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Transcript of Sharps Compliance, Inc.
First Quarter 2015 Earnings Conference Call
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Participants

John Nesbett – Investor Relations, IMS
David Tusa – President and CEO
Diana Diaz – Vice President and CFO
Brandon Beaver – Senior Vice President, Sales

Analysts

Nick Hiller – William Blair
Joe Munda – Sidoti & Company
Kevin Steinke – Barrington Research
Brian Butler – Stifel
George Walsh – Gilford Securities

Presentation

Operator
Greetings and welcome to the Sharps Compliance Corp First Quarter 2015 Earnings Conference call. At this time all participants are in a listen-only mode. A brief 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 with IMS. Thank you, sir. You may begin.

John Nesbett – Investor Relations, IMS
Good morning and welcome to our conference call to discuss Sharps Compliance's Financial Results for the First Quarter of Fiscal 2015. On the call today, we have David Tusa, Sharps' President and Chief Executive Officer; Diana Diaz, Sharps' 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 sales organization and related initiatives. Immediately following their formal remarks we will take questions from our call participants. If you are listening via webcast, please note you have the ability to submit questions through the Internet.

As you're aware, we may make some 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 documents filed by the Company with the Securities and Exchange Commission. These can be found at our website or at sec.gov.

With that, let me turn the call over to David, to begin the review and discussion. Go ahead, David.

David Tusa – President and CEO

Good morning, everyone and welcome to our first quarter fiscal year 2015 earnings conference call. We started the fiscal year strong with customer billings at $7.5 million for the first quarter, an increase of 12% over the prior year. The increase in billings for the quarter was driven primarily by significant growth in the Pharmaceutical Manufacturer segment and continued strength in the Retail market where our mail-back solutions facilitate the cost effective disposal of syringes used by retail pharmacies primarily in the flu shot season.

Our Pharmaceutical Manufacturer market generated $1.4 million in quarterly billings, which is a 129% increase over the prior year and 27% growth in billings sequentially. The increase was a result of a large order for new inventory builds for an existing program, plus an initial supply order for a new patient support program. During the December quarter, we will launch one new patient support program for a new drug. We expect to launch three additional patient support programs for new drug therapies during calendar year 2015 and the first half of calendar year 2016. We continue to build on our strong relationships in the sector and believe our ability to provide innovative customized programs for our customers and their patients is seen as value added.

Now the professional market, on the surface it appears flat at $1.5 million in billings for the quarter, but the prior year first quarter included about $315,000 in billings from our professional market distributors which we did not see in the current quarter. So there is really a mismatch of billings between the quarters, and without that mismatch, professional market billings were actually about 18% higher than the prior year.

Our retail market billings grew 8% to $2 million in the first quarter due mostly to increases in flu shot related business. On a trailing 12 month basis, our retail market billings were $5.7 million, which is 15% higher than the prior year. And as we move into the second quarter of fiscal year 2015, we're seeing significant growth driven by more flu shots administered in the retail and the alternate site setting.

In our last earnings call, we estimated the flu shot related business for fiscal year 2015 would be about 20% higher than fiscal year 2014. But based on the strength of the orders that we've received in the month of October 2014, and what we see for the December quarter, we think we have the opportunity to exceed this goal.

As a growth company we focus on the introduction of new products and services to the marketplace and our customers, and as many of you have seen, we've recently launched our new MedSafe solution which addresses the convenient cost effective disposal of unused medications, including controlled substances. The MedSafe product is a result of the new DEA rules that are designed to help industry by allowing new and cost saving methods of disposal of patient dispensed medications, again, including controlled substances. The new solution is aimed primarily at our assisted living, long-term care markets, as well as our retail pharmacy market.

With that, let me turn it over to Brandon who's is going to speak more about the new product launch as well as what's going on in the sales side of the house. Brandon.

Brandon Beaver – Senior Vice President, Sales

Thanks, David. I'll begin with the MedSafe launch. Healthcare facilities around the country have been struggling for a long time to find a safe and convenient, cost effective means of disposing of unused medications, including controlled substances. We believe our MedSafe not only meets and exceeds the requirements of the new DEA regulations, but also is a great fit for long-term care facilities, pharmacies, local law enforcement, narcotic treatment programs, hospitals and clinics with onsite pharmacies.

