

**ICTV**  
**Rich Ransom**  
**ICTV Brands**  
**05/05/16**  
**04:30 pm ET**

**Operator:** Good day, ladies and gentlemen and welcome to the ICTV Brands First Quarter 2016 Conference Call. At this time, all participants are in a listen only mode. Later we will be conducting a question and answer session and instructions will be given at that time. If anyone requires assistance during the call, please press the \* and 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 March 31, 2016. 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 the progress we have made during the first quarter with the company's strategic shift to a more diversified marketing strategy; I will review the company's financials; and Kelvin will give an update on the company's international sales and current product initiatives; and immediately thereafter, we'll 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'll 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. These 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'd like to turn the call over to Rich Ransom.

**Rich Ransom:**

Thank you, Ryan, and thank you to all who have joined us on the call today. I have to confess, this is been one of the hardest call to prepare for because there are so much going on at ICTV right now that we could spend hours to discussing it. We've decided to make the focus of today's call the initiatives we are currently working on that have the highest probability of being a catalyst for sales growth over the next couple of quarters. We also want to use this call to update you all on the progress we're making on our strategic plan. Some highlights and updates that we will further discuss on this call include our return to positive adjusted EBITDA of \$111,000.00 and positive cash flows from operations of \$152,000.00, increasing cash from year end to 1.4 million. The acquisition of the rights to the DermaWand patent and trademark which closed in January of this year and ICTVs future plans to expand the brand. Expanded digital marketing landscape to include programmatic advertising, the launch of the new JiDue commercial in the US, and upcoming feature on the talk show, The Real, retail updates for Quebec, Bed, Bath & Beyond, and some new opportunities, and in international and live television update. About six months ago on our third quarter 2015 conference call, our management team announced to our shareholder base a significant shift in our marketing strategy. This pivoting strategy

had three key areas of focus: First, we knew if we wanted to run a profitable direct to consumer business, it was critical that we build the digital marketing platform to expand the audience for our brands. We recognize that the consumer buying behaviors and the way people in North America are consuming media has been shifting away from television and will continue to do so. No longer could we rely on television marketing as the sole driver to build brand awareness and our team committed to more blended marketing approach. Secondly, sales from our international distribution network have always generated the highest profit per sales and best cash flow for our business. Traditionally, our approach to bringing on new products had a US first mentality to it and often we've passed on opportunities if the product did not fit into our US direct to consumer model or if we cannot get the worldwide rights. As part of this new strategic focus, we committed to looking at products that we felt would specifically fit into our international sales platform even if did not makes sense for the US side of the business. We also realized that with the platform we had built to distribute products around the world, there was an opportunity to partner with US companies who had good products but perhaps needed help to expand abroad. Finally, getting placement on the shelves in major in North American retail has been a goal of ICTV since long before I joined the company in 2008. That said, we have struggled to achieve success in the few opportunities we've had in retail. Not wanting to give up on this goal which we knew we could achieve, we decided to near our retail strategy to what we're doing in the direct to consumer channel. We changed our approach to retailers, pitching for them to allow our brands to launch on their e-commerce sites where we could support them with digital media. Once we proved to retailers that there was a demand for our product lines with their buyers, we would have a stronger argument for in store placement. Fast forward

six months to today and we're pleased to report to you that the company has made significant progress in executing this new strategy as reflected by our return to positive EBITDA and cash flow positions during the first quarter. Now that the infrastructure of this new strategy has been built, our focus as a management is now firmly on growing revenue while still maintaining positive cash flow and earnings. I'll now turn the call back over to Chief Financial Officer, Ryan LeBon, who will detail our financial performance and earnings for the first quarter of 2016.

