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OSTK - Q1 2018 Overstock.com Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q1 2018 Overstock.com, Inc. Earnings Conference Call. (Operator Instructions) As a reminder, this conference call may be recorded. I would now like to introduce your host for today's conference, Mr. Greg Iverson, Chief Financial Officer. Mr. Iverson, you may begin.

Gregory J. Iverson - *Overstock.com, Inc. - CFO*

Thank you, operator. Good afternoon, and welcome to our first quarter 2018 earnings conference call. Joining me today are Dr. Patrick Byrne, Founder, CEO and President of Retail; Saum Noursalehi, CEO of tZERO; Jonathan Johnson, President of Medici Ventures; Seth Moore, Senior Vice President, Strategy; and JP Knab, Senior Vice President, Marketing.

Let me remind you that the following discussion and our responses to your questions reflect management's views as of today, May 8, 2018, and may include forward-looking statements. Actual results may differ materially. Additional information about factors that could potentially impact our financial results is included in the Form 10-K filed for the year ended December 31, 2017, and in the press release and Form 10-Q filed today. Please review the Safe Harbor statement on Slide 2 of today's presentation.

During this call, we will discuss certain non-GAAP financial measures. The slides accompanying this webcast and our filings with the SEC, each posted on our Investor Relations website, contain additional disclosures regarding these non-GAAP measures, including reconciliation of these measures to the most comparable GAAP measures.

Now on a personal note, while I only joined the Overstock team a few weeks ago, I couldn't be more excited about being part of this amazing organization. We have an incredibly talented team and I am confident we are well positioned to capitalize on the great opportunities ahead, both in our retail and blockchain businesses. With that, let me turn the call over to Patrick.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Thank you very much, Greg, and welcome. This is our agenda today. I do believe we're going to have a fewer number of slides than the last couple of calls and we'll be able to get to more questions. The agenda will be walking through: I know tZERO is on people's minds; retail; then other Medici Ventures; financial results; strategic alternatives; and Q&A.

This slide that you see is a map of tZERO. What's in blue is the company we bought several years ago, SpeedRoute. It's an unusual broker-dealer whose only other clients are other broker-dealers, not retail investors. They route 2.5% to 3% of the orders in the United States national market system, in the equity markets, about \$22 million per day. They're tied into -- they're 13 [U. S.] dark pools, et cetera. They came with an ATS. We applied 3 years ago to the SEC, said they're going to blockchain, [defy] that. We got deemed approval. In April of 2015, we did the world's first private blockchain security, then a public blockchain security, OSTKP. We are in development on a security token trading platform. We are well



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ahead, I feel like in the last few months, the world's gotten the joke. All the stuff you heard about last year, the ICOs and the utility token craze I thought was kind of wildly illegal when it came out and surprised, I mean, 90% of them seemed to me like wrong; they're raising money and they're skirting the security laws. So we think that, that means that now that the SEC is finally bringing regulatory heat on these things, which, I mean, they've been signaling since last July with the Dow decision and an increasingly clear signal, it seems, to the marketplace that these utility tokens are actual securities, leading up to the Chairman Clayton saying a couple of months ago something like, truth is every utility token I've ever seen was a security. That means that the world's going to need a trading system that can trade security tokens.

We have just that. We have, by the combination of starting with this wealth in technology and this ATS and working for 3 years, we have what's needed. If you go up on the tZERO website, you'll see a demonstration of the prototype, the world doesn't yet have that security tokens really to trade on the platform, so there's a bit of a chicken and egg thing. Now with Saum there, I think that Saum's making an enormous difference. There's another side to this business, which we have mentioned before, and that is the crypto exchanges. The last I checked, there was about \$3 billion of institutional money trying to trade in the crypto exchanges. People don't want to get wallets et cetera, they want hedge funds. On the other hand, \$3 trillion of hedge fund money in the blue area. We have built a fixed protocol bridge from tZERO, from SpeedRoute system into these crypto exchanges, the technology is done. As it is the case with a lot of things, we really need regulatory clarity on a couple issues. The technology is not the problem, regulatory clarity is the problem, but we're working on that. Saum, do you want to add anything to that?

