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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the ZAGG Third Quarter 2016 Earnings Conference Call. (Operator Instructions)

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

Kim Rogers - *ZAGG Inc. - Director of IR*

Thank you, Vicky. Good afternoon, and thank you for joining us today to review the ZAGG Third Quarter 2016 Financial Results. On the call with me 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 we'll open the call for a question-and-answer session.

Our third 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 third quarter 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 web page under the Events tab for one year.

Before we begin, we'd like to remind everyone that today's 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 operations 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 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 the quarterly reports on Form 10-Q filed with the Security and Exchange Commission. ZAGG assumes no obligation to revise any forward-looking statements that may be made in today's release or call.

Please note that on today's call, in addition to discussing GAAP financial results and the outlook for the company, we will also discuss adjusted EBITDA and adjusted earnings per share, pro forma non-GAAP financial measures. As 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*

Good afternoon and thank you for joining our call today.

I want to begin by congratulating and recognizing the ZAGG teams for a very strong third quarter with record sales of $124 million, led by strength in the ZAGG business unit, resulting in an overall increase of 87% compared to last year. I'll start by reviewing the ZAGG business unit defined as the ZAGG business prior to the acquisition.

During the quarter, the business unit achieved record sales of $85 million, a 27% year-over-year increase, supported by strong screen protection sales and consecutive record revenue months in our International business. Gross margins were a strong 42%, with adjusted EBITDA coming in at over 20% for the quarter. Inventory balances decreased for the fifth consecutive quarter with terms improving by 50% over last year.

In the third quarter, market share results, as reported by NPD, showed continued strength in screen protection where the InvisibleShield brand increased its number one dollar share position to 52% compared to 44% last year. In audio, the iFrogz brand expanded by 43% year-over-year, tripled the market category growth of 14%. The iFrogz Plugz with Mic product line became the number one selling audio product in unit volume. We anticipate additional share growth as a result of our recent Bluetooth wireless earbuds launch. Overall, the ZAGG business unit has performed very well in 2016 and we are very pleased with the results.

Shifting my remarks to the mophie business. Our overall integration efforts remain on track and the back-office consolidation is progressing ahead of expectations at this time. Unfortunately, mophie's results are not meeting expectations and have become a headwind to our consolidated performance.

By continuing to implement key business processes and disciplines such as forecasting and related supply chain initiatives, we will establish the fundamentals necessary to deliver longer-term benefits associated with improved inventory and networking capital management, similar to what we have achieved in the ZAGG business unit. Despite overcoming the initial supply chain issues earlier in the year, we have not seen the pace of sales recovery and profitability that we had expected. This is due to several factors, including underperforming product launches that have caused the mophie second half forecast to be overly optimistic.

Additionally, as stated in our press release today, we took a noncash impairment of $24 million in the quarter related to a reduction in mophie working capital at the time of the acquisition. Brad will cover this in more detail during his comments.

As a result of the disappointing performance, I have assumed the role as Interim President at mophie. I will be leading the changes necessary to get the business back on track. We have a talent-rich team at mophie, but a leadership change was necessary to accelerate the pace of recovery.

We purchased mophie because of its strong brand, innovative products, strong market growth in the power category and its future EBITDA potential. While it's very unlikely that mophie will achieve their targeted EBITDA during the earnout, we are confident that the changes we are making now will allow it to deliver strong results in 2017.

The last topic I would like to discuss is the revised business outlook for the remainder of the year. We have lowered guidance to a new range of $400 million to $420 million. This reduction is due to significant mophie underperformance in the second half, retail supply constraints associated with new device launches and the discontinuation of the Samsung Note 7. With this revision in net sales, we now anticipate adjusted EBITDA to range from $52 million to $55 million.

I will now turn the call over to Brad.

Brad Holiday - *ZAGG Inc. - CFO*

Thanks, Randy. As 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 a couple of topics.