We're in the beginning stages of this new product launch, which is included not only inside and field sales but also significant web and traditional marketing initiatives. We're creating awareness of the MedSafe offering with existing and prospective customers. We're beginning to sign up new MedSafe customers, but are looking for new sales by the March 2015 quarter. Keep in mind, this is a new product in the industry and that customers will study carefully before making a buying decision, especially since it involves controlled substances. We'll be in a better position to comment on the status of the launch over the next quarter or two.

In light of the new DEA rules, we're also in the process of launching our new Takeaway non-descript envelope solution as well as new box configurations that facilitate the proper and cost effective disposal of unused medications, and for the first time in the industry, including controlled substances. Over the past 5 years we've sold over 1.5 million of these envelopes. We believe the new systems have the opportunity to generate incremental revenue growth in many of our markets including retail, home healthcare, government and long-term care.

On the Pharmaceutical Manufacturer market, our sales efforts over the past couple of years are generating solid returns for our Pharmaceutical Manufacturer market revenue. Our unique offering is much more than sharps disposal in the home setting for self-injecting patients. We provide opportunities for pharma branding as well as opportunities to improve patient compliance and medication adherence. We've launched a number of additional marketing and related sales initiatives aimed at uncovering more sales opportunities for this market. I am pleased with the progress to date and believe we can close additional opportunities over the next 12 months.

When including inside, field and support, our sales team is up to 21 employees. This compares to 14 employees at the beginning of the calendar year. We recently added an additional regulatory support professional, which we believe is very important to prospective as well as existing customers. The sales team has really gelled and we're beginning to see new deals starting to close. We remain very excited about the new fiscal year and believe the sales team will deliver solid results.

With that said, I'll turn it back to you, David.

David Tusa – President and CEO
Thanks for the update, Brandon. Now, Diana, how about addressing the financials?

Diana Diaz – Vice President and CFO
Thank you, David. During the first quarter the company reported revenue growth of 12% to $7 million as compared to $6.3 million in the first quarter of last year. Revenue is about $500,000 less than customer billings because of the significant GAAP revenue recognition adjustment. We should see this turn positive in the December 2014 quarter.

Gross margin was 33% in the first quarter as compared to 37% in the prior year first quarter. The margin decrease is due to a mix of business which was adversely impacted by a legacy Pharmaceutical Manufacturer patient program with a lower upfront margin in a split revenue model.

Selling, General and Administrative expense increased to $2.3 million as compared to $2.1 million in the first quarter of fiscal 2014 due to increased sales, marketing and compensation related spending. SG&A as a percentage of sales was essentially flat at 33% in the first quarter of fiscal 2015 as compared to the same prior year period.

The company reported an operating loss of $74,000 dollars as compared to operating income of $130,000 in the first quarter of fiscal 2014. The company recorded EBITDA, or earnings before interest taxes depreciation and amortization, of $200,000 for the first quarter of fiscal 2015 as compared to EBITDA of $400,000 in the first quarter of fiscal 2014. Overall, the company generated a net loss of $74,000 or breakeven basic and diluted share compared with net income of $122,000 or $0.01 per basic and diluted share in the first quarter of fiscal 2014.

Our balance sheet remains solid with $16.1 million of cash and cash equivalents at September 30, 2014 compared with $13.7 million at June 30, 2014 with no debt. At September 30, 2014, working capital, stockholders equity and total assets were $18 million, $22 million and $27 million, respectively with no change from June 30, 2014.

As we previously disclosed, Sharps has an authorized stock repurchase program in place for up to $3 million that extends through calendar 2014. During the quarter ended September 30, 2014, the company repurchased 29,449 shares under the program at a cost of $128,000. That's an average price per share of $4.35. Since the inception of the program, the Company has repurchased 191,250 shares under the program at a cost of $809,000.

With that I'll turn the call back to David.

David Tusa – President and CEO
Thanks, Diana. Just a couple of statements before we turn it over to the Q&A. It's a very exciting time for our company, the management team and all of our employees. We're launching new products, we're closing new deals, we're filling very large flu shot related orders and we're chasing a significant number of new opportunities. We're also in the middle of what appears to be one of our strongest quarters in company history exclusive of the 2009/2010 CDC program revenue. So all in all we're very busy.

