

ICTV
Rich Ransom
ICTV Brands
05/16/17
10:00 am ET

Operator: Good day, ladies and gentlemen, and welcome to the ICTV Brands First Quarter 2017 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 * and 0 on your touchtone phone. As a reminder, today's call is being recorded. I would now like to turn the conference over to your host, John Carrino. Sir, you may begin.

John Carrino: Thank you very much and welcome to our conference call to discuss ICTV Brands' financial results for the quarter ended March 31st, 2017. On the call today, we have ICTV's executive management team including our Chairman and Chief Executive Officer Kelvin Claney, our President Richard Ransom, and our Chief Financial Officer Ernest P. Kollias, Jr. Rich will review the company's business operations, Ernie will review the company's financial results, and Kelvin will give an update as to product pipeline. 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 address expectations, opinions or predictions about the future of forward-looking statements. Although they reflect our current expectations and are based on our best view of the industry and of our business as we see them today, they are not guarantees of future

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

With that, I would like to turn the call over to Richard Ransom.

Richard Ransom: Thank you, John. I want to thank everyone for taking the time to join us this morning. I am speaking to you today from ICTV's London office. Ernie will be joining from our office in Hod HaSharon, Israel, and Kelvin will be speaking to you from our US headquarters in Wayne, PA.

Some specific highlights and updates that we will further discuss on this call include first quarter revenue of \$7.65 million, up 105% compared to first quarter 2016; positive adjusted EBITDA of \$323,000.00, up 190% compared to first quarter of 2016; total assets increased to \$20.8 million, up from \$4.5 million last year, which includes \$8 million in inventory and \$4.9 million in cash and equivalents. We will discuss the integration of our newly acquired assets from PhotoMedex and Ermis Labs into our global marketing and distribution platform. Updates will be given on the expansion of retail placement around the world for all brands, including chainwide placement in the United States for DermaWand and Kohl's, and plans for product development across our core brands.

This quarter was unlike any I have experienced since I joined ICTV Brands in 2008. On January 23rd, our company closed two transformative asset acquisitions, in which we acquired all the consumer assets of

PhotoMedex, Inc., including the no!no! hair, Kyrobak and ClearTouch brands, as well as the assets of Ermis Labs which included our previously licensed CoralActives acne brand.

On our last call in March, we detailed the terms of these acquisitions and the related \$7 million private placement ICTV closed in February, so we will not focus on the details of the transaction terms today, but rather, we will focus on providing updates as to the integration of the new assets into ICTV's global sales and marketing platform and future growth strategies. If you would like more details on the transactions, please review our recent SEC filings. In a few minutes, I will give a detailed integration update, but for now, I'd like to turn the call over to our CFO, Ernie Kollias, who will discuss the financial results for the first quarter.

Ernest Kollias:

Shalom and Toda, Rich. I arrived in Tel Aviv, Israel five hours ago. I also want to thank all of you for joining our call today. ICTV has filed its 10Q for the quarter ended March 31st, 2017. I will now discuss a few of the key financial highlights from the quarter. Our net sales increased to approximately \$7.65 million for the three months ended March 31st, 2017 from approximately \$3.7 million recorded during the three months ended March 31st, 2016. The primary driver of the increase in sales was the result of the incremental sales from the no!no!, Kyrobak and ClearTouch products that were acquired in January 2017. Specifically, these assets generated additional direct-to-consumer sales of \$1.5 million, live home shopping sales of \$1.9 million, and retail sales of \$595,000.00.

During the three months ended March 31st, 2017, sales relating to DermaWand for direct-to-consumer sales, including DermaVital, were approximately \$1.5 million during the three months ended March 31st,

2017 as compared to approximately \$2.1 million during the three months ended March 31st, 2016. Included in total net sales at March 31st, 2017 are retail sales of \$680,000.00 and e-commerce sales of \$1.1 million compared to \$58,000.00 and \$366,000.00 during the three months ended March 31st, 2016. The increase in these channels relates to the expansion of retail placement for DermaWand in the North American market, both in traditional brick-and-mortar and online retail.