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

No.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Okay. Next, accelerating tZERO. I've made a huge decision with Saum to New York. He's taken over as CEO of tZERO and I'll be just as involved as Executive Chairman. Saum is the best technologist I ever worked with and more than that, he's an extraordinarily effective executive. I described the reasons in the press release we put out about him. But I think this is going to become an innovation game. I think that by putting Saum there, I mean he's extraordinarily able as an executive anyway, but in terms of managing innovation, Saum and I have a decade's history of working together on O labs and other things that have changed our company and I don't think anyone I've met in New York was going to be able to compete with what I know Saum has in mind.

So with that, let's go ahead. Saum?

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

Yes. As Patrick mentioned, we're in the process of building the security trading platform. All the trading technology is now in place, and as he mentioned, there is a demonstration of the prototype on tzero.com. We're actively working on the custody wallet and token contract portions of that. So that's the next step. We are making great progress on it and you'll see more in the coming months.

Next slide. In addition, we're going to give some updates on some other products, specifically DLRs, digital locate receipts. For the last 6 months, we've been tuning and beta testing the product to a small audience on the demand side and we're leveraging StockCross for that. While we enhanced the product, we're also working with StockCross to accumulate significant supply for the platform. In the coming quarter, we will start licensing the software to clearing firms and will significantly increase the number of borrowers that are using the platform.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

There's one interesting development that we should mention that the digital locating receipts, DLRs, have been, in the past, 1-day DLRs -- they're 1-day -- so good for 1 day. What we discovered was the market was -- once they (inaudible) like that they wanted both (inaudible) tokens and they



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wanted tokens good for longer than 1 day. And they were -- we have recently integrated new sources of supply and now have the technology to -- we are now giving intra-day tokens and that just turned on recently, do you want to comment on the longer-term tokens or...

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

No. I think that's really the story, is variable term of tokens, we think, adds a lot of value both for shorter-term day traders as well as for people who want to hold their short for a longer period of time so they have predictably on cost.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

So this is a big yes. We are taking a product, we've developed a product that is disruptive to, as I've indicated before, a really major source of revenue on brokerage. I don't mean to suggest that there are not going to be hurdles and people responding and people fighting and pushing back and we've heard about that (inaudible) that there's brokers who are trying to push back. We also have the product development cycle, product is just going to be improved and improved, but I know Saum won't see that through anymore.

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

Next, an update on our security token offering. Patrick and team recently completed an Asia roadshow for this, met with many key institutions, it was very well received and has generated a lot of interest. We have \$110 million in executed SAFEs and considerable demand that is working its way through the allocation and accreditation and all the reg S compliance process; so that's all in the works. We also expect to execute significant number of order volume in the coming days as we wrap this up.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

I just want to say I have some sympathy, I was over in Asia for a couple of weeks talking to people and if everyone who came in and said, I'm in for \$30 million actually came in with \$30 million, we'd have a bit of more than \$1 billion here. What I've learned is while the learnings in the first round were the domestic volume that it really is a matter of -- the best analogy I can come up with is milking peanut butter through a drinking straw. I mean, peanut butter is there, but I mean all these people are there. I mean, orders are there but -- we have bankers who've actually built a team of people who are dealing with the KYC/AML and accreditation and documents get translated into Chinese and Korean and Japanese, we are now milking peanut butter through a drinking straw. I'm going back -- way back to Asia but there was immense demand, it's a matter of how much patience we have, and getting the milk and we're getting the bigger chunks through first.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

And I can say we learned a considerable amount for the domestic round so we have more parallel processes to make sure our efforts in Japan don't hang up our efforts in Korea or so forth and the process is getting more efficient with practice so we're pleased that we're developing that pipeline in that sense.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

And then lastly, the SEC. One thing I'd want to say, to be absolutely clear, is that we are under SEC investigation and what I've learned is when you're under an SEC investigation, the SEC wants you to say we are under SEC investigation, pure, full stop. So having said that, yes.