**Ryan LeBon:**

Thanks, Rich. We're encouraged by our overall results for the first quarter and our return on positive cash flow from operations. While revenues declined compared to the prior year quarter, we are pleased to report that our overall direct to consumer segment was more profitable. This is due to our decision to shift more of our marketing model to a higher concentration of digital media while ensuring that our traditional television media is achieving an optimized return. Additionally, incremental sales from our brick and mortar retail distributors in French Quebec as well as our e-commerce customers like Bed, Bath & Beyond have helped to contribute to these improvement as incremental revenue from these customers was approximately \$125,000.00. We're optimistic that these new revenue streams can grow throughout the remainder of the year and our e-commerce sales will help to drive the push to the stores. Our international and third party distributor sales stated strong at \$1.2 million due to consistent sales from our distributors located in South America and France. We also had \$400,000.00 in sales from our Mexican distributor Inova, who had not warrants since the first quarter of last year and as we progress with retailer in Mexico. Additionally, we had revenue of \$78,000.00 from our Point Perfect Sprinkler product. We're optimistic that in the coming quarters we will further diversify the products we sell to

our distributors with JiDue and Ultimate Pedi product lines. Our direct to consumer profit margins have also improved to 77% from 75% when compared to the prior year quarter, which a good portion can be attributed to the purchase of the DermaWand patent and related intangibles. Total royalty to expense decreased to \$94,000.00 from \$283,000.00 in the prior year quarter, which is a partially due to volume but we estimate the savings from the DermaWand asset purchase agreement to be approximately \$105,000.00 for the first quarter of 2016. Our international profit margins stayed consistent at 49% compared to 50%, decreasing slightly as a result of the additional international product offering sold at lower margins in DermaWand. As we discussed in our fourth quarter call, we took a hard look at our base cost structure and implemented several controls which have helped to reduce our G&A expense. Some highlights when comparing Q1 '16 and Q1 '15 include travel expenditure decreases of \$95,000.00, payroll and employed benefit expense decreases of \$75,000.00, and legal and consulting expense decreases of \$108,000.00. Our management team and board is committed to ensuring that the appropriate cost control measures are in place going forward. Our selling and marketing costs are down significantly compared to the prior year quarter, primarily due to decrease in our media expenditures by \$2.5 million as we have concentrated our media buys to our required profit per order metrics. We also have negotiated discounts with our vendors in areas such as customer service and our call centers. As a result, selling and marketing expenses as a percentage of net revenue in our direct to consumer segment improved to 66% compared to 68% in the prior year quarter. While our selling and marketing expenses were down in the first quarter due to volume and pricing discounts, we do expect our production expenses to increase in the second quarter due to the launches of JiDue and Ultimate Pedi. The accounting rules dictate that all the expenditures

have been paid for their expense at the beginning of the campaigns, and while we are confident that these expenses will be offset by additional sales in both our domestic and international markets in the second quarter, we project the majority of the benefit to occur in the second half of the year as we build our customer bases for both products. Our net loss for the quarter was \$89,000.00, an improvement from a net loss of \$270,000.00 in the prior year quarter, which resulted in a loss per share of \$0.0 per share as compared to a loss per share of \$0.01 in the comparable prior year quarter. It's also encouraging that our adjusted EBITDA improved to \$111,000.00 compared to an EBITDA loss of \$94,000.00 in the prior year quarter. Furthermore, we had positive cash flow from operating activities of \$152,000.00 compared to cash flow used by operating activities of \$628,000.00 for the same period in 2015, a positive swing of \$780,000.00. As a result, our cash position improved to \$1.4 million from \$1.3 million at year end. Our working capital was \$2 million at March 31, 2016 compared to \$2.3 million at year end which fluctuated as a result of the current liability portion of the DermaWand purchase agreement of \$286,000.00 being included in the calculation as of March 31, 2016 and is not indicative of any deterioration in working capital.

To summarize, we believe our team's focus on achieving profitable sales while controlling cost has placed the company in a good position to continue to grow in the quarters to come as we have all of our working platform and diversify our sales channels. We're committed to maintaining the appropriate liquidity levels and believe we have the plan and place to do so. With that said, I'd like to turn the call back over to Rich to discuss our marketing and retail plans in the upcoming quarters.

