

**Transcript of
Sharps Compliance, Inc.
First Quarter 2016 Earnings Conference Call
October 28, 2015**

Participants

John Nesbett – Investor Relations, Institutional Marketing Services
David Tusa – Chief Executive Officer and President
Brandon Beaver – Senior Vice President of Sales
Diana Diaz – Vice President and Chief Financial Officer

Analysts

Joe Munda - First Analysis
Brian Butler - Stifel Nicolaus
Kevin Steinke - Barrington Research
Craig Hoagland - Anderson Hoagland
Shawn Boyd - Next Mark Capital

Presentation

Operator

Greetings and welcome to Sharps Compliance Incorporated First Quarter 2016 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. (Operator Instructions.) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. John Nesbett of IMS. You may begin.

John Nesbett – Investor Relations, Institutional Marketing Services

Good morning and welcome to the Sharps Compliance's first quarter fiscal year 2016 earnings call. On the call today we have David Tusa, the Company's President and Chief Executive Officer; Diana Diaz, Vice President and Chief Financial Officer; and Brandon Beaver, Senior VP of Sales.

David will review the Company's business operations and growth strategies and Diana will review the financials. Brandon will discuss the Company's sales initiatives and related activities. Immediately following their formal remarks, we will take questions from our call participants. If you are listening via the webcast, please note that you have the ability to submit questions through the internet.

As you are aware, we may make forward-looking statements during the formal presentation and in the question and answer portion of this teleconference. These statements apply to future events, which are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from where we are today. These factors are outlined in our earnings release as well as in the documents filed by the Company with the SEC. These can be found at our website or at sec.gov.

So with that, let me turn the call over to David to begin the review and discussion. David?

David Tusa – Chief Executive Officer and President

Thanks, John. Good morning, everyone, and welcome to our first quarter 2016 earnings conference call. We had a good start to the fiscal year 2016 quarter. We generated \$7.9 million in revenues, an increase of 12% over the prior year. This was led by increased billings in the Government, Professional, Home Healthcare and Assisted Living Markets.

Gross margins for the quarter were 37% and we generated \$0.01 per share in EPS. While fiscal 2016 is off to a good start, we did see some shift in billings in the retail and government markets from the September to the December quarter. So while that's impacted our first quarter, we do expect to deliver record results in the December quarter, a quarter that is historically very strong anyway.

So let's talk about some of the markets. First, the Professional market grew 18% to \$1.7 million in the first quarter, as we continue to rollout sales and marketing initiatives around our Sharps Recovery System and our new route-based pick-up service. We focus on the small quantity generator sector, a recurring revenue base largely made up of doctors, dentists, vets and other healthcare professionals. We believe our comprehensive service offerings with both the mailback and the route-based pick-up service offer our customers choice of services, as well as cost savings and operational efficiencies.

Next let's go to Government. Billings increased by 246% to about \$500,000. This was largely driven by demand for our MedSafe solution. For the last 12 months, we generated \$2.1 million in billings in our Government sector. The MedSafe meets all the requirements of the new DEA rule, the Secure and Responsible Drug Disposal Act, which allows the collection, transportation and treatment of consumer dispensed unused medications including controlled substances.

Both our MedSafe and our TakeAway Envelope solutions have been approved and added to our Federal Supply Schedule as well as our DAPA Schedule for a purchase by the Department of Defense. So the GSA as well as DAPA enables efficient purchase by government agencies.

Assisted Living and Home Health Care market billings increased 17% and 11% respectively. Assisted Living billings benefited from an increased sales focus as well as route-based pick-up service. Home Health Care billings increased due to the timing of distributor orders.

Retail market billings were down 12% to \$1.7 million in the first quarter. This is due primarily to the timing of large flu shot orders for the coming season, which, as I mentioned earlier, push expected billings to the December 2015 quarter.

Looking at the trailing 12 months, Retail market billings increased 29% to \$8.5 million. We remain confident that the retail market will continue to drive long-term growth, as customers increasingly go to alternative sites for their flu shot and other immunizations.

The Pharmaceutical Manufacturer market was down 11% to \$1.2 million related to the timing of inventory builds. For the trailing 12 month period, billings in the market were \$4.7 million, or an increase of 4%. During the quarter, we filled orders for inventory builds for two new patient support programs that were launched in 2015.

