

02-May-2019

Aspen Aerogels, Inc. (ASPN)

Q1 2019 Earnings Call

CORPORATE PARTICIPANTS

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

OTHER PARTICIPANTS

Eric Stine

Analyst, Craig-Hallum Capital Group LLC

Chip Moore

Analyst, Canaccord Genuity LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Jessie, and I'll be your conference operator today. At this time, I would like to welcome everyone to the Aspen Aerogels' Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

John Fairbanks, you may begin your conference.

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Good afternoon. Thank you for joining us for the Aspen Aerogels' conference call. I'm John Fairbanks Aspen's Chief Financial Officer.

There're a few housekeeping items that I would like to address before turning the call over to Don Young, Aspen's President and CEO.

Press release announcing Aspen's financial results and business developments, as well as a reconciliation of management's use of non-GAAP financial measures compared to the most applicable GAAP measures is available on the Investors section of Aspen's website, www.aerogel.com.

Included in the press release is a summary statement of operations, a summary of balance sheet, and a summary of key financial and operating statistics for the quarter ended March 31, 2019. In addition, the Investors section of Aspen's website will contain an archived version of this webcast for approximately one year.

Please note that our discussion today will include forward-looking statements, including any statement regarding outlook, expectations, beliefs, projections, estimates, targets, prospects, business plans and any other statement that is not a historical fact, such statements are subject to risks and uncertainties.

Aspen Aerogels' actual results may differ materially from those expressed in these forward-looking statements. List of factors that could affect the company's actual results can be found in Aspen's press release issued today, and are discussed in more detail in the reports Aspen files with the SEC, particularly in the company's most recent Annual Report on Form 10-K.

Company's press release issued today and filings with the SEC can also be found in the Investors section of Aspen's website. Forward-looking statements made today represent the company's views as of today, May 2, 2019. Aspen Aerogels disclaims any obligation to update these forward-looking statements to reflect future events or circumstances.

During this call, we will refer to non-GAAP financial measures including adjusted EBITDA. These financial measures are not prepared in accordance with U.S. Generally Accepted Accounting Principles, or GAAP. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP, definitions of and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. And a discussion of why we present non-GAAP financial measures is also available in today's press release.

I'll now turn the call over to Don Young, President and CEO of Aspen Aerogels.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thank you, John. Good afternoon. Thank you for joining us for our Q1 2019 earnings call. I will start by providing comments about our performance and outlook. Next, John will review our Q1 financial performance and reaffirm our 2019 guidance. We will conclude the call with a Q&A session.

It has been a busy start to the year for us at Aspen. I will begin with a brief summary of our progress. Two of our performance indicators for 2019 are to grow revenue by more than 20% and to have a growing percentage of revenue at least 20%, derived from project work. Our results for Q1 are in line with our revenue growth commitment with total revenue growth of 21%. And we anticipate that we will exceed this performance in Q2.

With respect to project revenue as a percentage of total revenue, we have decided to redefine project revenue to be consistent with industry practice. Project revenue is now defined as revenue stemming from a customer-specific scope of work exceeding \$1 million in size. This project revenue is distinguishable from our day-in and day-out maintenance work, which tends to come in smaller steadier increments. From 2008 through 2015, when we were growing at a revenue CAGR of 30%, project and maintenance revenue were largely in balance. Since that time period, we have grown our maintenance work each year, but project revenue has been less predictable and has decreased as a percentage of total revenue.

Approximately 16 months ago, we built a team dedicated to re-establishing project work as a steady, consistent and meaningful contributor to our overall revenue. We expect to see a return on our investment in the project team in 2019, 2020, 2021, and beyond. To reflect both subsea and LNG project wins earlier this year and this refined definition of project revenue, we are increasing our 2019 performance indicator target for project revenue as a percentage of total revenue to 33%. Our results for Q1 are in line with our commitment with project revenue comprising approximately 30% of total revenue.

Activity levels are high in both maintenance and project work, and we are confident that we will meet our full-year commitments for 2019, again, to grow revenue by more than 20% and to have a growing percentage of revenue, at least 33% derived from project work.

Last week, we announced that we were awarded the \$35 million to \$40 million PTT LNG Nong Fab Terminal project in Thailand, which is scheduled to be delivered beginning in Q2 2019 and through 2020.

