

**ICTV**  
**Rich Ransom**  
**ICTV Brands**  
**11/09/15**  
**4:30 pm ET**

**Operator:** Good day, ladies and gentlemen, and welcome to the ICTV Brands Third Quarter 2015 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 telephone. 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 the quarter ended September 30, 2015. 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 give updates on the marketing progress of our brands. I will review the Company's financials, and Kelvin will review the Company's future growth strategies. Immediately thereafter, we will take questions from our call participants.

I'd like to take a quick moment to read the Safe Harbor Statement.

During the course of the 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 performance 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 SEC filings for a discussion of the principal risks 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, Ryan. Good afternoon and thank you for joining us today. On today's call, our management team will give you some details around some of the challenges ICTV faced in the third quarter and plans we're putting in place to address them. Some of the items we're going to discuss in further detail on today's call will include a recent completed capital raise of \$1 million, updates to our direct-to-consumer business, digital marketing plans moving forward, international third party distributor updates, the launch of two DermaWand Spa locations, and updates to the product pipeline and growth strategies for the rest of 2015 and beyond.

The third quarter is always our most challenging quarter of the year due to lower response during the summer in the United States and slower sales from our international distributors, particularly in Europe which face similar summer response challenges as we do in the U.S. Typically, we start to see the bounce-back in September. However, this year, that would not happen. In a few minutes, I will give you more details around why we believe we did not see the bounce-back and what our plans are to adjust so that we're able to provide consistent profits moving forward.

Now, I'll turn the call back over to our Chief Financial Officer, Ryan LeBon, who will detail our financial performance and earnings for the third quarter ended September 30, 2015.

**Ryan LeBon:** Thanks, Rich. Revenues for the three months ended September 30, 2015 were \$3.6 million, compared to \$6 million in the prior year quarter. The primary driver of the decline in sales was that we reduced the amount of airings of the DermaWand infomercial as we allocated more resources to our products still on the rollout phase.

Additionally, as a result of the timing of quarter-end international shipments coupled with the impact of both the appreciation of the U.S. dollar and seasonality with our third party distributors, third party distributor revenue declined to \$613,000.00 from \$1.8 million in the prior year quarter. Gross profit margin of 67% was realized in the third quarter which decreased from 68% in the prior year quarter as a result of changes in the product mix, as well as additional live home shopping sales.

Total operating expenses decreased to \$3.2 million from \$4.7 million. When comparing the third quarter of 2015 to 2014, significant quarterly decreases include media expenditure decreases of \$562,000.00, share-based compensation expense decreases of \$203,000.00, consulting expense reductions of \$141,000.00, a bad debt expense decrease of \$104,000.00, and product testing decreases of \$60,000.00. Net loss for the third quarter was \$822,000.00, compared to net loss of \$502,000.00 in the prior year quarter, which resulted in EPS loss of \$0.03 per share, as compared to a loss of \$0.02 per share.

Adjusted earnings before interest, taxes, depreciation, and amortization, adjusted EBITDA was a loss of \$663,000.00 as compared to an adjusted EBITDA loss of \$162,000.00 for the third quarter of 2014.

Revenues for the nine months ended September 30, 2015 were \$19.7 million, compared to \$23.7 million for the prior year period. Gross profit margin was 68% compared to 71% as a result of the aforementioned changes in product mix and increased live home shopping sales. Total operating expenses decreased to \$14.3 million from \$17.6 million.

When comparing the nine months ended September 30, 2015 to 2014, significant year-to-date decreases include media expense decreases of \$1.2 million, consulting expense reductions of \$539,000.00, share-based compensation decreases of \$464,000.00, and product testing decreases of \$225,000.00.

Net loss for the nine months ended September 30, 2015 was \$806,000.00, compared to a net loss of \$858,000.00, resulting in an EPS loss of \$0.03 per share as compared to a loss of \$0.04 per share. Adjusted EBITDA loss was \$314,000.00 as compared to \$86,000.00 for the nine months ended September 30, 2014.

As of September 30, 2015, the Company had \$876,000.00 in cash and cash equivalents compared to \$1.1 million at December 31, 2014, and working capital of approximately \$1.7 million compared to \$1.9 million at December 31, 2014. Additionally, the Company continues to have no debt obligations.