Today's press release included a detailed explanation of the $24 million impairment charge recorded during the third quarter. However, I would like to take a few minutes to add some additional color to what we have already explained in the press release.

As a reminder, GAAP purchase accounting requires that at closing, a preliminary allocation of the purchase price be made to tangible net assets, intangibles and goodwill. At closing, mophie provided an estimate of the working capital accounts that we used for the initial purchase price allocation.

A few months after the transaction closed, we received the final 2015 audited financials from mophie's independent auditing firm, in which there were significant negative adjustments recorded to the value of inventory and sales return reserves. These adjustments negatively impacted the working capital accounts initially estimated by mophie, and the $24 million noncash impairment charge recorded during the quarter is essentially the difference between the initial working capital account estimate and the 2015 audited financials.

We are currently pursuing several avenues of possible recovery, including a $2 million escrow set aside at closing, a rep and warranty insurance claim under a $10 million policy purchase at closing, and a recovery of certain tax and duty refunds that would otherwise be paid to the former mophie shareholders. Any future recoveries will be recognized as a gain in the quarter in which it is received.

Randy also mentioned the improvement in our ZAGG business unit inventory at the end of the quarter, which shows the progress made as a result of our S&OP focus over the past year and a half. Inventory decreased 32% to $31 million compared to the same period last year; and inventory turns improved to nine times, a 50% increase compared to six times for the same period last year. The focus the team has had in improving forecasting and supply chain initiatives are showing great results with room for further improvements in the future.

We are implementing these same processes with mophie and would expect to see similar results with them over the next year or so, in line with what we're seeing today in the ZAGG business unit. Additionally, year-to-date, we have generated $26 million in operating cash flow, $23 million coming in the third quarter. The balance outstanding on our $85 million line of credit is $30 million, with $42 million of availability.

The last thing I would like to comment on is the revised guidance, which Randy gave a good overview in his comments. The overall reduction in sales guidance to $400 million to $420 million is the result of a delay in reorders for screen protection related to the shortage of iPhone 7 and 7 Plus inventory at retail, Mophie's underperformance and the discontinuation of the Samsung Note 7.

The midpoint of the range assumes that the iPhone 7 and 7 Plus retail inventory availability begins to improve in mid-November, and that we will ship a small quantity of the new iPhone mophie juice pack battery cases in late December. Historically, because of product development timeline, these juice pack products for the new iPhones haven't shipped to retail customers until mid to late first quarter of the year following the iPhone introduction. The mophie team has done a remarkable job in accelerating the development time line, and this year, we have product ready for various certification approvals required before the product can ship to retail. The certification process is not something we can control. However, if it is completed quickly, then there will be some upside to our current sales forecast. Given the uncertainty of this approval, though, I would suggest using the midpoint of the range for planning purposes.

With these sales changes, adjusted EBITDA is currently estimated to range from $52 million to $55 million or 13% of net sales. We are on track to achieve the $8 million in savings mentioned on our last call. We are also just ramping up our budgeting process, which will include some additional savings opportunities to improve the mophie profitability in 2017. We will provide more guidance on our earnings call early next year. I would now like to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Dave King with Roth Capital. Your line is now open.

Dave King - *Roth Capital Partners, LLC - Analyst*

I guess first off on the $26 million noncash impairment for mophie. I guess, which balance sheet accounts did that originally affect? Understanding, obviously, it's how you allocated the purchase price, but I guess I'm curious as to how does that compare to the $13 million or so, I think, that you reclassified as inventory held by others and then the $21 million that you reclassified as customer liabilities when you released the pro forma. So I guess I'm just trying to better understand how that delta occurred.

Brad Holiday - *ZAGG Inc. - CFO*

Yes, Dave, this is Brad. I mean, the biggest adjustments really came in the inventory valuation and the sales return reserves. That was a value that we had used the preliminary estimates provided at closing. When the independent auditors went through, they reduced the valuation of inventory, probably more in line with how we would look at our inventory and the sales return reserve they also increased. So those were the two major accounts within the working capital categories, if you will.