In addition, as part of the PhotoMedex asset acquisition, ICTV inherited retail placements for no!no! hair primarily in the United Kingdom with retail placement in outlets such as Boots and Argos. We expect our retail sales to grow throughout the remainder of 2017. International third party distributor sales revenue for the DermaWand decreased to approximately \$480,000.00 this quarter as compared to approximately \$1.2 million during the three months ended March 31st, 2016. The primary reason for the drop in this sales channel is that we experienced a manufacturing issue in March that delayed several shipments to our customers in April. We expect to have a much stronger second quarter in this channel due to the shipment as well as getting the newly acquired assets selling through our distributor network.

Gross margin percentage was approximately 72% for the three months ended March 31st, 2017 compared to approximately 68% during the same three months in 2016. For the three months ended March 31st, 2017, we generated approximately \$5.5 million in gross profit compared to approximately \$2.5 million during the three months ended March 31st, 2016 as a result of the addition of the no!no!, Kyrobak and ClearTouch products acquired in January 2017. The increase in gross profit percentage can be attributed to the cost and pricing model of the newly

acquired assets, as well as the decrease in our third party international distributor sales for the quarter which deliver a lower gross margin.

Total operating expenses increased to approximately \$5.9 million during the three months ended March 31st, 2017 from approximately \$2.6 million during the three months ended March 31st, 2016, an increase of approximately \$3.3 million. This increase in operating expense is due to a few key factors. The biggest expense is the advertising of our products which accounted for \$2.5 million or 42% of the total operating expenses for the quarter compared to \$1.2 million or 46% for the prior year quarter.

Since January 23rd, our sales and marketing teams hit the ground running with digital, television and print campaigns for all the newly acquired brands. The company also incurred several expenses that were one-time in nature due to the acquisition and integrative-related expenses. Our expectation is for these expenses to level off in the future and operating margins will expand from current levels.

We generated a net loss of approximately \$368,000.00 for the three months ended March 31st, 2017 compared to a net loss of approximately, \$89,000.00 for the three months ended March 31st, 2016. Loss per share was \$0.01 compared to a loss of \$0.00 in the prior year quarter. Included in the net loss were non-cash expenses such as stock-based compensation, depreciation of fixed assets and amortization of intangible assets. These non-cash expenses for the first quarter totaled \$569,000.00 compared to \$123,000.00 in the prior year quarter.

Adjusted earnings before interest, taxes, depreciation, amortization and stock-based compensation, adjusted EBITDA, was \$323,000.00 compared

to an adjusted EBITDA of \$111,000.00 in the prior year quarter. At March 31st, 2017, we had approximately \$4.9 million in cash and cash equivalents compared to approximately \$1.4 million at March 31st, 2016. Included in our cash balance at quarter end was \$1.75 million that was subsequently paid to PhotoMedex in April, 2017 to satisfy the cash payments due to PhotoMedex as detailed in the terms of our asset purchase agreements.

The company had working capital of approximately \$7.1 million at March 31st, 2017 compared to \$1.3 million at December 31st, 2016. The balance sheet has not been this strong in many years which enables us to operate from a position of strength. Total assets are now over \$20 million, up from \$4.5 million last year. Much of this change is due to a substantial increase in cash and inventory relating to our recent acquisitions and related financing. Our healthy working capital position is exciting and we expect to successfully convert this inventory to sales in the coming quarters. Our working capital position gives us tremendous flexibility as we execute on our strategic plan for 2017.

With that said, I'd like to turn the call back over to Rich from the United Kingdom in our London office who will now discuss the progress that has been made integrating our newly acquired assets into our global sales and marketing platform.

Richard Ransom: Thank you, Ernie. One of the key synergies that our management team identified when we decided to acquire the no!no! brand was that we would have the ability to leverage new distribution channels that DermaWand was not currently selling in. Vice-versa, they were distribution channels

that we knew ICTV was quite strong that we believe could strengthen the sales of the assets we were acquiring.