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

I would just add that our goal the whole time has been a regulated market. So we're cooperating and working.



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Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Yes, from the beginning, we've gone to Jones Day, issues and offerings et cetera. I know we've got a way we can do this while staying completely legal. We believe we have every step and I will say that there was something misreported. It was reported we have subpoenas. We did not get subpoenaed. It's been reported that 180 other people have subpoenas. We had a letter requesting our cooperation and we are cooperating fully and I enjoy cooperating with them and happy to cooperate. So we are under SEC investigation and that's that. Okay.

Next slide. Retail strategy. Seth, why don't we let you talk here?

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Sure. So on this slide, as we mentioned on our last call for the first quarter, we saw a transition to a high growth, long-term free cash flow optimized strategy. We paired with our marketing increases to drive that growth, we also announced on the last call that we're making investments into our supply chain, loyalty program and AI-driven automation so that we can extract leverage on scale and leverage that growth to create more long-term free cash flow. On the next slide, you'll see we also showed on the last call that customers responded well and we've experienced some nice return to customer growth that continued through the end of the quarter. I will call out that the Easter week landed in the first quarter of this year as opposed to Q2 of last year. Because it's one of the worst sales weeks of the year, it had the effect of shifting revenue into Q2 this year. JP, do you want to add some color on the customer response and marketing efforts?

John Paul Knab - *Overstock.com, Inc. - SVP of Digital Marketing*

Yes. As we discussed for the last quarter, we've been retuning our models and our leading indicators look strong. Along with the weekly new customer growth changes you see in the weekly chart, which is almost a 40% change in growth rates in new customers, we are seeing over 100% increase in our e-mail sign-ups, which is a key part of our strategy. These trend changes are going to accomplish, even with our organic search still at historic low levels. But Google has announced that they're shifting focus to mobile experience this year and we are well positioned for the shift. As Google makes mobile a ranking factor in July, as announced that they will be moving companies to mobile first, indexing throughout the year. In Google's own tools, our mobile speed and mobile friendliness are very highly ranked by Google. We believe that potential organic search improvements from moving to mobile, paired with improved revenue retention via the e-mail sign-ups and Club O growth will help margin efficiencies in the second half of the year and continue to accelerate growth.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Great. So as we said on the last call, surge in market spend is most inefficient when it's first made because the ad test hasn't been optimized and the new stronger customer cohort has not yet begun to repeat. Given that, we were encouraged to see a net 16-point swing in revenue growth for Q4 of 2017 because as these cohorts repeat and the marketing tests yield efficiency gain, you'll see that growth accelerate nicely in Q2 and Q3. I will also point out that with the return of growth to our non-home categories, which run on more traditional marketplace models, GAAP net revenue reporting standards were masking the real level of sales on the platform and increased the appearance of margin rates. So to give a more accurate picture of those 2 trends, we've begun to break out traditional GMV metric going forward.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Other people use GMV and you can expect us to use it going forward, I think.



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Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

And historically, those 2 remain fairly closely in line as you can see from the graph, but as that has started to diverge, we thought it was worthwhile to report to give the public a more accurate picture.

Now on the next slide, you'll see in Q1 of 2017, we were really happy when we reported that we hit a new high watermark of 20% for our gross margin. Encouragingly, the team leveraged the volume growth to grow margins by nearly 100 basis points even from that high watermark in 2017.

As I said before, about 50 basis points of that growth is actually the result of our marketplace business and net revenue reporting standard. But there was an additional 50 basis points that was driven primarily by volume-based efficiency improvements in our supply chain and operation based on the ability to do greater consolidation and operational efficiency improvement through our efforts there. By continuing to liberate these operations dollars, we anticipate being able to invest in price-driven growth and expand margins going forward.

So with that, we'll turn it over to Greg to present the retail financial results.

