GlobalSCAPE, Inc.

Fourth Quarter and Year-end 2015 Earnings Call

January 28, 2016

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PRESENTATION

Operator:

Good day, ladies and gentlemen and welcome to the GlobalSCAPE Incorporated Fourth Quarter and Year-end 2015 Earnings Call. Please note today's call is being recorded. At this time, I would like to turn the conference over to Mr. Jim Albrecht, Chief Financial Officer. Please go ahead, sir.

Jim Albrecht:

Thank you, Operator. Good afternoon. Welcome to our earnings call. With me this afternoon is James Bindseil, GlobalSCAPE's President and Chief Executive Officer.

Before we begin, just a reminder that today's call, including the question-and-answer session, might include forward-looking statements regarding expected revenue, earnings per share, future plans, opportunities, and expectations of the Company. These estimates and plans and other forward-looking statements involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied on this call. These risks are detailed in our latest Form 10-K filed with the Securities and Exchange Commission on March 30, 2015, and in other statements made by the Company. The statements made during this conference call are based upon information known to GlobalSCAPE as of the date and time of this call. GlobalSCAPE assumes no obligation to update the information we present during this call.

With those Safe Harbor statements presented, I'll move to summarizing our financial results for our most recent quarter and for 2015 as a whole that we announced in a press release issued this afternoon. I'd like to begin by saying we are very pleased with our performance for the fourth quarter that resulted in revenue of $8.5 million, which is an 8% increase over the same quarter last year and the highest quarterly revenue in GlobalSCAPE's history. Revenue for all of 2015 of $30.8 million was an increase of 15% compared to last year and the highest annual revenue in Company history.

Net income for the quarter was $1.2 million which is a steady result compared to the fourth quarter of 2014. We are pleased with this outcome given our continued enhanced investments in new product development and expanded sales and marketing initiatives. Our net income for all of 2015 of $4.6 million was a 50% increase over net income for 2014. Earnings per share for the quarter was $0.06 which was the same result as for the fourth quarter of 2014. Earnings per share for 2015 as a whole was $0.22 compared to $0.15 for 2014.

These results were built on a broad base of sales. We believe these results are based on events of the type that we can reasonably expect to continue to replicate in future quarters. Each time we sell a software license, we typically create a maintenance and support recurring revenue stream that is anywhere from 20% to 30% of the price of a software license on an annual basis. With our high M&S renewal rate for our enterprise products due to our customer satisfaction with our products and support, this recurring M&S revenue stream continues to prove to be quite sustainable. Our M&S revenue for 2015 was 10% higher than the prior year. Combining net trend with the fact that our license revenue grew 17% in 2015, leads us to believe the prospects for continued growth of that recurring revenue stream are good.

Looking ahead, our outlook going into 2016 is for a sustained revenue growth in line with what we have achieved in 2015. We will continue our investments in product development, and sales and marketing initiatives with an expectation of achieving a net income as a percent of sales for 2016 that is consistent with our recent results. After paying a dividend to our Shareholders in Q4, we ended the quarter financially strong with over $19 million of cash and investments and no debt other than our normal trade payables.

I will now turn the call over to James for further observation and comments. James?

James L. Bindseil:

Thanks, Jim. Good afternoon, everyone and thank you for joining the call today. As you heard from Jim's comments, we had a very good close to fiscal year 2015 ending with the new quarterly revenue record and a new annual revenue record, surpassing $30 million for the first time in Company history. Looking back a year, we began 2015 with some excitement and had just gone from a period with minimal new license growth and turned it into a positive trend. We had some positive forward movement and a plan to continue that momentum and to make sure we were building an infrastructure to facilitate even better growth in the future.

Looking at the results for 2015, I am very pleased to say that we have done just that and that we believe we have set ourselves up for even greater future success. While growing 15% in revenue to exceed $30 million for the first time is certainly gratifying, what is even more exciting is that we have put the pieces in place that will enable our future growth all while meeting our short-term goals at the same time. Our 2015 fiscal year and Q4 performance once again demonstrate the momentum and predictability that we are working to achieve at GlobalSCAPE.

