

Operator: Greetings and welcome to the Sharps Compliance Corporation Fourth Quarter and Fiscal Year 2013 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Deborah Pawlowski, Investor Relations for Sharps Compliance Corporation. Thank you Ms. Pawlowski, you may begin.

Deborah Pawlowski: Thank you, Doug, and good morning, everyone. We appreciate your participation in our Fourth Quarter Fiscal Year 2013 Financial Results Conference Call. You should have a copy of the news detailing Sharps' results that was released earlier this morning. If you do not have the release, you may obtain it from the Company's website at www.sharpsinc.com.

On the call with me today are David P. Tusa, Sharps' President and CEO, and Diana Diaz, its Vice President and Chief Financial Officer. David and Diana will provide formal remarks, after which we will open it up for questions. If you are listening via webcast, note you do have the ability to submit questions through the Internet.

As you are 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.

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

David Tusa: Thank you, Debbie, and welcome, everyone, to our fourth quarter call. I'll briefly review the fourth quarter results, as well as discuss how we're executing on our growth strategy and the progress we're making in our targeted markets. I'll then turn the call over to Diana, who will review the financials in a bit more detail.

As you can see, we reported revenue of \$5.3 million for the fourth quarter, up nearly 16% or \$710,000 over the prior-year period. Solid growth in sales in our Professional and Pharmaceutical manufacturer markets drove the increase, which was partially offset by lower billings in the Retail market, which were softer due to the timing of flu shot related orders.

Professional market billings grew almost \$260,000, or 33%, in the fourth quarter, driven significantly by alliance-related business of about \$150,000 for the quarter. When I refer to alliance-related business, this is the new business that we've landed that includes both our mailback as well as the Daniels pickup service, making for a comprehensive offering.

The Professional market was also positively impacted by the targeted telemarketing activities and our e-commerce driven website. Billings for our inside and online sales channel increased by 47% year-over-year, or about \$300,000, to nearly \$925,000 in the fourth quarter. We're building stronger awareness of our cost effective solutions through the inside and online sales channel in the

Professional market, and we believe we should continue to see substantial market inroads in the coming quarters.

We recently hired a new Director of Inside Sales, who has over 20 years of experience with call center management, and we expect great things from him as he manages the team, expands the customer base, and attacks the over 800,000 Professional market prospects. He's working very closely with our marketing team to launch a number of new and innovative initiatives over the next few weeks.

The Pharmaceutical manufacturer market also posted strong revenue growth this quarter, up \$322,000, or 115%, compared with the year ago quarter. This quarter included resupply orders from two Patient Support Programs, as well as increases in fulfillment activity from our Patient Support Programs in general. Our customers have been very pleased with the positive results of the Patient Support Programs, and we're leveraging this to drive more opportunities with existing and new programs. Sales to this market can fluctuate measurably from quarter-to-quarter due to the variability and the timing of resupply orders associated with the programs. And yes, we're beginning to see new Patient Support Program opportunities for new drug launches that have the potential to positively impact calendar years 2014 and 2015. To give you an idea as to the annual revenue opportunity, we're looking at as many as five potential new programs that, once fully rolled out, could generate up to \$5 million in annual revenue.

Following a couple of very strong quarters of sales in the Retail market driven by seasonal flu shot-related orders, our sales were down \$136,000, or 16%, compared with last year's fourth quarter. However, we are positive about the anticipated growth in this sector looking forward. Regarding the future of this market, a recently published report by Accenture cites that US retail clinics are projected to double between 2011 and 2015, expecting to increase 20%-25% per year, driven by the increasing demand of newly insured patients under healthcare reform, as well as patients looking for more convenient care. The two leading Retail pharmacies in the country are emphasizing their efforts to grow their capability as a low cost provider of health care services for non-chronic conditions. So given our market share, we believe we're very well-positioned to capitalize on this trend, which would, in turn, drive demand for cost effective regulatory compliant solutions for medical waste management.

Now, in addition to the alliance-related Professional market growth of \$150,000 for the quarter that I mentioned earlier, we're beginning to gain more visibility regarding the potential impact of future alliance-related opportunities, which we believe we can close over the next few quarters. So with that, we have a solid pipeline of opportunities. And when you exclude government opportunities, our pipeline well exceeds \$30 million in annual recurring revenue opportunities, with over 60% of these attributable to alliance-type opportunities where we provide comprehensive medical waste management service offerings where both the mailback and the pickup service are integrated into the offering. The offering also includes a single point of contact, consolidated billing, and complete integration of our Sharps tracer system. As many of you are aware, the alliance with Daniels allows us to position the Company as a full service medical waste provider, not just a mailback company. And as a result, that means our pipeline is made up of multi-size, multi-location organizations which have higher sales potential per customer than the standard small quantity generator market that we've historically addressed.