Finally, I'd like to inform you of our recent capital transaction. On October 30, 2015, the Company completed a private offering in which a total of \$3,333,334.00 shares were purchased for gross proceeds of \$1 million. No warrants were issued and no underwriting discounts or commissions were

paid. As part of the offering, we agreed to register the shares and the offering will be used for funding opportunities we have for the promotion and sale of DermaWand, CoralActives, Derma Brilliance, and our Jidue portfolio of products. Based on our current rate of cash outflows and our cash on hand, we believe that our current cash will be sufficient to meet the anticipated cash needs for working capital into the fourth quarter of 2016.

Now, I'd like to turn the call back over to our president, Rich, who will outline a number of our marketing and strategic initiatives for the remainder of the year.

**Rich Ransom:** Thank you very much, Ryan. Unlike our last several calls where I walked through details of what we're doing with each brand, today I would like on a macro level to take you through some of the challenges we face and what our plans are to address them.

During the Q&A portion of the call, if you have specific questions about what we are doing with one of the brands, please ask.

One of the major challenges we have been facing are that several new large brands have entered into the U.S. direct-to-consumer space. Two that you are probably aware of are DraftKings and FanDuel, two online fantasy football websites that allow participants to play each week for cash prizes. Normally, large brands entering the remnant television space will typically buy short-form media to build brand awareness such as two-minute or 60-second spots. While these brands did buy quite a bit of time in that space, they also entered the long-form media space as well. The result of this was that for the first time in the five years that I have been overseeing the DermaWand media campaign, we began getting preempted from our solid working media due to overbidding by both of these larger brands and other DRTV marketers

competing to clear time. The time we have been able to clear has now increased by anywhere from 20% to 80% of the rates we're paying during the same months last year.

One specific example of the media rate increase that we have experienced is on one of our strongest U.S. Hispanic stations, Univision. Last year, during September and October, we were able to purchase a 30-minute slot on Sunday morning for around \$24,000.00. This airing would typically return [\$2.2 million to \$2.5 million] in revenue for each dollar spent at that rate. Today, that same time slot is \$40,000.00 and one of the two slots on Sunday mornings has been secured for the whole fourth quarter by FanDuel. At this media rate, we're unable to be profitable at these types of high profile airings.

What is our plan? The first thing we have done is scale back our TV advertising and are running mostly local broadcast airings that have not been as affected by the rate increase. The second and more exciting area that we have been focusing on is the digital marketing space. Our team has made great strides in broadening our online advertising footprint on platforms such as Facebook, Instagram, Google, Twitter, and Amazon. We're starting to see success in generating profitable sales from these platforms. Currently, about 25% to 30% of our weekly media budget is spent online which is up significantly from only a few months ago.

ICTV Brands is at a crossing point. The history of our company is based on using television as a primary platform to generate brand awareness and sales. It was a very profitable platform when television was the primary way people consume their media and when remnant media time was a fraction of the cost that it is today. Today, North Americans are watching far less television and if they do, a good portion is in the format of Netflix, Hulu, or Amazon Instant Video. While television viewership and the cost of media has changed, the

principles of direct response marketing still hold true. The challenge that faces us today at ICTV is translating those principles into the new digital world. While we are at the beginning of this transition, I am excited about what I'm seeing from our team and the successes we're already achieving.

I'm also excited about what this means for our ability to bring new products to market more quickly than we have in the past. Branding through television requires significant time and money to produce and bring a commercial ready to test. With a company the size of ICTV, this limits the number of new products we can bring to market each year. With digital advertising, everything moves at a much faster pace and with much less upfront cost.

For example, if we have a product brought to us now, for the cost of a couple of thousand dollars to set up a microsite, we can be ready to launch a digital marketing campaign across five or six major platforms. From a creative standpoint, we're able to use stock images and product shots and quickly change the pitch with just a few keystrokes.