PTT first used our Cryogel products for maintenance. And then in 2017, we delivered \$5 million of product to help them complete an earlier LNG receiving terminal. This adoption pattern of maintenance work to small scope project work and then to large-scale project work was first established in our petrochemical and refinery segments and now, as we anticipated, has been established in the LNG market.

This market acceptance is timely because there are a large number of LNG export facilities and LNG receiving terminals projected to be built over the next 5 and 10 years. Our value proposition in LNG has been clearly recognized by the industry, and we believe that this overall market adoption pattern and our large PTT project win position us for several additional LNG awards in the coming years.

During the first quarter, we took several actions to strengthen our financial position. We secured a second \$5 million prepayment as part of an expanded strategic relationship with BASF. We also extended our \$20 million credit facility with Silicon Valley Bank through April 2020. We've maintained the credit facility with Silicon Valley Bank since 2010 and expect that we will extend the facility again prior to its new expiration date.

In addition, the PTT Nong Fab project included an upfront milestone payment that provides working capital to support overall revenue growth through the delivery period. As a result of these arrangements and improving operational cash flow, we are projecting to generate between \$7.5 million and \$10.5 million of cash during 2019. These actions strengthen our financial position and enable us to execute aggressively our strategy to leverage our aerogel technology platform across our core adjacent and new markets.

During the first quarter, we also announced that we won additional patent infringement actions against two Chinese companies. The German court found that these two companies are infringing our European patents. As part of the judgments, the German court issued injunctions prohibiting the offer, distribution, use, or import of infringing products, and found the companies liable to Aspen for damages, court costs, and certain of Aspen's legal fees and expenses.

We have now enforced and defended the validity of our aerogel patent portfolio in the U.S., Europe, and China. These IP victories reinforce the scope and strength of our patent portfolio and are valuable both to us and to our partners.

This strong start to 2019 puts us in a very solid position to meet our guidance for the year of 20%-plus revenue growth and positive adjusted EBITDA, which translates to an improvement of our revenue between \$22 million and \$30 million, and our adjusted EBITDA of between \$11 million and \$13 million from 2018 levels. Investors should have strong confidence in our guidance.

Two additional comments about Q1 2019 which pertain to the adjusted EBITDA for the quarter and the full year are, first, we did not benefit from the full impact of our 10% price increase during the quarter, because we carried backlogs from 2018 to 2019 with attendant 2018 pricing. And second, the previously discussed spike in raw

material costs began in April 2018. The impact of these two factors as we progress through 2019 is that we expect to deliver very favorable quarter-over-quarter adjusted EBITDA comparisons beginning with Q2 2019.

There are three additional topics that I would like to cover in these prepared remarks, first, our drive to profitability; second, our new business creation initiative; and third, a quick additional comment on our progress against our three performance indicators for 2019.

Our drive to profitability is aligned with our 2019 commitment to improve year-over-year adjusted EBITDA by between \$11 million and \$13 million and to reach positive adjusted EBITDA for the year. We are confident that we will meet this objective in 2019. And while this is an important milestone, our broader goal is to set the stage for another significant increase in adjusted EBITDA 2020.

Our EP20 capacity expansion program and our growing revenue are important factors supporting our drive to profitability. We have an intense focus on making our existing assets more efficient and more fully utilized. As we have stated in the past, the EP20 capacity initiative will enable the company to generate from our existing manufacturing assets as much as \$35 million of adjusted EBITDA.

In addition to the benefits of EP20 and driving revenue growth, our drive to profitability focuses on optimizing our formulations to improve the unit profitability of our products, which will have an immediate and additional direct impact on increasing profitability and cash flow.

Turning to new business creation, the initiative is an important element of our strategy to leverage our aerogel technology platform. Since our founding in 2001, Aspen Aerogels has engaged in a variety of partnerships to commercialize successfully silica aerogel materials, which have been utilized in many of the most demanding thermal insulation applications. To-date, we have installed nearly \$850 million of these products.

Now, we are positioned to leverage more than a decade of proprietary research and development on carbon aerogels. To that end, we are increasingly confident that our aerogel technology can play an important role in the battery materials market, but not as a thermal insulation. Over a year ago, we dedicated a team to this mission, and since that time, it has been actively characterizing our materials, establishing our IP portfolio and engaging with industry leaders with expertise in battery materials, battery production and battery applications.