Now in addition to the benefits of the alliance, our business is positively impacted by the changing demographics of the U.S. population, as well as the change in the delivery of health care. The National Institute on Aging has cited that one out of every five Americans will be 65 years or older by 2030,

which is going to increase the need for cost effective medical waste management solutions in many of the markets we serve, including Assisted Living and Long-Term Care.

Further, as a result of the uncertainty created by the current state of health care, our prospective customers are looking for cost savings now more than ever. But it's very important to note that we just don't differentiate ourselves with cost savings. We believe our excellent customer service, our obsession with responsiveness, our proactive regulatory support, and operational efficiencies play a very key role in the sales process.

So with that, I'd like to turn it over to Diana, who is going to provide more details on the financials. Diana?

Diana Diaz: Thank you, David. Gross margin was 30% in the fourth quarter of fiscal 2013, up 700 basis points from the prior-year period. The prior-year period was negatively impacted by a \$300,000 charge, or 655 basis points, of gross margin associated with last year's accrued loss for lease-related liabilities for our Atlanta facility. Remember that we closed that facility upon the termination of the U.S. Government contract, which was effective January 31st of 2012. This quarter's margin improvement also benefitted from the 16% increase in sales compared with the prior year.

SG&A expenses in the fourth quarter of 2013 of \$2.17 million were comparable with last year, and lower compared with the sequential quarter of \$2.35 million, which included about \$200,000 of severance costs. Further, we expect to maintain a quarterly level of about \$2.2 million to \$2.4 million in SG&A expense over the next several quarters, unless additional targeted sales and marketing initiatives present themselves and warrant further investment. We generated an operating loss of almost \$700,000 in the fiscal 2013 fourth quarter compared with an operating loss of about \$1.2 million in the same period of the prior year, and \$940,000 in the sequential quarter.

Earnings before interest, taxes, depreciation and amortization, or EBITDA, was a loss of about \$435,000 for the fourth quarter of fiscal 2013, compared with an EBITDA loss of almost \$970,000 in the same period of the prior fiscal year. Net loss for the fiscal 2013 fourth quarter was about \$690,000, or \$0.05 per diluted share, compared with a net loss of \$2.8 million, or \$0.18 per diluted share, for the prior-year period. We recorded deferred tax valuation allowances in each period amounting to about \$250,000, or \$0.02 per diluted share, in the fiscal 2013 fourth quarter, and \$2 million, or \$0.13 per diluted share, in the fiscal 2012 fourth quarter.

Our breakeven level is quarterly revenue of about \$6.4 million with a corresponding gross margin of about 35%.

Now, let's look at a few of the highlights for the fiscal year ended June 30, 2013. Core customer billings, which exclude the government CDC contract, increased almost 6%, to \$21.3 million. Several markets drove the improvement, including strong growth in Professional billings of 28%, to \$3.9 million, while Assisted Living billings increased almost 21%, to \$1.6 million. We believe the Assisted Living market is ideal for our solutions, and believe we will continue to see growth in this sector through expansion of existing accounts as well as new prospects.

Our Pharmaceutical manufacturer market billings also increased over 13%, to \$2.4 million. Core Government billings were up almost 75%, to almost \$750,000, as the result of a large stocking order placed by the U.S. Department of Defense for about \$200,000 through our distributor channel during

the quarter ended September 30 of 2012. This market also reflects about \$100,000 of purchases by the VA of the TakeAway Environmental System™ by sites that participated in the pilot program that launched several years back.

Retail billings were down modestly; about 4%, to \$5 million for the year. Retail billings were impacted by the timing of orders and a new program launch in the prior year period of the TakeAway Environmental Return System™ solution. This was somewhat offset by higher sales of the Complete Needle™ Collection & Disposal System in the current fiscal year. Flu shot-related orders were down about \$200,000 to \$3.6 million for the current year. This was due to a large customer order that would have normally been shipped in the June 2013 quarter being pushed out to fiscal year 2014. If this order would have been placed consistent with history, then our flu business would've been up 10% year-over-year.