As we look beyond the U.S. and Canadian markets, we don't see the same challenges in the international distribution. Many markets in Europe, Asia, South America, and Latin America are still far behind the United States in their e-commerce marketing. In fact, one of our major distributors of DermaWand still does not even put a URL on their infomercials, only a telephone number. While we know in time this, too, will change in other markets, there's still a tremendous opportunity for ICTV to use our knowledge of selling through direct response television to source product and [to shoot] television creative for our network of international distributors.

In a few minutes, I will turn the call over to Kelvin who will give you more details on some exciting projects he's working on for the international market.

The last topic I want to touch on is our plans for North American retail distribution. Those of you who have followed us for a while know that opening up traditional brick-and-mortar retail for our brands has been a goal of ours at ICTV for some time. Over the years, we have found that dealing with larger retailers is not very easy and when we have gotten a chance to put our products on the shelves, the margins are very tight and the products have not been featured in such a way to give them the best chance of success. Starting this November, we have decided to take traditional retail into our own hands by launching two DermaWand Spa locations: one in King of Prussia which is right around the corner from our corporate office, and the other in Sherman Oaks, California which will be overseen by our Vice President of Sales, Doug Crouthers, who lives close by.

The concept of DermaWand Spa is a pop-up retail site within a mall setting. The spa allows shoppers to take a break, sit down, and get a free spa treatment featuring many of ICTV's core products such as DermaWand, DermaVital, Derma Brilliance, and Jidue. The spa will have a try-it-before-you-buy-it feel and will give shoppers who may have seen or heard about our brands before the chance to experience them before they buy them.

The two spa locations both launched last week will run through the end of 2015. Assuming they're successful, the plan is to replicate the model in other locations around the United States. We also plan to use many of the digital sales platforms I mentioned earlier to serve up geo-targeted advertisements to give out coupons and drive traffic into the spas.

In addition to the DermaWand Spa initiative, there are still a few strategic traditional retail opportunities that we are pursuing. As many of you know, Quebec has been a strong market for DermaWand for the last 18 months. We have recently secured a deal to take DermaWand and some of our DermaVital

products into several boutique retailers throughout Quebec, the largest of which is called Jean Coutu. Jean Coutu has about 360 doors throughout Quebec and we expect DermaWand can do very well in their stores.

In regard to traditional U.S. retail, our focus has shifted to getting on many retailers' dotcom sites where we can drive online traffic to those retailers. We have shipped our first DermaWand order into Bed Bath & Beyond and DermaWand is currently available for sale on Bedbathandbeyond.com. We're also in the process of working with Walgreens to get CoralActives on their website and Walmart is willing to put all of our brands on their website. We're finding the online environment with retailers to be a much easier way to get in their doors. Our hope is that as we move product off their sites quickly that they will be coming to us to put our brands on their shelf.

Now, I would like to turn the call over to Kelvin who will discuss some new products we are working on for the international market, as well as update you on some successes we are having with many of our current brands in the international space.

**Kelvin Claney:** Thanks, Rich, and good afternoon. I want to thank you each of you who are on the call today.

Over the last 15 years that I've been with ICTV, we've faced many challenges and each time those challenges have forced us to make changes that ultimately have made ICTV a much stronger company, and I'm very confident in our team and the plans that we put in place which I truly believe will lead to sustainable earnings and long-term growth for ICTV.

Let me make it plain to you that the international market is not facing the same media issues that Rich has just described that we're experiencing in the U.S. In short, the infomercial business is very much alive and well in the

international market and we mean to aggressively pursue it during 2016. Let me give you an update of some of the international initiatives that are underway.

First, I want to tell you that the updates on DermaWand, as it relates to both United Kingdom and Japan, in the UK after corresponding back and forth with governing body Clearcast, we have submitted what we hope to be our final response to their claims concerns. We had the clinical facility that performed our double-blind placebo test for DermaWand write a response addressing the last round of claims concern from the Clearcast consultant. I can see the light at the end of the tunnel and I believe that we'll be able to be on air with DermaWand in the UK during the first quarter of 2016.