Our team's focus since the closing has been on implementing this integration. As you can see by the fact that all three of us are on this call in different countries today, this process is clearly not over. What is encouraging for us is that we are already seeing fruits of the acquisitions and increased sales and EBITDA, and in reality, we have just scratched the surface of what we believe these new assets can do in terms of global sales.

Over the next few minutes, I will walk through where each of our major brand stands in the integration process and what you can expect to see happen throughout the rest of this year. I want to first share some exciting updates for our DermaWand brand. As I mentioned on our last call, Kohl's had informed us of plans to place DermaWand in as many of their over 1,150 stores as possible by the fourth quarter of this year. Shortly after that earnings call, our sales team was issued a purchase order for over 6,000 units to be placed in all Kohl's stores in May. That order has now been shipped and certain Kohl's stores are already carrying DermaWand on the shelf. This is very exciting and something that, as a team, we have been striving to achieve for many years.

In addition to Kohl's, our tested Bed, Bath & Beyond has now expanded to over 110 stores, up from 48. While Bed, Bath & Beyond is taking a more conservative approach to rolling out the DermaWand chainwide, we're confident that by this holiday season, we will be in the majority of the almost 1,500 Bed, Bath and Beyond locations around the US and Canada.

The acquisition of the no!no! brand provided DermaWand with an opportunity in March to air at QVC Germany. On March 20th, DermaWand was a featured product in the Beauty Hour at QVC Germany. QVC took in 1,700 DermaWand units for the promotion and sold them out in 18 minutes, generating over €123,000.00 in retail sales for QVC. We were recently notified by QVC that DermaWand was the number one beauty device sold in March based on their dollars-per-minute-sold ratio. This has led QVC Germany to give DermaWand a highly-coveted weekend Today's Special Value slot in September. This means DermaWand will air several times throughout the entire day. QVC will be issuing us a PO for 16,000 units for the September airing.

Live home shopping is a sales channel that has not contributed significant amount of sales in the last few years for ICTV. However, no!no! has achieved a large portion of their revenue through live shopping channels around the globe. It is great to see how quickly our team has been able to leverage no!no!'s success in QVC Germany to translate to sales for DermaWand, and we believe we can do the same at both QVC UK and QVC Italy with DermaWand.

Another opportunity to expand our global sales platform came with the acquisition of the Hong Kong entity from PhotoMedex. I have been to Hong Kong twice since the closing and I can tell you first hand, we have a tremendous opportunity to grow our sales in Asia. The Hong Kong businesses focuses on two areas ICTV did not distribute in prior to the acquisition which include duty-free airline sales and in-store demonstration retail at department stores in Hong Kong. Already, our team in Hong Kong have got DermaWand approved for one airline and

they're in the process of building a plan to launch DermaWand into Hong Kong retail this year.

Our team in the US is also working with the Hong Kong team to build a direct-to-consumer marketing program in Hong Kong that could then expand to other Asian countries. We expect to launch our first direct-to-consumer site in Hong Kong for no!no! by the end of this month and plans are in place to have a DermaWand website live in Hong Kong before the end of June. This is a really big opportunity as this office has generated almost \$2 million in sales without much advertising. We plan to launch digital ads for both DermaWand and no!no! as soon as the websites are live and we are confident this will create profitable sales growth.

Finally, for DermaWand, we're in the process of leveraging the newly acquired retail relationships in the UK to get DermaWand in the stores. As a matter of fact, I am having dinner tonight with our Boots retail rep in London to discuss the next steps in the process. We are confident that by the end of the third quarter, DermaWand will have substantial retail placement in the UK market.

