

ICTV
Rich Ransom
ICTV Brands
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Operator: Good day, ladies and gentlemen. Welcome to the ICTV Brands Fourth Quarter 2014 Earnings Conference Call. At this time all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time. If anyone requires assistance during the call, please press * then 0 on your touchtone phone. As a reminder, today's call is being recorded.

I would now like to turn the conference over to your host, Ryan LeBon. Sir, you may begin.

Ryan LeBon: Thank you very much and welcome to our conference call to discuss ICTV Brands' Financial Results for Fiscal Year 2014. On the call today, we have Kelvin Claney, our Chairman and Chief Executive Officer; Rich Ransom, our President; and myself, our Chief Financial Officer. Rich will review the company's business operations and product initiatives, I will review our company's financials, and Kelvin will review the company's future growth strategies, and immediately thereafter we will take questions from our call participants.

I would like to take a quick moment to read the Safe Harbor Act. During the course of this conference call, we will make certain forward-looking statements. All statements that address expectations, opinions, or predictions about the future are forward-looking statements. Although they reflect our current expectations and are based on our best view of the industry and of our business as we see them today, they are not guarantees of future performance.

The statements involve a number of risks and assumptions and since those elements can change, we would ask that you interpret them in that light. We urge you to review ICTV's Form 10-K and other SCE filings for a discussion of the principal risk and uncertainties that affect our performance and other factors that could cause our actual results to differ materially.

With that, I would like to turn the call over to our president, Rich Ransom.

Rich Ransom: Thank you very much, Ryan. Good afternoon and thank you for joining us today. We are excited to have the opportunity to review the progress ICTV Brands has made in 2014 and give our shareholders an update on the progress we have made thus far in the first quarter of 2015.

During 2014, we legally changed our corporate name to ICTV Brands. I encourage you to regularly visit our new corporate site www.ICTVbrands.com for updates on our progress with all of our products. Other updates and 2014 highlights that we will further discuss on this call include: positive cash flow from operating activities of \$161,000.00; strengthening of the balance sheet and elimination of our note payable; record international third-party distributor sales of \$7.2 million in 2014; the roll out for new international markets for DermaWand in South America, Europe and Asia; increased fourth quarter sales of DermaWand in the U.S. Hispanic market; Derma Brilliance product launch and upcoming launch on the Home Shopping Network; a DermaWand retail updates; and updates on the launch of CoralActives, elastin-rp, and Jidue.

As we have mentioned on previous calls, 2014 has been a year of investment for ICTV Brands. This investment was a calculated decision made by our

management team and board with the goal of strengthening our current brands as well as investing in new products.

Some tangible results of this investment include the completion of a 100-person double-blind placebo clinical test on our flagship product DermaWand. We expect the results of this test to soon be published in an EU journal. The clinical test cost approximately \$200,000.00, but we believe the results will open up new markets for DermaWand in 2015 such as Japan and the United Kingdom, as well as opening new doors for DermaWand on U.S. live television home shopping channels.

We invested in a 31-person clinical study and long-form infomercial for the Derma Brilliance brand. Television marketing began on Derma Brilliance in the late fourth quarter of 2014.

We developed a new Spanish language DermaWand infomercial which launched in the fourth quarter of 2014 and has helped us reignite our U.S. Hispanic DermaWand campaign.

Clinical trials and production expenses incurred during 2014 on our CoralActives, Jidue and elastin-rp brands totaled approximately \$115,000.00. Marketing efforts on these brands have now all begun.

As we ended 2104, we had only the DermaWand brand on the market. As I speak to you today, I'm very proud to have five brands being actively marketed in the United States and several brands starting to be tested in various parts of the world. As we begin 2015, the real excitement of building these five brands is in front of us and the majority of the costs of bringing these brands to market are behind us.

I would now like to turn the call back over to our Chief Financial Officer, Ryan LeBon, who will detail our financial performance and earnings for the year ending 2014.

Ryan LeBon: Thanks, Rich. For the year ending December 31, 2014, our net sales were \$32.3 million compared to \$41 million in the prior year. The primary driver of the decrease in revenue was a decline in sales generated by the company's Spanish language version of the DermaWand infomercial, from 12.3 million to \$5.3 million. Additionally, as the company continues to develop and allocate additional resources and new products, the company reduces total media spend from \$12.7 million to \$10.6 million. We had record international third-party distributor sales in 2104 as we grew from \$4.7 million to \$7.2 million.

Gross margin percentage was 70% in 2014 compared to 72% in 2013. In 2014 we generated \$22.5 million gross profit compared to \$29.4 million. The decreases in gross margin percentage is a result of a higher percentage of total sales coming from international third-party distributors, which have a lower margin than our DRTV consumer sales.