Dave King - *Roth Capital Partners, LLC - Analyst*

Okay. And then -- so when they did that at, call it, May 17, what -- and then I think we sort of -- we saw much of that in the pro forma. So I guess, what then drove you to take that charge now versus in the second quarter? And as part of that, the reason you're taking it now, is there the assumption that a lot of it, you can't get it back where you thought maybe previously you could? Or was there something else driving that?

Brad Holiday - *ZAGG Inc. - CFO*

The accounting rules require that if it's in dispute, that's when you take the charge. So we were still working through a lot of different conversations at the end of the second quarter and had not really reached any resolution, but there was still some different discussions going on. But it's been determined that bearing dispute with our point of view, so at that point in time, accounting rules require that you book it if it's under dispute.

Dave King - *Roth Capital Partners, LLC - Analyst*

Okay, okay. That helps. And then switching gears a bit on the fourth quarter guidance. What is that -- I guess implied guidance for fourth quarter, what does that assume in terms of revenue contribution for legacy ZAGG versus mophie? I mean, mophie, I think, if I remember correctly, did like $39 million this quarter, and I think previously, we've been assuming sort of like a $50 million kind of quarterly run rate. So how should we be thinking about that, those two businesses for fourth?

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

Yes, Dave, we're showing growth in the fourth quarter on the ZAGG business ex-mophie, and further decline in the mophie business versus forecast and even prior year.

Dave King - *Roth Capital Partners, LLC - Analyst*

Okay. In prior year. And then given that you assume -- now assuming having some seven juice pack available in that December, I guess what's sort of the delta in terms of what's -- let's say, compared to what they were able to ship with six. What's that incremental revenue that you're getting in the fourth quarter? Understanding, Brad, from your comments that there's some upside to that potentially, but what's the incremental that you guys are assuming in terms of having that shipped in December versus having it shipped in January previously -- in previous years?

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

Yes, it wouldn't be a huge number, because we think it's coming so late if it comes at all in the fourth quarter. So we haven't quantified it, or I don't think it makes sense to do so in the call. We've talked about some ranges, but it's not a huge number.

Brad Holiday - *ZAGG Inc. - CFO*

Dave, this is Brad. The only thing I would say is when we provided the guidance on the last call, we had assumed that this juice pack inventory would shift during the fourth quarter. While the product is actually ahead of schedule, it's this -- we just don't have any control over the certification process. So what we did in our forecast was just to, I guess, say, be conservative, is we've taken almost all that volume and moved it into Q1. So there's just -- we're assuming there maybe some very late December shipments.

If the certification process were to be completed earlier than we're estimating, then there would be upside to our sales forecast. But right now, we've taken it out of our forecast, with the majority of it and there's just a little bit of it we think that could hit in our assumptions in -- late in the fourth quarter.

Dave King - *Roth Capital Partners, LLC - Analyst*

Okay, that helps. And then maybe one last one from me and then I'll step back. In terms of maybe following up on, Randy, the role -- you stepping in to take the President role for mophie. I guess what are the other thoughts around any other near-term kind of cost reductions you can have, any other things that can be done with staffing? And then I guess in general, how are you thinking about the potential for expense savings coming out of that business now, with revenue not necessarily being what you originally thought it would be?

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

Yes, Dave, I think you have to step back far enough to look at it as a complete P&L and look in all areas where we can make a difference in that business. Number one, it starts with aligning some of the contract practices with the way that we've managed those at ZAGG, which is a little bit tighter control on some of the return issues that mophie has historically faced and has significantly impacted that business.

We've also gone back in. We're working on some gross margin initiatives, making sure that we're with the right partners from a supply perspective, that we're taking advantages of some cost breaks and volume purchasing on common components and things like that. So we'll continue to try to get healthier to gross margin level. And then lastly, of course, we've got the right-size the SG&A load relative to revenue contribution.