The key macro trend of electrification of mobility demands better lithium-ion battery technology. To meet this key market requirement, Aspen has developed a high-capacity silicon-dominant carbon aerogel anode material engineered to take full advantage of its three key attributes, unique core morphology, high electrical conductivity and high mechanical strength.

The production of this new anode material is both scalable and cost-effective, potentially increasing significantly our performance in electric vehicles and consumer electronics. We anticipate attracting one or more partners who can bring technical, commercial and financial support to the endeavor, much as BASF has done in [ph] the area of (13:44) building materials. Our goal is to build another powerful aerogel-based business derived from our aerogel technology platform.

Our three performance indicators for 2019 are first, 20% revenue growth and positive adjusted EBITDA; second, project revenue comprising 33% of total revenue; and third, the formation of an additional partnership with a leading company aimed at leveraging our aerogel technology platform into a new market. Based on our fast start to 2019, the \$35 million to \$40 million PTT LNG order and strong activity levels in the commercial environment, including in our project pipeline, we are confident that we will meet or exceed our performance indicators for 2019.

The drive to profitability is our imperative for 2019. We believe that by using the substantial improvement in adjusted EBITDA in 2019 as a momentum builder, we will position ourselves to generate in 2020 significant growth in adjusted EBITDA and operating cash flow. We believe the key to maximizing long-term shareholder value is to build a strong energy infrastructure business that generates cash to invest in realizing the substantial potential in our core and adjacent markets and to invest in business opportunities in new markets, which can lead to significant breakout value. Goal is to unlock that potential and to reset meaningfully the valuation of the company.

Now, I'll turn the call over to John for a review of our financial results.

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Thanks, Don. I'd like to start by running through our reported financial results for the first quarter of 2019 at a summary level. First quarter total revenue grew 21% to \$27.9 million from \$23.1 million in the first quarter of 2018. First quarter net loss improved to \$6 million or \$0.25 per share from \$6.8 million or \$0.29 per share last year. First quarter adjusted EBITDA was negative \$2.6 million compared to negative \$2.4 million a year ago. We define adjusted EBITDA as net income or loss before interest, taxes, depreciation, amortization, stock-based compensation expense and other items that we do not believe are indicative of our core operating performance.

I'll now provide additional details on the components of our results. First, I'll discuss revenue. First quarter total revenue of \$27.9 million is comprised of product revenue of \$26.8 million and research services revenue of \$1.1 million. It represents a growth of \$4.8 million or 21% from last year's \$23.1 million. This increase in first quarter total revenue was driven by strong growth in the subsea market during the quarter, solid growth in our core energy markets in the U.S. and Europe, and the contribution from a significant research contract during the quarter.

Total shipments during the quarter increased by 12% to 8.7 million square feet of aerogel blankets, and our average selling price increased by 6% to \$3.08 per square foot. As expected, the first quarter average selling price fell below our projection for the full-year due to the impact of orders we carried from Q4 2018 into Q1 2019, both in subsea projects and in our core energy infrastructure business, which we booked with 2018 pricing. However, we expect to realize our full price increase over the remainder of the year and that our average selling price through the year will reach \$3.25 per square foot, plus or minus \$0.05.

At the time of our fourth quarter and full-year 2018 investor call in February of this year, we projected revenue growth between 20% and 28% in 2019, resulting from continued volume growth in our core petrochemical and refinery markets and in the building materials market, an increase in project revenue particularly in the subsea and LNG markets, and an increase in our average selling price. Our first quarter revenue performance was in line with this February guidance. In addition, as we announced last week, we were awarded the PTT LNG Nong Fab Terminal project, which will contribute to revenue growth over the remainder of the year. As a result, we are reaffirming our 2019 revenue guidance today.

Next, I'll discuss gross profit. Gross profit was \$3.7 million or 13% of revenue during the first quarter of 2019 versus \$2.8 million or 12% during the first quarter last year. This improvement in gross profit and gross margin is driven by the 12% increase in shipment volume, a 6% increase in average selling price, a decrease in manufacturing expense and the growth in contract research, offset in part by the increased cost of raw materials and an unfavorable change in product mix. In line with our 2019 full-year outlook, we are projecting a significant increase in revenue and capacity utilization during the remainder of 2019.