Gregory J. Iverson - *Overstock.com, Inc. - CFO*

Thanks, Seth. Seth covered the highlights of our Retail results for Q1, including our return to revenue and GMV growth and 100 basis-point increase in gross margin. So I'm going to limit my comments to our retail pretax loss versus the estimate we previously provided in our Q4 2017 earnings release.

In summary, our pretax loss for the Retail business in Q1 was \$33.6 million, which is slightly better than the \$35 million pretax loss estimate we previously provided. I'm going to comment further on our consolidated financial results later in the call but will hand it off to Jonathan for now to provide an update on Medici.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Thanks, Greg. So we go to this next slide it shows Medici Ventures has 13 portfolio companies. We've talked about tZERO, and I just want to briefly focus on 3 others this quarter. First is Bitt. We're pleased with Bitt and the progress that Bitt is making. It's entered into a memorandum of understanding with the Eastern Caribbean Central Bank where it's doing a pilot program to help that central bank issue fiat currency digitally. It's also continuing its rollout of its mMoney wallet in Barbados, and that rollout is going well.

Second one I'd like to focus on is Voatz. Today is the congressional primary in West Virginia, and Voatz has been, for the past several weeks, doing a pilot program in 2 counties in West Virginia so that those that are overseas, particularly military voters, can vote in that congressional primary remotely using the Voatz launching base application. Assuming that this pilot program goes well in these 2 counties, Voatz and the State of West Virginia expect to roll this out statewide for the general election in November.

The last one I'll focus on is FinClusive, it's our newest portfolio company, a relatively modest investment. FinClusive is working to bring the 8% of the population in the U.S. that is unbanked and the 27% of the U.S. population that is underbanked into the banking system by giving them a digital identity that is good enough to clear anti-money laundering and various customer laws so that they can then get bank accounts. Those are 3 I'll highlight this quarter.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Q1 special items. We had some in Retail, well, let me go to Medici first. We did have an \$8 million hit on some impairment cryptocurrency holdings. We had a window where we had our security token offering open for rescission and during that window, we stopped trends saying it's theorem that we were getting in and Bitcoin into dollars. That happened to be the 10 days when everything really collapsed in that market, and lost \$8 million. You'll be happy to know we have, since the end of the quarter, we have traded our way out of it and made back about \$6 million. So it ended up



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being in that \$2 million, \$2.5 million loss. I'm unhappy about this. But anyway, that's that loss and we, as of yesterday, we have traded out of all of that. I do not want to make directional bets in any crypto fluctuation. In addition, in the Retail side, we wrote off the cost of the discontinued equity offering. Since there's a lot of questions about it, I'll just be concise. We, when the stock was in the 60s, decided, okay, let's go ahead and sell a couple, few million shares and 60s and 70s. We made the decision, it was there, by the time we got our ducks in a row it was in the 50s. By the time we announced things, it was 44, it traded down to 36; so we pulled the offering, and that's how that came about. At any individual step, try to treat this -- well, we went for it, thinking that we might be able to see it clear something in the 50s and in fact the market just deteriorated for several days this was out there in the marketplace and it got worse and worse so we pulled it. That's that.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Yes. Our intention was not to sell at anywhere near the valuations it was at, we believe our equity is more valuable than that. But we happened to choose sort of the worst 2 weeks in recent market history to have gone out with it and so it was an opportunistic financing. As you will see later, we have lots of money on the balance sheet and so we are moving forward.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

And I would say there was ample demand, ample demand given where the market was moving.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

6.5 million shares.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

At a price where we thought it made sense for our shareholders to be (inaudible)

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

I should also mention something had come across our radar, an acquisition had come across our radar in March or the last day of February, and it was the better part of \$100 million, and that was another reason that this was an especially tempting thing to try to pull off. Again, when the stock was \$65, it looked one way and it just didn't at \$38.

Okay. Next slide. 2018 full on results. Our Retail business lost -- Greg, why don't you...