So I would say I'm looking at it from top to bottom. There's a couple of initiatives already underway. And we'll continue to evaluate where we can remove cost throughout the entire organization.

Operator

And our next question comes from the line of Mike Malouf with Craig-Hallum Capital. Your line is now open.

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

I wonder in the first -- one of the things that you pointed out was the sales of some of the newer products for mophie, and I'm just wondering if you could comment a little bit about some of the launches that have taken place recently, and then perhaps kind of rope that into the inventory at mophie. Is the mix of inventory more of these new products? Or do you still have some of these older -- the older products in the inventory? Thanks.

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

Yes, Mike. I'll start by addressing the sales of some of the new products, and then I'll turn it over to Brad to talk some more about the inventory. But we launched two new products in the quarter, what we call the Charge Force, which is a wireless charging platform and Hold Force, which is part of a broader ecosystem but is not power or charging-based. And the two launches were probably just a little bit later than we had initially planned and have not taken -- have not grown as quickly as we would have hoped, probably more so on the Hold Force side of the business. And so we'll continue to watch that product line carefully.

We want to make sure that the inventory that hit retail is pulling through, so we can see how it's performing before we make decisions on expanding or contracting those product lines. I think longer-term, especially with the Charge Force line, as consumers become more wireless charging-minded, we're really hitting that at the right time. It's just a matter of getting additional retail traction and then sell-through.

Brad Holiday - *ZAGG Inc. - CFO*

And Mike, this is Brad. With regards to the inventory make up, a couple of thoughts there. I think that with the adjustment that came back from their independent auditors, I would tell you that the valuation, first of all, of the inventory is probably more in line with the way that we would look at it. So it's appropriately reserved and valued at this point in time. The makeup of the product is really -- it's predominantly current product, and some of it, a little bit older than, as Randy said, some against the newer products.

So the way we look at that always is we will take a look at market conditions, retail sell-through, and we may go ahead and do some kind of promotional items, more in line with how we do it, to move that product with the goal of trying to get that inventory down. Their inventory is too high, I would say, relative to the terms that we're operating on, as I mentioned, we're at nine. They're less than half of that, so we've got some room to go. But those are some of the processes that we implemented here at ZAGG, so I would expect by this time next year, that we should have that, maybe not quite to the ZAGG levels, but certainly at a level that's much higher performance at this point in time.

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

Okay. And then Randy, you talked a little bit about growth in ZAGG in the fourth quarter. Were you talking year-over-year or do you think you're going to get sequential growth off of that $85 million into the sort of typically strong seasonal fourth quarter?

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

Yes, yes. A little bit of both, Mike. We're right now looking at it, saying that there could be some quarter-over-quarter growth and certainly year-over-year growth in the quarter. So the ZAGG business is just running at a very, very high rate right now.

Brad Holiday - *ZAGG Inc. - CFO*

Mike, one other thing I think if you take a look at the sales in third and fourth quarter, we actually were able to get a lot of our screen protection inventory towards the last week of September, in anticipation of what was going to be an earlier launch. So I think if you were to compare execution year-over-year or program-over-program, we probably saw a little bit of bump shipped into third quarter out of fourth quarter. So a little bit with timing, not a lot, because there is a little bit that we got shipped earlier than in past, which hit late in the third quarter.

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

Yes. Okay, we've seen that before, too. And then when you look at mophie next year, Randy, and I know that one of the things that you looked at when you bought the company was that you thought it could at least do $20 million in EBITDA, and that was why you set the earnout at that level. Could you talk a little bit about, not necessarily putting guidance out there, but just how you take a look at mophie as a company now after you've been living with it for a while and have had to change the management team, and obviously, you've seen some of these new products not sell as much as you'd liked. Is it still ability to get up to that $20 million, or is it more of a $5 million to $10 million EBITDA company? I mean, can you just give us a sense of that perspective? Thanks.