Our balance sheet remains solid, with \$15.5 million in cash and cash equivalents as of June 30, 2013. Cash is down about \$2 million compared with June 30, 2012, as a result of our continued investment in sales and marketing, investments in our treatment facility, and maintenance of operational infrastructure to support a much larger revenue run rate than we currently generate. Based on the significance of our pipeline, we've been investing in our future to position ourselves to take advantage of those opportunities. We continue to be debt free. Our financial position is very strong, and this bodes well for us as we invest to build a larger company.

The Board authorized a stock repurchase program in January of 2013 for up to \$3 million over a two year period. During the quarter ended March 31, 2013, we repurchased 25,360 shares at an average price of \$2.93 per share. We did not make any repurchases during the June 2013 quarter.

Our outlook for our business is strong, and we believe repurchasing our stock at an appropriate price is a good use of available capital.

And with that, I'll turn the call back to David.

David Tusa: Thanks, Diana. Before we turn the call over to the Q&A session, I just want to make a few comments. We're confident in the momentum that we've generated with our sales team and our long-term strategy, having overcome the loss of the government CDC contract in January of 2012, which contributed almost \$2 million to our fiscal year 2012 revenue. The various sales initiatives that we've instituted are taking hold. We've gained much more visibility regarding our sales pipeline and opportunities that we believe we can close. We have successfully transformed the organization from a mailback company to a cost effective provider of comprehensive medical waste and unused medication management solutions. The Sharps-Daniels alliance is helping us to realize the significant potential in the market through penetration of various multi-sized facilities across the country.

As we look forward into fiscal year 2014, we are encouraged by these activities, as well as the growing market demand for medical waste management solutions. We believe we are in the best position to service that demand.

So with that, Operator, let's open it up for questions.

Operator: Thank you. Ladies and gentlemen, at this time we will be conducting a question-and-answer session. If you'd like to ask a question, you may press star, one on your telephone keypad. A

confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key.

Our first question comes from the line of Ryan Daniels from William Blair. Please proceed with your question.

Nick Hiller: Hi, this is Nick in for Ryan, thanks for taking my question. With the Daniels relationship, when you sell services to, say, a large dental or vet chain, what percent of the office waste is mailback versus the percent that goes through pick-ups?

David Tusa: It's different by different market and it's different by the different prospect, but in general, there's probably, 20%, maybe 25% of the facilities where we use the pick-up service versus a mailback. You know, in most of the markets that we serve the mailback is the most cost effective solution, but just roughly, 20% to 25% of the time there could be the larger facility where we use the pick-up.

Nick Hiller: Okay, great. Thanks. That was my only question.

David Tusa: Thanks, Nick.

Operator: Our next question comes from the line of Brian Butler from Wunderlich Securities. Please proceed with your question.

Brian Butler: Good morning. Thanks for taking my call.

David Tusa: Good morning, Brian.

Brian Butler: Can we start with the Retail business and look a little bit more in detail on that, because I was surprised that on a year-over-year basis it was down 4%-ish. I mean obviously, you have some of that with the timing of the flu shots, but I would've expected that some of the other programs there to kind of offset that. So how do we think about that going forward and what kind of growth is really achievable there? I mean is this really more a mid-single digit kind of grower, or is there some upside to the Retail side?

David Tusa: Well, you know, as Diana mentioned, if we would've received the initial orders from our largest flu shot customer this year consistent with when we received it last year, the market would've been up about 10%. The way I look at this Retail market, the flu shot business, it's going to continue to grow. As mentioned earlier, the Retail clinic should double over the next four or five years, so that means growth of, what, 20% to 25% a year, which we think that we'll grow with them. And we don't see any impediments to continuing to be a leading provider for this flu shot business in this space.

Brian Butler: And how about on the other Retail products? Do you have any updates on kind of the cost sharing programs with some of the Retailers on the Sharps product and the mailback?

David Tusa: Sure. You're talking about the Complete Needle™, which is in the Retail sector. We've been pleased with the units that have been sold into the Retail chain, but we've been disappointed with the return, or the redemption rates. And we've been a bit disappointed because we have not been able to capture as much of the sponsorship that we had hoped for when we bring Pharmaceutical

manufacturers or other participants into a cost sharing program, or into a support program. So it's been a bit disappointing on the return side. We still think we have the opportunity there, but it's been a little bit slower growth than what we expected.

Brian Butler: Okay, great. And then on the Pharmaceutical piece of the business. The programs that you have in place right now, I think you've targeted that to be somewhere around \$3 million in annualized revenues. There was about \$2.4 in your fiscal 2013. How do we think about that ramping up through 2014? I mean that's probably about 25% growth to get there, and that's not including any new orders or any new programs that you have in the pipeline.