In addition to the $30 million in revenue, there are a number of other records that were broken last year that are worth reviewing. In Q4 we exceeded $8 million in revenue for the first time in Company history with our revenue coming in at $8.5 million. Our Professional Services has continued to grow and achieved the highest revenue in the history of the Company. These increases were built off of our normal run rate commercial business as opposed to single government contract as was the case seven years ago. Most importantly as an indicator for the health of the business, we had 23% year-over-year growth from new client bookings. It is important to note that this increase is larger than the 21% from last year, even with a higher bookings achievement and coming off of a prior record year.

All of us with GlobalSCAPE consider Q4 and 2015 as a whole, to have been very successful and we remain pleased that the changes we have made in our sales, marketing, and product development activities, are working as expected. We believe that the investments that we have made over the last two years continue to show their value and will continue to further mature in future periods.

Speaking of future periods, I'd like to shift focus to our efforts in 2016. Similarly to 2014 and 2015, we will begin 2016 with three key pillars that I will update you on as the year progresses. This year these three pillars are: continued innovation of our core products, expanding in to broader segments of the market; expansion and creation of emerging technologies into existing and adjacent market spaces; and continued evolution of enhanced demand generation including marketing, customer facing, and partner facing programs. As was the case in 2014 and 2015, continued innovation with our product lines remains a key pillar to moving forward as a Company.

To ensure that we maintain our current traction while also making sure we build for the future, we will be addressing the innovation in two different fashions. The first area of innovation and the first pillar is all about making sure that our core technology, primarily in the managed file transfer space continues to advance both in breadth and in depth. By focusing on the breadth of the product, we will be pursuing different segments of the market to make sure that we have proper offerings that meet the needs of small and medium businesses but also scale to meet the demands of the largest enterprises. This will require new features and packages to be released to these audiences and we believe that we will be able to capitalize on these advances for the foreseeable future. Increasing the depth by adding new features that further enhance the product will allow us to sell even more into our existing client base by helping them solve additional problems within their organization.

Two thousand and fifteen examples of innovation in our core technology include EFT work spaces which permits end users to collaborate more effectively in a peer-to-peer relationship without having to rely on central administrators, and EFT event rule enhancements which expands our capabilities with work-flow optimization and enhanced automation. We must continue to focus on our core technology to ensure continued success and we will do so.

The second pillar continues with product innovation but extends beyond pure MFT into adjacent segments and technologies. We have made investments in several opportunities with emerging technology and will be focusing this year on determining which areas of the business we'll be able to contribute to the future success of the Company, which we need to further mature, and whether there are areas that need to be expanded or contracted. As with our MFT products, we introduced a number of new releases in 2015 in our emerging technologies, including scConnect, which is an on-premises enterprise file synchronization sharing tool that provides secure content mobility for businesses and a release of WAFS 5.0 for greater scalability and stability in our tool used for geographically dispersed datacenter application. We will also remain alert for attractive opportunities to collaborate with others or perhaps combine other revenue producing technologies with ours to expand our product offerings and reach. As has been the case for the last two years, we would be releasing an updated product roadmap in the near future, outlining our intentions for the development of our various product lines.

The last of the three pillars will continue the drive a world-class execution of our demand generation efforts including sales, marketing, and the channel. We now have mature, proactive, and reactive lead generation programs in place that have resulted in the record revenues and bookings that we are proud of today. This year, our channel efforts will continue to focus on enabling our channel partners and engaging their customers and prospects. We will enhance our partner program to reward our partners who participate in our sales and technical certifications and drive new opportunities for GlobalSCAPE. Our marketing, sales, and channel demand generation programs, will continue to be a primary growth driver for GlobalSCAPE in 2016 and beyond. As in years past, I will update you on each of these three pillars during each of the subsequent earnings calls for the year.

Building deeper into some of the 2015 Q4 and fiscal year specifics, our EFT suite of products continues to perform very well providing 88% of our total revenue for the year. This was another very busy year for

EFT. As mentioned earlier, we added a new work spaces feature to EFT which widened it's client base, allowing it to be used by clients and businesses that are enabling distributed collaboration and administration similar to the outbound and conventional virtual data rooms but with the automation and simplicity that our users currently expect form EFT.

We also added a significant upgrade to our Event Rules, which is one of the primary drivers behind the success of the software. The enhanced Event Rules enable enterprises, both small and large to integrate EFT into their business work flows, enable them to be more efficient with less manual effort, and to more easily integrate into other systems within the client environment. For 2016, we have numerous advances scheduled around enhanced collaboration and the expansion of key automation tools into packages that can be leveraged by the small to medium enterprises as well. We will also be expanding our business insight tools with EFT to allow for deeper visibility and work flow management.