Gregory J. Iverson - *Overstock.com, Inc. - CFO*

Sure, sure. Yes. I'll briefly just cover a couple of things on our Medici and our consolidated financial results for the quarter, which is on Slide 17. So first our Medici business reported pretax loss of \$21.2 million, and as Patrick mentioned, that included \$14.5 million in special items. In our Q4 2017 earnings release, we provided an estimated Q1 Medici loss of \$15 million and our estimate at that time didn't include Medici's \$8 million impairment in cryptocurrency that we recognized in the quarter.

If you exclude the impairment, Medici's loss was then slightly better than our estimate and also as Patrick mentioned in May we sold substantially all of the cryptocurrency holdings at tZERO so in Q2, we will be realizing a gain that offsets much of the Q1 impairment.



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Turning briefly to cash flow and liquidity. Our Q1 operating cash flow is a net use of cash of \$10.2 million, which is significantly less than the \$54.7 million in our pretax loss. We did have some timing items that favorably impacted our Q1 cash flow results, but it's important to remember that the Retail business cash flow from working capital is positive during periods of revenue growth like we experienced here in the first quarter.

So I want to conclude by talking briefly about our liquidity. We ended the first quarter with about \$260 million of cash on our balance sheet, and that's having raised \$50 million from a warrant exercise in the quarter and then also \$62 million in cash proceeds from the tZERO security token offering and that's net of offering costs that we incurred. And so with the proceeds raised, we decided to repay the \$40 million term loan, which is about a year before the note is due. So with that, I'll hand it back over to Seth to provide an update on strategic alternatives.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Great. As we said in our third quarter 2017 earnings call, we were considering 3 big strategic alternatives and we hired Guggenheim Partners to help us work through them. One was capitalize up from Medici, e.g. tZero. We're doing that and nearing completion via our security token offering.

Second, capitalize with a large capital partner who's willing to think big. We have the execute of warrants from both Quantum and Passport that we think have been great partners and we are pleased with our progress and how we've been able to leverage that investment.

And then finally, sell the Retail business. The Retail process and the review of strategic options with the Retail business is ongoing. We continue to meet actively with interested acquisition candidates and those considerations are ongoing. Because of confidentiality, we can't comment in a great deal of detail aside to say that process is ongoing and we are pursuing the manner in which we will maximize value for shareholders.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

I can make 2 comments on that. One is I was told at the beginning of this by Andy Taussig in Guggenheim when I was talking about schedules, he was giving me answers but he was saying what you've got to learn, Patrick, is this is a soufflé and it's about baking the perfect soufflé and there's nothing you can do to rush that, it's ready when it's ready; I'm not a soufflé kind of guy.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Patrick prefers microwaves.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

I'm 6 months older, I'm telling you, you can't microwave a soufflé. I can tell you this, I was open to the idea that these businesses belong together, the blockchain and the retail. So that was 1 pebble on the side of, oh, maybe we shouldn't sell; that pebble is gone. I don't see any reason these businesses should stay together at this point, I mean, any serious reason. So I'm adamant that we go forward, I forget how Seth, believe me, everything Seth just said was carefully worded by lawyers because we can't give tips one way or the other but I'm committed to the point of view that the only logical place for the Retail business is part of a brick-and-mortar. It should be hybridized with brick-and-mortar, and that either means we're going to go buy a brick-and-mortar or a brick-and-mortar is going to buy us or there are other kinds of relations to be had but I've no interest in buying brick-and-mortar, none whatsoever; I can promise you that's not going to happen. So, that sort of leaves one alternative and that's what I think the gods of economics want to see happen here is this should be part of a brick-and-mortar chain that maybe has got its own digital efforts where they want them. So I'm absolutely committed to that. It just turns out to be -- I hate giving this answer because I get all these messages, don't you see that these businesses should be separated? Of course, we see it. Of course, we see it. It says easy, it's doing it is a little bit tougher. I mean, it just takes time and it turns out there's no way to rush it and as I think we've mentioned, there are -- what did you say in your press release, Seth, about various parties, including late entrants, who are helping to catch up, that's in the press release.



