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ZAGG - Q2 2016 ZAGG Inc Earnings Call

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Mike Latimore Northland Capital Markets - Analyst

Bill Delzum Titan Capital - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the ZAGG second quarter 2016 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 follow at that time. (Operator Instructions)

I would now like to introduce your host for today's conference, Ms. Kim Rogers, Director of Investor Relations. Ma'am, you may begin.

Kim Rogers - ZAGG Inc. - Director of IR

Thank you, Chanel. Good afternoon, and thank you for joining us today to review the ZAGG second quarter 2016 financial results. On the call today we have Randy Hales, President and Chief Executive Officer, and ZAGG's Chief Financial Officer, Brad Holiday. Randy and Brad will review their prepared comments and then will open the call for a question and answer session.

Our second quarter earnings press release was issued today after the market closed at approximately 4 PM Eastern Time. As a follow-on to the earnings release, we published the CFO commentary on our Investor Relations website, and we also furnished this document to the SEC on Form 8-K. You can find all of our earnings documents on our Investor Relations website at www.zagg.com in the Quarterly Results section under the Financials tab.

We are recording this call, and a podcast of the conference call will be archived at the ZAGG Investor Relations page under the Events tab for one year.

Before we begin, we'd like to remind everyone that the prepared remarks contain certain forward-looking statements, and management may make additional forward-looking statements in response to your questions. These statements include but are not limited to our outlook for the Company and statements that estimate or project future results of operation or the performance of the Company. These statements do not guarantee future performance and speak as of the date hereof.

For a more detailed discussion on the factors that can cause actual results to differ materially from those projected in any forward-looking statements, we refer all of you to the risk factors contained in ZAGG's annual report on Form 10-K and quarterly reports on Form 10-Q filed with the Securities & Exchange Commission. ZAGG assumes no obligation to revise any forward-looking statements that may be made in today's release or call.



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Please note that on today's call in addition to discussing the GAAP financial results and the outlook for the Company, we will discuss adjusted EBITDA and adjusted earnings per share, pro forma non-GAAP financial measures, an explanation of ZAGG's use of these non-GAAP financial measures in this call, and the reconciliation between GAAP and non-GAAP measures required by SEC Regulation G is included in ZAGG's press release today which, again, can be found on the Investor Relations section of the Company's website.

The non-GAAP information is not a substitute for any performance measure derived in accordance with GAAP and the use of such non-GAAP measures has limitations which are detailed in the Company's press release.

And now I'd like to turn the call over to Randy Hales. Randy?

Randy Hales - ZAGG Inc. - President and CEO

Thank you, Kim. Good afternoon, everyone, and thank you for joining us today. I have three main topics that I would like to cover with you during my remarks. I'll start by reviewing our second quarter results, provide an update on the mophie integration, and conclude with a few comments on the 2016 business outlook.

I want to begin by expressing my appreciation to all the ZAGG employees for their focus on achieving our second quarter targets. I couldn't be more pleased with revenue increasing by 50% to a second quarter record of \$100 million driven by the incremental revenue from the mophie acquisition and continued strong momentum in the ZAGG business.

I'm particularly pleased with the ZAGG momentum as it validates that our focus on our key objectives of product, brand, and distribution is working. We are replicating this proven model as part of our mophie integration efforts and are confident that it will also help increase the long-term growth opportunities of this great brand.

Our continuing focus on product and distribution diversification contributed to market share increases during the quarter in several product categories. Our mophie battery case dollar market share increased to 64%. The InvisibleShield screen protection production line increased to 53%. ZAGG folio keyboards reclaimed the number 1 unit volume market position at 34%, and our iFrogz audio line made outstanding progress against some strong brands by moving to the number 4 position in headphone unit volume.

2016 is proving to be a year where the Company is weathering the slowdown in the mobile industry better than we had anticipated. In previous calls, we indicated that the ZAGG business unit revenues for the first half of 2016 would be down compared to prior year. However, actual results were nearly flat on a year-over-year basis. We also estimated that the mophie business unit would generate revenue of \$30 million to \$35 million in the second quarter with actual results coming in at \$32 million. Adjusted EBITDA was \$11 million or 11% of revenues for the quarter. Brad will provide more commentary on this in just a few minutes.

