

ICTV
Rich Ransom
ICTV Brands
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04:30 pm

Operator: Good day, ladies and gentlemen and welcome to the ICTV Brands Fiscal Year 2015 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 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 fiscal year 2015. On the call, 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 strategic shift to a digitally focused marketing strategy, I will review the company's financials, and Kelvin will review the company's current product initiatives and 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 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 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 ask that you interpret them in that light. We urge you to review ICTV's Form 10-K and other SEC filings for 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'd like to turn the call over to Rich Ransom.

Rich Ransom:

Thank you, Ryan. Good afternoon and thank you for joining us today. On our last in November, I announced that our management team had made some strategic decisions to address the challenges ICTV faced of having a diminishing North American television audience yet still very high media rates due to larger brands entering the traditional remnant space typically reserved for direct to consumer marketers.

In addition to reviewing the financial results that were released today for 2015, we're going to update you on our progress as we continue to transition our marketing strategy from primarily direct response television to a digital marketing platform that allows us to reach far more potential customers at a lower acquisition cost.

Some highlights and updates that we will further discuss on this call include the closing of a private offering in October which brought in additional \$1 million in capital to help fund additional products and growth, the expansion of our digital marketing platform including listing on bedbathandbeyond.com in Q4, the acquisition of the rights to the

DermaWand patent and trademark which closed in January of this year and ICTV's future plans to expand the brand, expansion of new global markets for DermaWand and other brands, the successful launch into Quebec retail and plans for further retail distribution, and an update on our current product pipeline.

2015 was a very challenging year for us. The year began with several new product campaign launches in the United States, including television campaigns for our Derma Brilliance, Jidue, and Elastin-rp brands, as well as a mixed radio and television campaign for our CoralActives acne brand.

As those of you who followed us for the last year know, none of these efforts yielded the results we had all hoped for. To add to the challenges, about midway through the year, we began seeing long-form television rates increase dramatically due to some large competitors with deep pockets entering the media space namely DraftKings and FanDuel. This phenomenon caused the performance of our DermaWand direct-to-consumer business in the United States to suffer, which resulted in our decision to substantially pull back our television advertising budget during the second half of 2015.

As we will discuss further on today's call, this was a huge blessing in disguise as it forced our hand as management to rethink both our short and long-term strategies of how to grow the business into something that is not only very profitable, but also sustainable for the long term. The core of this pivot in strategy is focused on building a digital marketing platform so that we can reach customers beyond their television sets and desktop computers. The most exciting part about this type of platform is the ability for ICTV to scale and bring new products to market at a much lower upfront cost.

In a few minutes, I will expand upon the details of this new strategy and give you an update on our progress thus far, but for now, I will turn the call over to our chief financial officer, Ryan LeBon, who will detail our financial performance and earnings for 2015.

Ryan LeBon:

Thanks, Rich. Revenues for the three months ended December 31st, 2015 were \$4.4 million, compared to \$8.6 million in prior year quarter. The primary driver of the decline in sales was our decrease in media-related expenditures as Rich just discussed. Additionally, as a result of the timing of international shipments at quarter-end, coupled with the impact of the depreciation of the US dollar, third-party international distributor revenue declined to \$1.3 from \$2.4 in the prior-year quarter. Despite this decrease, our international third party distributor revenue bounced back from \$613,000.00 for the third quarter, and we have continued to diversify and broaden this revenue stream in the first quarter of 2016.

Total general and administrative expenses decreased to \$1.1 million from \$2.1 million in the prior-year quarter as a result of bad debt expense decreases of \$258,000.00, share-based compensation expense decreases of \$194,000.00, consulting expense reductions of \$209,000.00, travel expenditure decreases of \$96,000.00 and payroll and employee benefit expense decreases of \$61,000.00. The company has made a conscious effort to reduce unnecessary spending and implemented additional cost savings controls. Additionally, in December 2015, we underwent a reduction in labor force which we believe will help improve our overall profitability in the quarters to come.

Total selling and marketing expenses decreased to \$2.4 million from \$5.1 million in the prior year quarter. Significant quarterly decreases include

media, expenditure decreases of \$1.8 million which, with less volume, reduced our call center, customer service, and merchant fees by \$454,000.00. Additionally, our production and product development expenditures decreased \$798,000.00 as we launched several campaigns in late 2014.