Total operating expenses decreased to \$24.8 million from \$27.7 million as a result of the decrease in media spend and volume. Despite the volume media related decreases, the company had a number of increases due to our overall expansion of the company's product development and offerings. Specifically, these incremental investment increases include an increase in production costs from \$213,000.00 to \$831,000.00. Production costs are expensed when the marketing campaign commences. As such there is a significant increase in

2104 as the company launched a number of new brands which are not yet mature.

An increase in payroll and employee benefit-related expenses from \$929,000.00 to \$1.5 million. The company hired additional personnel in its sales and marketing departments, and took ownership of a number of areas previously performed by third-party consultants which will further benefit the company in future periods. An increase in travel related expenses centered around new product expansion and clinical trial tests from \$283,000.00 to \$529,000.00. An increase in non-cash share based compensation expense from \$724,000.00 to \$1.3 million.

Additionally, as the company continues to build the infrastructure to bring its products to traditional retail stores, the company incurred retail advertising expenditures consisting of promotional advertisements and numerous product packaging initiatives of approximately \$162,000.00 during the year ending December 31, 2014 compared to zero in the prior year.

Lastly, there was an increase in product development and clinical trial costs from \$196,000.00 to \$528,000.00 and this includes the clinical trial costs from items such as the double-blind placebo test in Europe that Rich previously mentioned and is expected to help us open up new markets such as the UK and Japan in 2015, as well as the additional product development costs for products that are not yet launched.

The net increase of all these incremental investment expenses total to approximately \$2.5 million in 2014. As a result of these factors, the company generated a net loss of approximately \$2.3 million compared with net income of \$1.6 million in the prior year. Loss per share was \$.10 compared to cents

per share of \$0.07 cents, and adjusted EBITDA loss was \$1 million to adjusted EBITDA of \$2.4 million.

As of December 31, 2014, the company had \$1.6 million in cash and cash held in escrow compared to \$1.4 million at December 31, 2013, which also takes into account the continued investment and expenditures on new product acquisition and development.

The company had working capital of \$1.9 million at December 31, 2014 compared to \$2.9 million in the prior year, which demonstrates our continued strong short-term liquidity. In addition, we generated positive cash flows of operations of \$161,000.00 compared to \$625,000.00 in the prior year.

Lastly, the company's convertible net payable was paid down or converted from \$393,000.00 to zero in 2014 and this now makes the first time that ICTV Brands is debt-free in our recent history.

Now I would like to turn the call back over to our President, Rich Ransom, who will provide some detail and update on our products initiatives.

Rich Ransom: Thank you, Ryan. While our revenue is down year-over-year, the trend is going in the right direction. For the three months ended December 31, 2014, revenues were \$8.6 million compared to \$6 million for the three months ended September 30, 2014, an increase of 43% quarter-over-quarter.

There are three key factors that caused the increase. First, the fourth quarter U.S. television response rate is better so we made a calculated decision to increase our media expenses in the U.S. market, which drove higher revenue. Second, we achieved record sales from our third-party international sales

channel of \$2.5 million in the fourth quarter compared to \$1.8 million in the third quarter. Third, we launched our new Spanish language creative in the fourth quarter of 2014 which helped to reignite our U.S. Hispanic DermaWand sales in the fourth quarter. The Hispanic revenues totaled \$1.5 million in Q4 compared to \$700,000.00 for the third quarter.

The even better news is that we did not start to actively marketing the new creative until about mid-November, so the increase happened over about half a quarter of active marketing. I have confidence that we are going to continue to see an upward trend in both our international third-party sales and our U.S. Hispanic DermaWand sales as we proceed through 2015.

I wanted to take a few minutes to discuss some new additions to the ICTV Brands team. As many of you know, we have worked for several years with a third-party vendor to help us manage the day-to-day task of our direct response marketing efforts in the United States and Canada. During 2014, our management team believed with our plan's for growth across multiple brands, it was prudent to build our own team of internal experts and become less reliant on the outsource staffing model, which was a variable cost model tied to our revenues. Allow me to briefly introduce to you some of the 2014 additions to our ICTV Brands marketing team.

Doug Crouthers, Vice President of Sales. Mr. Crouthers joined ICTV Brands in June 2014 and is responsible for managing all of the company's sales distribution channels, including international distributors in over 60 countries, as well as retail and live television home shopping sales. Mr. Crouthers has over a 25 years sales experience with 17 years in the Direct Response industry. He most recently worked with Applied Perceptions where he worked directly with ICTV Brands on the DermaWand campaign. He has also held a

title of Vice-President of Teleservices at Irwin Naturals and Vice-President of Sales at Tony Hoffman Productions.