Now turning to an update on the mophie integration efforts, in the short time since we've closed the transaction, we have reorganized our executive team to better align with our long-standing corporate objectives centered on product, brand, and distribution while introducing a fourth objective of operational excellence.

With the reorganization, we have now created three operating units responsible for product development, marketing, and sales support with respect to their unique brands and distribution. Brian Stech has been promoted to the President of the ZAGG operating unit supporting the ZAGG, InvisibleShield, and iFrogz brands.

The Americas sales teams have been consolidated and represent all brands to our customers while reporting up through the ZAGG business unit. Shawn Dougherty has been promoted to the President of the mophie operating unit where she has spent the last decade building the Company. [Carissa Hearn] will continue as the President of our international operating unit with product, brand, and distribution responsibility for the European and Asian markets across all brands. Daniel Huang, former CEO of mophie, has assumed a corporate CTO role and will be responsible for the review and qualification of new and emerging technologies.



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In addition to the organizational changes, we are moving ahead of schedule with regard to the integration of our corporate support teams including human resources, legal, finance and accounting, IT, and operations. The corporate support teams are focusing their efforts around our newest corporate objective of operational excellence.

Marshall Clark has been promoted to Vice President of Operations reporting directly to me with responsibility for our [N2N] supply chain including the mission critical sales and operation planning across the entire organization. To fully integrate the Company's SNOP process, mophie is now using the ZAGG forecasting tools and is in the process of adopting the ZAGG inventory management software.

Steve Tarr has accepted a position in China to oversee our 65-person China office that plays a crucial role in product development, product management, quality, and vendor management to support our supply chain. The reorganization helps to support the mophie earn-out while taking cost out of the system and adopting best practices from both organizations.

At this point in time, we have identified approximately \$11 million in annual cost savings of which approximately \$8 million will positively impact 2016 results. As we discussed in our first quarter call, we have been very focused on restarting the supply chain to support demand for the mophie product lines. At this point in time, we believe we have increased capacity to a point where it can serve the run rate business.

The last topic I would like to discuss with you is our business outlook for the remainder of 2016. As noted in today's press release, we are reiterating our full-year guidance. We are looking for a strong second half in the sales growth compared to last year. This growth will be supported by the release of an anticipated iPhone in the fall, continued momentum in the ZAGG business in both the domestic and international markets, several new product introductions for both the ZAGG and mophie brands, eliminating the supply chain constraints on the mophie business, and some positive impact from the recent Pokemon craze.

While we can't predict the sustainability of Pokemon, the most immediate positive impact has been a reduction in inventory, both at retail and company-owned, as retailers are seeing increases in sales of power-related products and the need to replenish their inventory. We are taking actions to capitalize on this opportunity while at the same time balancing our supply chain as it shifts capacity to manufacturing our newest generation of power products.

On the new product front, changes made in the organization over the past year have resulted in a robust and more diverse pipeline of new innovative products that will be introduced during the second half. We will be introducing two new premium products under the InvisibleShield brand before the end of the year. Mophie is introducing two new technology platforms called Charge Force and Hold Force. These platforms combine wireless charging with magnetic mounts, brackets, and accessories that create a wireless charging ecosystem.

iFrogz will be introducing a line of Bluetooth wireless audio products that have been received well by our customers with retail placement in the third and fourth quarters. Additionally, we will be introducing two new keyboard products under the ZAGG brand that are the most future-rich and user-friendly we have ever introduced. One key assumption in our guidance is that an anticipated new iPhone will be enough of a change that it will require new form factor specific products for both the InvisibleShield screen protectors and mophie battery cases.

There has been concern expressed about mophie's ability to generate the sales necessary in the second half of 2016 to allow the Company to achieve our guidance. With the mophie recovery under way and the new products coming to market, we anticipate sufficient growth in the second half to achieve our forecast.

I'm very excited about the path ahead of us in 2016 and beyond. I want to once again thank all of our employees for supporting our corporate objectives and working tirelessly to build a great company.

I will now hand the call over to Brad.



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Brad Holiday - ZAGG Inc. - CFO

Thanks, Randy. Since many details of our quarterly financial performance were included in the CFO commentary issued earlier today, I would just like to take a few minutes to add some additional comments on our annual business outlook.