**Rich Ransom:**

Thank you, Ryan. I would like to take the next few minutes and update you on some exciting new initiatives that our marketing team is working on starting with our direct to consumer business. On the March 23<sup>rd</sup> conference call, I talked about an upcoming test for something called programmatic advertising. In short, this type of advertising is 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. During the fourth quarter of 2015, we partnered with the company that has a platform to distribute this type of digital display advertising. To gather the information about the type of websites our DermaWand customers visit, this company put a pixel on our dermawand.com website which put a cookie on each customer who ordered a DermaWand. Their platform was then able to check the behaviors of our customers over the internet for a period of about four months. Later during the first quarter, we were finally ready to launch and start serving display advertising for DermaWand on websites that were likely to attract DermaWand lookalike customers. I am pleased to report that the initial test has gone very well, returning over 2:1 media efficiency ratio that is directly attributable to the display ads. This is even more exciting because the company who runs this told us that the results typically improve as the campaign ramps up. In addition to the directly attributable sales, we've seen sales on some of our e-commerce sites such as amazon.com increase since the programmatic display launched. The test started at \$5,000.00 per month in spend, but we believe this is something that we can scale up significantly over the next several quarters. With the early success of the programmatic digital test, we wanted to expand that opportunity and we'll be starting a new test this Monday with another digital partner. This company has a platform that places display ads in emails that you open every day from publishers such as The Wall

Street Journal, Readers Digest, and Better Home & Gardens to name a few. The display ads are delivered with high viewability with premium content resulting in improved performance. Sometimes three to four times that of traditional web display ads. The ads are targeted to specific publications based on the overlap of the individual readers' demographic and the demo we select for our products. We will be starting this test next week and the plan is to test both DermaWand and JiDue on this platform. With all these new digital initiatives, our marketing team knew how important it was to update both our desktop and mobile sites for dermawand.com to give them a more branded high quality look and feel that would appeal to a more sophisticated digital audience. We made this investment during the first quarter and the results are already paying dividends with higher conversion rates and higher revenue per visit to the site. We also added the ability for customers to purchase using PayPal as part of the upgrades for the sites, which we believe also has helped conversion. The next step is to add Amazon Pay, which is currently in the process of being implemented. If you've not see in the new dermawand.com site lately, I would encourage you to visit and see the difference. It is really exciting to see all the opportunities that exist in the digital marketing world to target customers in specific demographics. I am so proud of the strides our team has made in the last six months since we've turned our focus to this type of direct to consumer advertising, but the most exciting part for me is that we've only just begun scratching the surface. I believe as we progress through the year, we will find even more outlets to build brand awareness and sell our products to direct consumer. While digital marketing is an area of our strategic plan we believe it gives us the best opportunity to efficiently grow the sales of our direct to consumer business, we must also not ignore the opportunities that still do exist on television. Because of our long history of running DermaWand, we know what rates we can

afford to pay for specific time slots on specific stations based on historical response. In the US English market about 64% of our media was purchase television in the first quarter totaling \$606,000.00 compared to \$329,000.00 in digital advertising spend. We continue to run efficient US Spanish television media as well with a \$133,000.00 spend in the first quarter advertised to the US Hispanic market. These television spends are considerably reduced compared to the first quarter of 2015 which saw English TV spend of almost \$1.7 million and Spanish TV of nearly \$900,000.00. As Ryan mentioned, this is the primary driver of the quarter over quarter decrease in revenue. However, as you can see by the increase in 2016 first quarter EBITDA to \$111,000.00 compared to 2015 first quarter EBITDA loss of \$94,000.00, our marketing team has become much more efficient with each advertising dollar we spend.

The last topic I want to cover with respect to our direct to consumer business is the initial test of JiDue long form infomercial. We ran a \$12,000.00 media test in the week of April 11<sup>th</sup>. I'm pleased to report that from our perspective, the initial media test with a success. The most encouraging part of the test was that over 35% of the JiDue customers enrolled in our JiDue essential skincare program featuring our eye recovery cream and skin quench moisturizer. We have begun the second phase of media testing and have purchased media for the next two weeks, mostly rebooking what worked the best on the first test. Our plan is to run small amounts of media throughout the summer testing different offers while also using many of the new creative assets to build a robust digital marketing campaign for JiDue. If you are interested in viewing the JiDue show, I would refer you to our April 19<sup>th</sup> press release which has a link to the show in it. JiDue will also be receiving some amazing PR next Wednesday, May 11<sup>th</sup>, when it will be featured on the daytime talk show,

The Real. The Real is a nationally syndicated day time Emmy nominated talk show that airs on FOX and BET Networks. JiDue will be featured in the girl chat segment and the camera will pan the entire studio audience showing off their JiDues. In addition, the host will announce the JiDue website and offer an exclusive promo code discount for the home viewing audience. The show has given us permission to use the footage and still photos to digitally advertised and promote JiDue. This opportunity comes at the perfect time as we begin launching our US marketing campaign for JiDue. Be sure to check your local FOX listings and set your DVRs so you can see JiDue on The Real next Wednesday May 11<sup>th</sup>.