Vince Dargush, Director of Operations. Mr. Dargush joined ICTV in July 2014 as Director of Operations and is responsible for overseeing the company's marketing operations by continually seeking ways to increase revenues through current and new channels while optimizing productivity. Mr. Dargush brings over eight years of experience in the Direct Response industry. Over the past five years while working for vendors of ICTV Brands, Mr. Dargush has worked on improving numerous frontend metrics on the DermaWand campaign through diligent AB testing, most notably increasing the average order value of a DermaWand customer by over 10%.

Nikki Kearney, Vice President of Marketing. Ms. Kearney joined ICTV Brands in December 2014 and is responsible for managing ICTV's marketing campaigns, including television, print and digital, as well as managing media operations across multiple agencies. Prior to joining the ICTV team, Ms. Kearney was Vice President of Client Services in Mercury Media's Philadelphia office and was responsible for overseeing the Client Services department with a focus on client management, program analysis and campaign development. Nikki also served as the Associate Director of Account Services at Direct Response Media, and prior to that was Marketing Manager for LA Weight Loss Centers.

With these staff additions, we have been able to drastically reduce our reliance on the third-party campaign management. We project that the shift in our model has a potential to give ICTV a cost savings of several hundred dollars in 2015. Our team now sits at 14 fulltime employees. I wish I had the time to give you a bio on every member of our group because each person brings a

tremendous skill set to our organization. I feel we have truly built an all-star team that puts us in a great position to grow the business in 2015 and beyond.

I would now like to take just a few minutes to update you on the five brands we are actively marketing, starting with our flagship product DermaWand. In the first quarter of 2015, DermaWand surpassed the \$100 million sales mark since we relaunched the U.S. direct-to-consumer campaign in late 2011. While we celebrate this amazing milestone, the most exciting thing for me as I think about DermaWand is the future.

In the fourth quarter, we got the final report on our 100-person double-blind placebo clinical test and the results were amazing. This report will open new markets for DermaWand in 2015. I also believe this report will help DermaWand get back on live television home shopping in the United States in 2015.

In fact as I am speaking to you today, DermaWand is making its first appearance on live television home shopping in North America since early 2013. The Shopping Channel in Canada is airing DermaWand four separate times today and I can tell you at this point in the day we've run three times and we are achieving very close to a sellout.

As I mentioned earlier, 2104 was a record year for international third-party distribution for DermaWand. As we entered the year, DermaWand had been sold in just over 40 countries; today, DermaWand has been sold in over 60 countries. Some highlights of the new markets selling DermaWand in 2014 include the majority of Spanish-speaking Central and South America, France and the Caribbean islands. In 2015, we have already received our first order ever from a new distributor in South Korea who will be launching

DermaWand in April of 2015. I am convinced that our 2014 international sales record of \$7.2 million will be a short-lived record as we forecast for over \$10 million in international third-party sales in 2015.

elastin-rp is a brand that introduces an exciting science into skin care, replenishment science. Each elastin-rp product contains the proprietary BioLastin Complex, a unique molecule that helps support collagen and more importantly helps provide serious elastin support for your skin.

In the first half of 2014, ICTV Brands tested elastin-rp with both a long-form infomercial and a five-minute spot. We began to gain some momentum with this product but unfortunately ran into an inventory issue that forced us to stop marketing elastin-rp. I am pleased to report that that inventory issue has been resolved and we restarted running media the week of January 5, 2015 on elastin-rp with the five-minute spot.

In February, for the first time elastin-rp began running in the U.S. Hispanic market. The TV offer is an initial 30-day supply of e-rp for \$39.95. Customers are enrolled into the e-rp continuity program and shipped a 90-day supply for \$39.95 per month.

To date we have approximately 475 people who have entered the e-rp continuity program. We are continuing to run media and we'll retest the 30-minute English infomercial beginning April 6th. The plan is to continue to monitor our continuity stick rate so we can determine exactly how much we can afford in media acquisition cost for each customer. We are very encouraged by what we are seeing thus far with elastin-rp as the return rate has been in the single digits and over 70% of customers are taking the second

shipment which are 90-day supplies. For more information about elastin-rp, please go to www.tryelastin.com.

CoralActives is a new product in the acne treatment and skin cleansing market. CoralActives contains over two times the active acne-fighting ingredient, benzoyl peroxide, of the leading brands while combining the natural anti-inflammatory benefits of Sea Whip Coral Extract. A direct-to-consumer radio campaign with former U.S. gold-medal winning Olympic star Shawn Johnson as spokeswoman for CoralActives launched in January. Unfortunately, the results of the tests were not strong and we have suspended the radio campaign at this point.

We have, however, been actively marketing CoralActives on the web, particularly in social media. We have over 10,000 followers on our CoralActives Facebook page and have gotten almost 100 people into the continuity program for CoralActives in 2105. We are currently evaluating our plans for a CoralActives television media campaign while expanding our digital marketing efforts. For more information about CoralActives, please go to www.coralactives.com.