Partially offsetting these decreases was an increase in digital marketing expenses to \$445,000.00 from \$206,000.00 in the prior year quarter. As we continue to adapt our media model to more of a digital footprint and negotiate pricing with our significant vendors, we're optimistic that we will continue to achieve cost savings in the coming quarters.

As mentioned in our last investor call, during the fourth quarter, we launched the DermaWand Spa with two popup retail locations in Pennsylvania and California. With our prior success presenting our products at trade shows and on live home shopping, we were optimistic that this environment will work well.

Unfortunately, we identified early in the process that finding the right personnel to staff these locations was going to be a major challenge. The overhead costs, particularly labor costs were not facing the sales resulting in approximately \$100,000.00 loss during the fourth quarter. Although we felt with additional capital in time, we may have been able to turn the results around. We decided to close the locations earlier than scheduled, which enabled the loss from the test to be minimized.

Net loss for the fourth quarter was \$582,000.00 compared to a net loss of \$1.4 million in the prior year quarter. The resulting loss per share is \$0.02 as compared to a loss per share of \$0.06. Adjusted earnings before interest,

taxes, depreciation, and amortization adjusted EBITDA was an EBITDA loss of \$454,000.00 as compared to an EBITDA loss of \$1.1 million.

Revenues for the year ended December 31st, 2015 were \$24.1 million compared to \$32.3 million in the prior year. The primary driver of the decline in sales was the decrease in media expenses and decline in international third party distributor revenue. International third party distributor sales revenue decreased from \$7.2 million to \$5.3 million. Despite the decline, the company further diversified its overall revenue base by adding several new distributors in France and South and Central America, which we believe will help stabilize this revenue stream in the quarters to come.

The Latino Media Services Group comprised of distributors from Chile, Argentina, Peru, Colombia, El Salvador, and Ecuador accounted for \$1.3 million in sales in 2015 compared to \$358,000.00 in the prior year. Our French distributor revenue grew from \$46,000.00 in the prior year to \$1.5 million for 2015. Furthermore, we have seen continued orders from these regions in the first quarter of 2016, as well as additional orders for our distributor, which is located in Mexico.

Total general and administrative expenses decreased to \$5.4 million from \$7.7 million in the prior year as a result of bad debt expense decreases of \$408,000.00, share-based compensation decreases of \$659,000.00, consulting expense reductions of \$747,000.00, travel expenditures decreases of \$272,000.00, and insurance expense decreases of \$169,000.00.

Total selling and marketing expenses decreased to \$12.4 million from \$17.1 million in the prior year. Significant decreases include media

expenditures of \$2.7 million, call center, customer service, and merchant fee decreases of \$1 million, production expenditure decreases of \$509,000.00 and product development and testing expense reductions of \$412,000.00.

Net loss was \$1.4 million compared to a net loss of \$2.3 million in the prior year, resulting in a loss per share of \$0.06, as compared to a loss per share \$0.10. Adjusted EBITDA loss was \$768,000 as compared to an EBITDA loss of \$1 million in the prior year.

As of December 31st, 2015 the company had \$1.3 million in cash and cash equivalents and \$2.3 million in working capital compared to \$1.1 million and \$1.9 million in the prior year. We continue to have no debt obligations. Additionally, as discussed in our last update, we completed our capital raise in October of 2015 with no warrants or underwriting fees. We believe that our current capital is more than sufficient to execute our strategic initiatives and coupled with our reduced overall cost structure, we'll return ICTV back to sustainable, profitable growth.

With that said, I'd like to turn the call back over to our president, Rich Ransom.

Rich Ransom:

Thank you, Ryan. As I mentioned a few minutes ago, during the first half of the year, we began to see that 2015 was not going to yield the results we had all hoped for. Our management team realized that we needed to make some significant changes, not only in our day-to-day operations but also in our overall strategy of how to bring products to market. For many years, our mission was fairly simple: find demonstrable products that translate well on television, develop created video assets typically long-form infomercials to market and build brands direct to consumer, and

finally, take those brands to big box, brick and mortar retail in the United States.