David Tusa: Well, you know, we've seen some very positive activities from those programs recently, and we think that the achievement of that \$3 million run rate, we should be able to be there based upon resupply orders and some program changes and just growth of the program and the patients over the next couple or few quarters, so we're still very optimistic that we will see the \$3+ million on those existing programs.

And, you know, the other thing is what I mentioned about new programs. Over the last couple of quarters, we have seen some significant activity on new programs, and these are programs that will be launched with new drug launches in calendar years 2014 and 2015. So we're working on those, and it's really good to see more opportunities in the Pharmaceutical manufacturer space. We're excited that we have the opportunity to land some more deals over the next year or two.

Brian Butler: On those new deals, can you talk about where they are in the cycle of the five deals you have in their the sales cycle? I mean are some in the very early innings, or just a little bit more color I guess on when we could potentially expect those?

David Tusa: You know, I'll tell you what, it's a good question and I appreciate it, but I think, you know, for competitive reasons right now that we're just going to keep quiet on that. We think we're very well-positioned in this space, and we've got a proven solution and we've shown that we can improve patient compliance and patient satisfaction. So, again, I think that you will see the impact in the calendar year 2014 and 2015, assuming that we land these deals.

Brian Butler: Okay. And then on the alliance partnership, or the Daniels partner, however you want to call it, you know, that was about \$150,000 in the fourth quarter. I think you guys talked about that going to around \$200,000 kind of in the early quarters of 2014. Do you have any more color on how you think that ramps up? Is \$200,000 a quarter kind of the right pace for 2014, or is there really more upside that you guys can talk to coming from that partnership?

David Tusa: Well, that's one deal, and that one particular deal should be closer to a run rate of about \$200,000 a quarter, which we should start to see. Now, that's just one. We're working on many, many deals in many markets that, with the Daniels alliance, have the opportunity to generate some significant recurring revenue. And when I think about these deals, I think about them in the range of, you know, maybe \$400,000 to \$600,000 a year each, and that's a big part of that \$30 plus million in the pipeline that I mentioned earlier. So we're in the latter stages of many of these larger opportunities where we integrate the pick-up with the mailback. So I think over the next couple or few quarters that we'll be able to report increases related to certain markets that are attributable to these alliance-type opportunities.

Brian Butler: Okay, because that just gets to my next question, which is on the breakeven. I mean breakeven seems like it's picked up a little bit now, because I think last quarter it was around \$6.2 million a quarter, and now we're at \$6.4. So I mean is it realistic to achieve breakeven in fiscal 2014 or is that really a stretch goal?

David Tusa: No, I don't think so. I don't think that's a stretch. I don't think that's a stretch goal at all. It won't take many opportunities to close to be able to get us to that level. Now, that doesn't mean that we won't spend on sales and marketing if we believe it's necessary and it's opportunistic, but I don't think that's unrealistic at all.

Brian Butler: Okay, so we're talking 15 plus percent revenue growth then between 2013 and 2014. That's, again, not at the high end of what your expectation is, that's more the midpoint?

David Tusa: That's probably a fair statement.

Brian Butler: Okay. And then last one, just the gross capex requirements for 2014. Do you have any color on that? What you're going to possibly be spending for growth and maintenance?

David Tusa: We've been around that \$1 million a year level, it may be a bit higher. We're making some more investments in our treatment facility. I don't see it higher than maybe \$1 million to \$1.5 million. It'll still be relatively low.

Brian Butler: Okay, great. Thank you very much.

David Tusa: You bet.

Operator: Our next question comes from the line of Kevin Steinke from Barrington Research. Please proceed with your question.

Kevin Steinke: Good morning.

David Tusa: Good morning, Kevin.

Kevin Steinke: Good morning. How are you?

David Tusa: Good. We're doing great.

Kevin Steinke: Great. So you mentioned a couple of times that you have much more visibility into closing alliance-related business. I'm just wondering what you might attribute that to.

David Tusa: A couple of things, Kevin. I think what we've done a much better job of is identifying the opportunities, capturing, managing, and monitoring. We've launched salesforce.com, and I think that the sales team has done a much better job in capturing the opportunities, managing and monitoring them. It's actually really a good tool and it really helps us with focus as well on the larger dollar, you know, higher margin, higher probability opportunities.

Now, of course, the fact that we have this alliance now allows us to focus on much larger opportunities. If you went into Salesforce and looked at what was assigned to the sales person, obviously we would

focus on those top 10 opportunities of each of the sales folks that were the larger dollar opportunities. But just using the technology and then to focus; a focus on the larger dollar opportunities have made a real difference.