We expect to launch two additional patient support programs for new drug therapies over the next three or four quarters. Once these programs are fully rolled out, these programs should generate additional incremental revenue of about \$4 million a year. We're also looking for a strong December 2015 quarter in the pharmaceutical manufacturer market, as we expect inventory builds for three or four of our larger patient support programs.

In addition to organic growth in all of our key markets, we believe it's important for us to launch new and successful service offerings that fill a need for our customer base. We're seeing success from the addition of the

new route-based pick-up service and from our recently introduced unused medication solutions, the TakeAway Envelope as well as the MedSafe.

These new solutions are gaining traction particularly in the Professional, Government and Assisted Living markets and contributed to the success of our inside sales and online sales channel, which grew by 27% in the first quarter.

Now with that, I'll turn it over to Brandon and he'll give us an update on the sales initiatives. Brandon?

Brandon Beaver – Senior Vice President of Sales

Thanks, David. As David mentioned, we saw solid results in the Professional, Assisted Living and Home Health Care sectors this quarter. The Retail and Pharmaceutical Manufacturer segments were down in the first quarter, due mostly to the timing around large flu shot orders and the timing of patient support builds.

Retail and Pharmaceutical Manufacturer are both important growth markets for us. We sometimes see inconsistencies and as we've said before lumpiness from quarter-to-quarter. Likewise, as David mentioned earlier, we are anticipating a very strong December 2015 quarter in both of those markets. On the Retail front, we're unique because as retail locations expand their healthcare offerings to meet consumer demand, we provide a customizable blend of solutions to meet their needs.

Likewise, our relationships in the Pharmaceutical Manufacturer market are very strong because our partners recognize the value of our unique solution. We offer not just the disposal solution for patients in the home setting but an opportunity for pharma branding and data generation related to the patient compliance and medication adherence. We're seeing many opportunities for pharma with programs for new self-injectables, new drug indications and higher patient counts.

Assisted Living billings show continued strength in the first quarter increasing 17% as a result of dedicating our resources to closing new customer deals, converting untapped opportunities and reflecting results from our new route-based pick-up services, which is well suited for this market. This sector can generate higher growth and we believe the recent expansion of our route-based pick-up service will be an attractive option for growth in the Assisted Living/ Long-Term Care market.

Our sales team is able to offer a complete complement of waste management solutions including medical with both the mailback and route-based pick-up, pharmaceutical, hazardous, universal and patient-dispensed unused medications. In fact, two large multi-sized field sales deals closed this month, which included three of those service offerings. This is all part of our plan of being a comprehensive service provider.

Let me give you a brief update of our sales team and where we're at right now. As of today, we have 5 field sales personnel, 12 inside sales personnel and 7 sales support personnel. We're a total team of 24 employees.

Now let me spend a second on the sales support personnel. Out of those seven, we have three that are dedicated specifically to regulatory and we feel this is a very important, vital part of our business. We have an experienced team focused on executing on new opportunities, onboarding new customers and accelerating our closure rates.

David, I will turn it back to you now.

David Tusa – Chief Executive Officer and President

Great. Thanks for the update, Brandon, now let's have Diana address the financial side. Diana?

Diana Diaz – Vice President and Chief Financial Officer

Okay, thank you, David. During the first quarter, the company recorded revenue growth of 12% to \$7.9 million as compared to \$7 million in the first quarter of last year. Gross margin was 37% in the first quarter as compared to 33% in the prior year first quarter. The margin increase was driven by the leverage gained from higher revenue.

Selling, general, and administrative expense or SG&A increased to \$2.6 million for the quarter and remained flat at 33% as a percentage of sales compared to the first quarter of 2015. SG&A for first quarter of fiscal 2016 included \$0.1 million of acquisition-related costs associated with our acquisition of Alpha Bio/Med in July 2015.

Without these acquisition related costs, SG&A increased 8% compared to the first quarter of fiscal 2015. Exclusive of any potential acquisition-related costs, we expect SG&A to be about \$2.5 million per quarter for the next three quarters.

The Company reported operating income of \$0.2 million in the first quarter as compared to an operating loss of \$0.1 million in the first quarter of fiscal 2015. Sharps reported net income of \$0.2 million or \$0.01 per basic and diluted share this quarter compared with a net loss of \$0.1 million or basically zero per basic and diluted share in the first quarter of last year. EBITDA for the first quarter of fiscal 2016 more than doubled to \$0.4 million as compared to EBITDA of \$0.2 million in the same quarter of last year.