As mentioned in today's press release, we are maintaining our business outlook with annual net sales ranging from \$460 million to \$500 million, gross margins as a percent of sales in the low to mid-30s, and adjusted EBITDA from \$60 million to \$65 million with the expectation that both sales and adjusted EBITDA could fall into the low end of these ranges.

With regards to our sales guidance, we estimate a significant increase in the second half as compared to the first six months for several reasons. First is the anticipated release of a new iPhone this fall. Second, we have several new products shipping into the market during the second half which Randy discussed. Third, we have completed the multi supply chain ramp up which should free up capacity as we shift focus to the newest generation of products launching in the second half of the year. Fourth is the recent phenomenon surrounding the Pokemon Go app. While we don't know how long this craze will last, the most immediate positive impact has been a reduction in inventory both in the retail channels and in our warehouses.

Please keep in mind that our supply chain capacity has begun to shift to our newest power products, and if this demand continues, we want to leverage the sales opportunity by depleting our existing inventory first and then augmenting with our new products as they become available. And finally, we have seen significant growth in our international region and in our ecommerce channel and expect similar growth over the balance of the year.

All of these factors contribute to our estimated second half sales which for modeling purposes we estimate to be split approximately 40% and 60% between the third and fourth quarter, respectively.

We also reiterated today our adjusted EBITDA estimate of \$60 million to \$65 million. At a high level let me try to explain a couple of perspectives on why we are comfortable with this estimate. First of all, second half sales are nearly double those in the first six months as I just explained, which will generate a significant increase in adjusted EBITDA. Second half margins are estimated to improve as a result of higher screen protection sales, better fixed cost leverage on higher sales, and higher sales of new full retail price mophie products.

Additionally as mentioned earlier, we have identified \$11 million in annual cost reductions and synergies post the closing of the acquisition, \$8 million of which will impact second half results. While being respectful of the earn-out period, we have worked quickly and closely with the mophie team as well as with the ZAGG team to identify synergies and cost reduction opportunities throughout the entire organization.

These reductions are across all cost categories but are primarily driven by reductions in headcount, lower product costs as we've been able to negotiate better combined pricing with suppliers, and discretionary expense categories.

A second way to look at annual guidance is to look at just the ZAGG business, which generated \$42 million in adjusted EBITDA in 2015. This business alone is expected to increase nearly 10% in net sales on improved year-over-year gross margin as a percent of sales. Add the expected 2016 cost reductions of \$8 million I already mentioned along with a positive contribution from mophie, and I think you can better understand how we get to our estimate for the year.

Overall, we are pleased with our results for the first half of the year with progress on the mophie integration and cost-reduction efforts and with all of the new products that are scheduled to be launched during the second half of the year, which is why we are maintaining our full-year business outlook.

That concludes my remarks, and we would now like to open the call for questions.



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QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) Mike Malouf, Craig-Hallum Capital Group.

Mike Malouf - Craig-Hallum Capital Group - Analyst

Great quarter. I'm wondering on the mophie side if we could just talk a little bit about the supply chain. You said it was pretty well fixed and that the capacity was basically at your projections. How much flexibility do you have on that to ramp it higher? And the reason why I'm sort of asking that is we've seen this Pokemon phenomenon really take hold. Power's the biggest problem with Pokemon, and we've done our research to show that inventories have basically been wiped out at a lot of stores and just what the impact really could be for you as you look into the second half and whether you can take advantage of it.

Randy Hales - ZAGG Inc. - President and CEO

Yes, Mike. Thank you for the question. We're very comfortable with the capacity -- production capacity that we have online right now, but one of the real benefits of the Pokemon bump has been that it's allowed us to work through some of our aging inventory as we prepare for the new inventory launches. So our focus right now from a capacity standpoint is to bring the capacity up on the new products being introduced, and we certainly feel like we have enough there to continue to support the demand that we've seen over the last two or three weeks with the Pokemon craze.

Mike Malouf - Craig-Hallum Capital Group - Analyst

Okay, and then with regards to some of the changes -- you talked a lot about the integration changes, have you had to sort of tiptoe around any constraints that you had in your agreement, and has that kept you from sort of realizing some of the things that you had thought because I know that there was some concern out there that you had some constraints with regards to the integration efforts around mophie.