Jidue is a facial massager that works through 18 uniquely positioned pulsating nodes which stimulate four key pressure points around the eyes to increase facial blood circulation and lymph flow.

In September we began testing a two-minute spot for Jidue in the United States and Canada. In December we completed a pilot clinical test and the results confirm that in addition to sleep benefits provided to the Jidue user that there is a statistically significant reduction in dark circles and bags under the eyes after 30 days of use.

Recently, we have met with EVINE Live, formerly Shop HQ, and they are very interested in airing Jidue on their live shopping channel. We're in the process of getting approved for a May launch for Jidue on EVINE Live. We also completed a long-form expansion to the Jidue spot for the international market in January. We have commitments from three of our key distributors in Italy, France and Australia to test Jidue and we believe others will also be testing it during 2015. For more information about Jidue, please visit www.jidue – and that's j-i-d-u-e.com.

Derma Brilliance is a cosmetic system in the growing skin polishing sector of the skin care device market. Derma Brilliance constitutes a razor/razor blade continuity model led by a handheld rechargeable device and optimized by a consumable micronized diamonds and garnet cream, both of which are patented.

During the fourth quarter of 2014, ICTV completed a long-form infomercial for Derma Brilliance and tested it in the U.S. market. Initial results showed some positive signs but the customer acquisition costs were higher than we had hoped. We have pulled down the television marketing efforts for now as we analyze the stick rate for the Derma Brilliance continuity customers.

In January, our team presented the Derma Brilliance skin care system to the Home Shopping Network. The buyers loved the product and have scheduled us for three live presentations for Derma Brilliance for April 7th. We will give you all an update on our first quarter conference call as to how those airings perform. For more information about Derma Brilliance, please visit www.dermabrilliance.com.

Now I'd like to turn the call over to Kelvin Claney, our Chairman and Chief Executive Officer, who will provide some details on our retail efforts with each of our brands and future growth strategies.

Kelvin Claney: Good afternoon. I want to start by thanking each of you for joining us on this call today as well as all of our faithful shareholders who have remained with ICTV through the successes and challenges we have experienced. I'm sure you'll all agree that growing a business from the ground up is not an easy task. I founded this company with two partners in 1998 with a dream of building a multichannel product distribution platform. I could not be more pleased with the team and the brains we have in our company now, and I'm especially pleased with the fact that for the first time in our company history, we have a debt-free balance sheet. As Mr. Ransom stated earlier on the call, the real excitement of building brands is in front of us and the majority of the capital investments of bringing these brands to market is behind us. There's a lot of work ahead but I'm confident we have the team in place to grow ICTV to a \$100 million-plus company over the next two to three years.

Now, let me just take a few minutes to update you on some of the specifics of our growth strategy. As we mentioned on our last call in November, we launched our flagship brand DermaWand in retail with Rite Aid during the fourth quarter. Rite Aid was the only retailer willing to make room for DermaWand during the coveted holiday season. We performed a national test with Rite Aid by placing DermaWand in the [ASC non-TV in cap]. Of over the 7,600 DermaWand shipped into Rite Aid, approximately 6,000 DermaWand sold between November and early January. We have mutually decided with Rite Aid to discontinue selling DermaWand in their [ASC non-TV section]. We will continue to pursue opportunities with Rite Aid as they arise in the personal care and beauty departments.

So what did we learn from the Rite Aid experience? First of all, we learned that there is a demand for DermaWand at retail. We believe 6,000 sales in just over two months prove that the brand is strong and well-known by the general consumer.

The second thing we learned is that DermaWand does not belong in the [ASC non-TV] department of retail stores. So as we proceed with our retail strategy for DermaWand, we're going to be much more selective with which stores and which departments within those stores carry DermaWand. To that end, I'm pleased to announce that our sales teams has been invited to the headquarters of BJ's Wholesale to present the DermaWand next week. I believe a store such as BJ's offers as great opportunity for DermaWand in the retail environment.

Finally, our retail experience with DermaWand has taught us that we should not wait as long to begin presenting our other brands to the retail stores. The process to get shelf space takes time. To that end, we had made a commitment to begin presenting our other brands to retailers now. Last week ICTV took a booth at the International Home + Housewares Show in Chicago. This is one of the largest retail shows in the world. Our booth featured all our current brands and the response from the retail community was tremendous, and currently Doug Crouthers, our Vice President of Sales, is working with our retail reps on follow-up and presentations of Derma Brilliance, Jidue, CoralActives, elastin-rp as we begin to ramp up our marketing efforts on each of these brands.

To support our retail efforts with DermaWand, on January 1 I oversaw the production of two of a brand new two-minute and five-minute DermaWand

television spots and we should have those shows really for testing, media testing late April, early May. We feel these short-form spots are very important to support our retail initiatives.