Associated with the success of EFT for the year, our enterprise solutions Professional Services Team had a record year in 2015 surpassing $2.2 million and accounting for 7% of revenue overall. This represents a revenue growth of 54% and is comprised of primarily commercial engagements. The indicators for the future are promising as well due to an increase of Professional Services bookings in 2015 of 67%. We also launched updated versions of the EFT Cloud services, which is greatly increasing demand for our hosted Cloud solutions as well. We released the WAFS version 5 in the latter part of 2015 and numerous incremental releases which provided a significant upgrade to the communications of the product to expand the number of agents that can be supported, increase performance and improve reliability of the communication. We have received positive feedback from our early adopters and we have also started to see interest in our laptop solution from our customer base. We will continue to update our software to meet the ever changing customer landscape and in 2016 specifically, we will continue improving the infrastructure to handle larger data source and enhance security and scalability.

We also, in a limited capacity, released scConnect which is our on-premises enterprise file synchronization sharing application to provide our customers with the mobile connectivity and user experience that they want with the security, visibility, and enterprise integration that the IT team requires. We have added a number of features requested by our early testers and will continue to gather feedback to complete this development activity. We believe this market will continue to grow and as the high visibility data breaches that have been connected to insecure file sharing methods over the last years have demonstrated, the need for an enterprise-grade on-premises mobility tool where the security of an organization's digital assets can be more closely guarded is greater than ever.

Lastly, our maintenance and support recurring revenue continue to grow and rose to approximately $4.3 million for the quarter and approximately $15.6 million for the year. As discussed in the past, while the recurring nature of maintenance and support provides a predictable stream of future revenue, we have been focused on driving greater license revenue as the higher percentage of our total revenue. Higher license sale yields not only higher license revenue, but also adds to our pool of recurring revenue stems as Jim pointed out. Virtually, every purchaser of our license also buys the maintenance and support contract.

During Q4, 49% of our revenue was from licenses and services and 51% from M&S. The ratio for the year was 46% for licenses and services and 54% for M&S. Our maintenance renewal rates for enterprise products remain in excess of 90% and we anticipate this recurring revenue stream to continue to grow in future periods.

In closing, I want to thank once again our partners, customers, Investors, and employees, for their continued support and trust in GlobalSCAPE. We remain confident that the world-class technology we develop, combined with the efforts of our sales, marketing, support and channel Teams, make our product, services, and customer care, second to none. Our focused Team continues to execute on our strategic plan as we identify all possible paths to accelerate potential growth in the year ahead and beyond. As we approach our 20th anniversary as a Company, we believe the best is yet to come.

At this point, I'll turn the call back over to Jim to start our question-and-answer session. Jim?

Jim Albrecht:

Thank you, James. We will now be pleased to take your questions. Operator, if you will open the call for questions-and-answers at this time.

Operator:

Absolutely. Ladies and gentlemen, the question-and-answer session will be conducted electronically. If you would like to ask a question today, you may do so by pressing star, one on your telephone keypad. If you are using your speaker phone, please release your mute function to allow your signal to reach our equipment. Again, that is star, one to ask a question. Your first question will come from Josh Nichols with B. Riley.

Josh Nichols:

Yes, hi. Is there any timeline for a full roll out of scConnect and any more details you could provide about some of the customer feedback that you've had so far?

James L. Bindseil:

Yes. Well, we don't have a definite time that we're prepared to announce on the call today but we have gathered some great feedback from our early testers regarding specifically some of the more consumer-oriented user experience like synchronizing files on the desktops so that they're available for offline use and some tighter integration with the authentication systems, things like that within the customer's infrastructure. So, we've actually gone through development cycles on that and we're actually entering another test base right now and we're expecting that those features will be well received and we're also expecting that there would be additional feedback that comes. So what we'll have to do is prioritize that feedback as it comes and then that will help us determine when we're actually going to launch it. We are expecting certainly to release in the not too distant future. We want to start monetizing this investment as well as everybody, but we just need to make sure that we've got all of the proper enterprise features in there along with the consumer user experience that the users are looking for.

Josh Nichols:

Great and then I was just looking at it, so you did mention one of the big pillars was some emerging offerings. I was wondering if you could provide some additional details about specifics regarding some of the offerings or at least some generalities as far as the area, the Company is focusing on?