Now we'll transition and discuss how we're integrating the assets we acquired into our global platforms, starting with no!no! hair. As discussed on the last call, no!no! had very little marketing prior to our acquiring it in the online space. In February, we launched an extensive digital campaign in the United States for no!no!. The approach was to slowly scale the advertising and by the end of the quarter, we're experiencing US sales of approximately 60,000 per week at a media efficiency ratio of over 3.0. It is important to note that to-date, we have not run a television commercial in the US market to achieve these revenues.

Our sales team is actively pursuing to get no!no! into US retail stores. no!no! already had placement storewide in Bed, Bath & Beyond, and we believe Kohl's will also have no!no! on its shelves by the fourth quarter of this year. Once we have more distribution in place, we will begin marketing the no!no! on US television to support the retail sales.

Our approach in the UK has been a bit different with no!no!. Since the brand already had substantial retail placement when we acquired it, we wanted to make sure that we supported our retail partners. Rather than run traditional direct response media by having a call to action and phone number, we've taken the approach of airing 30-second spots and tagging our retail partners. This approach only started in the second quarter, but I'm pleased to report we are experiencing a steady weekly increase in retail sales since we started airing this media. Our plan is to expand no!no!'s UK retail footprint, and Costco UK recently expressed interest in carrying no!no! due to our relationship with Costco in North America with DermaWand.

Live home shopping continues to be a strong sales channel for no!no!. During the first quarter, the brand did over \$1.9 million in global live shopping sales. The momentum has continued into the second quarter as just last week, QVC Germany sold over 7,000 units in a one-day TSV which netted almost \$700,000.00 in sales for the day. There's so much more that could be said about what is happening with both no!no! and DermaWand, but for now I want to give you just a few quick updates on our other acquired brands.

One of the nice surprises for our team so far has been the results we are seeing with Kyrobak which is a device we acquired that is designed to treat moderate lower back pain. At the time of the acquisition, most marketing efforts for Kyrobak had stalled in both the US and UK. We began launching digital advertising for the product in March and then slowly increased their ad spend since. In April, we launched our digital ad campaign in the UK, and just last week in Canada, Kyrobak had its first airing on The Shopping Channel in over a year. We have also had one of our third-party distributors in Germany testing to show this week. Lastly, we're in the process of completing the paperwork for Brookstone which is going to carry the product in their retail stores in the US.

ClearTouch is another brand we acquired from PhotoMedex in January. This has been another pleasant surprise. The ClearTouch is a device that uses phototherapy technology to kill the bacteria that causes toenail fungus. The product has a 510K medical device listing with the FDA in the United States. ICTV did not acquire any video assets to market the ClearTouch with. However, it had been marketing pre our acquisition in print media and freestanding package inserts.

Currently, the product is being marketed in the US and UK in these print channels and collectively generating over \$100,000.00 in gross sales per week globally at almost a 3:1 MER. We're getting some digital assets created now and plan to start testing the product in our digital platform soon. We also plan to begin presenting the product to retailers in both the US and UK.

As most of you know by now, ICTV completed a second acquisition in January to acquire the assets of Ermis Labs, including our CoralActives

acne formulation and a line of medicated soap bars that treat a variety of skin disorders. Since January, our team has done a great job in getting placement for these assets with our e-commerce retail partners. The medicated bars are at Amazon and Walmart now. We are also testing some digital creatives for CoralActives and the bars. Due to the success of ClearTouch in print media, we have also decided to do a CoralActives freestanding package insert media test this June. We're also working on some instore placement for the medicate bars. I will be attending a meeting with Rite Aid in June about instore placement.

So much has happened in such a short amount of time. While our efforts are on maximizing the opportunities currently before us, our focus on future growth of these assets is a constant. Now, I'm glad to turn the call over to our Chief Executive Officer, Kelvin Claney, who will give some updates on the current product development initiatives and brand expansion plans our team is currently working.

Kelvin Claney: Thanks, Rich, and good morning. Well, what an exciting four months it has been for ICTV. I'm absolutely amazed at what our team has been able to accomplish in a short period of time and I'm truly excited to see what they'll be able to achieve over the next several quarters once the newly acquired assets are fully integrated into our sales platform.