Another key area of growth in 2015 is getting all of our brands onto major live television home shopping channels. As Rich mentioned, we're scheduled to have Derma Brilliance on the Home Shopping Network for three live shows on Tuesday, April 7th. I'll personally be in the green room during these airings and look forward to seeing exactly what phrases and demonstrations make the phones ring. I'll be able to take this knowledge and [reiterate] it at the Derma Brilliance infomercial using the elements we learned from the live airings. This is the exact model we followed in 2011 when we incorporated our learnings from selling DermaWand on HSN into the DermaWand infomercial and I'm confident we'll be able to do the same with Derma Brilliance.

The completion of our double-blind placebo test for DermaWand was a huge accomplishment for ICTV in 2014. In addition to opening up new markets around the world for DermaWand, I believe this will open new doors for DermaWand in the United States.

One of these doors we believe may open soon is QVC. Mr. Crouthers has been in conversation with the divisional head of the beauty department at QVC and he has been invited to make a formal presentation at QVC Headquarters on April 15th. QVC has asked that in addition to expressly presenting DermaWand, they also want us to present all our beauty brands at this meeting. While this meeting is not a guarantee of QVC carrying DermaWand, the meeting itself is a huge victory as QVC declined such requests in the past.

DermaWand is also scheduled for airings on QVC Germany in May 2015 and QVC Germany has also expressed interest in airing Derma Brilliance and Jidue later this year.

Finally, I would like to give you a brief update on another project we are working on and have not begun marketing. On our recent call, so I have discussed with you two devices that we are branding as the Juvion Face Wand and the Juvion Eye Pen. Both devices use technology that combine the use of polarity ions, micro current, electro muscle stimulation, galvanic wave energy, and microwave vibration massage. These devices help improve the circulation of blood vessels to increase the composition of collagen and elastin. The devices are designed to be used with a polarized ionic serum which will allow us to build a continuity program around these devices. We're in the development phase with both products and include clinical trial costs of approximately \$61,000.00 in 2014. We will be presenting both of these devices to QVC in April and plan to begin our direct marketing efforts in the latter half of 2015.

As you can see, there is a huge opportunity before us. As we enter 2015, I can honestly say that ICTV is in a stronger position than any time in its history. I again thank you for all your support and I look forward to updating you throughout the year on our progress.

Now I'd like to turn the call back over to Rich Ransom, our President.

Rich Ransom: Thank you, Kelvin. I hope through this call you can sense our management team's enthusiasm about the future. We acknowledge that 2014 was a year of investment resulting in a net loss. While we never want to lose money, I believe today our company is in a much stronger position to grow than we

were a year ago. Kelvin, Ryan and I are committed to taking whatever steps necessary to return ICTV to a position of profitability. Thank you for your time today and your continued support.

Operator, we'd like to open the call to take questions.

Operator: Ladies and gentlemen, if you wish to ask a question at this time, please press the * then the number 1 key on your touchtone telephone. If your question has been answered or you wish to remove yourself from queue, please press the # key. Once again, ladies and gentlemen, if you wish to ask a question at this time, please press the *, the number 1 key on your touchtone telephone.

And we'll take our first question from Ken Wassermann.

Ken Wassermann: I think that the results are good even though there was a loss and I think that this year is going to be dynamic. I have a few questions and a suggestion or two, so bear with me. First suggestion is there's a lot of media that you're putting out and it will be very useful – I watched the media on the Home Shopping Network in Canada for the DermaWand today and it was very valuable to see how it is being presented and marketed, and I think if you let shareholders and the public access what you're producing, if there's a list of it where you can actually watch it on a website, it would be very helpful and I think if you listed when it was going to be aired, it would also be another way for shareholders to follow your progress. Have you ever given any consideration to that?

Kelvin Claney: Yes, actually. We are in the process of doing that. We will certainly get – you want a constant contact list or we have your email address, we'll be sending out...

Ken Wasserman: Yes.

Kelvin Claney: Yes, we'll be sending out the exact times of the Derma Brilliance presentation on HSN and we're going to start putting links onto our homepage so people can look directly at our infomercials and of course go straight to the archived shows on these various shopping channels. But really good suggestion, Ken. I really appreciate you thinking that way.

Ken Wasserman: Thank you. Question about the Jidue – which I'm a very big fan of, I use it very frequently – any movement on retailing that product?

Rich Ransom: Well, we actually did get a very small retail order out of Canada, about 500 pieces to a store that currently carries DermaWand. It's a store called showcase that is like an As Seen on TV store in the Canadian market. We are as Kelvin mentioned in his remarks, we are presenting it to retailers right now as well so there is some evaluation. I don't have any concrete information for you on the U.S. retail market but it's definitely something we're actively pursuing.