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

Operator
Our first question comes from Ryan Daniels with William Blair.

<Q>: This is Nick Hiller in for Ryan Daniels. On the Environmental businesses sequential decline, I realize that's a smaller component to overall revenue, but is there a seasonal aspect to that and if so, what drives that?

David Tusa – President and CEO
The Environmental side is really more project related. It's not really recurring revenue opportunities as our core businesses. They're really more projects. So we've had a number of projects we worked on in prior quarters and then we hope to see that pick up again in December and the March quarter, but it was just a low quarter for third party activity.

<Q>: Then just a quick question on Ebola. I realize that probably has zero direct impact on your business, but do you think there is an indirect impact, insofar as the headlines that we see raise awareness about the need for compliance with proper disposal of medical waste and the solutions that you offer?

David Tusa – President and CEO
Let me just address it this way. With respect to Ebola, and yes there have been a lot of questions, but let me just say the areas where I think that there is a potential for us to generate incremental revenue related to what's going on with Ebola. One, there appears to be, and we've seen it, more flu shots that are being administered because of what's going on in the media and America is just being advised to get a flu shot, So flu shot season is going to be strong again. We thought it was going to be 20% higher than the prior year, and it appears - and especially based on what we've seen in October – it's going to be higher than that for 2015. We also sell a biohazard spill kit that's used in a number of retail and healthcare settings, and we're seeing an increase in the sale of those items and that would hit primarily in the December quarter.

You could also see increased medical waste volumes at the customer level because they may be overly cautious about making sure that anything and everything that may be infectious goes into the medical waste container. So we could see increased volumes.

And that really last, and hopefully we're not going to have this in this country, but if there was some sort of pandemic or if there was a need to immunize Americans on a large scale, then we think there is a potential to benefit, because our solutions are designed for the alternate sites, disposal of Sharps medical waste in the alternate site setting. Those are really the four areas that could impact us in a positive way.

<Q>: Then just one last question. In the quarter, could you parse out the impact of that inventory build on the Pharma billings versus the impact of the new patient support program?

David Tusa – President and CEO
The margin impact, what is it? We probably should have been closer to the 35%, 36% gross margin. Wouldn't you say, Diana?

Diana Diaz – Vice President and CFO
Yes, that's correct.

Operator
Our next question comes from Joe Munda with Sidoti & Company.

<Q>: David, I was wondering if you could provide a little bit more color on the professional market? You talked about some distributor orders being pushed out here. Can you give us some color here? Are we going to see those orders come back, I guess, in Q2 or Q3? Any help there would be great.

David Tusa – President and CEO
Well we expect in the next quarter, the December quarter, you'll see that the strength in the professional market as you have seen in prior quarters. So I think it was a blip because the prior year quarter was an unusual comp.

<Q>: Then on the home healthcare side of the business, fourth quarter down 8%, this quarter down 10%, can you give us some color? Are you losing some customers here? What's going on there?

David Tusa – President and CEO
No, we don't see ourselves losing. A lot of that business comes through distributor whereas the orders are sometimes a little bit difficult to predict. It's still up on a trailing twelve month basis, and I think our goal for the year was about 10% increase for fiscal year '15 over '14. So you'll see some difficult ordering patterns throughout the year, but I think we should be at that about 10% level of increase on a year-over-year basis.

<Q>: Then as far as gross margin is concerned, Diana, can you go into a little bit more detail regarding that legacy business and the inventory build? I'm just a little confused.

Diana Diaz – Vice President and CFO
This particular program is a split revenue model, where there is a lower margin on the front end, where there was an inventory build. Unfortunately, well, we love to have the inventory build, but it does have a slightly negative impact on the margins. It's not something that happens every quarter and that's just what came in this quarter. So we still think our model on the gross margin works where each quarter we have $1.1 million in fixed cost of sales and that our product costs range from 48% to 50% of revenue.

<Q>: Just looking at the inventory right now, how much of that inventory was devoted to this legacy business line?

Diana Diaz – Vice President and CFO
None of it because it's in a vendor managed inventory program. So what we sold to the customer is not on our balance sheet.