As I mentioned in my opening remarks, acquiring North American retail distribution for our brands has been a goal of ICTV since its inception. Until recently, achieving this goal has been a major struggle particularly in regards to our flagship product, DermaWand. Despite the over \$25 million in advertising that has been spent in the US and Canada building the DermaWand brand, retailers have struggled with where the appropriate place for DermaWand would be in the stores due to the fact that it does not fit the traditional as seen on TV mold of products and beauty department buyers did not want to give up valuable shelf space for a high price beauty tool that was unproven at traditional brick and mortar retail. In the same way our direct to consumer focus changed to the digital space, our sales team wisely recognized that the best way to prove to the retail buyers that DermaWand would appeal to their customers and take the risk of giving up valuable shelf space off the table was to launch on their e-commerce sites. The first opportunity for DermaWand came in November with bedbathandbeyond.com. After a strong holiday season, the sales momentum continued into the first quarter of 2016 with sales exceeding \$51,000.00. As our digital marketing efforts continue to expand, we see

the impact on the retail e-commerce sites evidence by last week's record sales at bedbathandbeyond.com with 129 DermaWand sold. Due to the success of DermaWand over the past six months on their website, our sales team has been invited to meeting scheduled for May 18<sup>th</sup> at the Bed, Bath & Beyond headquarters with the beauty buyer to discuss putting DermaWand on the retail shelf. They have asked us to bring sample retail displays and packaging which gives us hope that DermaWand will get an in store opportunity very soon. We are confident that, given the opportunity with the right in store placement and promotion, DermaWand can be successful a traditional brick and mortar retail in the United States. This confidence comes from our experience north to the border in Quebec with Jean Coutu and Metro Brunet. We launched with these two retailers in late February and sales have exceeded our expectations to date. During the first quarter, ICTV's net sales recognized from Quebec retail were about \$58,000.00. The retailers are not only carrying DermaWand, but also our DermaVital Pre-Face as a standalone item. The sell through rate on the Pre-Face has been so strong that we now have the opportunity to put more DermaVital products on the shelf. During the week of April 11<sup>th</sup>, DermaWand was featured on the front cover of the Jean Cotou in store flyer and during that week 693 DermaWands were sold in store, totaling almost \$35,000.00 in recognizable sales revenue for ICTV just for that week. I would encourage you to go to our website, [www.ictvbrands.com](http://www.ictvbrands.com), and click on the blog link at the top. There you can see images of the DermaWand's on display at the two retail locations in Quebec. While we are thrilled with the retail sales in Quebec, we are determined to replicate the success in the United States and the rest of Canada. Late in the first quarter DermaWand launched on [jcpenny.com](http://jcpenny.com). I am also pleased to announce that after much hard work and back and forth with Walmart, both DermaWand and JiDue are available for purchase at [walmart.com](http://walmart.com).

Both listings went live today and no, we did not plan that to coincide with this call, but we are extremely happy that it did. In regards to the rest of the Canada, our sales team met Meridian retail sales agents at the Chicago Houseware Show in March. Since then, ICTV has engaged Meridian as a retail agent for all of Canada less Quebec. This agency has deep connections with all major Canadian retailers such as Canadian Tire, Walmart Canada, Shoppers, Hudson Bay, and London Drugs just to name a few. Meridian is very confident that with the success we've had in Quebec they will be able to open several other retail doors throughout Canada for us. As you can see, our sales and marketing team has made tremendous amounts of progress in the six months since we announced our strategic change of direction. This is only the beginning of what I know they can do and the opportunity to grow the direct to consumer business and North American retail distribution is huge. Now, I would like to turn the call over to Kelvin who will update you on the international and live shopping site of our business as well as discuss the progress we've made on the next generation DermaWand unit.

**Kelvin Claney:** Thanks, Rich and good afternoon all. I want to thank you, our dedicated shareholders, who have continued to support us as we implement this very exciting strategic plan that Rich has just detailed for you. I also want to thank our very talented team for all the hard work and creative energy that put into reinventing the ICTV marketing platform and in particular, I want to say how thrilled I am for ICTV in going live today at wallmart.com, the online shopping site of the world's largest retailer. That's very exciting.