Our balance sheet remains solid with \$16 million of cash and cash equivalents at September 30, 2015 compared to \$15.2 million of cash at June 30, 2015, with no debt. At September 30, 2015 working capital, stockholders' equity and total assets were \$19.4 million, \$24.2 million and \$30.3 million respectively. Inventory of \$3.4 million at September 30, 2015 is higher than the balance at June 30, 2015 of \$2.7 million. The increase in inventory is a direct reflection of growth in the business as well as preparing for the flu shot season.

And with that, I'll turn it back to you David.

David Tusa – Chief Executive Officer and President

Thanks, Diana. Just a couple of comments before we turn it over to the Q&A. In addition to organic growth and new product and service launches, we believe acquisitions should play a role in the strategic growth of the company. We closed the Alpha Bio/Med deal in July of 2015 and we're looking at additional acquisition opportunities that focus on serving our core, recurring revenue, small quantity generator market. We will remain disciplined and focused as we consider these acquisition opportunities.

We've also begun the process to expand our infrastructure in the Northeast to include an additional treatment facility and distribution warehouse. We have a high concentration of business and prospects in the Northeast, which we believe will be well served by the infrastructure expansion. We expect the expansion should be operational in 12 months or less and we believe it could play a key role in the growth as a company.

And with that operator, let's open it up for questions.

Operator

(Operator instructions.) Our first question comes from the line of Joe Munda with First Analysis. Please proceed with your question.

<Q>: Good morning, guys. Can you hear me okay?

David Tusa – Chief Executive Officer and President

Yes, good morning. Joe.

<Q>: Good morning, first off, Diana. Your latest comment on inventory the build there. Can you give us some idea of how much of that inventory is related to flu shot currently?

Diana Diaz – Vice President and Chief Financial Officer

It's only about \$300,000 or \$400,000.

<Q>: Okay and then David, as far as some of the push-out in orders, can you give us a little bit more clarity as far as what exactly went on the retail side? It seems to be a little bit lumpy here. Strong last quarter, a little bit of a fall—a big drop off into this quarter. Can you give us some sense of what's going on there? Because you're projecting a very strong even a record quarter for December and I just want to kind of get some of the dynamics that are going on.

David Tusa – Chief Executive Officer and President

Sure, Joe. We estimate that we had about \$500,000 of flu shot related business, that came in early October, that we had forecasted for the September quarter and we expected about \$500,000 more in Government business. While the government business was strong at about \$500,000, we were looking for something closer to a \$1 million, for the quarter.

So we were looking more for like a \$9 million quarter. I mean, how many times have you heard me say that it's a lumpy business and the timing of orders can impact the quarterly results? That's why I like to talk about things on a trailing 12 month basis.

<Q>: Okay, thank you. That's very helpful. And then I guess my final question, pharma support program here, little bit of a drop off with these new programs coming on. It's I guess a two part question, David. Can you give us some sense of what the sales cycle is like for that side of the business? You're talking about a strong pharma Q4 here with three to four programs possibly coming on. Can you give us some sense of what that might look like going into the fourth quarter?

David Tusa – Chief Executive Officer and President

I'm going to let Brandon take that one.

Brandon Beaver – Senior Vice President of Sales

Sure, Joe. We mentioned some of the builds that we anticipated for this quarter should be significant for a couple of our existing programs. We do have in the pipeline several larger deals expected to close over the next two to three to four quarters. A lot of that is dependent upon FDA approval, the manufacturers that come to us and say, "once this happens, we're ready to go," but some of that is kind of taking a stab at the timelines.

I will say the pharma manufacturer business that dropped a little bit this last quarter, is not uncommon. As we get closer to the year end, manufacturers look at using some of those dollars prior to going into the new year, so therefore that's why we've said this calendar Q4, should be a very strong quarter for us in that market.

David Tusa – Chief Executive Officer and President

And Joe I mentioned as well, the three or four inventory builds we'll do in the December quarter are with our larger patient support programs. So Pharmaceutical Manufacturer billings, they're usually big in the December quarter anyway, but this will be focused on the larger programs. So we expect to see strong billings in the December quarter for Pharmaceutical Manufacturing.

<Q>: Okay, thank you.

Operator

Our next question is from Brian Butler with Stifel. Please proceed with your question.

<Q>: Good morning, thanks for taking my questions.

David Tusa – Chief Executive Officer and President

Good morning.

<Q>: First, on the Retail and the Government, when you talk about potential record quarter, does that potential record second quarter record or just overall quarter of the record in the sense that, you could be exceeding fourth quarter 2015 where you had \$3.1 million in retail and \$800,000 in government?