And, Kevin, the other thing is we're starting to win deals, and that really gets the sales team excited. Closing a \$600,000 deal is a heck of a lot better than closing a \$50,000 deal, and you create excitement with your sales team with success, and, again, I think you're going to see the impact of that over the next few quarters.

Kevin Steinke: Okay, good. I think you also mentioned in your prepared comments that you recently hired an experienced operator of call centers. And it sounds like that's still early on, but I was just wondering what sort of initiatives you might put in place in the Professional market and what you hope to accomplish there?

David Tusa: Well, personally, I think we've done a good job in growing the business where we were, but what we thought made a lot of sense is bringing someone in with significant call center experience where we can really address it from two standpoints. We get a lot of inquiries actually inbound, and can handle the inbound, but more importantly, we can work with marketing to launch some new initiatives on the outbound side. And he's working on them right now. We don't take months to do things; we usually take weeks or days, so we're going to be launching over the next couple of weeks some very new initiatives. It's a great time for him to come in and work with inside sales on the outbound side with the launching of some new initiatives.

I am going to hold off talking about the new initiatives because we haven't released it yet, but we'll be able to talk more about it on the next quarter call. However, we're excited that he's here. We think he can make a significant difference, and he has a tremendous amount of experience. He's been very successful in the past, and he's excited as can be. He's never worked on an opportunity where we're only 2% penetrated in a \$600 million market opportunity.

Kevin Steinke: Good, good. Now on the Assisted Living side, that market had a nice pick-up in growth in fiscal 2013 relative to a year ago. Is there anything in particular that you did this year to address that market that you hadn't done in the past, or any color on how you see that market continuing to grow?

David Tusa: It's a great market for us. I think it's just focus; it's focusing on the market opportunities. That represents expansion with existing customers as well as landing of new customers. We've realized it's a great market for us, and it's one where we're focusing more in the way of resources. So I'm excited about that market and I think you're going to see significant increases in that market on a going forward basis.

Kevin Steinke: Great. On the SG&A expenses you talked about a range of \$2.2 million to \$2.4 million over the next few quarters. And you've been pretty consistent in, you know, kind of the \$2.2 million level, so is the potential for a little bit higher run rate there; just general growth of business, or you're going to do more marketing, or any color there?

David Tusa: Well, we're always looking for sales people. We're always looking for field and sales staff. Actually, we've replaced about three of the field sales staff with personnel that have more experience and are, what we believe to be, hiring higher powered sales staff. So we're out there every

day looking, and if we come across opportunities to hire folks that we think could make an impact in the near-term, we're going to do it. That's why we showed a range there, in case we want to bring in a few more personnel, that you could see the SG&A higher. We're very prudent and we're responsible with the spending of the SG&A, but at the same time, when we have targeted opportunities to spend in a way that we think we're going to get a significant return, we're going to do it.

Kevin Steinke: Sure. That makes sense. And one last one for me, and I know, David, that you're really focused on the recurring revenue opportunities, but any update on any potential further rollout of business with the VA?

David Tusa: Well, I liked what you said at the beginning of your statement, Kevin; that we're focused on recurring revenue opportunities and that is absolutely, positively true. That's a beautiful part about this business. But, regarding the VA, we continue to wait for them and their decision-making on what they've done there. There's been delays and they've missed deadlines, and all I can tell you is that we think we're uniquely qualified to meet all the requirements, but with any government opportunity, the timing is just incredibly difficult to predict, or there's no assurances that they're going to launch the program at all.

So as a Company we're focused on what I call the commercial opportunities; recurring revenue opportunities, where in a regulated market, the customer is required by law to properly dispose of their medical waste, and we're focused on that in the core business. Now along the way, if we land one or two of these government deals, that's tremendous. But that's not going to make the company we're trying to build. What we're trying to build is a company based on recurring revenue, core growth business, and, again, sprinkled in with some government business along the way.

Kevin Steinke: Okay, great. Well, thanks for the update.

David Tusa: You bet. Thank you, Kevin.

Operator: Our next question comes from the line of Joe Munda from Sidoti & Company. Please proceed with your question.

Joseph Munda: Good afternoon, David and Diana. Thanks for taking the questions.

David Tusa: How are you doing, Joe?

Joseph Munda: Good. First off, touching on your quarterly guidance with the SG&A, I'm just wondering what is the number of direct reps you currently are at?