Randy Hales - ZAGG Inc. - President and CEO

No, we really haven't, Mike, and I think that's a -- [I'd attribute back to it] - you really have two teams that are doing everything we can for the long term health of the business and we're both likeminded that way so where we see opportunity to take cost out or increase efficiencies, there isn't anything per the contract or even from either side that's getting in the way of that. So, we're trying to adopt best practices where we can find them along the way. We've accelerated things if anything to the benefit of supporting the earn-out; certainly not hindering it in any way.

Mike Malouf - Craig-Hallum Capital Group - Analyst

Okay. Great. And then when you take a look at the back half of the year, you point out that the iPhone is kind of your -- is one of the key catalysts. As you -- what do you expect with this iPhone with regards to the guidance and how does either a weak iPhone sale or kind of a mediocre impact your expectations for the back half, particularly around the InvisibleShield category?

Randy Hales - ZAGG Inc. - President and CEO

Yes, there's been so much talk about this may not be as big of a device launch as we've seen in years past, but I think we look at it and say that bump is probably very similar to what we saw back in 2014 because our distribution is so much broader now than it was back then. So, we still anticipate a very nice bump to the business, even if the device is not as groundbreaking as they have been in years past.

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Mike Malouf - *Craig-Hallum Capital Group - Analyst*

Okay. Great. Thanks a lot for answering my questions.

Randy Hales - *ZAGG Inc. - President and CEO*

You bet. Thank you.

Operator

Dave King, ROTH Capital.

Dave King - *ROTH Capital Partners - Analyst*

Thanks. Good afternoon, everyone. I guess first off on the gross margin, if I back out the inventory write-up for mophie, I come up with gross margins there of around 21% or so. Can you remind us again of what's implied in the guidance? I think in the past you talked about sort of high 20s, low 30s for mophie. Maybe just help us better understand the delta there and then how you see the margins of that business trending over the next couple quarters. Thank you.

Brad Holiday - *ZAGG Inc. - CFO*

Yes, Dave. This is Brad. What we said in the past is that if you look at historical mophie gross margins they were kind of in the high 20s, right around 30%, and we felt we could get back to that level. We didn't say we'd get back this year, but that we felt over time that we would be able to get them back at least up to historical levels. So to your point, yes, it was about 21% when you back out the transaction costs, and we still feel comfortable as we go forward that we're going to be able to improve on that fairly significantly as we get into next year. But I think next year will probably be a better judge of that rather than the balance of this year.

Dave King - *ROTH Capital Partners - Analyst*

Okay. That's helpful. And then maybe on the legacy ZAGG side, I think gross margins were down 300 basis points or so sequentially, even with the screen protectors I think sort of staying above 70% of the legacy mix. Can you talk about sort of what drove that change?

Brad Holiday - *ZAGG Inc. - CFO*

Well, Q2 margins were actually up 200 basis points compared to last year, and we're down, I think, a little bit compared to the first quarter but are up 100 basis points through the first half of the year. We're still guiding all consolidated that we're going to be in the low to mid-30s overall. Not a lot has changed there, and we would expect that the ZAGG margins [will] continue strong, especially kind of given the year-to-date trends and the higher mix of sales, if you will, from -- not a higher mix of sales but higher sales from InvisibleShield screen protection over the balance of the year.

Dave King - *ROTH Capital Partners - Analyst*

Okay. That's great. That's great color. And then maybe second for me on the \$11 million in identified cost saves from mophie and then the 8 for the year, is that incremental to the prior guidance that you had laid out for the year?

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Brad Holiday - ZAGG Inc. - CFO

No. It was -- we knew we were going to go after some synergies. We couldn't talk a lot about it at the first call, but we had anticipated as we were trying to map out the balance of the year. We had some ideas, we just hadn't really brought it all together, so that was really kind of built in to our guidance, if you will, so the \$11 million is an annualized number and we believe that roughly \$8 million of it will hit this year, but we had sort of factored that into our guidance last time.

Dave King - ROTH Capital Partners - Analyst

Okay. Okay. That answers my question. And then as I think about the \$65 million or so that mophie had in overall expenses last year based on your pro formas and then now it's sounding like it's kind of 41-ish or something, so kind of a 24 million delta that -- on an annual basis, 11 it sounds like is [Dees]. If I remember, there were some other things like a Super Bowl add and some other things. Can you just kind of outline what those numbers are a little bit or give some color around that?