Let me start by giving you an update on the progress of where we are making towards DermaWand approval to sell in Japan. Since our last call on March, our factory in partnership with consulting engineers that we've

engaged, have made great progress in modifying the design of the DermaWand transformer to reduce the amount of electromagnetic current emissions while still maintaining the same power as the DermaWand used in our double blind placebo clinical study. This process has a lot of trial and error, but the good news is we're very close to meeting the EMC standards with DermaWand to receive the S-Mark certification of Japan. I'm optimistic that we can get this result and begin selling DermaWands in Japan later this year. Our distribution partner remains very enthusiastic about selling DermaWand in Japan. I believe, just as we at ICTV do, that Japan could be the biggest international market in the history of DermaWand.

Now I'd like to give you an update on our plans for the United Kingdom. On our last conference call, I mentioned that we had reached stalemate with the advertising oversight agency, Clear Cast, over the claims that were made in the current version of the DermaWand infomercial. Coming to the realization that the show in its current format will never run on the UK, our management team has developed a new plan. In April, we terminated a distributor agreement with the company we had partnered with to run the DermaWand campaign in the UK. In a lot of the success that team has had in North America building a vibrant digital marketing platform, we have come to the conclusion that the best long term strategy for ICTV is to build a similar platform in the United Kingdom. Having gone through the process with Clear Cast, we're confident we know what claims will be acceptable for DermaWand and our marketing team is already building display advertisements using those specific claims. In June, Rich and our Vice President of Sales, Doug Crouthers, will be travelling to the United Kingdom to continue to process of setting up the operation. Meetings are already scheduled with Boots, that's the largest in

the United Kingdom, and with QVC UK. Our plan is to approach the UK market as we have in the North America by getting our products placed on e-commerce sites of large retailers and have our team in the US manage a digital marketing campaign to drive customers to the product listings on their websites. We also believe we have a good opportunity to sell DermaWand on live shopping in the UK where we can tailor the pitch around the improved Clear Cast claims. I'm personally very excited about starting an operation in the UK and I see the UK as a very strong profit center for ICTV given that we're buying in the US dollars and selling in British pounds while not incurring any grate appreciable increase in overhead. As many of you know, when you visit the UK, what sells in the US for \$100.00 sells in the UK for £100.00. Considering what our team has achieved and continues to learn about how to reach customers online, I'm quite confident that we can build not only the DermaWand brand in the United Kingdom, but also JiDue, Ultimate Pedi, and other brands we choose to market there. I also believe that the United Kingdom retail environment is much more open to testing new products. We assume that by the response that we've received from Boots that seems very eager to bring DermaWand into their stores.

Some international sales highlights from the first quarter include a resurgence of sales in Mexico, particularly in Mexican retail. This is largely due to the fact that we purchased DermaWand and no longer have a \$2.50 per unit royalty expense. We now have the flexibility to offer volume rebates on orders in turn allowing our distributor to offer volume discounts to the retailers in Mexico. We also continue to see DermaWand thrive in France as our partner there has just began to launch into live shopping and retail. Sales of DermaWand and South America continue to be vibrant as our partnership with the Latino Media Services Group

remains very strong. Finally, our sales team has been making great progress in developing a partnership in Korea and the DermaWand and that part now has DermaWand currently under submission to be able to market it in Korea. There are no problems as anticipated except for the submissions type card. In terms of new products launching in the international space, we're excited to report that our distributor, who sells ICTV products in both Australia and New Zealand, will be testing the new JiDue show next week. They did a JiDue test last year with our old spot and we're very close to making it work and based on the early results we've seen with our US test, we believe that likelihood of success with JiDue in Australia and New Zealand is high. We had some delays in launching our Ultimate Pedi by DermaWand product in the first quarter due to some manufacturing issues which delayed the initial test shipments to several international distributors. In late April initial shipments went out and several tests of the new show will take place during the second quarter.

A new exercise product we are branding as Spin Force within the middle of a 90 day before and after test group. The group is about half way through the training protocol and a few weeks back we did some 30 day video and photographs of the people participating and the results were extremely good. All participants have seen visibly noticeable results and love using the Spin Force exercise device. The plan is to complete the 90 day before and after trial early this summer and produce a 15 minute infomercial specifically for international customers which should be ready in the fall.

