inContact, Inc.
First Quarter 2013 Earnings Conference Call
May 2, 2013

Operator: Good day and welcome to the inContact, Inc. First Quarter 2013 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, you will have the opportunity to ask questions during our Q&A session. You may register to ask a question at any time by pressing the star and one on your touch-tone phone. You may withdraw yourself from the queue by pressing the pound key. Please note this call is being recorded.

It is now my pleasure to turn the conference over to Greg Ayers, Chief Financial Officer. Please go ahead, sir.

Greg Ayers: Thank you. Good afternoon. This is Greg Ayers, CFO of inContact. Welcome to our First Quarter 2013 Conference Call. I will begin by presenting the Safe Harbor statement and I will then turn the call over to CEO, Paul Jarman, to review our first quarter 2013 results and provide an update on important Q1 Company developments. Finally, I will provide additional detail on our financial results for the quarter before opening it up for Q&A. For access to our news release and other information on inContact, please visit our website at www.incontact.com.

The Private Securities Litigation Reform Act of 1995 provides a Safe Harbor statement for forward-looking statements made on the Company's behalf. All statements, other than statements of historical facts, which address the Company's expectations of sources of capital, or which express the Company's expectation for the future with respect to financial performance or operating strategies, can be identified as forward-looking statements. Such statements made by the Company are based on the knowledge of the environment in which it operates, but because of the factors previously stated, as well as other factors beyond the control of the Company, actual results may differ materially from the expectations expressed in the forward-looking statements.

And now I will turn the call over to Paul Jarman.

Paul Jarman: Thanks, Greg. I'm pleased to announce that Q1 was another record quarter for inContact, giving us a very strong start to the year and great momentum towards achieving our 2013 plan. During the quarter we achieved the strongest bookings in the Company's history, up 51% over Q1 of 2012. We experienced an increase in same-store sales, up 2% sequentially, as we expand our footprint in existing customer accounts.

Consolidated revenue results for the quarter were also strong. Software revenue grew 31.5% year-over-year. Additionally, we see increasing leverage in our cloud model, and generated adjusted EBITDA of 2.2 million in Q1, up 171% over Q1 of 2012. These strong results are fueled by the increasing momentum of cloud adoption and our growing win rate in larger enterprise deals.

During our Q4 call, we mentioned a new Fortune 500 customer who selected us in early Q1. inContact is helping them to unify service across four enterprise contact centers with more than 1,000 agent seats, approximately a third of which went live during the quarter. Later in the quarter, we added an additional Fortune 500 customer and now we have a count of 31 of these leading companies among our customer base. We currently have 13 customers that bill $500,000 or more per year in software revenues.

I'd like to focus now on three key drivers of our overall growth and momentum: innovation, customer success, and sales growth.

Q1 was an outstanding quarter for innovation at inContact. We significantly strengthened our cloud software platform, moving beyond core voice channels to include new types of customer interactions, such as mobile, social, trouble tickets, and CRM cases. This quarter, we have made major advances in what we built, what we bought, and how we partnered.

In February, we announced the market availability of a major release of our award-winning cloud contact center platform. A center point of the new release, our cloud Universal Queue, addresses a major pain point in the industry by enabling contact centers to harmonize their operations in a way that hasn't been possible in a traditional premise environment. The cloud Universal Queue creates a single integrated flow of multi-channel customer interactions, supporting all the ways that customers want to communicate with companies. This creates a superior customer experience, as well as a more efficient system for agents, and gives contact center managers a complete view of their entire operations. This multi-channel customer interaction management solution is extremely appealing to enterprise companies.

Our first release this year has been extremely well received in the market. Keith Dawson, Principal Analyst of Ovum Research, said, "inContact is leading the way in this market and this new release delivers strong value for their growing customer base."

Building on our multi-channel strategy during the quarter we expanded into the exciting areas of social and mobile, which are relatively new and untapped markets in the customer service arena. First, we announced a partnership with contact center social media specialists, SoCoCare, to enable Twitter, Facebook, LinkedIn, and Blog Post to be scaled, prioritized and routed by the inContact platform. This means that organizations can combine social cases with all other work items being handled in the contact center. Next, through the small technology acquisition of Silicon Valley-based Sierra360 we added powerful mobile capabilities to our cloud platform, delivering new ways to support connected consumers on virtually any mobile device. This acquisition gives us both the product IP and subject matter experts we need to deliver a compelling offering for mobile chat, click-to-call, and mobile co-browsing later this year.