David Tusa – President and CEO
It was roughly about $400,000 worth of revenue that came in that was a low margin, because on this particular legacy program the margin is really shifted into the backend when the units are returned.

<Q>: I have one other question. As far as MedSafe goes, I think Brandon said the March quarter is when we can expect to see that launched and really hit the P&L. Is that correct?

Brandon Beaver – Senior Vice President, Sales
Yes Joe that's correct. We're looking at the next couple of quarters. As I mentioned, this is a product that's new to the industry; it's certainly taking some time for the customers to feel comfortable with it. At the end of the day we feel very confident, we've had a lot of leads come in through some marketing initiatives through the web, through inside and field sales; quite a few in fact. As I mentioned, we have converted a few of those right now, but we really anticipate this to start taking off over here in the next three to four months.

<Q>: Yes. Because I remember when the regulations came out, I believe some pharmacies or some retail pharmacies gave a little pushback. They weren't sure if there were going to participate and then they came out and said we will do anything to ease the concerns here. What has been the response so far from potential customers?

David Tusa – President and CEO
I will just tell you this, and then, Brandon, you add to it, but the response has been very positive from both the retail pharmacy sector as well as from long-term care. We have a lot of proposals out. We have a lot of pricing deals out. We have started to close some of the smaller ones, but as we mentioned it's new; it's brand new in the healthcare industry and it's not simple. It's available out there. The new rules are available out there when you make it through all 147 pages, you'll realize that it's a bit more complex.

So the customers, especially large ones, are really working to understand the rules and how to operate under the rules. We're here to help and to help them with interpretations of the rules. Brandon, what else do you see out there?

Brandon Beaver – Senior Vice President, Sales
Just to dovetail off of that, I would say, Joe, many of our discussions are actually getting on and actually speaking with, whether it be legal or clinical folks, I mean it's certainly a sales process. And we're seeing retail chains, we're seeing independents, we're seeing long-term care, large chains as well as independents on those all showing interest. We feel it's going to take a while, but it's going to gain some momentum. You're going to start to see a few larger customers start to come on board and then once that kind of starts to happen it starts to snowball.

Operator
Our next question comes from Kevin Steinke with Barrington Research.

<Q>: Just following up on MedSafe, I know there's a range in terms of potential size of customers, but any thoughts on what the typical size of revenue from one of those deals could be in terms of a long-term care facility or something along that nature?

David Tusa – President and CEO
It's pretty straightforward. The way we look at, and this is just average, big picture, is you could think about it roughly maybe $800 to $1,000 a year per facility, so you just kind of do the math from there. And again, they're all different, but that's probably on average what they would represent in revenue.

<Q>: And if you could just, since it's a newer offering, just walk us through the mechanics of how a MedSafe relationship would work with, say, a long-term care facility and what the margins are on that type of revenue?

Brandon Beaver – Senior Vice President, Sales
I'll walk you through the process. Really, in essence long-term care right now has the ability or it has had the ability to destroy controlled medications through various means. Unfortunately, none of them have been preferable means, typically flushing down the toilet, coffee grounds, things like that. So really, with the inception now of the MedSafe coming into a facility, we provide a kiosk, if you will, a receptacle that goes inside of a long-term care facility. In the internal components of it is a liner, basically it's a box liner that allows all of the drugs, now co-mingled controls and non-controls, to go into that box. This box is sent back to us via common carrier through the normal distribution channels back to us for incineration purposes. So really, it's a very similar process to some of our old medication takeaway products we've had, but now it just really comes with some additional security functions with it.

<Q>: And in terms of the new pharmaceutical manufacturer contracts that you expect to rollout in calendar 2015, can you just update us on the timing of when those might hit?

David Tusa – President and CEO
We know one is coming in the December quarter and then we said three more over the 18 months following that '15 and in the first half of '16.

Diana Diaz – Vice President and CFO
Right. And we had one that started this quarter, in the September quarter.

David Tusa – President and CEO
Right. So they are starting to roll out. And as we talked about before, each deal on average is about $500,000 to a $1 million a year on average in revenue, and that's after they are fully ramped up. It starts with an opening order that goes into a vendor managed inventory order and then follow on bills as patients opt into that patients program.