Another area our sales team has been working hard to develop is our live television home shopping business. On our last call. We introduced a

product to you which we are branding Edge Vantage Mop. This mop is unique in that it bends on one side to clean the baseboard and corners of floor that are typically hard to reach with an ordinary mop. We presented the mop to QVC earlier this year and they were very excited to have ICTV launch it with them. We're about a week away from having the QVC required testing done on the mop and assuming we pass, we should get an air date assigned to us in the very near future. The same QVC buyer for the Edge Vantage is also interested in airing our Super Solution product and we're in the process of completing the required testing on that as well.

The last topic I wanted to update you on is progress with the next generation DermaWand unit. The next version of DermaWand will have a sleeker design, soft grip handles that will allow us to have a variety of different colors for the unit, and the new unit will also be more powerful than the original DermaWand. Before cutting steel on the new tool at the factory, we've had to make some modifications to the circuit board design to ensure it fits into the new and slimmer shell. We should have this completed in the next couple of weeks and hope to begin building tooling by the end of this month. We should be in a position to have new salable units of the new shaped DermaWand by early in the fourth quarter. Our team has several plans for the new unit including a presale launch to our current DermaWand customers, allowing them to upgrade to the new unit at a deeply discounted price. As soon as we can get a few working units, the creative team will work on editing the call to action in our existing television commercial to offer the audience the opportunity to be one of the first to try the new and improved DermaWand. We believe we can be ready to roll out the show in the US and in several of our key international markets before the end of the year. Also, we plan to shoot a brand new

DermaWand show featuring the new DermaWand which should be ready in early 2017.

In closing, I want to say that we're pleased with the start we have had to 2016 and our return to a positive EBITDA position. Our management team, led by Ryan, has done a tremendous job in restructuring our overhead which has brought financial stability back to ICTV. The company is in the best position it has been sometime to grow and be profitable and I look forward to updating you in the months to come on our progress. Now I'd like to give the call back to Rich for some closing comments.

**Rich Ransom:**

Thank you, Kelvin and thank you again to everyone who joined us today. In many ways, these last six months have been the most exciting time for me in my nearly eight years with ICTV. While it has not been easy taking a new strategic approach to branding and distributing our products, as I watch it develop, I am convinced that what we are building is strong and should endure for the long term future of ICTV. I encourage all of you who wants regular updates on the initiatives that we have discussed today to regularly visit our website [www.ictvbrands.com](http://www.ictvbrands.com). You can sign up to have updates mailed directly to your inbox by entering you email address at the bottom of the main page under Investor News. Also please regularly visit our blog which has new content posted several times a month. Operator, we'd like to open the call and take questions.

**Operator:**

Ladies and gentlemen, if you would like to ask a question, please press the \* and 1 keys on your touchtone phone. To withdraw yourself from the queue, you may press the # key. Once again, to ask a question, please

press \*1 on your touchtone phone. One moment while we queue. We'll take our first question from Aaron Harten. Your line is open.

**Aaron Harten:** Hey, everyone. How are you doing today?

**Rich Ransom:** Doing well, Aaron. Thank you.

**Aaron Harten:** I just wanted to congratulate you guys on a good first quarter here. It looks like you're starting to turn things around with a big jump up in the EBITDA growth and as well with cash flow. I just have one quick question for you guys about international sales. Looking at the fiscal year 2015, it looks like about 22% came from international sales. Should we be expecting the same thing for the rest of this year or looking for growth internationally? Then also the follow up is the strong dollar bothering you at all?

**Rich Ransom:** Those are good questions, Aaron. Right now based on what we've done on the US side with our pullback on television media, the percentage of international sales is going to grow - has grown and I would expect would still be larger for the rest of the year. In terms of the weakening dollar, to answer your question, yes it's definitely been a struggle in certain territories, but to Kelvin's point in the call, that was why it was so critical for us to be able to negotiate the purchase of the DermaWand and have flexibility to pass some of the savings that we've received by taking that royalty off the table to our customers to offset some of that currency issue. In terms of the growth internationally, I think we're really all very excited because of the new products that we've spent so much time and money investing into Jidue and Ultimate Pedi. They're just now starting to

launch, so we should see the fruits of that as we move throughout the year and we do expect sales to grow on the international side.