In summary, this rapid pace of innovation and focus on new channels of communication helps our customers to future proof their contact centers. This gives inContact strong competitive advantage, provides revenue uplift with cross-sell and upsell offerings, and makes us a great fit for enterprise customers who require these robust capabilities.

As I mentioned earlier, the momentum of cloud adoption is increasing and we are experiencing success across a variety of vertical markets. I will highlight three verticals today, including business process outsourcing, financial services, and travel and hospitality.

inContact continues to be the solution of choice for business process outsourcers, or BPOs, who provide outsourced customer experience services. These companies are looking to cost-effectively scale to address new customers, campaigns and programs. As outsourcers, they have more rigorous requirements for flexibility, scalability and reporting than typical in-house contact centers, so the cloud is a very good fit for their needs.

In Q1, we won seven new BPO customers, including one that represents the single largest deal in the Company's history, once fully deployed. This leading global outsourcer selected inContact to streamline operations across multiple onshore and near-shore contact centers that operate round the clock in 18 different time zones. In addition, this service provider relies on over 5,000 highly skilled agents, who have industry and professional expertise and are particularly attracted to the opportunity to work from home. The company's highly specialized services include customer care and health debt support in a range of industries including banking, insurance, healthcare, utilities, government, telecommunications, and high tech.

We have also seen additional cloud adoption in the financial services market and added seven new customers in this segment during the quarter. Historically, financial service providers have been slow to refresh their technology infrastructure because of the heavy capital investment required with premise technology. Now these companies are being compelled to integrate inbound and outbound channels to proactively send messages on balances, fraud, and other alerts, and to provide a wide array of self-service options. For financial services, the inContact cloud platform provides seamless and consistent service across channels and site locations. Our software enables cross-sell and upsell opportunities and ensures that the right contact center resources proactively service the highest value clients, all while reducing operational costs and improving efficiency.

And finally, during the quarter we signed two new travel and hospitality service companies. Customer service is paramount in the travel industry where brand loyalty can be destroyed by poor service. These new travel service customers selected us to unify operations and simplify call routing across multiple call center locations. inContact's ability to handle multi-channel interactions and integrate with CRM systems gives us frontline agents the information they need to provide a high-quality experience, no matter how customers choose to connect, whether via voice, e-mail, chat, mobile, or social channels. Our cloud software enables the travel and hospitality industry to scale up according to seasonal needs and to deliver end-to-end connectivity, visibility, and reporting across all locations.

I'd like to now turn to our go-to-market strategy. As discussed on our year-end call, we have continued to grow our direct sales team to convert the opportunities generated by marketing and channels into closed business. We now have 38 quota-carrying sales people in the Company. Bill Robinson, our EVP of Sales, has improved the onboarding process for new hires, which now includes tailored training, as well as direct marketing and pipeline development programs, to get them productive quickly.

We continued to experience very positive momentum in our reseller channel during the quarter and approximately 19% of closed deals were a direct result of these relationships. We are encouraged by the reseller performance in Q1 and have continued this momentum into Q2. For example, with Verizon, we closed our largest channel deal ever with a financial services customer that has multiple locations and more than 1,000 agents. In addition, Verizon is proving to be a great channel to increase our government business, and we've seen success with state and local government deals in both Q1 and in Q2.

We also made progress with Siemens this quarter and closed our largest joint deal to date since the partnership began. In support of the renegotiated contract with Siemens that we discussed last quarter, our focus in Q1 was also to facilitate the onboarding of Siemens' new dedicated inContact sales team. Two weeks ago, we graduated the first five Siemens U.S. sales people who attended the new week-long sales training at our Salt Lake City headquarters. We are actively engaged in supporting Siemens' hiring of the additional committed sales heads in EMEA and will onboard these, as well.

Siemens' pipeline has improved over the past three quarters and we are confident in the traction they are beginning to achieve. Our combined pipeline of reseller deals continues to climb each quarter. Entering Q2, reseller deals are approximately 23% of our total pipeline, which is up 130% from just three quarters ago when we began to track this metric.