David Tusa – Chief Executive Officer and President

I think, we talk about record for the Company, but I guess a record is \$9 million in the billing. So yes, we're talking about record numbers for revenues in the December quarter.

<Q>: Okay, so I just want to make sure I'm measuring that up right. And when you looked at the Professional segment growth, was that all organic or were you getting any contribution from the recent acquisition or also from the route-based, if you could break that out at all?

David Tusa – Chief Executive Officer and President

Oh, I think that we had about, what was it \$70,000 or \$80,000 that was from the acquisition?

Diana Diaz – Vice President and Chief Financial Officer

In the Professional market.

David Tusa – Chief Executive Officer and President

In the Professional market and the rest of it was organic. But you understand, the acquisition as well as what we do on the pick-up service side - our benefits are more than just professional. We're seeing strength in pushing the Long-Term Care side.

The long-term care and professional markets are the two markets that really benefit from that additional service offering.

<Q>: Okay and when you think of expanding into the Northeast, any color or update on what you think that potential opportunity looks like for 2017?

David Tusa – Chief Executive Officer and President

We're focused on that area. We do have a couple of other deals that we're looking at and I'd really like to save that conversation for when we close the deals, when we can give a little bit more color, but we like it, it's a great area to populate. We do a lot of business up there and a treatment facility and warehouse in the Northeast will be very valuable to us in growing the business.

With the addition of the new service that we've seen growth on both the inside sales and the field sales. Now they have an additional service offering, and what a great place to start in the Northeast which is densely populated.

<Q>: Okay that's helpful, and switching I guess to the Government side, where you saw about \$500,000 looks like it pushed into December. Is the right way to think about the Government in the way it's ramping is first quarter for 2016 should be the lowest revenue quarter, I mean, as this ramps? Or is there a seasonality swing in Government that actually will end up making a third or fourth quarter potentially, the lower quarters?

David Tusa – Chief Executive Officer and President

I Let me just say about Government, we did \$2.1 million over the last four quarters in Government. They like what we have, they like the MedSafe. They like the TakeAway Envelope and they're buying it. We think that there are opportunities for higher levels of orders. Can't guarantee it, because the timing of those are just always very difficult to predict. But \$2 million revenues over the last 12 months, we think is a good start.

<Q>: But your expectation is, that's going to continue to grow in 2016.

David Tusa – Chief Executive Officer and President

We sure, hope so. We expect it, to, as the service offering is popular. They like it and it's just a sector that's just incredibly difficult to predict timing.

<Q>: Okay and in Home Health Care with the strength you saw that with I guess some timing of orders, is that still really just to be thought about as kind of a low single-digit grower or has something shifted here that it might actually be a little better in 2016 than in past?

David Tusa – Chief Executive Officer and President

I think that's the best way to look at it, just the way you explained it. We had the lumpiness in the orders that worked in a positive sort of way this quarter. But I think, what did we do for the trailing 12?

Diana Diaz – Vice President and Chief Financial Officer

The trailing 12 months were down, 1%.

David Tusa – Chief Executive Officer and President

So, we look at that one as single-digit positive growth, kind of the way that you explained it.

<Q>: Okay and then more macro side, any thoughts on the potential impact of the merger between Walgreens and Rite Aid on the retail piece?

David Tusa – Chief Executive Officer and President

They're both great customers and we work with both of them every day. We have great working relationships with them, we save them money every day with our mailback that's used on the flu shot and the immunization side. So we don't expect anything adverse.

<Q>: Okay and then just, two housekeeping items. Do you have a cap ex for first quarter 2016 and a cash from ops for first quarter?

Diana Diaz – Vice President and Chief Financial Officer

Cash from ops will be close to our EBITDA. Cap ex - we didn't have anything that was large. Other than the acquisition of Alpha Bio/Med.

David Tusa – Chief Executive Officer and President

Other than that, the maintenance cap ex is about \$500,000 a year. So probably, about \$100,000 or \$150,000 for the quarter.

Diana Diaz – Vice President and Chief Financial Officer

Exactly.

<Q>: Okay, great. Thank you very much.

Operator

Our next question is from Kevin Steinke with Barrington Research. Please proceed with your question.

<Q>: Good morning, everyone.

David Tusa – Chief Executive Officer and President

Good morning, Kevin.

<Q>: So it sounds like, based on your comments that you're pleased with the progression of both your acquisition in the Northeast as well as the launch of your route-based pick-up service in the Texas market. Is that fair to say?