So before I proceed, let me personally thank Rich, Ernie, Doug, Nikki, Vince and Philip Solomon for multiple trips overseas to get things streamlined in a cost-effective manner, while at the same time, implementing new sales and marketing initiatives, and a special things from me to all our new staff in the UK, Hong Kong, Israel, Orangeburg offices, and our existing Wayne office staff for really stepping up and

embracing and responding phenomenally to this new and exciting venture that we all as an ICTV family have undertaken. Much appreciated, people.

As Rich mentioned, I wanted to update you on our product development initiatives across our core brands. One benefit of the assets acquisition with PhotoMedex is a core of very talented engineers based in Israel led by Philip Solomon who is both a mechanical and electrical engineer, and over the last 10 years, was head of R&D for PhotoMedex, creating numerous product patents which ICTV now owns. He's also an expert in manufacturing practices and has already been in China twice for ICTV to streamline production of current and new DermaWand models. Again, much appreciated, Philip.

Gosh, everybody's frequent flyer miles accounts must be looking great at the moment, people. With all this traveling, just remember not to upset the airline crew and get yourself dragged off the plan, but if you do, make sure you're yelling DermaWand, no!no! and Kyrobak while someone is videotaping you – great viral advertising.

Okay, enough frivolity. I'm a strong believer that we should constantly improve our existing products while also developing new products, and the addition of Philip and his development crew will help immensely. From a new product perspective, last week I gave Philip the authority to expend monies to begin immediate development of a much anticipated cordless DermaWand which will be a game-changing beauty device for women seeking a quick and easy-to-use, effective anti-aging device. We're hoping to bring the cordless DermaWand on the stream mid-2018. This unit will be a great profit margins for ICTV.

In regard to product improvement, we are aware by Google Search and customer feedback that no!no!, in some cases, is not achieving consumer expectations. In the short-term, we're addressing these expectations in advertising and the creative team have cut new ads for the internet that provides customers with more realistic performance expectations. However, for the long-term, ICTV desires to give the customers what they really want with the no!no! hair device which is more hair removed faster with a smoother finish.

To that end, Philip Solomon was working on a new model for the patented Thermicon tip prior to the acquisition, but the project had been put on hold. Three weeks ago, I gave Philip approval to expend monies to immediately kickstart this improvement project which at the moment we call no!no! ProPlus. This new ProPlus hair removal unit will have a flat blade rather than the existing round wire as its Thermicon tip. This will not only give the new Thermicon blade four times the cutting surface as the current tip, but means that the hair follicle is literally coming in direct contact with a 900-degree Centigrade flat-faced wall of heat rather than a thin, round heated filament.

But wait, there's more. The existing head on the no!no! device is flat and tends to squash the hair follicle flat, making it difficult for the tip to make contact with the hair follicle. The new head on the ProPlus has tiny toothcomb teeth. As the new unit runs along the skin, these micro-comb teeth literally lift the hair and feed it onto the flat face of the four-times larger new Thermicon tip. Initial inhouse testing shows a marked improvement in the efficiency and performance, and an independent

clinical study will be performed to confirm this improved performance to allow ICTV to make specific claims.

We believe this new Thermicon blade and the hair-lifter will give the consumer a much better hair removal experience plus a smoother skin finish. This new ProPlus unit will give our marketing and advertising teams the ability to promote no!no! as the very best, no [unintelligible] hair removal system on the market today with the driving goal of increased sales, market share and profits accordingly. Also good news, we reached first sample stage of DermaWand 2.0 and samples of the redesigned shape DermaWand which is more powerful are being sent to us from the factory this week. We are confident we'll have these new DermaWand units available for sale before the end of the third quarter.