In addition to these principles, we would also look to distribute our brands through our international network of third-party distributors and our live television home shopping channels. The benefits to this type of strategy were that if we got a hit product, it could increase the revenue and profit of the company in a very short amount of time. For ICTV, this happened in 2012 and 2013 when we saw the success of the DermaWand infomercial take our company from \$3 million in annual sales revenue in 2011 to over \$40 million by the end of 2013. The challenge for this strategy is that it's hard to sustain without a succession of hit shows.

Over 2014 and 2015, we invested a lot of the profits generated in the previous years looking for that next hit show. We found products we believe hit the model such as Derma Brilliance, Elastin-rp, CoralActives and put much of our time in resources and to trying to build successful direct-to-consumer television campaigns. At the same time, television rates continue to rise as large companies with a traditional branding strategy less focused on the ROI of an individual television spot invaded our space. To add fuel to the fire, television viewership has been on a steady decline, particularly with the rise of Netflix, Hulu, and Amazon Instant Video causing many to change their television viewing habits.

By the middle of 2015, our management team came to the realization we must change our core strategic plan. As we analyzed the current direct-to-consumer marketing environment and our core strengths, we organized our new strategy around cost, effectively bringing products to the market in three core areas: our direct-to-consumer business, our network of third-

party international distributors, and North American retail including live television home shopping.

I want to take a few minutes to walk you through some specifics around our strategy in each of these areas and then turn the call over to Kelvin who will give you an update on product initiatives and how they fit into our new strategy.

First, the direct-to-consumer business. For years, we have dabbled with digitally marketing our brands, but as we headed into the second half of 2015, we knew we needed to expand our knowledge base and begin testing new areas beyond just Google AdWords and basic remarketing banner ads. A key area of focus for us was social media, specifically Facebook, which is a platform that our over 45-year-old female demographics specifically uses the most.

During the fourth quarter, we spent just over \$287,000.00 on Facebook ads primarily for DermaWand, but also for Jidue, CoralActives, and Derma Brilliance. We know from the analytics Facebook provides that from that investment our ads reached over 6.7 million users which equals about \$0.42 per person that saw our ad.

There are two basic types of ads we serve up on Facebook. The first kind of ad is what we call a prospecting ad and is designed to get new potential customers to click on the ad and be driven to our product site for the first time. For those of ads, in the fourth quarter, we paid roughly \$0.30 per click.

The second type of ad is a remarketing ad. These will be ads that are served up to people who have been to our product site at least once before

either through a Facebook prospecting ad or through some other advertising. These people who receive ads tend to be more qualified since they have some knowledge of the product. For remarketing ads through Facebook during the fourth quarter, we paid on average \$1.10 per click.

Another area of digital marketing we are starting to test there is something called programmatic advertising. In short, this is a type of advertising done through identifying our current customers' profile and understanding where they live on the internet so that we can target those sites and create new customers. This allows our media dollars to be used only on the types of people who are most likely to want our products.

A big reason I am so excited about our digital marketing platform, the platform we're building, is that so many ideas and products can be tested at a fraction of a cost of a television campaign. In the course of a week, our team can design five to 10 new ads that can be created on software we licensed for only few hundred dollars a year. Comparatively, a change to a television creative requires outsourced editing and new station tapes to be dubbed, which at a minimum would cost a few thousand dollars and take several weeks to test.

While digital is the new core of our strategy for direct-to-consumer, we're not completely abandoning television. We continue to run our DermaWand infomercial in both English and Spanish in the United States and in French in Canada. Our approach to TV now is very simple, we only pay rates where we're confident can deliver a return on investment that meet or exceed our overall media efficiency ratio of 2:1 or better based on the history with the station and timeslot. Taking this approach has forced our television advertising budget down significantly compared to last year, about 60% lower, but at a higher return on our investment.

The last thing I want to say in regards to our digital marketing strategy is that it has crossover benefits into distribution channels other than our traditional direct-to-consumer business, particularly our North American retail strategy which I will talk about in a few minutes.

The second core area of our strategy is expansion of our international distribution business as we have seen our international distribution network nearly double since 2014. As I speak to you today, ICTV Brands products have been sold in over 70 countries around the globe and that number of countries continues to grow. With all the work and effort we've put forth by our sales team to expand this network, our management team wanted to make sure we are able to frequently bring new products for the network to sell.