Brad Holiday - ZAGG Inc. - CFO

Well, yes. So, I mean, certainly Super Bowl was part of that, but of the \$11 million annualized, that was across our entire organization. We just didn't go to mophie and say you need to cut all of this expense. We looked at it holistically across our organization and theirs and so from both organizations we looked at headcount, we looked at attrition where there's maybe duplication of responsibilities and we don't backfill jobs were people have left, for example. We did leverage initially -- went quickly to some suppliers and just based on volume and the ability to negotiate slightly better prices, helped us drive cost of goods sold. So the 11 million is not all mophie. It's really across the organization.

Dave King - ROTH Capital Partners - Analyst

Okay, but then there's other things beyond that that get you to the 41 versus 65 and the Super Bowl ad I think was a big chunk of that, and was there anything else that would be a driver?

Brad Holiday - ZAGG Inc. - CFO

Those would be the biggest ones, I think.

Dave King - ROTH Capital Partners - Analyst

Okay. Okay. Thanks for the color. Good luck with the rest of the year.

Randy Hales - ZAGG Inc. - President and CEO

Thank you.

Operator

Rommel Dionisio, Wunderlich Securities.



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Rommel Dionisio - *Wunderlich Securities, Inc. - Analyst*

Thanks. Good afternoon. So my question is, Randy, in your prepared comments you talked about some of the strategic management initiatives that you put in place, some management changes and new roles. I wonder if you could just talk a little bit about how that's going to affect speed to market for new product development and actually developing and bringing new product to retail more quickly, and I couldn't help but notice that you're bringing a new line of wireless or Bluetooth enabled audio headphones to market just in time for this -- the iPhone 7 getting rid of the headphone jack, 3.5 mm headphone jack, so I wonder will this potentially change the launch cadence of new products going forward to be more responsive to the marketplace and changes in the marketplace. Thanks.

Randy Hales - *ZAGG Inc. - President and CEO*

Yes, Rommel, thanks for the question. I don't anticipate that it will be necessarily an accelerator or change to the cadence of the timing on the new products that we're launching, but it does certainly put the product and the brand management closer to the customer, and I think that's a great thing so that we can have customers buying in and involved in that process more so going forward than they may have been in the past, also getting real-time feedback as we're going through the development process on our products a little sooner. So I think the cadence remains the same, but I believe the finished product improves by having those operating units closer to the customer.

Rommel Dionisio - *Wunderlich Securities, Inc. - Analyst*

Okay. Thanks, Randy. Congratulations on the quarter.

Randy Hales - *ZAGG Inc. - President and CEO*

Yes, thank you, Rommel.

Operator

Mike Latimore, Northland Capital.

Mike Latimore - *Northland Capital Markets - Analyst*

Excellent quarter. On the ZAGG just sort of organic growth sequentially, was there any particular driver there? Was there a device that really helped generate more accessory demand or a new retailer taking in or is it sort of across the board [strings in organic mix]?

Randy Hales - *ZAGG Inc. - President and CEO*

Yes, Mike, it was really just a lot of momentum in the business. We do have more distribution this year than we had last year. I think that's playing into it. We saw some momentum in our international business. Dot com was up nicely again. Continued strength in the InvisibleShield category, which is really an encouraging sign for us because typically as you get late in a device lifecycle you start to see attach rates or overall unit demand diminish, and in our case in the InvisibleShield this year it's actually increased. So, I think that positions us well for a new significant device launch this fall and then strengthen our iFrogz audio line that has been something we've been talking about over the last couple of quarters about new products, new placement. All of that's starting to play in.

Mike Latimore - *Northland Capital Markets - Analyst*

And then did you say that in terms of your guidance for the second half you do expect a form factor change in the iPhone or how did you characterize that?



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Randy Hales - ZAGG Inc. - President and CEO

Yes, we are anticipating enough of a form factor change that it will require new form-specific products for the InvisibleShield and the mophie juice pack products.

Mike Latimore - Northland Capital Markets - Analyst

Okay. Got it. And then in terms of just the recent demand around Pokemon, are you seeing more demand for sort of the packs or the cases or both?