**Aaron Harten:** Okay. Great. Once again, good job on the first quarter. Everything is looking to start improving here so [unintelligible].

**Rich Ransom:** Thank you.

**Operator:** Once again, please press \*1 if you'd like to ask a question. We'll move next to Ken Wasserman. Your line is open.

**Ken Wasserman:** Thank you. You weren't kidding when you said you had a lot to talk about. [Laughter] It's hard to like focus on one thing, but I want to start with JiDue, which has been my favorite for quite some time. I've looked at the in infomercial. Liked it. Only concern is that the number of views on YouTube seem to be pretty small and I wanted to ask what were your plans to increase the exposure of that in infomercial so that it reaches more people?

**Rich Ransom:** Ken, we're really not trying to drive people to the YouTube. We're using social media and display advertising to drive people to our website, which has a good portion of the infomercial on the site. That's really been the strategy, which is probably why the views aren't super high on YouTube, but yes, it is an area I think of expansion that we can do as we look towards - YouTube is still an area we haven't gone in a big way to, but there's a huge opportunity to develop some digital marketing opportunities on YouTube.

**Ken Wasserman:** I do complement you. The infomercial itself really captures what I had hoped you would do in terms of the relaxation effect is emphasized, the active pressure points and where they derive from is explained, so those are very, very good things and I love the idea that's it's going to be on The Real May 11. I'm definitely going to either be able to see it or record it. I think that's really big news. One question I have in terms of your meeting at Bed Bath & Beyond. Can you also expose the JiDue to them when you meet with them?

**Rich Ransom:** The meeting on the 18<sup>th</sup> is really designed for DermaWand, Ken. I think it's...

**Kelvin Claney:** Just concentrate on one thing. Bed Bath & Beyond can - that's the real goal, is to get DermaWand on the shelf of Bed Bath & Beyond and if we take another product, then it takes the focus away.

**Ken Wasserman:** Okay. I think that you've got so many good things available to you and I understand what you're saying. The only negative I see - and I think that you're really doing a fabulous job. I'm very encouraged by all the progress that you're making and all the opportunities you're creating. I'm really impressed by that. The only negative, and I know what you're reasoning is about it, is that you're not doing anything on the Investor Relations side in terms of the stock. I think that the cost would be relatively minimal and that's your currency and I think it's important to pay some attention to that. You're not getting the price for the stuff that you should be getting. Given your stability and give all the opportunities that you have and that you're building, there's no question in my mind that if there were more eyes on the stock, the stock would be at a higher price and that gives you more money to play with because then you can use

your stock in different ways. I would encourage you to do something definitely before the end of the year where you are presenting at a conference, show your products. You've got a wonderful opportunity because you've got consumer products to interest an audience that's interested in the stock to see physically what you have in terms of product, so that's the only thing that concerns me, is that I want to see something on the Investor Relations side and do you have any plans at all for this year?

**Rich Ransom:** Ken, I think we've addressed this before, but where we...

**Ken Wasserman:** Well, I'm a pest. [Laughter]

**Rich Ransom:** No, I know you are, but it's okay. [Laughter] You're one of my favorite pests. Going back a few quarters, we were really hemorrhaging to be honest and we needed to get stable. It wasn't going to be the right time. I think you're right, at this point we're starting to hit the point where the time is becoming right. We've got the ship turned around and if there is a story, there's a story worth telling and so, do I have specific plans to share with you today? Not yet, but our team is definitely starting to have those conversations internally and I'm sure before the end of the year we are going to do some things that will make you happy on this front.

**Ken Wasserman:** Well, thank you for that information and again congratulations. I really think you are doing a great job and best to all of you.

**Kelvin Claney:** Thank you, Ken.

**Rich Ransom:** Thanks, Ken.

**Operator:** Please press \*1 if you'd like to ask a question. We'll move next to Jason Vitz. Your line is open. Mr. Vitz, your line is open. Apparently we have no further questions at this time. Ladies and gentlemen [crosstalk]. Actually, we do have Mr. Vitz. Mr. Vitz, your line is open.