In regard to where we stand in getting DermaWand into Japan, our electrical engineer, who we've contracted with to help get DermaWand to pass the EMC requirements and get S-Mark certification for Japan, believes he has solved the issue. Billing materials has been sent to our factory and they are in the process of sourcing what we need to build a new circuit board. Once that is complete, we'll submit the DermaWand with a new circuit board to TUV for testing - TUV Japan, that is, for testing and certification. That process will take about three to four weeks once the unit is submitted. Assuming we pass, which we really are quite confident we will, DermaWand could be sold in Japan as early as the first quarter of 2016. However, it's more likely to be the early part of Q2.

Moving on to Derma Brilliance, we announced in our last call that our distributor in the Philippines was testing Derma Brilliance. I'm pleased to report that the test was a huge success. We have a new order in from the Philippines and there are other distributors now wanting to test because of the Philippine results, and those operators include a test about to take place in

Mexico. United Kingdom has ordered a product for a test and then other countries - Japan, France, and Italy - are right in the process of getting ready to do tests as well. We believe Derma Brilliance can be a big international hit for us in 2016 and beyond as it will be our first brand sold overseas that has a natural razor blade model.

In September, we were very excited to have Jidue featured as a top four beauty gadget on the Wendy Williams Show. We're on the process of pursuing other PR opportunities for Jidue and of all the brands we have in our portfolio, Jidue certainly seems to create the most buzz. Last quarter, I also discussed our production plans for a new Jidue long-form infomercial. We have begun the production process and should have [that share with you] a test by the end of the year and certainly at later sometime in January of 2016. We're very confident that Jidue will be a very big success all around the world.

In addition to Jidue, we have two productions that we're working on specifically for the international distributors. The first is an exercise product we are branding called Spin Force. Spin Force is an exercise product focused on core body workout. In October, at our largest annual industry conference in Las Vegas, our Vice President of Sales Doug Crouthers showed samples of Spin Force to all our international distributors who attended and across the board every one of them wants to market the product. We're in the process of producing a show for the international market. I believe that show will be ready for testing sometime in early July 2016. While we don't plan to run media in the United States, I do believe this product will be well received by live home shopping channels and Rich and his team will be aggressively marketing Spin Force through their digital platform as well.

The second international product that we're all very excited about is called the Ultimate Pedi by DermaWand. As many of you know, the at-home pedicure market has grown over the last year with products such as PedEgg, Amope, and Perfect Pedi. Our Ultimate Pedi has several unique features such as a jewel side and reversible attachment head that allows the user to easily switch from the coarse treatment that removes dead skin around the heel to a buffing pad to make the skin smooth and shiny. The Ultimate Pedi by DermaWand also has a 20% stronger motor to that of our competitors and comes with a built-in light to help the user better see what they're doing. We also showed samples of the Ultimate Pedi to our international distributors and we're already beginning to receive advanced test orders. Our goal is to complete the Ultimate Pedi Show by the end of 2015. However, we should have some good [eval for] sale in the U.S. before the end of the year at the DermaWand Spa locations and through Rich and his team's digital advertising platform.

Again, I want to thank all our shareholders for your support and I'm very excited about the plans for 2016 and beyond, especially in the exciting digital space that Rich and his team are focusing on and developing unique marketing strategies for. I know we have faced some adversity over the past few months but through it, I believe our team is setting up a plan that will not only get us through our current challenges but will lay a foundation for a much stronger business and more profitable business for the years to come. Thank you again for attending the call and I'd like to turn the call back over to Rich for some closing remarks.

**Rich Ransom:** Thanks, Kelvin. In conclusion, as you've heard today, we're in the process of making some adjustments to our short- and long-term strategies for growth. I'm highly confident that we have the right team in place, the right products in our pipeline, and the capital we need to execute our plans as we grow ICTV into a consistently profitable and growing business in 2016 and beyond.

Operator, we now like to open the call and 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 the queue, please press the # key. Once again, ladies and gentlemen, if you wish to ask a question at this time, please press the \* and the number 1 key on your touchtone telephone. We will just pause for a moment to allow questions to enter the queue.

It appears we have no questions at this time.

I just received a question from Mike [Travis], private investor. Please go ahead.