As we discussed in past earning calls, our variable contribution margin is approximately 40%. Accordingly, we expect the increase in revenue and capacity utilization during the remainder of 2019 will lead to a disproportionate increase in both gross profit and gross margin. In addition, beginning in Q2, we expect to benefit from both the full impact of our 2019 price increase and several additional actions we've taken to offset the raw material cost increase we've experienced over the past 12 months. As a result, we are reaffirming our 2019 outlook and expect that our gross margin will be approximately 20% for the full-year.

Next, I'll discuss operating expenses. First quarter operating expenses increased by \$100,000 or 1% versus last year to \$9.7 million. The slight increase in operating expenses was the result of a \$300,000 increase in R&D expense in support of new business development and a \$200,000 increase in IP enforcement costs, offset in part by a \$400,000 decrease in all other operating expenses. Our 2019 full-year operating expense guidance has not changed. We continue to expect that operating expenses will be approximately \$40 million for the full-year.

Next, I'll discuss our balance sheet and cash flow for the first quarter. Cash used in operations reflected our adjusted EBITDA of negative \$2.6 million and a \$400,000 investment in working capital from the end of 2018. Capital expenditures during the first quarter totaled \$637,000, roughly equivalent to the amount expended in the first quarter last year. During the quarter, we also received a second prepayment of \$5 million from BASF and extended our revolving credit facility with Silicon Valley Bank through April 2020.

We ended the first quarter with \$3.4 million of cash, net current assets of \$15.2 million, \$3.3 million on our revolving credit facility, shareholders' equity of \$64.7 million, and importantly, we had access to an additional \$7.1 million available under our revolving credit facility at quarter-end. Today, we are reaffirming our full-year financial outlook for 2019. Total revenue is expected to range between \$126 million and \$134 million. Net loss is expected to range between \$12.7 million and \$14.7 million.

Adjusted EBITDA is expected to range between breakeven and positive \$2 million. EPS is expected to range between a loss of \$0.53 and a loss of \$0.61 per share. This EPS guidance assumes a weighted average of 24.1 million shares outstanding for the year. In addition, this 2019 outlook assumes depreciation and amortization of \$10.2 million, stock-based compensation expense of \$3.9 million, interest expense of \$600,000 and patent enforcement cost of \$800,000.

The full-year outlook also assumes a gross margin of approximately 20% and an average selling price of \$3.25 per square foot, plus or minus \$0.05. Turning to cash, we currently expect that capital expenditures will total \$2.5 million for the full-year. And within the context of the adjusted EBITDA range we set out in our 2019 full-year outlook, we expect to exit 2019 between \$7 million and \$10 million of net cash on hand.

I'll now turn the call back to Jessie for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from Eric Stine with Craig-Hallum. Your line is open.

Eric Stine

Analyst, Craig-Hallum Capital Group LLC

Hi, Don. Hi, John.

Q

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Hi, Eric.

A

Eric Stine

Analyst, Craig-Hallum Capital Group LLC

Hey. So, obviously, given the LNG award and given the trends in your business early in the year, you feel great about the guidance and confidence in upping the outlook for project work. But I do just want to confirm. You're not implying anything about the maintenance work that that has changed. That's constant. That's steady. You feel the same about that. You are just upping the project outlook. Is that right?

Q

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Yes, Eric. That's a good question. I want to talk a bit about that. As I said in my notes, that day-in and day-out maintenance business has grown every year since 2008, and it will grow again here in 2019. That's been a steady performer for us and the market is strong today. We were anticipating – with respect to our guidance from a revenue point of view, we were anticipating winning the PTT order coming into the year. So, there is some PTT in that – in our calculation, if you will. We think this certainly brings us into the stronger end of guidance.

A

And also I would say that the PTT order ended up having more scope than we originally anticipated. I think you might remember, we anticipated kind of in the \$20 million to \$25 million kind of range, and obviously, it came out closer to \$40 million and also will span both 2019 and support revenue growth in 2020 as well. So, again, we feel confident. It's early in the year. If we feel that we get way out ahead of our guidance, we will certainly up the guidance at the right time. But we feel great about having a ton of confidence in our guidance coming into the year this early.