<Q>: Yes, great, great. I meant more in terms of the calendar 2015. I think in the past you had said maybe that was more of a second half of calendar 2015 event, but I just wanted to make sure of that.

David Tusa – President and CEO
That's true. But again, it's difficult sometimes to predict when these launch because there is lot more that is going on than just the mail back program and the patient support program; a lot of activities with the drug itself. So probably the latter half and some of them may even fall over into the first half of the calendar year '16.

Operator
Our next question comes from Brian Butler with Stifel.

<Q>: Just to go back onto Professional in a little bit more detail, so without the timing issues, you said growth was somewhere around 18%. Is that the right way to think about growth through 2015? Is that the pace or is that going to ramp somewhere in the second half or the next three quarters for the Professional business?

David Tusa – President and CEO
No I think it should increase. On a trailing twelve months basis, that's about, it's about a 20% increase, but I think it's going to be higher than that on a fiscal year 2015 over '14 on the Professional side. So we should hope to see that higher than that 20%, maybe 25% to 30% if our guys in the back do their job. What do you think, Brandon?

Brandon Beaver – Senior Vice President, Sales
I do. I think we have several key targets in the Professional market and in field sales as well, that will definitely make an impact to that.

<Q>: And from a prospective of customers being aware of this product in the Professional market, where do you guys feel you guys stand from an awareness point of view? I know that's been a big push over the last couple years to try to get that higher, and I'm just trying to measure how successful that is and what that could also do from a growth perspective.

David Tusa – President and CEO
Well, we hit it two ways. First of all, on the field sales they are out there face-to-face with their customers. And actually, the last couple of deals that you guys landed on the field sides were in the Professional market. I call a large deal one over $100,000 a year, but if you do smaller deals then that's going to be through inside sales and that's going to be through a number of traditional marketing methods as well as through web and other kind of advertising. I think we are doing a much better job of creating the awareness on the Professional side. And what we are doing, as well as, on the inside sales is we've been focused on larger deals as well instead of just going after the onesies, twosies, maybe going after a 10, 15, 20 facility chain. So we would hope to see as a result of that a pickup in the revenue pace in the remaining portion of '15.

<Q>: On the retail side, retail growth was, I think, 8%. Is that including some of this from the flu shots or is that 20%, exceeding that 20% growth from the flu shot, is that really going to work its way into the retail sales revenues in the remainder of the year?

David Tusa – President and CEO
There is a little bit, but what we saw is a significant strength in October. So I think you are going to see much higher— you will see much higher growth in the December quarter from the flu shot business. Just the month of October alone was quite busy.

<Q>: And last one here, just on the pharmaceutical piece, what type of competition, if any, are you seeing in this business? Is there anyone else out there offering similar type of proposals to these guys or are you still really the only player out there?

Brandon Beaver – Senior Vice President, Sales
Brian, really we are really the only player that does, as we mentioned earlier, customization, branding and really monitoring adherence and really looking at it from a global perspective on drug itself. So we look at from beginning to end. We do have a little bit of competition in this area, not a lot, but really they are focused on just the containment of the drug. So we look at it from beginning to end.

We are looking at helping the manufacturer market this drug. That means everything from customizing the systems to reaching out to the patients; everything. So when we look at this we look at it as a unique space for us. There certainly is a generic type of organization that will offer just a containment piece.

<Q>: I guess the same question could be asked for MedSafe, a new product that you guys are rolling out. Are there other products out there? Can you talk maybe a little bit about the complexity of someone else offering this and if there is already some other offerings of this type of product out there?

David Tusa – President and CEO
First of all, we haven't seen anything like the MedSafe, the collection receptacle and the liner. We've worked on this probably over the last year, but we think it's a very unique offering and actually it's a patent pending offering. The only other thing that we've seen out there are, and again, there's nothing like our MedSafe, but we've seen those old traditional like, what is it, a bottle of bleach or something you put the pills in it, stir it up and throw it in the trash? So we don't really see that as an option, we don't, at least, don't consider that to be anywhere near the program that we're offering, but those are out there, right, Brandon? We'll see some of those. But we haven't seen anything that's comparable to what we're offering on the MedSafe or the collection receptacle and the liner.