To that end, during 2015, ICTV began searching for products that were turn key for the international market, meaning that they were already selling in the US through another marketer or had creative assets such as television commercials but did not have international distribution. This was a change in strategy for us as we traditionally approached products with the goal of ICTV marketing them in the US first before taking them international. Our first success with this new strategy has come with the product called Point Perfect Sprinkler.

Point Perfect is an intelligent sprinkler with 12 adjustable heads so that you can create your own custom watering system. The adjustable heads can be bent in any direction so you can water regularly shaped gardens or lawns, water individual planters, or target brown spots on the lawn. This product was launched by another marketing company we know in Pennsylvania. The test did not work and basically, they've given up on the

brand. Through our relationship with the company, we were able to secure the rights for the product and their creative assets.

Late last year, we presented the product to our distributors and during the last week of 2015, we received our first order from the distributor that covers several Eastern European countries. Another territory, France, has now placed an order for Point Perfect Sprinkler and others are considering testing it. To date, orders for the sprinkler are in excess of \$125,000.00.

We've also identified some products that we believe are good fits for the international market and are worth ICTV investing money in developing television commercials specifically for the international space. Kelvin will discuss these products more in a few minutes, but a key point to make is that the commercials are usually shorter than the long-forms we need for the US market and also less expensive to create.

The third leg of our strategy is focused on widening our North American retail distribution. For years, we have tried to go through the front door of big-box retailers to get our products, namely DermaWand on the shelf. We've had limited success in getting opportunities for shelf space and when we have, the DermaWand has not been placed in the best areas of the store for success. As we have developed more relationships with buyers at large retailers, it has become apparent that the easiest way to get our foot in the door is through the e-commerce site of the retailers.

Our first opportunity for this approach took place with bedbathandbeyond.com in November. We launched live on their site on a Saturday in early November with 18 units available for sale. By the following Tuesday, we had sold out and the buyer wanted to know how quickly they could get another 600 DermaWands. This did not happen by

accident. As I mentioned before, our digital marketing strategy stretches beyond just traditional direct-to-consumer. For less than \$200, we served up ads that drove people to the Bed, Bath & Beyond website listings for the DermaWand and the results were better than we expected. Since that second order, Bed, Bath & Beyond has consistently sold between 65 and 80 DermaWands per week on their site. We are now in the process of getting store displays made and we are on track to have a test in the coming months in about 30 to 40 Bed, Bath & Beyond stores.

We are continuing to expand our retail footprint and are now listed on JCPenney.com with DermaWand and are approved as a vendor for Walmart.com. We are just waiting final EDI setup with our warehouse and expect to have several of our brands including DermaWand and Jidue listed on Walmart's site by early April.

The final thing I want to tell you about retail is that we've had a successful first quarter launch into two chains in Quebec, the largest of which is a chain called Jean Coutu. The first orders of DermaWand shipped to Jean Coutu in February of this year. We learned earlier this month that DermaWand would be featured on the front cover of their circular ad last week. The ad dropped last Thursday and I'm pleased to report that we learned this week that we sold 240 DermaWands at Jean Coutu last week alone.

To be honest, sales thus far have exceeded our expectations and more importantly, proves to us that with the right placement in the store and the proper marketing support, DermaWand can be a major North American retail success.

Now, I'd like to turn the call over to Kelvin who will give you an update on our product portfolio.

Kelvin Claney: Thanks, Rich, and good afternoon to all of you on the phone. I really appreciate you calling in. I want to take a brief moment to thank our shareholders for their continued support as we make this exciting transition of expanding our platform to market our brands in the digital age. I also want to thank our very talented team.

At the end of 2015, we had to make a very hard decision to cut our staff by 20% to reduce our overhead. Those who have remained have worked unbelievably hard to fill the gaps and pick up new responsibilities.

When I look at the great product mix we already have and the exciting new product pipeline and I combine that with a talented team we have working day in and day out to grow ICTV, I'm more than confident that the new strategy Rich just laid out is going to create sustainable growth for many years to come.