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

You bet. I'd approach that a couple of ways. We really think that it's the right platform. First of all, it's the best brand in mobile computing and the products are outstanding. The reputation in the market is very good and that's what we really purchased when we bought the company.

So on a go-forward basis, do we believe this can become a $20 million EBITDA generation business? I'd say absolutely. Will we get there in 2017? I think we feel very good north of $10 million and it has potential to get up to the $20 million. Really depends on how quickly we can hit on some of these levers that I mentioned earlier, Mike, in getting the contracts modified a little bit to a common ZAGG contracts where we're not having as open return rights on the product, also working on the front-end with gross margin, and then just again making sure that we have a very efficient SG&A load on the business to get us to profitability.

Operator

And our next question comes from the line of Rommel Dionisio with Wunderlich Securities. Your line is now open.

Rommel Dionisio - *Wunderlich Securities Inc. - Analyst*

Just a question on the mophie business. I think in the prior conference call, you guys talked about feeling some strengths in retail sell-through as a result of this augmented reality game that came out. And I know that, that did cause a spike in battery cases for a little while. So I'm just wondering from a retail sell-through perspective, retail demand, have you seen that meaningfully slow? I know you're selling some of the old inventory at retail during that time frame, but I wonder if you could just speak about retail demand for some of the mophie categories, specifically, these last few weeks? Thanks.

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

Yes, Rommel, thanks for the question. As it pertains to the Pokemon craze that hit mid-summer, we saw that as a tremendous spike, and then it came down just about as fast as it went up. As we mentioned in the second quarter call, it was helpful in that it burned through some of the inventory that was at our retail partners, and I think Brad even mentioned in the last call that we were rather than continuing to fill that pipeline, believing that it would be a spike, redirected production efforts into the new product lines to get them into market sooner than later. So it did clear the channel, but it wasn't a meaningful sustained difference to the business.

Rommel Dionisio - *Wunderlich Securities Inc. - Analyst*

And in that category, was there anything from a competitive standpoint these last few weeks and months that you saw a change of dynamic there? Is it still -- just from a competitive standpoint. I mean you're obviously very dominant in battery cases overall, is there anything else on the competitive horizon that's changing your view near term?

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

Yes. So market share in the mophie brand has remained very consistent with what we talked about last time, attached juice packs or power cases. We're right in that 60% market share range with battery packs being in that 20% range. So we haven't seen a tremendous shift in market share year-to-date.

I will tell you in all retail product lines, you're going to have a good, a better and a best price positioning. Mophie definitely operates in the better and the best; very similar, in fact, to the ZAGG InvisibleShield product line, it's in the better and best price positioning. Where there's been growth in the power category, has been down in that good section of the market. And that's an area where we think, frankly, we have the right to enter. We're looking at what brand strategy makes the most sense there, but it is a category or a part of power management that we have our eyes on.

Operator

And our next question comes from the line of Jon Hickman with Ladenburg. Your line is now open.

Jon Hickman - *Ladenburg Thalmann & Co. Inc. - Analyst*

Could you delineate a little bit the percentage of how you've taken your number down for next year and you -- or for this year and you've mentioned that was due to the iPhone 7 and the Note -- the Galaxy Note and then the mophie. Could you give us some percentages of like is most of that mophie? Like 60%, and the rest is the other two? Or can you help us out there a little bit with --

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

Yes, we'll give you a little bit of perspective there, John. The majority is related to the mophie business. And probably a little bit higher than your guess, but that's where the majority of the shortfall is coming from.

Jon Hickman - *Ladenburg Thalmann & Co. Inc. - Analyst*

Okay. And then because of the Note 7, and you've probably anticipated that to be a fairly successful product. Are you -- is there going to be an inventory write-down for that come next quarter?