Brandon Beaver – Senior Vice President, Sales
Now there have been some solutions that are, as David mentioned, concoctions, if you will, to destroy on site, but really those have been around for a number of years. But at the end of the day, from an environmental standpoint, it's not as sound. And really, as David mentioned, this is a turnkey program, which saves on numerous factors from labor to destruction to multiple things.

David Tusa – President and CEO
There are a lot of very strict requirements for storage. There are a lot of strict requirements for the amount of time before you perform the destruction. And I don't know about all the other solutions that are out there, but I do know that we've designed our MedSafe program to provide very strict compliance with all of the new rules and we can show that to the prospects.

Operator
Our next question comes from George Walsh with Gilford Securities.

<Q>: David, could you just clarify once again the difference between the billings and the revenue for the quarter, the $7 million versus the $7.5 million in the billings? Those were timing issues, you said, basically?

David Tusa – President and CEO
That's our wonderful, illustrious revenue recognition method. If you have a half hour so we could share that. But the easiest way to think about it is every element of the sale is broken into three different components – a portion of the revenue when you sell it, a portion of the revenue when you return it, a portion of the revenue when you destroy it. So think about it in terms of if we ship out a lot of units towards the end of quarter and they haven't come back yet, then you can see that difference in revenue. If you look historically, what you'll see is usually - and it happened last year too – there was about a negative $400,000 GAAP adjustment in the September quarter of last year and that usually flips in December and it's a positive 400,000 in December. And we expect that to happen this year, so you should see a positive GAAP adjustment this year in the December quarter.

<Q>: Did that have an impact on margins or are the margins just really, the gross margins -- so that was really mostly the pharmaceutical issue?

David Tusa – President and CEO
It was the Pharmaceutical Manufacturer program; the revenue recognition does not have an impact on margins.

<Q>: Also just to discuss these DEA regulations and the Secure and Responsible Drug Act, which is helping with the MedSafe, these are still voluntary programs at this point. Is that correct?

David Tusa – President and CEO
Right. Remember, it's not a rule the DEA is requiring everyone to follow. What the DEA is trying to do is to help industry with a problem, and the problem is a cost effective, convenient way of properly disposing of unused medications including controlled substances. So they're offering new rules that should help industry. So their aim primarily is in the long-term care market where this has been a problem for years. What do you do? How do you properly dispose of patient dispense controlled substances? It's a real problem. Now you can co-mingle controls with non-controls and put them in our solution which is very cost effective.

The other area that it's aimed at is retail pharmacy. I've seen estimates; there are 250 million pounds of unused medications that are improperly disposed of on the consumer side. So what they're aimed at is, you'll be able to go into your retail pharmacy, whether it's an independent and maybe even for the larger ones, and be able to bring in your unused medications, including controlled substances, which has never been allowed in this country before. So the retail pharmacy can provide an additional service to its customer and say bring, get the meds out of medicine cabinet, don't flush them, and bring them back to our facility and put them into the MedSafe where they will be properly contained, collected, and ultimately destroyed.

So those are the two markets. Now what's interesting, the rules also allow the systems to be used in— what was it? It was hospice, narcotic treatments and one or two other markets that they allowed it to be used as well. So the DEA is trying to help industry help consumers so we can get these controlled substances properly disposed of.

<Q>: And it sounds like it's a good program. It should be done. And I guess my question is with that, are they taking the lead in any way in actually enforcing and implementing these in their own type of facilities, the CDC or the VA or these kinds of things? They have programs that they are dealing with these things with patients or even in their systems. Is there somewhere where they are taking a lead on that and does it create any opportunities for you guys?

David Tusa – President and CEO
We're early. We're early into this and everyone is trying to figure out these rules. We keep a running list of all the questions that are coming in and helping provide responses and interpretations of some of these. What's our list look like, like 50 questions now that we have? So everybody's kind of working their way through it, George, but I think ultimately there could be an opportunity there as well.

<Q>: Yes. Well, I would think they would want to lead by example. Okay, all right. Thank you, David.

Operator
At this time I would like to turn the call back over to management for closing comments.

David Tusa – President and CEO
All right, thank you. Thank you, everyone, for joining us. We look forward to speaking with next quarter, we appreciate your support.

Operator
Thank you. This does conclude today's teleconference; you may disconnect your lines at this time.