Eric Stine

Analyst, Craig-Hallum Capital Group LLC

Yeah, absolutely. Maybe sticking with that upped outlook for project work, and I know a lot of your commentary was really focused on LNG, but obviously subsea part of that as well, and you have had a strong start to the year. I think for 2019, on the last call, you were targeting \$12.5 million or so in subsea work, and just maybe curious with 1Q in hand, how things are starting to shape up as far as your outlook for the rest of the year.

Q

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

A

On the subsea side, Eric?

Eric Stine

Analyst, Craig-Hallum Capital Group LLC

Yeah, subsea. Yeah.

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Yeah. So, yeah, we had the \$12.5 million in hand at the time of the last call. We have received some smaller projects since that time. So, our current subsea projection is more in the range of about \$14 million for this year, and there is still a pipeline of projects, some that we could win this year, but more likely going into next year. So, it'll be a solid subsea year for us with some upside and with good solid momentum into 2020 as well.

Eric Stine

Analyst, Craig-Hallum Capital Group LLC

Yeah. Okay, good. Maybe last one for me, I know that we're focused on this call, given the recent award on the large projects. But just if you could talk about the pipeline of, call it, the \$5 million-plus projects, maybe what you're seeing, how that's changed versus last year. And I would think – or are you seeing the fact that you've now gotten some of those awards, you've gotten this large project, what that has meant for your pipeline?

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Well, we have some nice breadth actually in our pipeline today, in our project pipeline, and breadth across the different segments that we cover, obviously subsea and LNG. We're strong in there. And as I said in my notes, I think our value proposition after having delivered very successfully three smaller projects at the tail-end of 2017, really led into this large win here for PTT and puts us in a – I think people understand our value proposition. Well, it's been well demonstrated now in these early project wins. So, the LNG side is strong as well. And as I said, there are several projects, both on the export side and on the receiving side, that we have our sights set on and being sure that we are in the specifications early on and very competitive for these projects.

So, look, as I said, we follow the same – we've kind of originated that path of maintenance to small scope to large scope in the Reliance project back in 2013, 2014 and 2015. That ended up being about a \$72 million project. We see plenty of work that is measured in the \$2 million, \$3 million, \$4 million, \$5 million area in several geographies, I think principally focused right now on the U.S., on Asia, and we've done a very nice job recently in the Middle East with some new qualifications of our material with some of the major players there, including Saudi Aramco, which was a challenge for us for a period of time. But we've now received that. Again, it positions us really well in those three regions, in particular for some very, very interesting project work on the petrochemical and refinery site.

Eric Stine

Analyst, Craig-Hallum Capital Group LLC

Got it. Okay. I will take the rest of my questions offline. Thanks.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thanks, Eric.

Operator: [Operator Instructions] Your next question comes from Chip Moore with Canaccord. Your line is open.

Chip Moore

Analyst, Canaccord Genuity LLC

Hey. Thanks. Congrats on a good start to the year, guys.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thanks, Chip.

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Thanks, Chip.

Chip Moore

Analyst, Canaccord Genuity LLC

Maybe just to follow up that, you talked there, if you can expand on sort of following this playbook like you did in petrochem and for refineries on LNG in particular, where you stand in terms of maintenance work in some of the smaller scope stuff, and in particular with this project team that you've built out, how that's helping you, guys.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Sure, sure. I think the project team – their mission was to learn – identify projects very early on, working with the EPCs, working with the asset owners, being sure that we were very close to the projects as they are in their earliest stages. And they work very close with our regional teams, who are on the ground in all of these countries. And so, getting into those specifications, having a nice track record here and winning some larger projects, no question, success breeds success here a little bit, and we feel we've got some very good momentum. We've always been strong on the subsea side. But certainly in the LNG side, we feel very, very good.

The maintenance business, I just can't emphasize it enough. It has been our bread and butter business. It has grown every year, virtually every quarter, and we believe it will continue to do that. We are nowhere near tapping out our market penetration in this area. I believe that we're still really just getting started in this space and we are having our materials used more frequently broader scope and more facilities around the world each and every year. So, again, with the shout-outs to the project work for sure, I don't want to lose sight of the maintenance work and what a good job we have done for a long time in that day-in and day-out business.

Chip Moore

Analyst, Canaccord Genuity LLC

And if I look at PTT on this project. If I look back at Reliance if I remember correctly, I think that project grew quite a bit. Is there potential for this project to grow at all and I think there was an upfront payment. Just walk me through that.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Sure. You're right. Just going back to the Reliance project, we – I mean through our work with them, I think we were anticipating that project being in the \$40 million. It's been a little now. About a \$40 million project and I think originally.

