional gross profit improvement in the hemodialysis concentrates business? If so, how do you think might this be achieved? I know you kind of mentioned the increasing revenue, but could it be through pricing increases, manufacturing improvements or a combination of both? And then how long do you think this might take to actually achieve?

Mark Strobeck
President, CEO & Director

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Yes. So I think it's going to be a combination of, frankly, all 3 of those, and that process has already begun. As I mentioned, once we purchased our business back from Baxter, we undertook a process to begin to renegotiate agreements with our existing customers put agreements -- new agreements in place with new customers, all that would have updated pricing that reflected the value that our products bring to patients. We've similarly begun the process of reducing expenses within the organization. And now we'll have the opportunity to begin to look to improve the way in which we manufacture our products through utilization of a more fully automated manufacturing platform. All of those are going to contribute to what we believe will be improved gross margins. As you can tell, we've already made improvements. I think we've reported 3% for the first half of '22 to 10% in the first half. We think there's more room to go, and we're going to continue to drive our business to access that.

Dipesh A. Patel
H.C. Wainwright & Co, LLC, Research Division

Great. And then just several questions on Triferic, it sounded like you said you were going to deprioritize when -- if and when this is applicable, when do you expect to finalize a revamped clinical development path for Triferic? And at what point would you consider it most advisable for the company to deploy substantive resources into developing Triferic in the U.S. as a prescription product? And how large do you think that market opportunity is?

Mark Strobeck
President, CEO & Director

So shortly after I joined the company, we took the determination to deprioritize the existing commercial product in the U.S. and allow the existing international partnerships around Triferic to continue to progress. As I've mentioned, none of the -- none of our guidance or our future financial success is really based off of those international partnerships, they required no additional resource really from us. So in a sense, they were an opportunity to see whether we could secure any additional value off of Triferic. I think what we're seeing is that, that opportunity continues to be somewhat limited. And therefore, the strategic choice that we made over a year ago to essentially deprioritize Triferic, I think, is sort of proving out.

On the FPC platform, which is the basis of Triferic, which we still have access to and could potentially develop further into some of the indications and markets that we've discussed previously. We've really put that on the shelf for now until we have the ability to generate positive cash flow for the company so that we can use that to potentially reinvest into that program. That's the strategy that we've employed. And I think now that we're moving towards profitability in a more accelerated fashion, we may have the opportunity to begin to evaluate that sooner. I similarly think because we are very active in the business development marketplace that there may be opportunities that we will identify that could be potentially equally or more attractive than investing further in that particular technology. And so we'll need to evaluate those. But the way we look at it is, we need to get to profitability first to provide us the foundation that will allow us to grow significantly bigger.

Dipesh A. Patel
H.C. Wainwright & Co, LLC, Research Division

Okay. And then finally, I have to ask this one. What milestones could be achieved, do you think in the next 12 to 18 months with Triferic outside the U.S. via Rockwell's partners? And would any of those trigger sizable payments to Rockwell?

Mark Strobeck
President, CEO & Director

Yes. So over the next 12 months, our commercial partner in Korea is going to continue to commercialize that product. That relationship carries with it royalties based on sales. So I think that could be a -- we will continue to see how that product develops. In addition, our partner Drogsan in Turkey is in the process of seeking to register Triferic in Turkey. If it is successful in doing that, there is royalties based on sales associated with that program. And at this point, all of the other partners that we have established, effectively, the programs are on hold or are no longer being pursued. So those are the opportunities that we have going forward with respect to Triferic. But as I said, I mean, as much as those offer potential

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

lottery tickets for the company, the core business is where we are focused and where we believe we'll deliver profitability and will give us the platform to allow ourselves to expand even further. So if those opportunities deliver value, fantastic. But at the end of the day, they're not critical for us to be successful at Rockwell and for us to continue to grow this business well beyond where we've been.

Operator

[Operator Instructions] And there are no further questions at this time. I will now turn the call back over to Dr. Strobeck for some final closing remarks.

Mark Strobeck
President, CEO & Director

Thank you, everyone, for joining us on today's call. Before we conclude our call, I'd like to take a moment and say thank you to a few key members of the Evoqua team who were instrumental in supporting Rockwell's acquisition of this hemodialysis concentrates business, Doug McFarland and Beth Huddleston, over my 20-year career, I have completed many transactions and partnering with Doug and Beth to complete this acquisition has been one of the most productive experiences to date. Their professionalism, experience, understanding and balance makes them among the best in this business. On behalf of the entire team at Rockwell, I want to take a moment and thank them for their hard work to complete this transaction. We look forward to partnering with them through this transition and wish them continued success under their new structure with Xylem. We have accomplished a lot in the last year, but there is more work ahead for us. While a lot of this discussion has been focused on top and bottom line revenue, profitability, improved margins, et cetera. All of this is being done with the sole purpose of ensuring the longevity of our business to support clinics and the patients they serve for years to come. Thank you to all of our employees for all their hard work and continued dedication and to our shareholders for their continued support. I look forward to sharing our progress on future calls as we continue to work diligently to unlock the value of Rockwell.

Operator
This concludes today's conference call and webcast. You may now disconnect.

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2023 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2023 S&P Global Market Intelligence.

Copyright © 2023 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.