In summary, this was a great quarter for inContact. We have a clear leadership position in a market that is rapidly growing, and have the right innovative products that contact centers need to address their biggest challenges. We are winning in a variety of promising new vertical markets and are having increasing success in large enterprise deals. We have a strong and growing distribution channel to help us reach the broadest possible audience for our award-winning portfolio solutions. These factors give us great confidence in our strategy and in our guidance and growth commitments for 2013.

Now I'd like to turn the call over to Greg to provide additional details on our Q1 financial results.

Greg Ayers: Thank you, Paul. First I will recap the definitions for our two operating segments, software and telecom. I will then cover our Q1 operating segment and consolidated results, as well as other financial highlights.

Our first segment is the software segment, which includes all monthly recurring revenue related to the delivery of our software applications, as well as associated professional services and set-up fees. The software segment does not include any telecom revenue. For Q1 2013, I am pleased to report that our software segment revenue increased to $16.2 million, which represents a 31.5% increase, or $3.9 million over the $12.3 million in Q1 2012. Q1 2013 marks the tenth sequential quarter of software segment revenue growth. This increase was driven by the following three key drivers of our software revenue.

The first driver of quarterly software revenue growth is existing customer retention. Our software revenue retention for the quarter remained strong and was consistent with previous quarters at a rate above 92%.

The second driver of quarterly software revenue growth is the variable utilization of software services by existing customers. This metric fluctuates due to seasonality, customer service activities, and macroeconomic conditions, as well as the revenue generated from the sale of additional services to existing customers. The measurement of this revenue growth is similar in concept to the retail industry's uses of the same-store sales metric; in other words, it excludes attrition and new customer contract revenue. With these existing customers, we experienced the same 2% sequential increase in Q1 of 2013 that we experienced in Q1 of 2012.

The third and final driver of our Q1 software revenue growth is revenue from new contracts that are not yet included in the same-store sales metric. We closed 57 new contracts in the first quarter, 39 of which came from new customers, and 18 which were up-sells to existing accounts, where we expanded our footprint in agent seats, new locations, or additional software application offerings. We estimate the expected future value of these contracts will be approximately 51% higher than the total estimated annual contract value of our Q1 2012 bookings. As a reminder, we will recognize the majority of the incremental revenue of Q1 bookings beginning in Q3. Some of the larger deals that were booked in the quarter will be implemented in stages, with revenue coming later in the year.

It should be noted that Q1 software segment was impacted by approximately $120,000, due to a longer professional services revenue amortization period related to a positive increase in average customer life.

In Q1 2013, software segment gross margin was 60% on a GAAP basis and 72% with non-cash charges added back, compared to Q1 2012's 59% and 71% respectively. This slight improvement in GAAP gross margin is principally attributable to a leveraging infrastructure cost against higher levels of quarterly revenue. Q1's $9.7 million of software segment gross profit represents a Company record.

Our second segment is the telecom segment, which includes all voice and long distance services provided to both our telecom-only legacy customers, as well as to our software segment customers. Telecom segment revenue for Q1 2013 was $15.5 million, a $2.2 million or 16.7% increase over the $13.3 million in Q1 2012. The Q1 telecom segment gross margin increased to 35%. This increase from Q4 2012 is principally attributable to continued leverage from our telecom equipment investments. Telecom revenue generated by software customers continues to grow and for the quarter represented approximately 80% of total telecom revenue, up from 76% in Q4. Q1's $3.4 million of telecom segment operating income also represents a Company record.

Our consolidated results for Q1 are as follows:

Consolidated revenue increased to a record $31.6 million, a $6.1 million increase, or 24%, from Q1 2012. This revenue increase was driven by the growth in our software segment and software related telecom, and is the tenth sequential quarter of consolidated revenue growth. Now that the software related telecom revenue has grown to 80% of total telecom revenue, 90% of our consolidated revenue is either software or software related telecom, and for Q1 represented $28.6 million.

Consolidated gross margin percentage was 48% in the first quarter, compared to 44% for the same period in 2012. This meaningful increase in gross margin is principally attributable to improvement in the software segment through leveraging fixed costs, but the telecom segment also showed improvement in gross margin. Adding back non-cash charges, consolidated gross margin percentage was 55% for the first quarter, compared to 51% for the same period in 2012.

Operating expenses were $16.2 million, up 3.3 million from Q1 2012's 12.9 million. Approximately 43% of the increase came from higher levels of investment in software segment sales and marketing. The investment in sales and marketing has paid off over the past nine quarters as we continue to achieve year-over-year strong bookings.