David Tusa: There are six direct reps that we're up to now, and, again, that reflects switching out like three of them over the past couple of quarters.

Joseph Munda: Okay. And you talked about 800,000 market prospects. I'm just trying to figure out is that enough reps to actually touch that market opportunity?

David Tusa: Well, those direct reps don't attack that Professional market. The 800,000 facilities are the doctors, dentists, vets, etc. That's really addressed through the web and through inside sales. The field sales reps are really focused more on large opportunities in Home Healthcare, Assisted Living,

and Long-Term Care. If it's a Professional market, it's going to be a large maybe dental chain or a large vet chain. But they're focused on opportunities that are sizable in many of the markets that we serve. Your dentist down the street; maybe a one or two man shop.

Joseph Munda: Okay. And that was Berkley's forte or expertise at Waste Management, right; I guess closing those bigger market opportunities?

David Tusa: Well, right, the larger ones that the field sales force are working on. So, what Berkley is focused on is working with the field sales team to accelerate and close the large dollar opportunities. So he's spending, you know, 99% of his time working with that field sales force working on the large deals, \$0.5 million a year type deals. Now, that's why we hired an experienced person on the inside sales with 20 years experience in a call center. Bob, our new guy on the call center, he can handle that. He's very experienced and he handles that very well. So with Berkley focusing on the field sales and the large deals, we think that they complement each other, and we think that that's going to lead us to success.

Joseph Munda: Okay. As far as cash flow in the quarter; Diana can you give us some sense what it was, the burn for the quarter?

Diana Diaz: Yes, it's going to be close to our EBITDA levels. Cash from operations will be around a million dollar use of cash, and cash used in investing, as David said, was about a million dollars, and not much in financing obviously.

Joseph Munda: Okay. So do you expect with all these growth initiatives you have going forward to be then cash flow positive in fiscal 2014?

David Tusa: We don't make predictions, but as we mentioned earlier, I think when Kevin was speaking there, we don't think it's unreasonable that the Company couldn't be at a breakeven level, which, from a cash flow standpoint, assuming no significant increases on the capital expenditure side, would be roughly cash flow breakeven as well.

Joseph Munda: Okay. Okay. And, Diana, in your prepared remarks you talked about stock repurchase. I happened to miss that. Could you just give us an update there?

Diana Diaz: Sure. We did not make any stock repurchases in the June quarter, but we'd reported previously the March quarter purchases were the 25,360 shares at an average price of \$2.93.

Joseph Munda: Okay. I mean with the stock at the level it's at right now, are you guys taking another look at possibly repurchasing stock?

David Tusa: Absolutely. We will look at it. You know, they generally tell you that you have to wait about 48 hours after your earnings release to look at it, but absolutely we look at it from a standpoint to be opportunistic, and if it makes sense then we'll do it.

Joseph Munda: Okay. And, David, my final question, regarding the facility, the treatment facility, utilization, can you give us some sense of where you guys are at; a percentage? And I know in the past you've talked about getting to a level where maybe you would be able to sell off excess generated

power from that facility. Are we still looking at something like that in fiscal 2014, or is that more of a longer term deal?

David Tusa: The treatment facility, and we have both consolidation and autoclave, it probably operates at about 20% to 30% of capacity level. And we do that for a number of different reasons to be able to handle the spikes in the business related to the flu shot. If you're at that treatment facility when all those mailbacks came back from the flu shot business it could be a bit overwhelming. But we think we have plenty of capacity there. Remember that our mailbacks every day are going to the closest Daniels facility, so that's going to free up capacity for our treatment facility assuming that we want to go out and maybe do more third party burns, more incineration burns, which are typically higher margin burns.

Joseph Munda: Is there an opportunity for that? I mean are you seeing an increase in the medical waste space where you guys can really use that excess capacity?

David Tusa: What we're seeing is we're seeing it on the Pharmaceutical waste side. We're seeing it with government agencies or DEA or local law enforcement that needs to properly dispose of drugs. And that's good, high margin business, and we're permitted to treat those kind of burns, so what I see is more and more opportunity to take advantage of that kind of activity. And that's one of the benefits of the Daniels relationship, that if we send more of our mailbacks to the Daniels facility, then we can use our facility to focus on the burning of guns and drugs for government agencies.

Joseph Munda: Okay. Yes, and my final question, I know you guys probably don't release this, but can you give us some sense of maybe the new account growth year-over-year and what you're seeing there business wide?