I'd like to take a few minutes to discuss the core products in our pipeline and the high-level strategy for each one starting with DermaWand. In January, we announced that ICTV now officially owns the DermaWand brand outright including the patent and trademark. This is a very important acquisition for ICTV brands as a company, and we now own 100% - ICTV, as a company, now owns 100% of tangible asset that we can build value in for the stockholders. Today, at the end, we have talked for a long time about developing a next-generation DermaWand unit. We did not want to proceed with the development of a new unit until the DermaWand total acquisition was complete.

I'm pleased to report to you today that we are very close to cutting steel on new tooling for the next-generation DermaWand that will allow us to change the shape to make it more sleek-looking as well as add color to the unit. The unit will also be more powerful than the original DermaWand. We believe there is opportunity with this new design to get a new patent, pretty certain at least a design patent and we are talking with our patent attorneys about this right now.

Another topic I want to update you on is our progress with opening up new markets for DermaWand namely Japan. With Japan, we have employed two engineering consultants to work on tweaking the transformer in the DermaWand to pass EMC standards for Japan so we can receive an S-Mark certification which is needed for retail sales in Japan. Unfortunately, today, we've not been able to pass the test to receive the S-Mark. We know it's achievable and we continue to work with our factory and engineers to get us where we need to be. I cannot give you a specific timetable at this point, but know that opening Japan is a top priority for ICTV and our distribution partner who continues to support our efforts and anxiously awaits the opportunity to sell the DermaWand in Japan.

With regards to the United Kingdom, we seem to have hit a wall with the oversight organization, Clearcast to be able to air the current long-form infomercial. We have shifted our strategy now to approaching retailers in the U.K. about putting DermaWand on their e-commerce site and using our digital marketing to support. We are also in conversations with TVC U.K. and believe we will get an opportunity later this year to take DermaWand to the live shopping audience. We are now considering what edits can be made to our current show to be able to get Clearcast's approval to air the DermaWand infomercial.

DermaWand is a unique product and it comes with its challenges that much likely the Energizer bunny that just keeps selling and selling as new women every year look in the mirror and see that first wrinkle appear. We're thrilled to now own the DermaWand and I believe overtime, owning this asset will create extraordinary value for our shareholders.

Another product we are very excited about is Jidue. As we announced in the last call, we'd been testing Jidue on the internet plus testing existing video created internationally and in the US to determine the correct marketing position for this product, which we believe we have determined. We used some of the capital raise in October to shoot a high-production value long-form infomercial for Jidue and purchase inventory. The infomercial is focused on the sleep and relaxation benefits of Jidue plus the clinically proven improvement in the eye area, such as the diminishing of under eye bags and dark circles.

We did a combination studio shoot with a live shoot in a major shopping mall to get spontaneous reactions from real first time users, and the reactions were phenomenal and it translates really well to a television audience. The show is very exciting and constantly cut from the studio to the live action segments at the mall.

As just mentioned, during 2015, several of our key distributors tested an existing cumulate spot for Jidue and the feedback we received was that if we had a long-form show they thought the product would really sell well. We will be launching the show in April in the United States and into the international distributor network. We will also post the link to the show on our website as soon as the Jidue show is finished.

Derma Brilliance has been testing in several international markets including the United Kingdom. The first test order from the UK distributor was for over \$50,000 worth of product, and they seem to have interest from U.K. retailers with Derma Brilliance.

Our Mexican distributor also tested in the show and asked us for a few edits which we have made and they feel the product has the potential to work very well in the Mexican market. The show is running in the Philippine market and tests in Singapore and other Asian countries are pending. We continue to focus on the international marketplace for Derma Brilliance, as well as the digital marketing and e-commerce efforts in the United States.

Another product we recently completed was an at-home pedicure product we have branded the Ultimate Pedi by DermaWand. Knowing that we own the name DermaWand, we want to begin line extending the brand and this is our first opportunity to do that. We recently completed a low-cost, high quality 15-minute show for the international market and we have several distributors who have placed test orders for over 4,000 pieces thus far, which should ship in early April and we will have a further update on this brand on our next call in May.