Randy Hales - ZAGG Inc. - President and CEO

That's an interesting question. We've been trying to get some data around that, Mike. I can't say that we can point to it yet with data, but anecdotally what we're hearing is that people are going in obviously needing power but now all of the sudden they find themselves out walking through parks and neighborhoods and the media's been real good to point out all of the mishaps with people not paying attention to where they're going and so we think that intuitively and in speaking with some of our retail partners that that has driven more awareness for device protection, including cases and screen protectors.

Mike Latimore - Northland Capital Markets - Analyst

Okay. And then just last one. The -- what should we think about in terms of timing of a mophie battery case for the iPhone 7 or the next iPhone that comes out? Is that something that would -- would mophie have a case out kind of by the end of December or is that more kind of first quarter next year?

Randy Hales - ZAGG Inc. - President and CEO

Yes, I think we'll continue to tell you that they'll follow what they have historically where it takes a quarter to get a product in the market. However, we are introducing some new strategies and new disciplines and approaches that could pull that timeline in. Hate to claim victory for anything like that yet because we haven't executed against it, but we are trying some things a little differently this go around with the intention of bringing that in sooner.

Mike Latimore - Northland Capital Markets - Analyst

Okay. Thanks.

Operator

(Operator Instructions) Bill [Delzum], Titan Capital.

Bill Delzum - Titan Capital - Analyst

Thank you. I would like a little help on something that I'm confused with. I thought last quarter that one of your challenges with mophie was ramping up production to meet some demand and then I think on this quarter's call we just heard you say that you are comfortable with your ability to meet the Pokemon demand. I mean, both from your warehouse but also if any additional production is necessary. Does that tell us that you have improved the supply chain and relationships with suppliers that quickly or am I just mishearing what you're saying?



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Randy Hales - ZAGG Inc. - President and CEO

Yes, let me bring a little clarity to that, Bill. There's really two points there. Number one, we had inventory that's been consumed, both at retail locations and in our own warehouses to support the Pokemon craze. And we had indicated in last quarter's call that it would take us to the end of this quarter, or the second quarter rather, to get production capacities brought up to speed. So, there was kind of a convergence where we had inventory and our retailers had inventory to service that initial bump in the Pokemon and then we could back them up with our aging inventory and products that we're running out of the system now or we want to run down and then we have new capacity brought online to ramp up with our new products that will be introduced. So, that's how we're -- we've been able to keep up with the demand to date.

Bill Delzum - Titan Capital - Analyst

And when you say new products, are you referring to new products that are tied to the new form factor or are you really referring to simply new products even with existing screen dimensions?

Randy Hales - ZAGG Inc. - President and CEO

Yes, we're talking more about the battery packs rather than battery cases.

Bill Delzum - Titan Capital - Analyst

Understood. Thank you. And then next question, keyboard revenues were down less in the second quarter than they were down in the first quarter. Would you talk us through the implications of that?

Randy Hales - ZAGG Inc. - President and CEO

Yes, we're seeing that that market seems to be settling a little bit. We've also been a little bit more aggressive to move some inventory out that was getting old and starting to age for us. As a category in general, we think it still is a little bit challenged. There's a shift into more of a professional environment where tablets are being used more for productivity. As our new keyboards are released this fall, you'll see that they're designed to assist with that and are more future rich than anything we've had in the past, but this -- I think the slowing of the decline that we've experienced in the second quarter was just us being a little bit more aggressive moving some older inventory.

Bill Delzum - Titan Capital - Analyst

Great. Thank you. And then finally, relative to audio, when are you expecting to see an improvement in the audio line?

Randy Hales - ZAGG Inc. - President and CEO

Yes, second half for sure as the new Bluetooth wireless products start to hit distribution in the third and fourth quarters. And I think -- we're -- we've got some expanded distribution that is just starting to come into play, so stay tuned on that. We should be able to report a lot of detail in the third quarter call.

Bill Delzum - Titan Capital - Analyst

Great. Thank you.



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Operator

Thank you, and I'm showing no further questions at this time. I would now like to turn the call over to Mr. Randy Hales for closing remarks.

Randy Hales - ZAGG Inc. - President and CEO

Great. Well, thank you, everyone, for joining us on the call today. And we look forward to discussing our third quarter results with you on the next call. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone have a great day.

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