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

I think it's up around \$70 million.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Yeah. And got little over \$70 million. And that was because they decided during – those are project that lasted about almost three years. That over the course of the project they found additional uses for our product in the building out of that very, very large facility. That had petrochemical asset, it had refinery assets and it had power assets in that facility and they found more and more ways of using our product as they got more and more comfortable with it. And so that did expand.

With respect to PTT, it's a little early for us to tell right now, but I believe that PTT more broadly is playing a very important role for the country of Thailand in the importation of natural gas to fuel their development as a country, the growth as a country. They've made a commitment to move to natural gas from coal. And they don't have nearly enough import capability today to keep up with the long-term growth of that country, development of that country. So, again, we feel we're in a prize position with respect to PTT. And whether it expanded scope for this particular project or continue to work with them, I do believe it will be possibly both, but certainly the latter.

John F. Fairbanks

Vice President, Chief Financial Officer & Treasurer, Aspen Aerogels, Inc.

Yeah. And in terms of additional detail on the PTT order, there's confidentiality provisions in the contract and we don't really have the ability to provide details on the pricing or the delivery schedule, payment terms and similar types of information. So, we're going to have to stick with essentially what's been disclosed in the press release when we announced the award and sort of the net impact of it all to our business that we delivered today as part of our guidance.

Chip Moore

Analyst, Canaccord Genuity LLC

Got it. That makes sense. I understand. Maybe if we talk a little bit on building materials and BASF progress there. I know in the UK at least there's still – after the Grenfell tragedy, right, there's still a lot of concern there and some regulations moving, so maybe you can speak to development with BASF, another prepayment seems like things are going pretty well.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Yeah. No, it is a deep and important relationship for us, our focus jointly with BASF. And it kind of follows through the maintenance small scope, large scope. I think what we're really focused on with them is making sure we've qualified all the materials particularly across Europe, but we're seeing opportunities here in the United States and Asia as well. From there, we're trying to create what we're referring to as lighthouse projects.

Great case studies examples of using our new Spaceloft product, Spaceloft A2 product in these applications. And from there those case studies, those lighthouse projects become important sales tools for a broader BASF sales team to get busy across the region – the region of Europe is their principal focus.

So, that's the way we see it playing out. We've got a handful of these lighthouse projects and insight here and it's important that we win those here over the remaining part of 2019. That would set us up very nicely for 2020.

Chip Moore

Analyst, Canaccord Genuity LLC

Got it. One last one for me. That third goal of a new partnership and opening up a new market. You talked about an anode material on the storage side. Are you hinting that that's kind of where you're leaning or we should think potentially could be any number of areas?

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

That's our first target and we've been working – this goes back actually quite a long ways, and we've done government research and development work with DOD and DOE, and for a long time we've developed our expertise around these carbon aerogel as opposed to the silica aerogel. So, we've been working on it for a good period of time.

For the past year or year and a half, we have created a dedicated team. They're aligned with two university programs to support our work and to be – and in essence test our materials and to help us characterize it, which has been important, but also we've – during this second quarter here, we'll have our second wave of intellectual property put in place. And so, we're doing all of the important groundwork. But we do believe that the anode side of the battery is a very smart first target for us. But we do believe that our materials have a role to play on the cathode side as well.

So, there's a lot of good work going on with a dedicated team, and we are in the midst of discussions and meetings post-NDA with a small handful of very large leading players in this space. And so, our commitment and our performance indicator is to codify one of those relationships, at least one, if not do something more broad than that with one or more of these companies during 2019. So, we're excited about it. We've got a lot of hard work to still do for sure. But it's a very dynamic area and a very important area, and so we're giving it everything we got.

Chip Moore

Analyst, Canaccord Genuity LLC

That's great to hear. Thanks, Don. Thanks, John.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thank you.

Operator: There are no further questions. I'd like turn it back to Don Young for any closing remarks.

Donald R. Young

President, Chief Executive Officer & Director, Aspen Aerogels, Inc.

Thank you, Jessie. We appreciate your interest in Aspen Aerogels. We look forward to reporting to you our second quarter results in early August 2019. Have a good evening. Thank you.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2019 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.