James L. Bindseil:

So there is two different things that we can look out there. You know one of them is really in the first pillar expanding new offerings, is making some of our automation capabilities that are in our enterprise product also available to some of our small and medium enterprise customers and so that's going to be leveraging things that we've already done and going, once again using the language I did earlier, it's going to increase the breadth of customers that we can sell to and that can benefit from those features. So I think that's one area. But as far as the emerging, we have not disclosed any specific targets or specific technology areas that we're looking at but what we have told people in the past and I maintain that it's consistent today, is that we are looking at functionality to expand our secure information exchange whether that be adding capability that can be tied to the managed file transfer space that gives additional problem solving to our customers or whether it's a closely adjacent market space, is yet to be defined but it's—the areas that we're looking at in a very robust strategy planning effort is that if a produce that makes sense or the products that we have, the customers that we serve and the need that they have.

So I know that's a pretty big answer but we are—we're being very diligent to make sure that these are solutions that makes sense for GlobalSCAPE.

Josh Nichols:

The last question from me is so the Company is definitely been investing a lot more and changing the sales marketing focus than in the past and has some new product offerings that should help as well. What could you say about as you look to 2016 on topline revenue expectations or hopes?

James L. Bindseil:

We don't disclose our revenue projections beyond what Jim said a moment ago, which is to say that we are expecting our growth to be in line with the growth that we have experienced in this period.

Josh Nichols:

Okay. Thank you.

James L. Bindseil:

Thank you, Josh.

Operator:

Next from Stonegate Capital Markets, we'll hear from Marco Rodriguez.

Marco Rodriguez:

Good afternoon, guys. Thank you for taking my questions. Guess I wanted to kind of start from just housekeeping perspective here. The—your P&L has changed somewhat here and I see the note that you've included in your press release, but I'm wondering if you can provide a little bit more color here as to what drove this fairly different presentation and change as far as your numbers are concerned?

Jim Albrecht:

This is Jim. We appreciate that observation. We took a look at the manner in which we have been reporting our results, in particular, relative to what others would be doing in the marketplace and relative to how we are evolving the management of our business and we decided to offer an expanded view of our results of operations in terms of more granularity in cost of revenues and more granularity in the operating expense line. As a result, we think the presentation we're offering now is more robust, more transparent, and more indicative of what we're doing as a business. I do want to emphasize that all of these changes were just reclassifications within expenses. It doesn't affect the topline, doesn't affect the bottom line. Results remain the same as they've been in the past including—excuse me, including earnings per share.

Marco Rodriguez:

Gotcha. Understood that but it looks like you re-classed quite a few different numbers from operating expenses up in your cost of revenues and can you talk a little bit about what the driver was there?

Jim Albrecht:

Yes. As the business continued to evolve, we looked at the drivers, the cost drivers of a number of our endeavors, for example M&S, maintenance and support, as well as the development efforts we have going on for a lot of new products, and we thought it more indicative of our profile to include those in cost of sales. We did look at what those results are like relative to other people in the marketplace specifically software companies and we were very comfortable in being able to say that our margins remain very robust even when we look at them in this manner. They're highly comparable to others if not at the top of class relative to what other software companies are doing. So, no real change in the complexion of the business, just more transparency.

Marco Rodriguez:

Got it, appreciate that. Then kind of moving on here in terms of the performance in the quarter just looking at the software license revenue growth year-over-year in Q4, looks like it was down year-over-year. Can you talk a little bit of what happened there and any kind of color that will be helpful?

James L. Bindseil:

I'm not sure exactly what you're looking at but I do know that our software revenues were not down year-over-year.

Marco Rodriguez:

In the quarter? I'm trying to back in because you don't have a quarterly P&L so I'm trying to back into that number itself by using what you reported in this annual number. Maybe I did my math wrong.

Jim Albrecht:

This is Jim. You might take a second look at that and of course our 10-K will be coming out in the not too distant future which should give you more visibility to that but our growth profiles remain very strong. Our licenses as a percent of our total revenue have picked up a little bit, which is a good thing and even—and in addition to that, we continue to increase the recurring revenue stream in the form of maintenance and support which we think is a huge message for ourselves in the marketplace. So take a look at the numbers when we publish the 10-K and hopefully that will answer the question.

Marco Rodriguez:

Okay and then maybe we can talk a little bit about on the software licensing, the gross margin there just kind of looking at the numbers you've presented in your press release, it looks like the margin went down by about close to 600 basis points year-over-year. Can you talk a little bit about that?