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Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Yes. The key is the time line is the time line because we're trying to maximize your shareholder value, and so be patient and know that we are ensuring we get you the most for your shareholder assets.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Yes. We're all eating the same cooking, and we're all in the same boat, so we want to maximize the value of this but that just turns out to be a long process. I'm used to working with Buffet. Buffet, people call him up and they have a deal and he gives them a yes, or no within 15 minutes. This isn't like that, this is like dating and getting married or something; it's just a lot of fish in the ocean.

QUESTIONS AND ANSWERS

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

We've got a number of questions that were e-mailed in prior to the call, many of which have been addressed in the presentation, Patrick. Well, we do [warn] that if it's not been addressed it may not. Saum's been doing a wonderful job leading Retail. Why is now the appropriate time to move Saum to tZERO?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Great question, fair question, Saum has done a wonderful job. Saum is the proverbial Level 5 leader. Jim Collins, Level 5, humble, doesn't -- anyway, we have a fantastic innovation partnership that's evolved over the years but he doesn't need me. Anyway, he's ready to be CEO and tZERO needs him as CEO and I see tZERO, its success is going to be driven by its technology and its ability to innovate. Part of the thesis has always been that bringing some Silicon Valley techniques of agile and Scrum and all kinds of things to the New York fintech world might be a good thing. So, tZERO is an enormous opportunity so we have to take it, and I think that we're fine. There are some younger trees, shorter trees in the forest of retail that maybe with 1 less tall tree in the forest, those other trees will grow and expand themselves. Anyway we're super comfortable, I'll be back. I traveled 170 days last year and as of May 1, out of 120 days this year, I've been on the road 87, so really that's probably not different from recent years. I now plan on being back here with the Retail team most of the time. There's a wonderful, wonderful Retail team that has come together here. We're doing the stuff we dreamed of 15 years ago with machine learning and AI and it's working and it's just great. So, my life is going to get easier. I'm not backing away from tZERO, we have quite a tech element of tZERO, it's actually out here in Utah, but it's just going to be wonderful with Saum. I mean, Saum is made to order to run tZERO; I think that we become unbeatable, frankly with Saum in there.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

And I would add to that. It's very complementary. We have a very experienced team of sort of FINRA veteran employees that we received as part of the SpeedRoute acquisition, including Ralph Daiuto and so Saum can help bring some of the Silicon Valley tech innovation talent to merge together with that traditional New York discipline and capability that they think will add a lot of value.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Patrick, a question came in relation to this one and it notes that you are taking over the position of focusing on Overstock Retail, something that you have in the past but not had recently. What are the additional duties? How does this shift your balance, what you're doing at tZERO and Overstock? Or does it mean there's a closer relationship between those 2 companies?



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Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Well, not between tZERO and Retail, no. It's not about that. We have evolved over the last decade, especially a lot of management processes and E2.0 type of tools and such. So I'm back with Retail although it's going to be hard to fill Saum's shoes and maybe I haven't flown this thing since it was a P-51 and now it's an F-22, but I think it's going to fly basically the same; actually, I've been very tuned in. I mean for the last 4 years or so I've been traveling an immense fraction of the time and doing a lot of blockchain stuff. So what is moving me back? I think that -- I don't know. Seth, what does it mean that I'm going to be back? Are things going to run a little less smooth probably than with Saum?

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

We'll definitely miss Saum but it will be good having you back. Also we have a much stronger and deeper Retail team than I think we've ever had before. Particularly our depth of talent and technology is far, far deeper than it has been historically in our technology leadership. And so the team that Saum built and the organization that he created from a tech standpoint runs much more efficiently and independently than it ever has in the past and he's done a great job of transitioning us to bottoms-up management rather than top-down management that has proven very effective and suits us very well in a growth environment.