**Jason Vitz:** Thank you. I would just like to congratulate you gentlemen on what sounds like a good quarter. First, I would like to ask what you think that the walmart.com - what you expect that to be in terms of any impacts on this quarter and the upcoming quarters. Also I wonder if you have any consideration regarding the United Kingdom leaving the EU or not and what that decision will affect you, if at all. Also as you can weigh on the investor Brits until I acquire some more stocks, I'd greatly appreciate it and of course I'm just kidding.

**Kelvin Claney:** Let me comment on the possibility of the United Kingdom leaving the EU. I don't think that'll have any real effect on our business at all. I really don't and so I guess, we just have to wait till June to see what happens there, but I'm quite sure the Brits, being as resilient as they are, they seem to do it okay between 39 and 45, so they'll be fine.

**Rich Ransom:** In terms of Walmart, Jason, one of the great things about getting on to these e-commerce sites that the retailers actually do a lot of the heavy lifting for us. If we can drive some people to their sites, and they do some efforts to drive people, they get into their own remarketing queue. Actually today one of our employees, his wife got an email from Walmart already within hours of us being launched, advertising with that she may like DermaWand because she had purchased a product from Walmart already, so that's the kind of impact. Once you can get through and get on to these e-commerce sites, it actually broadens to the scope of our

audience. What we found with the last six months of Bed, Bath & Beyond has been that it hasn't really taken away from any of our other direct to consumer sales channels. Our website still gets the same percentage of sale ratio as we always got before Bed, Bath & Beyond. Our Amazon sales have actually continued to rise even with the decline in media as we've put more effort towards digital. So our belief is that having more distribution and buyers having loyalty to certain retailers will ultimately increase the exposure and the sales for our products. There's no immediate plan for the next few days to start an Investor Relations campaign.

**Jason Vitz:** Okay. Good. Thanks.

**Operator:** We do have a question from Aaron Harten. Your line is open.

**Aaron Harten:** Hey. Sorry. I just had a couple of more questions for you guys here. Going over your balance sheet for the first quarter, I see a line item for other long term assets of about \$1 million. Could you just shed some light as to what's included in that?

**Ryan LeBon:** Yes, this is Ryan. That's the actual purchase of the DermaWand patent and all the related IP from that, so the way it works is there's an offsetting long term liability and long term asset that will be amortized over the life of the agreement.

**Aaron Harten:** Okay. Great. That's what I was thinking of as I was reading through it. I just wanted to double check with you. Then also, you guys still have a pretty large percentage of your assets held up inventory. I was wondering if you have any - I'm going to call them laggard products that perhaps

aren't doing as well as like DermaWand or some of the other top sellers that are taking up a decent amount of inventory space that you might be able to sell off or as you would consider selling those off?

**Rich Ransom:** No, not really. One of the reasons that the inventory is where it is is that as we're getting these new initiatives going, like we did have to purchase some JiDues that have now come in and are on the books. We really have started to see - if you look from the end of the year until now, we're starting to work through inventory and one of the things that happened to us was around that third quarter last year, we were kind of struck and realized that we really had to pullback our media, but some purchasing was already in progress and so our inventory got inflated. So we're slowly kind of working it down and through, but we did get a little bit cut, because lead times are fairly long. So as we're planning out, we have to make sure we're stocked, but one of the nice things about having the inventory we've had is that we've been able to take advantage of opportunities pretty quickly and we are slowly working through it.

**Aaron Harten:** Got you. I just wanted to see what you guys' thoughts were on that and see where you were headed.

**Rich Ransom:** That's a good question.

**Aaron Harten:** Thank you.

**Rich Ransom:** One we ask internally often, "Why do we have so much inventory?" We've started to really make a dent in that.

**Aaron Harten:** All right. Good. Glad to hear it.

**Kelvin Claney:** Thanks, Aaron.

**Operator:** There are no further questions at this time. I'd be happy to return the call back to Mr. Rich Ransom for any concluding remarks.

**Rich Ransom:** I just want to thank everybody again and thank everybody who asked questions. They were really good questions. I just want to reiterate and encourage everyone to check the website regularly, our team is really - it is a new website, since I believe January or February, so we're making a conscious effort to try and post a lot of content, so updates should be there quite often. Please check back and join us again in August. We'll announce - that'll be our second quarter call. Thank you, everyone.

**Kelvin Claney:** Thank you very much, everyone.

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