Recently, ICTV displayed our brands at the International Home & Houseware Show in Chicago. One of the hits of the show was our Good Planet Super Solution brand. Super Solution seals, shines, restores, and protects any hard surface including tarnished brass and silver, oxidize fiber glass and auto paint surfaces. We demonstrated the product to the bar from QBC and they are willing to give Super Solution a test. We also demonstrated the product to several retailers in there and we are currently following up on those opportunities. Our Australian distributor continues

to sell Super Solution and recently, in India, our distributor in India has begun selling it. We expect to see other territories begin selling Super Solution in 2016.

With regards to the CoralActives brand, we received news that the company we licensed the product from dissolved in January due to the calling of a lender's debt. We are currently discussing a new marketing and distribution arrangement for the brand with the new owners, and we hope to have more information for you on our next investor call.

Another new product in the pipeline is an exercise product called Spin Force. Like Ultimate Pedi, we're shooting a low-cost, high-quality 15 minute show for the international market. We began this production earlier this month and expect Spin Force to be available to our distributors later this year.

Lastly, we recently sourced a fantastic new mop and are branding it EdgeVantage. It's unique in the fact that the edge of the mop bends to a 90-degree angle to allow the user to thoroughly clean the normally hard to reach corners and edges of the floor near the baseboards. We also presented this product to QBC and they loved it. The product is beginning the QA process now and hopes to be on air in the next few months. If it sells well in QBC, we may very well shoot an international show.

A great benefit to our new marketing approach is that we can test far more products at a much lower cost than our old model. Rich and his team are also testing a handful of other products in digital platform and we fortunately have several sources bringing us new products to look at on a regular basis. We have a young, talented team that is constantly coming up with new and innovative ways to market our products. I remain enthused

and optimistic as ever about the growth potential for ICTV in 2016 and the years to come.

I will now turn the call back over to Rich for some closing remarks.

Rich Ransom: Thanks, Kelvin. I hope this call has helped you get a better idea of the path ICTV is on and the potential for long-term, sustainable growth.

For more frequent updates, I encourage you to check out our newly designed corporate website, www.ictvbrands.com. On the site, you can sign up for investor updates which get emailed out on a regular basis. Thank you again for your continued support. Operator, we'd now like to take few 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 * then the number 1 key on your touchtone telephone.

Our first question comes from Ken Wassermen, a private investor. Please go ahead.

Ken Wasserman: Hey, it sounds like you have a lot going and just two questions, one about the DermaWand remodeling. Do you think it's going to pass [muster] in Japan as far as their EMC requirements?

Kelvin Claney: I'm sure it is after we sold that, but the reality is we can begin marketing it in the US and Europe pretty much immediately and that's our focus is to

really get this thing into the US market because there's such an easy demand there for existing customers to trade up to a more powerful, sleeker version, but yes, we will ultimately get it into Japan. We don't want to get it into Japan too quickly though, Ken because the current DermaWand is brand new to Japan. So the whole idea is to run the current infomercial which our partner wants to do for about two years and have them build a base of current DermaWands and then introduce the new shape to them in a couple of years' time.

Ken Wasserman: So in other words, you can sell in Japan over the net, but not in stores or vice versa?

Kelvin Claney: No, right now what we could do is we could actually apply to get what is called PSE and PSE would allow as a self-reporting standard to get. PSE, which we could get, would allow us to sell on the internet. It would allow us to sell by direct response television. It just wouldn't allow us to sell in retail. Retailers require the S-Mark. The rest of it we could sell. Our distributor, who is an absolute giant in Japan, I mean a huge infomercial marketing company, they said to us, "Hey, if that's what you want to do, go for it, but if you do that we'll have to recuse ourselves because that's not our marketing strategy." They go direct-to-retail on television. As they go into television, they're going to retail at the same time. Quite frankly, Ken, we have thought about this hard and long, but we think the best thing for the stockholders is to go with the giant in Japan and these guys are giants, you're talking huge volumes if we get this right, and we will, it's just going to take time and [Laughter] money, unfortunately. We'll get it right and then let's give it to the beast of Japan and let them do their job.