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

No. The good news on that one, we were watching it very closely. Obviously, with screen protection, we can react quickly to the market, and so we were able to manage through that inventory. On the mophie side of the business, we had contemplated, and in fact, engineered a juice pack for that product, but we stopped production and tooling and everything to gear up for it immediately when the problem started occurring. So we got ahead of that and we don't anticipate any inventory adjustments associated with the Note 7.

Jon Hickman - *Ladenburg Thalmann & Co. Inc. - Analyst*

Okay. And then I -- one other question. Could you -- so with the positive cash flow that you generated, $23 million this quarter, you're using those funds to pay down debt along with working capital. But is that the primary goal of the cash generation?

Brad Holiday - *ZAGG Inc. - CFO*

Yes, John, this is Brad. A couple of thoughts on that, just maybe a little bit extra detail for everyone. So year-to-date, we've generated $26 million in free cash flow from operations. ZAGG has actually generated $52 million, which is up from $22 million last year. So I think this is a little bit of a tail of two companies right now. The ZAGG business is really operating very efficiently. And as Randy mentioned, the results for mophie have not been as strong as we'd like, so therefore, we're jumping in, Randy's going to be taking on more of a leadership role down there. So that's just a little bit extra, I guess, detail for everybody. The ZAGG business is very strong. And to your point, the focus right now is predominantly servicing [with that payment] out as quickly as we can in any kind of working capital or CapEx needs that we would need.

Jon Hickman - *Ladenburg Thalmann & Co. Inc. - Analyst*

Okay. And then one last thing on the dispute with the mophie shareholders, the previous shareholders. So is there a potential legal battle that you might get into here?

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

Well, they certainly -- they started that process and essentially requested a disposition of some of the pre-closing tax and duty refunds that came in. Our position, though, is that the merger agreement gives us the right to withhold these refunds and offset against our losses for breaches in representations and warranties. So at the appropriate time, we'll file our response.

Operator

And our next question comes from the line of Mike Latimore with Northland Securities. Your line is now open.

Nick Altmann - *Northland Securities - Analyst*

This is Nick Altmann on for Mike. Going back to the Samsung Note 7 recall, can you remind us what percent of sales are tied to Apple products versus sales that are tied to Samsung products?

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

Yes. It is Nick, it is a majority but we've never broken that out. Samsung is the clear second behind Apple in the U.S. market. That changes a little bit as you get international and start breaking things out. But in the domestic market, they're in a second place position.

Nick Altmann - *Northland Securities - Analyst*

Okay. And then I guess going back to mophie and the market share there. Have you guys seen any effect or do you anticipate any negative impact on mophie going forward, since Apple's had their charging case out since the day of the iPhone 7 launch.

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

Yes. If you look back at the market share positions that mophie's had over the last couple of years, the biggest impact of pulling their market share down is, frankly, the fact that Apple introduced their own powered case. However, there is not a juice pack or a powered case for the iPhone 7 Plus. And as you probably heard in the Apple earnings call last week, the Plus is selling at a rate that was not anticipated by Apple or anybody in the marketplace. And so that looks like a tremendous opportunity for us to continue. You know, of course, we have one for the 7. We're still in the Apple stores, obviously. As well as the rest of our distribution, but we'll be the primary supplier of the juice pack for the iPhone 7 Plus.

Nick Altmann - *Northland Securities - Analyst*

Great. And then I guess going to the screen protectors, how are the initial reactions on the Glass+ and Sapphire Defense screen protectors? And then if you could just remind us how widely those will be distributed, that would be great.

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

You bet. Let's start with Glass+ for a moment. Very widely distributed through most of our retail partners. It is the number one selling screen protection accessory in the market today. So the reception has been outstanding and, frankly, has outpaced our expectation. So we're very happy with that one.

Sapphire Defense is just hitting the market now, came a little behind the iPhone 7 introduction. And we're getting some retail traction, but a little slower pace than the Glass+.

Operator

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

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

Thank you all for joining us on the call today, and we look forward to discussing our fourth quarter results with you on our next call near the end of February. Thank you.

Operator

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