Jim Albrecht:

You said specifically license or revenue versus cogs in total because we've not previously disclosed that but you know 600 basis points is not that much. Our margins on our software licenses remain very strong. Recognize we've done an enormous amount of new features and function development over the last 24 months and specifically the last 12 months and as we begin to roll those products out and we begin to recognize the cost of that development in our P&L. Yes, it might impact the margins a little bit but not materially and certainly puts us in a position to be able to create a handsome bottom line. So we are very comfortable with those trends. We appreciate the questions, Marco, with lots of people queued up here, why don't we go to the next caller, Operator.

Operator:

We'll take our next question from John Rolfe with Argand Capital.

John Rolfe:

Hi, guys, a couple of quick questions for you. One, just following up on the prior caller, I actually did just run through with your Qs and put the numbers and it does look like software licenses in the fourth quarter were down just very modestly $3.4 million versus $3.5 million in the year ago December quarter. The $3.5 million was really a big number compared to what you've booking before that but anyway, just thought I'd add that. So following up on some of the other questions as well, it's a little difficult to kind of do some comparisons here given the change in expense line items but backing into margins for the fourth quarter, it looked like operating margins did decline pretty significantly from the recent run rate. In recent quarters you guys have been at sort of 23%, 24%, and that dropped to about 18% this quarter. Can you give any further color? I mean, what—you know given that we can't really tie it out ourselves because of the reclasses, the reclassifications, I mean, what particularly was high on the expense levels in 4Q that would have taken those margins down?

Jim Albrecht:

So this is Jim. I would urge caution in trying to back into the numbers because we've—we have disclosed all of reclassifications on a comparative basis annual-to-annual. When the 10-K comes out, the quarterly numbers as reclassified will be available to you and you'll be able to do a fully embedded, fully examined comparison of numbers from quarter-to-quarter on an apples-to-apples basis relative to the way we're presenting it now. Our margins remain very robust. We've encountered no decline of any significance. We have been able to illustrate that our margins in our various product lines be it license, M&S, or pro services, do vary somewhat which is very common in the industry, very comparable to our competition. Our margins on M&S are extremely high. Our margins on licenses are just a tick below that and of course as one would think and predict margins on pro services are lower because they are very labor-intensive. So stay tuned for the 10-K that will come out. All those quarterly disclosures will be in there at that time.

John Rolfe:

Okay. So just—yes, go ahead.

James L. Bindseil:

Sorry, John. This is James. I will point out to you however that you are correct and examining Q4 when looking at a Q3 to Q4 from an expense perspective in that, we do in Q4, prepare ourselves for the next year. So we will bring on…

John Rolfe:

Okay.

James L. Bindseil:

Additional sales capacity and we'll do additional demand generation to start preparing for the next year. So there will always be a little bit of an increase in expense as you start winding down a year, and as you start gearing up for the next year. So, while everything that Jim just said is a 100% spot on, you know you are also correct in that there is going to be some additional expense because you're getting ready for—you know, you are closing out what you got but you are also getting ready for the next big goals as well.

John Rolfe:

Okay, that's fair and your comment earlier, you're sort of—I don't want to call it guidance because I know you don't give guidance, but you're sort of soft directional look that you would expect net income as a percentage of revenue going forward to be in line with the trends you've experienced recently. I assume when you say the trends you've experienced recently, you're kind of looking at the full year 2015. Is that the best way to look at it and not sort of on a quarterly basis since there is a lot of fluctuations quarterly?

Jim Albrecht:

Yes. This is Jim. Yes, absolutely.

John Rolfe:

Okay.

Jim Albrecht:

View it year-over-year, I guess.

John Rolfe:

Okay. Great and my last question it's a quick one and I've asked you this guys before, but it looked like you had the tax rate a hair under 30% for the full year. I think in the past, you've talked about that being impacted by whether R&D credits were going to you know come into play or not. Looking forward, you know is it fair to assume that assuming the sort of R&D credits continue and that sort of thing that you guys think you can keep that under 30%?

James L. Bindseil:

Well, you have to be a little careful because there is a little anomaly that is a perfect storm between Generally Accepted Accounting Principles and our friends on the Capitol Hill. The R&D tax credit was not extended for 2015 until Q4.

John Rolfe:

Okay.