On our last call, I announced that DermaWand had finally passed the EMC testing required to get S-Mark certification to sell in Japan. TUV Osaka, our testing agency in Japan, just last week sent me final agreements to sign so that our S-Mark certification can be issued. Our sales team journeyed to Japan to visit our distributor in late April and our Japanese partner is very excited to begin selling DermaWand. The Japanese experience has been arduous, to say the least, but I truly believe it has been well worth the effort. Once that distributor rolls out, they believe they can sell upwards of 15,000 to 25,000 DermaWands per month in Japan.

The international distributor marketplace is hungry for products and we consider this a major opportunity for ICTV to grow sales across our newly acquired brands. These brands have had very little exposure in most of the world and the distributors we've presented these products to – specifically

no!no! and Kyrobak – are very excited to start testing in their respective markets. I've been working since the close to sort through our acquired video assets for the brand, and as quickly as possible, get these shows edited for international distributor marketplaces.

We've just began to launch Kyrobak and no!no! and should begin testing in certain territories over the next few weeks. In regards to no!no!, we have a re-edited 30-minute infomercial testing in the US on a national station this Saturday morning. It's testing on CW Plus at noon, Eastern Daylight Time this Saturday for those of you who'd like to watch.

The final growth strategy I want to discuss is the full shelf approach that Rich introduced on the last call. Essentially, what ICTV acquired in no!no! was an extremely strong worldwide hair removal brand, and nowhere is the no!no! brand stronger than in the United Kingdom. That said, our competitors currently have an advantage by offering consumers a wider range of hair removal options under their brand names. While no!no! Thermicon technology is unique, for some consumers it may be too expensive or intimidating. Our full shelf approach strategy will focus on bringing more hair removal products to market under the no!no! brand, effectively leveraging our well-known no!no! brand into greater overall sales, and correspondingly, greater profits.

In the long-term, our focus will be to source and manufacture these products ourselves. However, a more immediate opportunity has presented itself with a great distribution partner of ours in the UKL called MPL. MPL is the no!no! distributor for Argos in the UK and they presented ICTV with a plan to bring several new products to market under the no!no! brand. Last month, ICTV came to terms with MPL on an 18-

month licensing agreement whereby MPL will be allowed to use the no!no! brand name on products that ICTV's development and operations team in Israel approved.

Under the agreement, MPL will have rights to sell these products in certain retail outlets in the UK and in turn will pay ICTV a generous royalty on those sales. In addition, ICTV will have rights to buy these products from MPL at cost and pay a reverse royalty in other sales channels such as QVC UK or direct-to-consumer. ICTV also reserves the right to sell these products in other territories such as the United States and pay the reverse royalty to MPL.

We're very pleased with this MPL agreement because it accelerates our strategy of broadening the no!no! brand beyond just Thermicon hair removal technology. We will have four of these new no!no! licensed products in UK retail for this year's holiday season. As Rich said before, so much more could be said about what the team is working on, but I'm sure today's call has given you a good overview for what you can expect to see in the quarters to come. I want to thank our shareholders for their continued support as we continue to strive each day to create value for our shareholders. I'm truly excited about the growth potential for ICTV over the next several quarters. This is going to be a very exciting ride.

At this point, I will turn the call back over to Rich for some closing comments. Thank you very much.

Richard Ransom: Thank you, Kelvin, and thank you all for joining us this morning. So much has happened since the acquisitions, but the exciting part from my vantage point is that we've only just started to scratch the surface. Over

the next several quarters, I'm confident we will continue to see sales and earnings grow. Operator, we'd now like to open the call to questions.

Operator: Ladies and gentlemen, if you wish to ask a question at this time, please press * and 1 on your telephone keypad. If your question has been answered or you wish to remove yourself from the queue, please press the # key. Once again, * and 1 on your touchtone phone, and we'll pause to allow questions to queue. Once again, it's * and 1 on your touchtone phone. [Pause] We can take a question from Robert [Early], a private investor. Please go ahead, your line is open.