GAAP net loss for the quarter was 1.2 million, or $0.02 per share, as compared to a net loss of 1.9 million, or $0.04 per share, for Q1 2012.

Adjusted EBITDA, which is a non-GAAP measure, is an important metric of our operating results, due to the significant amount of depreciation and amortization resulting primarily from previous acquisitions of software products, customer bases, network technology, amortization of capitalized software development costs, and stock-based comp.

Q1 2013 adjusted EBITDA was 2.2 million versus 816,000 during the same period in 2012. Although pleased with this result, it in no way indicates a change in our strategy to manage the business to approximately $4 million in adjusted EBITDA for the full year. We anticipate that adjusted EBITDA will fluctuate in the remaining quarters of 2013, as we make necessary investments in our business. Q1 marks the fifth sequential quarter that we've generated positive adjusted EBITDA and represents 17 out of the past 19 quarters that we've done so.

As of March 31st we had $44.8 million in cash and had access to an additional $12.5 million under our line of credit and term note facility.

Based on the strength of our Q1 results, we're able to confidently reaffirm our financial guidance for the full year: software segment revenues of between 71 million and 74 million; total revenue of between 135 million and 139 million; and adjusted EBITDA of 4 million.

In summary, we're very pleased with the Company's execution during the first quarter. We're off to a great start.

Paul and I will now turn the call over the Operator for Q&A.

Operator: At this time, if you have a question, please press star and one on your touchtone phone. You may withdraw yourself from the queue at any time by pressing the pound key. Again, it's star and one to ask a question, and I'll pause for a moment to allow questions to queue.

And we'll go first to site of Mark Murphy with Piper Jaffray. Please go ahead.

Mark Murphy: Yes, thank you. Congrats on a solid quarter. Paul, I was hoping to get some more texture around the larger enterprise deals that you mentioned. How large are the businesses? How many contact center employees do they have; and relating to that, do you see a new catalyst that is driving these larger enterprises to throw in the towel on the older on-premise technologies more rapidly than you've seen them do in the past?

Paul Jarman: You know, Mark, a couple things to that question. First of all, I am seeing larger companies have more confidence in the cloud, period, first of all, because they've had experiences in other verticals and other areas. Secondly, I am seeing that we can successfully, you know, sell and service and implement these larger deals, which also gives them more confidence as they start to work with us. I'm also seeing, where in the past these larger companies might have started with smaller seats and tested us, they're more willing now to start with larger implementations and put more commitment to larger parts of their business from the start. I think partly it's the dissatisfaction in the premise model or their particular premise providers, I think it's confidence in the cloud, and I think it's our ability and capability to show that we're capable to handle their business.

Mark Murphy: Great, and as a follow-up, I wanted to ask how important has your infrastructure advantage been just in terms of security and uptime? The hot swappable data centers that you've got, is that helping you to win in the competitive bake-offs or is it really more about sort of an evaluation at the user interface level?

Paul Jarman: You know, it's certainly both, because these companies, as they make an evaluation they look at "What are my risks and what are my rewards?" and our ability to go in there and talk about our redundancy, our scalability, our security, our uptime, and the different things that lower their risk is the first step; then, secondly, our ability to show them the opportunity for savings, better customer sat (ph), and, you know, the different channels, interfaces, and really the flexibility that is created through the cloud then is the other side to that.

Mark Murphy: Paul, what are you seeing in terms of pricing trends across the various business segments? Is there any directional change in the price perceived that you're realizing? If some of the larger providers are, you know, increasingly dissatisfied with the premise vendors, is there less of a—is it a less intense pricing negotiation that you're seeing?

Paul Jarman: You know, I haven't really seen any major changes in pricing, not significant pressure nor significant increase in what we can sell it for. What I would say is that what the larger players look for more is "What's my return on investment versus what's my TCL?" So, as we can effectively show them the advantages of self-service, of leveraging their employees, and that way they're less sensitive to price as we show them really the return of what they can achieve through using inContact. But, you know, it varies across the board, Mark.

Mark Murphy: Okay, and then just a final question for you. How would you characterize the deal pipeline and the coverage ratios here as you're entering Q2 and/or any comment on the pace of activity thus far in Q2?

Paul Jarman: Yes, you know, I mentioned a very nice deal that we won through Verizon in the talk, and it helped us have great start to the quarter. We feel very good about second quarter as well and, as I mentioned, are seeing really nice adoption.