Ken Wasserman: Yes. Can you speak about the response at that Chicago show to the Jidue?

Rich Ransom: Yes, it was actually quite impressive. The show itself, the way we set up the booth, it was a very demonstrable show. So on one quarter of the booth, we had our Derma Brilliance product to give people a hand makeover, what we were calling on their hand, and then on the other end, we were giving instant eyelifts with DermaWand. But right in the middle we had a comfortable chair so people who were walking the floor at the show – and this is a massive show if you've ever been to it, it's exhausting walking around – we said come in

for your relaxation station and have a Jidue session and it was quite impressive. Everybody who tried it loved it. Actually, we presented it – I just got a little bird in my ear tweeted that we did present the product to Brookstone while we were at the show and they're taking a real consideration of it. That's kind of a niche store that I think Jidue would do very well and, so – The response was great. I think as we continue to grow our media, it will get a lot more attention and that will as Kelvin said we want to kind of parallel our media growth with presenting all of our products to retailers. We think that's important as we move forward because of the time it takes to get the commitment from the stores.

Ken Wasserman: Two more quick things and then I'll – [Laughter] I won't hog the show. The new model of DermaWand, when do you expect that to be ready?

Kelvin Claney: Actually, Ken, I've actually stepped on and put that on temporary hold and the reason why I did that was the unit is more expensive than the standard DermaWand and there's been a tremendous currency shift overseas. I mean, basically the U.S. dollar steamrolled every country by about 30%. So our international agents we told them there's a new one coming and it's going to be more expensive, so they've asked us just to hold off because they're all doing very well with the standard DermaWand.

The second issue is we are about to go on and present to QVC USA and we've been working on this I'm going to say for five years and now they formally asked us to present, and the worst thing you can do with QVC is give them any idea that there's a new model. Because the first thing they say is "Oh, we want the new model," and we don't want to do it that way. So we're just going to put it on temporary hold but it hasn't gone bad and I'm quite sure the

[greenback] weaken and all the currencies will come back into line and then we'll be right again.

Ken Wasserman: But in terms of the advertising or promotional brochures, those have been updated?

Kelvin Claney: I'm sorry, I don't...

Ken Wasserman: Well, in other words, the model itself is the same but say the brochure that comes with it, is that still the same or has that been remodeled our updated?

Rich Ransom: We've tweaked that over time and we continue to make adjustments to our insert material.

Ken Wasserman: Okay. Last thing and then I don't know how well you want to deal with this one, but how is Q1 going?

Rich Ransom: That's a very broad question. [Laughter] I would say from my perspective it's going quite well in the sense that as I said at the top of the call, we finally kind of hit our momentum with a lot of the other brands so we've consistently run media through Q1 on elastin-rp, albeit at much lower rates than were on the DermaWand campaign, but we have now close to 500 people in the continuity program. So we're really getting some good learnings from that which is key to the long-term growth of that campaign.

Today was a super exciting day in terms of being able to watch DermaWand back on live television. It's a channel that in all of 2014 we had zero revenue from so we've already exceeded that by quite a bit just today and as you can tell from the call, it's a big piece of our growth strategy for 2015 to get all of

our brands onto live shopping channels all around the world. The DermaWand campaign in the U.S. with the relaunch of the U.S. Hispanic, we've had quite a bit of revenue increase compared to the last couple of quarters, which has been very good to see at profitable levels. And the international sales have continued to grow. We launched our Latino media services. We had tested it in early first quarter and then rolled it out just a week ago, March 12th I believe it was or March 9th. So, we're starting to see a lot of momentum all around the world, pick-ups for DermaWand.

It's hard to believe that 20 new countries tested in the span of the last 15 months and we have Korea on the horizon, which has been a market since I have been here in 2008. I know we've been working and working and working to get into Korea. We actually got our first payment on our first container order for the Korean market yesterday.

So, it's exciting. I mean, it's a really exciting time for us knowing that we've got all these assets now and it's about tweaking and figuring out how to make those assets grow into substantial revenue and earnings, which is the fun part for me. I mean, Kelvin's done his hard work and now it's on me and my team's shoulders to make it happen, but I accept the challenge gladly.

Ken Wasserman: Well, I think you're going to do very well. Thank you so much for your patience in answering the questions. Good fortune. Take care.

Rich Ransom: Thank you, Ken.

Kelvin Claney: Thank you, Ken.

Operator: Once again that is the * and the number 1 on your touchtone keypad.

It looks like our next question is coming from [Jerry Zerkin].

[Jerry Zerkin]: Gentlemen, can you hear me?

Kelvin Claney: Yes. Yes, [Jerry Zerkin] or [Don Zerkin], who have we got?

[Jerry Zerkin]: Jerry, the good-looking one.

Kelvin Claney: Jerry. Are you calling from South America or are you back on the North American continent?