David Tusa: Well, we don't lose customers, so pretty much all the growth is either growth from existing or the addition of new customers. And I'd say that the majority of the growth that you're seeing is probably from new customers. I don't have a breakout between the two, Joe, but we think we have the opportunity just as much on growth with the existing customers as we do with the new ones.

Joseph Munda: Okay. I'm sorry, one more. It seems like, in your prepared remarks, it looks like you're marketing now the Company as a lower cost to the alternative. I am just wondering how has that been going? Has that been an effective sale for you guys by showing basically the impact on the P&L to some of these potential customers? Are you guys, I know it's a touchy subject, but are you guys really going out there and explaining how much potentially these companies can save?

David Tusa: Well, sure. Well, first of all, the first thing that we're doing is we're educating the marketplace on a new full service provider, which is us along with the Daniels alliance, and making them aware that there is an alternative to their existing provider. That's first and foremost what we do, and they're receptive to that. By the way, once we get in and we educate them on an alternative and we start talking about our offerings, actually cost savings are important, but, what we've seen in the marketplace, not nearly as important as great customer service, responsiveness, regulatory support, operational efficiencies, single point of contact, and consolidated billing. That's all very important to the customer, and then it's, "oh, by the way, we can save you 30%." So we sell based on all of that, but really what we're doing more than anything, and Berkley and the field sales guys are out there every day educating the marketplace and the larger prospects on an alternative that they didn't know existed.

Joseph Munda: Thank you.

Operator: Our next question comes from the line of Craig Hoagland from Anderson Hoagland. Please proceed with your question.

Craig Hoagland: Yes, wanted to touch briefly on the Home Healthcare market. Revenues were flat this year over last year, and is the outlook consistent with that?

David Tusa: That market has been flat for a number of years, but I'll tell you, we think we have the opportunity going into 2014 to change that trend and to increase that. What we're doing now is in this Home Care market, and now that we have the pickup service as well as the mailback, that it's opening up doors for potential new opportunities on the Home Healthcare side. So we would hope to start to see increases in that sector.

Craig Hoagland: Okay, so the alliance could be relevant there, too?

David Tusa: Well, yes, because if you think about it from a Home Healthcare perspective, it's not just the mailbacks that would go to the patients at the home. I mean there are significant amounts of medical waste that are generated in their branches or in their facilities, and a mailback doesn't necessarily work in a situation where there are large quantities in one location. So what we do is we bolt on the pickup service. The pickup service that facilitates the larger amounts of waste in single locations, and then maybe the mailback going to the home for the Home Healthcare patient.

Craig Hoagland: Right, okay. Then circling back to Retail, you talk about the clinic driven business, and I think primarily flu shots. Is there other clinic driven business that's part of that Retail revenue number, or is most of the Retail revenue that's not flu shot actually the Retail products; the Complete Needle™ and the TakeAway?

Diana Diaz: Well, there was some growth in the Complete Needle™ market that we saw, but we're also seeing growth in other clinic business. They're not just doing flu shots anymore; they're also doing other inoculations, immunization programs, and things like that. They're trying to really expand their business, as David discussed in the remarks.

Craig Hoagland: Right, okay. So that \$5.1 million that we did this year was—it wasn't just flu plus the Complete Needle™ and the TakeAway, there's another chunk in there?

Diana Diaz: Well, we call it a flu shot-related business, but it's inoculations as well as flu shots.

Craig Hoagland: Oh, I see. Okay. And that's the portion that we might see grow in line with the industry at 20% or 25%?

Diana Diaz: Correct, correct.

Craig Hoagland: Okay. And then the Retail products has the more questionable outlook?

David Tusa: I think that would be a fair statement. We've done a good job at getting it into the sales and into the Retail channel, but that one is a little bit more difficult to predict.

Craig Hoagland: Right. So if those product sales are now—we've filled the channel and now we're struggling with sell through. Can we expect Retail revenues to be up in '14?

David Tusa: We sure plan on it. Again, with the increase in the Retail clinics and with more service offerings that we're selling into them, and then the Retail clinics offering more. I mean you can't go into a Retail clinic and not see an advertisement for some sort of immunization. And, by the way, that's where health care is moving. Healthcare is moving to the alternate setting. I saw a great article written by a pediatrician, and he said, "Moms, I know it may negatively impact my business, but if your child has just a minor illness, it's so much easier going to that Retail clinic where the treatment is provided by a PA, and it's done in a cost effective and very convenient manner". So that's going to, I think, bode well for our business and as the Retail clinics increase.