Mark Murphy: Thank you very much. Appreciate it.

Paul Jarman: Yes, thanks, Mark.

Operator: We'll go next to the site of Mike Latimore with Northland Capital Markets. Please go ahead.

Mike Latimore: Great, thanks a lot. Nice quarter there. The last couple quarters you've given average deal size. Do you have that again for this quarter and maybe compare that to the first quarter of 2012?

Paul Jarman: It was about 60% higher as an average versus a year ago.

Mike Latimore: Okay. Do you have a …

Paul Jarman: You know, a nice increase.

Mike Latimore: Yes. Do you have sort of an absolute dollar number there?

Paul Jarman: We don't necessarily give the absolute dollar value, but, you know, like I said it's a 60% would be the increase over last year's average.

Mike Latimore: Okay, great. Then, how about—I know you have a little more flexibility to pursue channels in Europe. Maybe, can you give us an update on kind of European channel development efforts?

Paul Jarman: You bet. So, you know, we are still—we're actively working on some channels with Siemens and we're also actively working on some additional channel directly through our own self-processes and people. We've begun that process, we are in some conversations in that area, and have not announced any particular channel yet, but we have begun the effort and we are in conversations with some key people.

Mike Latimore: Yes. Then, just on the telecom revenue, this has been kind of in a mid-teens percent growth rate for a while. Does that seem like it should stay there for a while, or that might accelerate, or how do you think about that generally?

Paul Jarman: You know, it should stay in that area. Remember that as we sell through these in Europe or through Verizon, we don't include telecom, and then some of the cross-sell and upsell that comes from workforce optimization doesn't include telecom. So, you know, what we see is more and more of our telecom is associated to software, there's less negative attrition against it from the legacy, but we also see more partners in software that's sold without it. So, you kind of mix all that together and we feel like just kind of it stays steady where it's at.

Mike Latimore: Okay, great. Thank you.

Operator: We'll go next to the site of Jeff Vanrhee with Craig-Hallum Capital Group.

Jeff Vanrhee: Great, thanks. A number of questions. First, can you just touch on since Bill Robinson's arrival? You touched on it, but maybe expand on it, in terms of sales or changes, process structure, you know, what's new, what has he changed?

Paul Jarman: Yes, you bet. So, Jeff, we changed a few things. First of all, as I mentioned, we had streamlined our onboarding process. We brought one of our team leads on the quota-bearing sales team and put him in charge of onboarding and training, and have a very specific sales training curriculum today and process. We have done more targeted regional marketing, really a partnership with marketing and sales. We've also really done quite a bit of training and processes around how to work larger contact center deals and more enterprise-type companies. We also worked a lot in the areas of how we run the territories, how we do solutions selling.

And the other thing I would say is part (inaudible) and part the situation we're in is we're seeing more qualified people approach us to sell for inContact. We hired someone recently in the last couple of weeks who had been working for premise ACD companies for around 15 years, and approached us and said, "Look, I really want to move to the cloud. I'm not satisfied with the company I work for. Is there direction in the cloud?" And it happened to be a territory we were looking for and a nice fit for us, and it's good see us attract and bring in people like that.

Jeff Vanrhee: Got it, and what's the year-end goal for sales heads?

Paul Jarman: You know what? Our first goal was to get to right around 40. By the end of the year—remember that we split them a little bit between how we work with the partner team and the quota-bearing sales team, but somewhere between 45 and 50.

Jeff Vanrhee: And how would that break down, the 45 and 50?

Paul Jarman: That would—the 45 to 50 would be the quota-bearing sales people and then we've got about eight to 10 that would be in channel.

Jeff Vanrhee: Okay, okay. Then, you mentioned the improved win rates in the enterprise. Can you expand on that? Who are you—you know, first are you seeing any differences in the people you're seeing, but is there a concentration of particular vendors that win rate's improving on, or just expand on that?

Paul Jarman: You know, typically, the people that we win these from have been the legacy providers. You know, it would be the Avayas, the Genesys', the Siscos, or others that are providing that premise solution. What we're getting a little more of today is—it used to be they would say, you know, "We'll let you talk about it, but we really probably would go premise." We're seeing more and more opportunities where they'd say, "We prefer the cloud. If we feel good about what you can achieve, we prefer this over premise", and that's been a nice emotional change in the recent quarters. Then, then typically, you know, it's—on the cloud side it's been us, sometimes we've competed against Interactive to win that deal against a legacy provider or some others.