James L. Bindseil:

So in the earnings report, we're not allowed if you will to book an R&D tax credit. The moment that went into effect and we're pleased to say and we all know it's now permanent, so this phenomena should never—I shouldn't say never, but shouldn't repeat itself but yes, there was a catch up in Q4 which I might add all of corporate America will experience…

John Rolfe:

Yes.

James L. Bindseil:

By virtue of being able to report that credit in Q4.

John Rolfe:

Okay but on the full year basis, in terms of the sub 30% range given that that credit's now permanent, barring any other unforeseen changes, do you think that sort of 30%-ish level is sustainable going forward?

Jim Albrecht:

I'll say we'll stay below the statutory rate of 34.

John Rolfe:

Okay.

Jim Albrecht:

The effective tax rate (inaudible) a little bit based on our R&D investment but I will say we get some nice benefit from the R&D tax credits. So it does work for us.

John Rolfe:

Okay. Okay, great. Thanks very much, guys.

Operator:

From LionGuard Capital Management, we'll hear from Andrey Omelchak.

Andrey Omelchak:

Yes, hi guys. I have a question with respect to the partner programs that you discussed in the last couple of quarters, if you could speak to any progress on that front?

James L. Bindseil:

I'm sorry, Andrey. I couldn't understand the question.

Andrey Omelchak:

I know you guys have a number of partner programs you are working on to try to accelerate the topline growth rate. If you could comment on any progress made, if any revenues came for those relationships this quarter and what do you expect for next year?

James L. Bindseil:

Certainly. Well, our partner programs really did great in the last year. We continue to grow. We continue to believe that we have not yet hit our stride. So while we certainly did benefit from those numbers and thus we were able to hit record bookings, record revenue across the board, it's certainly due in part due to the contributions by our channels partner and by our partners and resellers, but we do also know that there is a lot more progress that can be made and as I said earlier, we are actually continuing to enhance our partner programs, to have partner certification programs, and to have varying levels of partnerships where there's people where—that are just fulfilling orders for our software all the way to partners who are actually bringing the deal to us and going together as a joint team to our customers and so we are continuing to grow.

As we have disclosed, as you rightly said over the last couple of years, we started by identifying a bunch of partners. Then we started enabling them. We've got a very good group of partners now that are already showing value and we think that that value will just continue to grow and so, we are absolutely in the enablement phase and we expect that the contribution will continue to mature as we move along. So it's definitely good news and we expect that the good news will continue to come.

Andrey Omelchak:

Okay and my second question with respect to your potentially usage of cash. Now you have more than $19 million in the balance sheet. This second part of the growth objective to go for the adjacent segment and technologies, how much of that incorporates potential growth via the M&A versus the organic growth initiatives?

James L. Bindseil:

Well, we intend to grow our capabilities and as we've said in the past, we will examine all paths to that growth, whether that's building a capability internally, partnering with somebody, or acquiring some technology and that cash will certainly be a benefit in that where we're not really—we're not disclosing any M&A targets at this specific time but what we are doing is looking for what the right way to grow the business is and it is possible that that could be acquiring additional capabilities from other places. It could also be expanding capability inside (phon) and so it's really all about finding the right fit to meet our client's business needs and then moving accordingly. So as I said a moment ago, we're certainly going to be keeping our eyes open and we'll be looking for those opportunities we believe that we got ourselves in a good position, not just financially with the cash but also by building the infrastructure that we've been working so hard on for the last couple of years to make sure that we'd be able to support such a movement if that were to come to transpire itself. It's possible that it could be merger—it mergers and acquisition activity, it's also possible that it could be via some other growth vehicle but that's what we are going through the process of examining on an ongoing basis is just how do we grow and how do we want to grow.

So once again, that's a fairly vague answer but I have no targets to tell you about today. Only that we are examining the market and looking for the right places to grow and then we'll make the right choice with our cash at that time.

Andrey Omelchak:

Okay. Thank you.

Operator:

At this time, I would like to turn the conference over to Jim Albrecht for any additional or concluding remarks.

Jim Albrecht:

James and I would like to thank everyone for taking the time to join but most importantly, we appreciate your interest in GlobalSCAPE and your continuing support. We look forward to visiting with you after we complete Q1. Everybody have a great afternoon. Thank you.

Operator:

Ladies and gentlemen, that does conclude today's presentation. We do thank everyone for your participation.