Robert A.: Hi guys. Great call, sounds like it's exciting stuff and thank you for all the hard work you've done in swallowing this acquisition; I know that's never easy. One of the questions I had was the beauty bars that you've acquired. You kind of touched on what was happening with them from a marketing standpoint, but I didn't really hear what the potential that you think they have is and where they would end up, whether they'd be on shelf or whether you'd be doing infomercials for those. How do you see that rolling out?

Richard Ransom: Hey Rob, this is Rich. Thanks for the question and thanks for your kind words. As far as the bars go, there's really a two-pronged strategy that we're going to take with this. It's definitely a straight-to-retail play. We won't be developing an infomercial for the bars and the primary reason is that the margin on the bars they sell – a bar soap sells for probably less than \$10.00. I think we have them at \$8.00 single bars on Amazon, although don't quote me on that; it may be slightly higher. But our strategy is really to try to get as much retail placement as possible and then

support that with digital advertising and potentially some print advertising as well.

The second strategy would be there's a really big opportunity to take over in the physician space. A lot of dermatologists make a lot of their money selling products and I believe there's somewhere in the neighborhood of about 14,000 dermatologists office in the United States right now. So to be totally honest, we haven't had a lot of time to focus on building that piece of the business since the acquisition. The retail side has had some focus and we're starting to get some interest. As I mentioned, we have a meeting in June with Rite Aid specifically as it relates to the medicated bar business, but as we progress through the year, we are going to turn our attention. We actually still get some random orders of physicians who have sold the bars in the past and they'll occasionally come in, but we haven't actively started to build a plan for that market yet.

Robert A.: Okay. The other question I have, you've had obviously additional expenses in the first quarter that relate to the acquisition and I know it's always a more difficult and a more expensive process than everybody thinks. Have those expenses leaked over into the second quarter, and do you anticipate that all of that additional expense will be gone by the third quarter?

Richard Ransom: The answer to that question is yes, there has been some leakage, although I think the majority of it was in the first quarter. Some examples of that would be one of the reasons our filing and our call is a little later this quarter was the accounting was all over the place. Some of the transactions were showing up on PhotoMedex books through transition services and somewhere on our book, so we did have to bring in some

outside help to kind of help with that. We also had costs associated with the S1 filing that would have hit in Q2, things like that that are kind of out of the ordinary, but it's starting to level off. I would say at this point, those costs are really winding down, but there definitely will be some impact in Q2.

Robert A.: One last question. I know that this opening up the Japanese market again for no!no! and DermaWand is a big deal. Do you guys feel, would you say, highly confident that you're going to achieve that goal this year? Or do you think that – what do you anticipate the timing on that thing?

Richard Ransom: I'm going to let Kelvin address that question because he's been working most closely with the group at TUV.

Kelvin Claney: Well, thanks Rob, good to hear your voice. Thanks for your support too. Yes, I signed agreements with TUV Osaka on Friday or Thursday actually, so I would expect that we would get our actual S-Mark certificate within the next 14 to 21 days, and once we have that, then our partner can actually safely order product. They've indicated to us they'll order a test order of between 1,000 and 2,000 pieces. They have to customize the show and we'll be doing some work in that.

But my understanding is that they're probably going to test this around about September, but I'll get Doug Crouthers, our VP of Sales, to press that point. I don't like to press it too hard now until we actually get the S-Mark certificate, but the moment we get the certificate in our hands, I'll get Doug to press that, but Doug did report that the office in Tokyo of our agent is really excited and they've kind of accelerated this whole project to the front burner.

Robert A.: Alright, thank you. Listen, I don't have any more questions, but it sounds like you guys have really done a good job in executing this acquisition, so congratulations.

Richard Ransom: Thank you, Rob.

Operator: As a reminder, it's * and 1 if you wish to ask a question. We'll pause to allow any further questions to queue. [Pause] And it appears we have no further questions at this time. I'll return the floor to our speakers for any additional or closing remarks.

Richard Ransom: I just want to thank everyone again for joining us. We'll be back in August with our second quarter call and in between now and then, keep an eye out for press releases with some updates. Thank you, everyone.

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