**Mike [Travis]:** Rich, can you talk about the capital raise and the circumstances surrounding that?

**Rich Ransom:** Sure. We made a decision as we started to see some of the events happening over the summer that for us to be able to pursue some of our growth strategies and some of the new products that Kelvin laid out that rather than dip into our funding that we had in the bank, we felt it was better for the long term that we raise a small amount of money. We had the money in the bank to go ahead and proceed with some initiatives that we've already got some pretty good leads on that we know are going to work for us in the international space. Really, it was a small group of mostly current shareholders that participated in the placement.

**Mike [Travis]:** Obviously, the concern always is you have the capital raise one after the other just to fund operating losses and then you're in a downward spiral that some

small caps get into. Do you see yourself at least run a casual breakeven for all?

**Rich Ransom:** Yes, I do, Mike. I guess from our history, I guess I would just point to the last time we did a capital raise, we were in a similar spot where we were about to relaunch DermaWand and kind of re-transitioning the company a bit. It has been three years since we brought in any money.

Could we have survived without raising this money? The answer to that question is yes. Could we have executed our plans to grow the company and really lay a foundation we need to have sustainable profits quarter after quarter? I don't think we could've without this capital raise at least in the short term, so we're very thankful that we have a group that believes in us and was willing to put the money in. I don't anticipate us raising any more money anytime in the near future.

**Mike [Travis]:** Is it more kind of a blessing in disguise that you're being nudged over to digital marketing instead of television in the U.S.? Is it so much cheaper?

**Rich Ransom:** Yes. I think it is. It has been something that we've all talked about for a long time and we've started even back a year or so ago. We've started slowly in very small levels doing things with digital advertising, but TV was still the lion's share of what we're doing and we're spending upwards of \$200,000.00 a week in media this time last year so the small amount of money we're spending in digital advertising, it was a little bit hard to see the impact.

As we've pulled back the TV spend and increased the digital spend, we've really started to see a couple of interesting things. One is that we've got a different type of customer we're reaching. As you're probably aware, the late night TV infomercial buyer is probably a little bit lower income, more propensity to bad debt, less likely to take some of our upsells and continuity

for longer stretches of time. As we start - and again, this is still in the early stages but what we're starting to see is we're getting a lot more people that are driving into places like Amazon.com where it's only a one-pay option. There is no bad debt, which is great for us from a cash flow standpoint because rather than waiting for the three installments and the free trial period to end on a direct-to-consumer sale, we're getting paid within 14 days.

As we talked about with the retail aspect, one of the things that's pretty exciting for us is we've launched live with Bed Bath & Beyond this weekend and we're able to drive for about 1,000 people to the website to see the ad on Bedbathandbeyond.com. It's definitely a blessing in disguise. That said, we all have talked internally that we've had to mourn the fact that television has been our baby and it's definitely a revenue driver but as you can see, we've been pretty good at driving revenue and that hasn't related to what we think is adequate cash flow and profitability. I do think it's going to take us a little bit of time but I think we've got the plan in place and the right approach now that I'm as excited as I've been in a long time about what I'm seeing and what we're doing on a daily basis here.

**Mike [Travis]:** Yes. Have you seen anything in October and the beginning of November? It's still too early to tell?

**Rich Ransom:** From what standpoint?

**Mike [Travis]:** Yes, the digital marketing and...

**Rich Ransom:** Yes. We're definitely seeing an uptick with sales from Amazon, from our own website, just in terms of - and it always happens this time of year, especially after Daylight Savings as we start heading into the holidays. We're definitely heading into our strongest two quarters which is exciting as well. We're starting to see that turn.

**Mike [Travis]:** That's good.

**Rich Ransom:** Thanks for the questions, Mike.

**Mike [Travis]:** Okay. Thank you, Rich.

**Operator:** As a reminder, to ask a question, simply press the \* and 1 on your touchtone phone.

It appears we have no further questions at this time.

**Rich Ransom:** Okay. I guess if there's no further questions, we'll continue to update everyone on our progress through press releases and we'll have our year-end call in March. Thank you, everyone, for participating and we look forward to coming back to you with some good news in March.

**Ryan LeBon:** Thank you very much for your participation.

**Operator:** Ladies and gentlemen, this concludes today's conference. Thank you for your participation and I hope you have a wonderful day.

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