David Tusa – Chief Executive Officer and President

Yes, we're pleased. We're pleased with what we're doing with the route-based in the Northeast as well as what we're doing in Texas. What Brandon mentioned earlier was really important. If you look at the larger deals that we're closing, they all have an element of the pick-up and I think two of them that were closed, even had hazardous waste services as well. The customers are looking for a comprehensive provider of services.

So the more that we can offer, from a complementary standpoint, then the better for us. And I think that the ability to offer both the pick-up and the mailback as well as the hazardous piece was positive in closing the last field sales deals, wouldn't you say, Brandon?

Brandon Beaver – Senior Vice President of Sales

Yes, definitely. Absolutely, and to touch on that Kevin, one of the deals actually had about 60-40 split, meaning 60% of the locations had a pick-up element and the other 40% had a mailback element with all locations having a hazardous waste element. So to David's point, certainly we've been able to become a comprehensive provider.

<Q>: Okay, great so based on that early success, what's the appetite for building out route-based service and other geographic markets either through acquisition or an internal launch?

David Tusa – Chief Executive Officer and President

Well right now we're focused on the Northeast and Texas and Louisiana. We're looking at some additional opportunities potentially in the Northeast. We may look at other geographic areas down the road, but we're going to do this in a methodical sort of way, with the right opportunities. We're going to be prudent and make sure that as we deploy capital, we deploy it in such a way, that we think it's going to benefit the long-term growth of the company.

<Q>: Right, okay that makes sense and I guess that would also apply to potential additional waste treatment facilities down the line. You probably have to have a route-based service there ahead of other treatment facilities, I guess, a large enough density in a particular market to have another facility elsewhere.

David Tusa – Chief Executive Officer and President

That's correct.

<Q>: Okay, great. All right, well that's all I have for now. I'll jump back in queue. Thanks for taking my questions.

David Tusa – Chief Executive Officer and President

Thanks, Kevin.

Operator

Our next question is from Craig Hoagland with Anderson Hoagland. Please proceed with your question.

<Q>: Good morning, circling back to the Government revenue for a moment, do you have an insight into whether those are essentially stocking orders or do you have an idea that these orders are being used in real time?

David Tusa – Chief Executive Officer and President

They're being used. We're very pleased to say that the MedSafe is in many, many different government healthcare facilities. We're proud to push those through and that the TakeAway Envelopes are being used and issued to patients as we speak.

<Q>: Okay and then on the pharmaceutical segment, it was a little surprising that two new programs start this quarter, yet revenue is down year-over-year. Would it be fair to say these were smaller programs than the two you expect to come on in the next three to four quarters?

Diana Diaz – Vice President and Chief Financial Officer

These were two programs that launched last year, so they were reorders, re-supply orders for the program, which to me indicate that the fulfilments are going well, the patients are coming in and using the solutions and they need more for future orders. So it's an extension of the programs that launched last year, last fiscal year.

<Q>: I see, I misunderstood, so there were no new programs launched in the first quarter?

Diana Diaz – Vice President and Chief Financial Officer

No new program, it was, the new ones that launched last year that had new orders.

<Q>: Got it, okay and then last question, the professional revenues grew about 17%. The online and inside sales revenues were up 27%. Can you just explain the gap between those numbers? Are there other segments?

David Tusa – Chief Executive Officer and President

Yes, there are other segments, the online and inside sales cover more sectors than just Professional. They'll cover Assisted Living and Long-Term Care, and Professional. So the other way to look at the Professional because that's a key market for us, although it grew 18% for the quarter it's up 23% on a trailing 12 basis. It's another one of the markets that benefit from the new service offerings we launched.

<Q>: Right, okay. Thank you very much.

David Tusa – Chief Executive Officer and President

Thanks, Craig.

Operator

Our next question is from Joe Munda with First Analysis. Please proceed with your question.

<Q>: Just a quick follow-up. Brandon, you had talked about the hiring of three regulatory or seven support people comprised with three regulatory people. Are these new hires to the company? And if they are, or if they're not, can you give us some sense of what particular markets they're going to be focused on, as far as the regulatory is concerned?

Brandon Beaver – Senior Vice President of Sales

Sure, Joe. So these three hires have been onboard now for a minimum of a year. Several of them have been here for quite a while and they really support our entire field sales and internal sales department. Really to be honest with you, they support the entire company from a regulatory standpoint. They look at all states of jurisdiction in all markets, anything from Home Health to Long-Term Care; they look at the DEA regulations.