Jeff Vanrhee: Okay, and then just two last quick ones. I guess, Greg, I need you to just expand or revisit that Q1 hit related to the change—and I missed part of the that—a hundred, I think you said, 100,000, 150,000; and the last one was just on that Verizon thousand-seat deal, can you talk about the implementation cycle, how does that roll in?

Greg Ayers: Yes, so I'll take the first part. So the impact to Q1 revenue was a deferral of about $120,000 of professional services revenue. So when we turn a customer up, we are required by the accounting standards to amortize that implementation revenue over the estimated annual—or the estimated lifetime of a customer. As we get more experienced with customers, we are delighted to see that more customers are staying with us for a longer period of time. Unfortunately, that longer period of time means it's a longer amortization period, and so therefore as we transition from what we were—the period that we were amortizing professional services revenue over in 2012 to a new denominator in 2013, it meant about $120,000 didn't get recognized in Q1 that would've been recognized under the old method.

Jeff Vanrhee: And going forward, that dollar amount is a rough approximation of kind of the impact we ought to see with that new process is in place?

Greg Ayers: Correct.

Jeff Vanrhee: Okay. Then, just on the Verizon, the thousand-seat, what's the timeline?

Paul Jarman: So, Jeff, that will probably take us between—it'll start at about three months and take us up to nine to 10 months to finish it. What you see in these bigger companies is they go kind of call center by call center or department by department, so they stage them.

Jeff Vanrhee: So the thousand will roll in fairly linearly over that three to 10-month period?

Paul Jarman: I think that's fair.

Jeff Vanrhee: Okay, great. Thank you.

Operator: As a reminder, it's star and one to ask a question.

We'll go next to the site of Mark Schappell with Benchmark. Please go ahead.

Mark Schappell: Hi, good evening, nice quarter, and, Paul, starting with you, with respect to the recently acquired mobile capabilities, I was wondering if you could give us a sense of how you plan to go to market there. Will it be an add-on project—or excuse me, a product to your ACD backbone, or will this just be kind of incorporated into the existing products?

Paul Jarman: So we would have an incremental charge for those features and they would be an additional charge on top of the primary ACD product, so it would be additional revenue opportunity for us.

Mark Schappell: Okay, great, and then building on the private caller's question, you mentioned Verizon, the thousand-seat deal, your largest ever, you also mentioned a large deal—partner deal with Siemens. Is the Siemens deal close, as far as seats go, to the Verizon deal?

Paul Jarman: That was smaller. The Siemens deal would be more in the 300 range and the Verizon deal certainly was a large deal in the finance area and it was a great deal for us.

Mark Schappell: Okay, good. Greg, I was wondering if you could just review one more the time the $120,000 impact to software revenue. I didn't catch your complete comments there.

Greg Ayers: Sure. So when we implement a customer, we'll charge them for an implementation fee. The accounting standards require us to amortize or recognize that professional services implementation fee over what's calculated as the average life of a customer. So we were using a smaller denominator in 2012; we have a larger denominator in

2013. So as we have increased the average life of a customer, the calculation, it gives a longer amortization period. Therefore, the impact in Q1, relative to what we would've amortized professional services revenue into the income statement, reduced recognized professional services revenue by about $120,000. So it's just a flip-flop between what's recognized and what stays in deferred.

Mark Schappell: Okay. Then, finally, Greg, the 35% teleco gross margins in the quarter strikes me as being an all-time high. Is this sustainable? Is this a new level here for us?

Greg Ayers: Yes, Mark, I think it is. Between the—with regard to the investments that we made in Q3 and Q4 of '11, and the pricing improvement that we're receiving from carriers as a result of the volume, we should be able to stay in that 34/35% gross margin on teleco.

Mark Schappell: Great, thank you.

Operator: We'll go next to the site of Brian Murphy with Sidoti and Company. Please go ahead.

Brian Murphy: My question's been answered. Thank you.

Operator: And I'm showing no further questions in queue at this time.

Paul Jarman: Well, we appreciate everybody on the call today. We're excited about the quarter we just had and excited about the year and the opportunity we have in front of us, and we appreciate your interest and your investment, and thank you and have a great day.

Operator: This concludes today's conference. You may disconnect at this time and enjoy the rest of your day.