Craig Hoagland: Right, okay. And then just to clarify, the \$30 million recurring revenue you see in the pipeline with the alliance, is that revenue to Sharps or does that include the Daniels piece of that as well, or is that structured? Is there a pass-through component of that, or how should we think about that?

David Tusa: It's all of the revenue related to the opportunity. What we do is, we're the face to the customer. If we have to subcontract out a portion of it to be able to get the larger deal, then we will do that. And it's typically not a pass-through. What we do is we put a comprehensive offering together that addresses both the mailback and the pick-up and present it to the customer along with all of the other services that we provide; the customer service, the regulatory support, and, again, single point of contact and consolidated billing. So there are really four or five different services that are actually wrapped up together and packaged together that's sold to the customer.

Craig Hoagland: I see. And then, so Daniels would be as a subcontractor in that structure?

David Tusa: That's correct.

Craig Hoagland: And that piece would be at lower margins obviously than the mailback?

David Tusa: It may or it may not.

Craig Hoagland: Okay. Okay, thanks for answering all the questions. Appreciate it.

David Tusa: You bet. Thank you. Good questions.

Operator: Our next question comes from the line of George Walsh from Gilford Securities. Please proceed with your question.

George Walsh: David, I want to know about the Home Healthcare a little bit, because you did also mention that last quarter. You know, it's about 30% of revenues. What kind of growth rate do you think is possible there, because right now it stayed pretty flat? It's been consistent, but is there some type of growth rate you think you can generate out of that base?

David Tusa: Well, you know, we have seen a lot of activity on the Home Healthcare side, and with a number of particular customers; some of them existing customers. And, again, it's all part of the change in Healthcare and trying to move more of Healthcare out to the alternate site setting. So,

George, I would think that if we're successful on our initiatives that we should be able to grow that by, you know, conservatively by at least 10%, with just some of the new business coming here and landing some of the new customers.

George Walsh: Okay. And that's good, because you have to, you know, that's a fairly good part of your revenue stream and it seems to have been something historically that's been pretty consistent, so if there can be a growth rate on it.

David Tusa: Well, that's true. But remember now we're really positioned as a much different Company. Before, we may not have been able to land a large Home Healthcare deal, because we couldn't handle the large quantity waste generated at a branch level, but we can do that now.

George Walsh: Okay. And also just with the Retail clinics that you mentioned, this would be through the chains, and is there a rollout that they're doing with that, and how would that ramp up, and do you work with them as they ramp that up or you just kind of see what develops and then you say, well, we can get services to what you're doing here?

David Tusa: Well, we're part of what they do. I mean they're adding services. Not only in flu shots, they're providing many, many different immunizations, and we're there to support the syringe disposal as they grow. So our business grows as their business grows and they provide more year-round immunizations as well.

George Walsh: Okay. So, what kind of volumes is that? Any best guesstimate of that versus the flu season where there's a spike? Are there other immunizations that could really smooth that out on an annualized basis?

David Tusa: I don't think so. I think you're always going to see that spike from the flu shot, because the flu shots are always going to be, my guess, a significant portion of what they're doing. But at least for over the next couple or few years I think you'll continue to see that as a spike. Now you will see a little bit of smoothing out with some of the other immunizations, but it'll be still dominated by flu.

George Walsh: Okay. And how is the flu season shaping up so far from what you're seeing?

David Tusa: It's a good season. It's an interesting season. The vaccine is out a little bit later this year, because I think that they wanted to make sure that it was formulated to handle as many of the flu strains as possible, but we know from dealing with our customers that the vaccine is rolling out a little bit later than what was expected. But so far we see a very strong season.

George Walsh: Okay. And it should hit the next quarter; first quarter of fiscal year 2014?

David Tusa: Well, it hits all quarters. It hit the March quarter big, and then hit some in this June quarter, and then hopefully it will hit big in the September quarter. And every year is different, because sometimes they order up front and they warehouse it and ship it out to the stores. Sometimes we ship it to the stores. Sometimes they want us to ship to the warehouse and break down a large order into five different orders. So it's just different pretty much every year. It's very difficult to predict.

George Walsh: Okay, alright. Thanks, David.

David Tusa: Thank you. Thank you, George.

Operator: There are no further questions in the queue. I'd like to turn the call back over to Management for closing comments.

David Tusa: Thank you. And in closing, I just want to thank everyone for their participation in the call. We appreciate the questions; all great questions, and appreciate your support of the Company. Hope everyone has a great day, and again, thank you for your support.

Operator: Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may disconnect your lines at this time and have a wonderful day.

END