They're looking at hazardous waste regulations; they're looking at EPA regulations. They're truly a valuable asset to us when we go in and offer our services to our customers, they literally tag along with us in support of the sale to help bolster our program.

<Q>: Okay and if you were looking to add under that sales force structure, where would it be on the inside sales or field sales or on the regulatory front?

Brandon Beaver – Senior Vice President of Sales

Right now, we're having significant success as David just mentioned in the Professional market, but primarily I mean inside sales in general. We've got it down to some processes in place and if I had a crystal ball here, I would love to see 20 or so inside sales people by the end of the fiscal year. With that said, I previously stated that we're very prudent with our resources allocation.

If we need to add additional bodies, we'll do it at the right time and we'll do it methodically. But inside sales is probably where we're going to look for additional sales folks.

<Q>: Okay and I guess my last question for David regarding flu shot season, have any of the retail pharmacies come back to you— I think Brian had mentioned, the merger or possible tie up between Rite Aid and Walgreens. Are they coming back to you with any sort of pricing pressure as far as business is concerned? Are you seeing any push back from some of these retail pharmacies as far as pricing is concerned?

David Tusa – Chief Executive Officer and President

No, we haven't seen anything.

<Q>: Okay, thank you.

Operator

Your next question is from Shawn Boyd with Next Mark Capital. Please proceed with your question.

<Q>: Good morning, can you hear me?

David Tusa – Chief Executive Officer and President

Yes, good morning, Shawn.

<Q>: Great. Good morning. So just to follow-up on a couple things here. On Retail, with the push of the \$500,000 into the October quarter, I'm assuming that's already booked at this point.

David Tusa – Chief Executive Officer and President

Of that \$500,000, that is, yes.

<Q>: And on the government push out?

David Tusa – Chief Executive Officer and President

No, that's not yet.

<Q>: Okay, but you expect it to come into this quarter.

David Tusa – Chief Executive Officer and President

Right.

<Q>: Okay and on the Retail, I'm also, from what I'm hearing aside from the quarterly shifts, the growth rate that you've looked at over the trailing 12 months, I'm just kind of looking back here. We've done that for a couple quarters in a row. Anything changing that keeps you from looking at that growth rate again going forward?

David Tusa – Chief Executive Officer and President

I'm sorry, what market?

<Q>: In terms of retail, that business is growing 25% to 30% a year, a couple years in a row, not just trailing 12 months. So you've all talked about big opportunity here etc., but anything changing on that front that makes you bring down that growth rate?

David Tusa – Chief Executive Officer and President

Not that we're aware of. That business has grown just because we're seeing more and more flu shots administered and more importantly more immunizations in the alternate site, which is the retail play. So we haven't seen any change in that trend.

<Q>: Got it, great. And then, this question was asked actually on the Home Health Care but I want to take it over to Assisted Living. That business did very well this quarter and it's actually a couple quarters now of kind of high teens growth. So I'm looking at that saying well, alright am I running a higher trajectory here now and you mentioned the route-based or the addition of route-based service, so is that kind of kicking this into a higher growth rate here?

David Tusa – Chief Executive Officer and President

That Assisted Living market has been one we've been working on for a while and it's one where the route-based pick-up appears to be a bit more prevalent in the market than the mailback. So we offer both and yes, I think the addition of the route-based pick-up is helping to accelerate that growth.

Brandon, can you give some color on that?

Brandon Beaver – Senior Vice President of Sales

Sure. I think it's going to continue, our pipeline as we look at Long-Term Care and in general, Shawn, it's got a significant number of multi-site locations for Long-term care and as David just alluded to, based on our preliminary research and speaking with some of these prospects, absolutely—the pick-up side of this will fit perfect into some of those.

So we anticipate our inside sales, and somewhat our field sales, but definitely our inside sales really hitting a significant portion of that Long-Term Care market and pushing into the pick-up sector.

<Q>: Okay, that's great to hear. Okay, that's it from me. Thank you.

David Tusa – Chief Executive Officer and President

Thanks, Shawn.

Operator

There are no further questions at this time. I would like to turn the call back over to management for closing remarks.

David Tusa – Chief Executive Officer and President

Thank you, operator, and thank you, everyone, for joining our call. We appreciate the support and we look forward to speaking with you next quarter.

Operator

This concludes today's teleconference. Thank you for your participation. You may disconnect your lines at this time.