Ken Wasserman: I agree with your strategy; I don't question it. One other point I wanted to ask about was whether you plan to do any investor presentations this year,

in particular, the one that I hope you would do would - the first one, the LD Micro, is sponsoring is in June and the reason I think it's so wonderful for your company is that you've done it before and gotten a good response there and it allows you to display your consumer products, distribute those that you want, that people could take home. So really it has that really great double bang effect of you'd present your story to investors and you are able to show what you do physically, which so many companies can't do if they're biotech or they are doing semiconductors and stuff. So I know you're trying to keep the budget under control, but I'm hoping also that you allow for some exposure to other interested investors so it expands the market for the stock.

Kelvin Claney: Yes. No, Ken. We've been talking about it internally and I have looked at that particular conference you've referenced. Unfortunately, we will be - well, fortunately for us, there is a very powerful European conference that we'll be able to be at with our international distributor network around that same time and I will actually be attending that conference. So I will not be at LD Micro for the summer conference. I know they have one in December which we haven't committed to, but we'll consider that and probably look at some on the East Coast, that would minimize the travel and I think a lot of opportunity exists along the eastern corridor where we're located. So at the moment we're not scheduled for any, but it is something that as a management team we're beginning to talk about.

Ken Wasserman: Okay. I really hope you do because it's hard to get more activity in the stock without getting the story out. Again, as a consumer company, you have this wonderful opportunity to do both at the same time when you present. So I respect your decision-making process. You're doing well as far as I'm concerned, but I wanted to put my two cents in and I've done it.

Rich Ransom: Thank you.

Kelvin Claney: Thanks, Ken.

Ryan LeBon: Thank you, Ken.

Operator: Thank you. We'll go next to Mike [Travictorlos], a private investor. Please go ahead.

Mike [Travictorlos]: Yes. Hi, guys. The first question is do you have any idea what you think your breakeven revenue would be let's say in 2016 considering you have a different cost structure now?

Ryan LeBon: Yes, Mike, that's a great question. The management team took a lot of time going through our forecasting process and really revamping it and we actually - we drove our breakeven down to each marketing campaign we have. Having said that, with our current cost structure, we have right now a lot of the expense that we've taken out of our overall overhead and G&A structure. We're looking at - I think our breakeven point from a revenue standpoint will be in the \$18 million to \$20 million, in that standpoint.

Rich Ransom: The truth, I'm going to jump in for a second Mike. The reality is it really depends on where the revenue comes from. In our company not all revenue is equal. Our international distributor network really doesn't take a lot of cost out for us, but it doesn't deliver high revenue numbers either because the model is, we sell basically a wholesale container load's worth of product at a lower rate so that the distributor could then mark up and have marketing dollars to advertise budget. So as you can kind of see, what we've done is - what used to drive our revenue was television, we've pulled that way back. So it's fair to expect revenue to come down but at

the same time, we've pulled a lot of expense. All our cost center expense comes out of that and customer service, credit card processing, those types of things. That said, we're still going to try and grow that side of the business too.

So based on our current projections, Ryan's right, as long as we're somewhere in the \$18 million to \$20 million range, we actually think we can be profitable with that. That said, it does depend on the mix of where that revenue comes from.

Mike [Travictorlos]: Right. Okay, second question, do you have an idea of what your royalty savings was going to be by buying the patent?

Rich Ransom: Yes, it's a similar answer because we were in an old agreement which has been detailed in our prior filings, we're paying per unit regardless of what we sold at \$2.50. At this time, we do expect a fairly substantial savings. Based on not having given out guidance, I don't know if we can exactly tell that number, but I would say it's in the six figures for sure.

Mike [Travictorlos]: Oh, that's good. Would you comment on Q1 at all?

Kelvin Claney: I would say at this point, we're very pleased at where we are through this point. We're at a point where - Q1 is really the challenge with international because of the Chinese New Year and getting those container orders out to our international customers. We're at a point now where we believe a lot of things are going to shift this next week or so, and as long as they do we feel pretty confident. That will be at least the EBITDA positive in the first quarter.

Mike [Travictorlos]: Thank you. Okay, that's all I got. Thank you.

Kelvin Claney: You got it.

Operator: Thank you. Again, as a reminder, it is * then 1 if you'd like to ask a question. I'll pause just a moment to allow any further questions to queue.
[Pause]

It appears we have no further questions at this time. Ladies and gentlemen, this does conclude today's conference. Thank you for your participation and have a wonderful day.

END