[Jerry Zerkin]: No, I'm back in Florida.

Kelvin Claney: Oh good, excellent, okay. Thank you very much. You are definitely one of our longevity shareholders, you and Don, and I really appreciate you hanging in there with us.

[Jerry Zerkin]: Yes and all I got to say fellas is don't give up as, you're right, as a long-term shareholder. I know it's been a long haul so I just congratulate you guys on all the progress you've made. I know it's been a challenge, so please don't give up and just remember the ox is slow but the earth is patient.

Kelvin Claney: Okay. [Laughter] We won't give up, Don, I promise you. And we really appreciate your and your brother's support. Thank you very much.

[Jerry Zerkin]: All right, fellas. Good luck with it.

Kelvin Claney: Thank you. The check's in the mail. [Laughter]

[Jerry Zerkin]: Yes.

Operator: We'll go next to John Grimley.

John Grimley: Hey guys.

Rich Ransom: Hello, John.

Kelvin Claney: Hey, John. How are you?

John Grimley: Good, good. First off, congrats on the progress. I've been following you for about two years now and clearly you guys have more fires in the burner and appear to be positioned better from a capital standpoint and knowledge and distribution partnership standpoint than you've been in the past.

On the capital front, I just want to clarify and just make – you guys clearly spent a lot of time investing last year to position the company for this year and into the future, how much more investment spending do you need to do – and to bluntly ask, do you have enough capital, or is your balance sheet in shape to fund the growth ahead for you, or do you need to raise capital at some point?

Rich Ransom: Yes, great question, John. We constantly ask that question internally and it seems like every time we ask it, the stock price starts to drop and we say, "At these levels we're not going to dilute the shareholders," of which all three of us are shareholders and don't want to dilute ourselves nor do we want to dilute anyone else. So we really have sat down, Ryan and Kelvin and I have sat down, looked very, very hard at our monthly expenses from an operation standpoint and we've made some adjustments.

I talked a bit about it in the script with the decision to hire our staff and not have the campaign management tied to our revenues anymore. One of the reasons we did that is we believe our revenues are going to continue to grow over the next couple of years and fixing those costs, we feel confident we have a solid base of business to cover them and over time we're going to save money by having the staff in place.

As I look at the cash flow and I see things like today happen with live home shopping, new international markets opening – which is as those who have been following us long know that they a very positive cash flow to our business and the projections are for that to continue to rise – to answer your question in a long, roundabout way, no, we don't need to raise money. We're actually already beginning to see as the fourth quarter has ended and we did ramp up our media, which is always a cash drain on us because we do sell our products on installments and a lot of our model is based on continuity, but there's a lot in receivables now that wasn't there at the end of the third quarter. So, we feel very confident that we don't need to get outside funding and that the cash flow is going to continue to improve for us.

John Grimley: Great, thanks and then just a follow-up question, what inning is DermaWand in? I always get that question from when I talk about ICTV and it's hard for me to answer. My sense is you're really just starting in some of these big international areas and once you hit the scale that DermaWand has, the life cycle can be pretty long from my experience, but I'd love to hear that from you and make sure I'm thinking about it the right way.

Kelvin Claney: Let me answer you that, John, seeing that I've been with DermaWand basically with the product since late 1999. First of all, about four weeks ago,

myself and Doug Crouthers were in Tokyo sort of finalizing our arrangements to get the product launched in Japan. That's just a massive market, it will be huge. It's very exciting that Korea has opened up. Again this is a very, very robust beauty market. And the double-blind placebo test is in front of QVC UK's quality assurance people right now so they'll give us a decision and I know the decision will be positive so we should be able to open that market up.

So there are so many international initiatives taking place but we really haven't scratched the surface here in the United States in retail and that's where there's going to be a huge growth potential, and the product itself we talk – Rich often talks about the razor/razor blade model. On the surface you don't think that the DermaWand is a razor/razor blade model but it is and the razor blade's a woman because a woman every day somewhere in the world thousands and thousands of women turn 60 or 61 or 65 or 45 or you know. Five years ago all the 40-year-old women looked in the mirror and said, "Oh, I look great." Five years later they say, "My gosh, I've got some wrinkles, I need to get a DermaWand." That's basically the continuity model is the population and you have to keep marketing it constantly and finding new areas to make them aware of DermaWand. That's another reason why we ran the – why Nikki Kearney and Rich organized the magazine promotion which is basically straight to this market. So, we feel pretty confident there's a long way to go with DermaWand, a long way to go.

John Grimley: Now that you guys have had success with DermaWand, it doesn't seem like you need a whole lot of new product even though you've got five that you're marketing today, but are you guys getting more access to interesting product; and as you guys look at product, are you only going to take – I mean my sense is you guys really want to stick to continuity programs, razor/razor blade

programs where with DermaWand there's creams that they sell, that people who buy DermaWand get the creams renewed and CoralActives you use up the product and you'd like to keep them renewing every month or every 60 days. So two questions: are you getting more looks at good products given your success, and just touch on the types of products you're interested in moving forward?

Kelvin Claney: I'll let Rich answer that one.

Rich Ransom: Yes. One thing that we've put in place since we've hired our new staff model is in the past, products would come in and it would really be Kelvin and myself kind of looking at them and saying, "Hey, is this something that makes sense?" I look at it from a financial perspective; Kelvin would look at it from a marketing pitch perspective. And that worked and we weren't getting that many products over the last, say, 2012, 2013. In 2014 and into 2015 we've been seeing a lot of products, mostly in the beauty realm and we decided we needed to have more perspective.

A couple of calls ago, I think Ken made a very good point to us that we're a bunch of guys trying to sell to women. So we really I think as we look at product and our main audience is going to be women, we wanted to make sure we had women's perspective on what we proceed with, "Is this something that women would want?"

So we formed a new product committee and it consists fix of us in the organization: myself and Kelvin are on it as well as Doug Crouthers and Nikki Kearney and one of our young producers, Kim Bicknell, and Kelly Willett who's one of the original partners with Kelvin in the company. Now we just had another meeting this week, we had 14 products to go over. Not all of them

were in beauty but most of them were in the beauty or wellness space. Our approach as we move forward is going to be how can we with the marketing engine that we've built bring these products to the market in the most cost efficient way? How can we test them in a low cost way to determine if they're valuable to then shoot an infomercial?

One of those ways is we have a list of almost a half a million people that are active that we can email market to. So, as we have launched some of these new brands, I talked about elastin and CoralActives doing some digital marketing on, we've been sending regular emails out to our community of DermaWand buyers and seeing quite a response on purchasing of the new products. We want to do that as new products come in. If the people that have the rights to the products are willing to give us the ability to test to our core group, we want to do it. If we can take over digital marketing, which is a much lower cost to entry, we want to do it. If we can get rights to present to live home shopping channels – because one of the things we're realizing is we're a lot more attractive to them now with DermaWand because we have four other brands that they could potentially look at.

Same with retailers. Retailers, one of the road blocks we've run into in the past with DermaWand is “You're a one product company and that doesn't work for us, we need multiple skews.”

So we love to, you know. We're not going to rush. In the past our model was always launch with television. I think our philosophy is now much different and we want to be able to launch in the digital realm to our current customers potentially through live home shopping, and a lot of the products we'll test in 2015 will be determinant on if we can strike deals with people that are willing to allow us to take that approach first. Hopefully that makes sense.

John Grimley: Yes, that makes sense. The last question, what are the odds that you guys are able to find or create another DermaWand type product as far as sales volumes go in the next three years?

Kelvin Claney: I'm going to answer that one.

Rich Ransom: Okay. [Laughter]

Kelvin Claney: I personally believe that Derma Brilliance will be bigger than DermaWand. So you can record that statement and if I'm wrong, you can nail me to a cross, but that's my position and... [Laughter]

John Grimley: I'm not trying to put you on the line for any individual product. [Laughter] It can be any product.

Kelvin Claney: Yes. So I really feel that we're going to create a huge brand with Derma Brilliance. These two other devices we've been working with are also exciting, but Jidue, I think Jidue's got huge potential. I mean if you had been at the show, John, and seen [Laughter] the reaction of the people to the product, I mean we just have to figure out how to craft the message, how to get the responses, how to get it out there. That's basically it.

John Grimley: For what it's worth, I have a Jidue and I use it I have any time trouble sleeping and it does, it helps a lot, so. It's a great product.

Kelvin Claney: Yes.

Rich Ransom: You used a baseball analogy earlier, John, and I would say for us – I mean, in baseball if you hit 3 out of 10 hits, you're in the Hall of Fame. I think in our industry, if you hit 1 to of 10 hits, you're in the Hall of Fame. So for us, having five cracks at the plate right now is important. We need to take more and we will strategically do that, but I'm with Kelvin. I believe the brands that we have having been at the Chicago Housewares Show, seeing the response of people who use it for the first time, it's really just us figuring out exactly how to get that message to the masses. The products are good and once we get the pitch exactly right, I think they'll sell very, very well.

John Grimley: Awesome. Thanks, guys.

Rich Ransom: You got it, John.

Kelvin Claney: Thanks, John.

Operator: At this time there are no other questions in the queue.

Rich Ransom: Okay. We're going to wrap up the call if there's no more questions and I want to thank everyone for joining today and let you know that we will be announcing our first quarter conference call which will be sometime in early May of this year. So we look forward to coming back with another update in about 40 days or so.

END