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

Yes. A few things to add to that. I think Patrick is actually downplaying it. While he has been on the road quite a bit, he's been very involved. We talk almost daily so he's been heavily involved in decisions in the business so I think he'll be great. And in addition to that, the philosophy of shifting decision-making, as Seth mentioned, to the knowledge frontier, where we're led by just a series of pods that make decisions on their own, has been the goal of the company, and I think we're finally there.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Product management. We've really shifted from conventional corporate hierarchy to product management. And we also have a plan that -- and we told you exactly what our plan was, it's not my ideal plan. I don't like playing this game, that everyone else on Wall Street has played at -- that has Internet has done. But we have shifted to this and it seems to be executing perfectly, and it's running ahead of schedule and so forth, so I'm not scared.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

And that leads to the next question. On the slides we saw a nice growth in customers and we saw a very nice quarter-over-quarter growth in GMV. Are you confident you can give Wayfair like domestic sales growth on an appropriate level of spending? And if so, why?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Yes. As I said in the press release, I think that you will see us continue this nice acceleration trend for Q2 and Q3, and that it will be in an area that I think of as relative -- as a high-growth company, relatively acceptable, and then at that point we start fine-tuning what we wanted of growth and looking at the losses, which I'm confident are going to be significantly less than other people who have effected this strategy. So, I am confident you will see, over the next 2 quarters, continued acceleration such as you've seen last quarter.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Great. Next question. Talk about international sales. How are those going?



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Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

International sales are growing very quickly but on a low base. We think there's enormous opportunity in Canada, Canada is growing very quickly; it still is not enough to make a difference in the company. It should be 10%, it's not; it's more than 1% but it's not 10%. So Canada especially. We've messed around with international for so many years, pursuing opportunities in places like Malaysia, where it was -- at this point, we're very heavily focused on the easiest countries to do. Canada, we go -- some interesting things have even turned on the last couple of weeks or about to turn on. LTL shipping in Canada and free shipping in Canada, all within a week or 2 of coming live, I believe. JP, is that correct?

John Paul Knab - *Overstock.com, Inc. - SVP of Digital Marketing*

That's correct. And also the .ca site.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

That's Overstock.ca.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

After you talked about shipping in Canada, there's a question about adding distribution centers in the U.S. Do we still plan to add distribution centers to increase the Retail business's 2-day shipping footprint?

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

Yes. The plan is to, for this year, at a minimum, add 1 additional distribution center, and we think with that, we can get 98% of orders within 2-day shipping, so we are going to scale that effort.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

And as we spoke of gross margin improvements and efficiency gains, yes, volume is allowing us to pare into a much more efficient holistic logistics network. Our third-party logistics services grew more than 50% in the first quarter, or they shifted volume moving through those services, and we think that will continue to accelerate in Q2 and Q3.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

There's a question on online sales taxes

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Take that, JJ.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Well, we've been fighting this battle for a long time, and frankly, winning it for a long time, and we fight it for 2 reasons. One, we do -- philosophically, we don't like states trying to reach across their borders and regulate people outside of the state. Second, where we don't have a physical footprint, or the courts say nexus, in a state, we don't have to collect sales taxes so we don't. Our case against South Dakota was heard in the U.S. Supreme



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Court last month and helped -- as one who sat in the courtroom hearing oral arguments, I will say that the tone and tenor of the justice's questions were encouraging, so we expect a decision in that case before the court goes on recess in July, and we're hoping for the best.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

And the best would be they would reaffirm Quill?

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

The best would be they'd reaffirm Quill and we have the status quo.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Which means, well -- actually wouldn't that punch a hole in the laws of a bunch of states who have tried to mess with us?

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

You're correct, Patrick, the law would stay the same but it would be stronger and our ability to fight the many states that are trying to...

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Egregiously.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Egregiously reach across their borders and define physical presence, we have an easier time beating them back.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

What does the Constitution say?

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

The Constitution says that interstate commerce is to be regulated by Congress and not the various states, that's frankly one of the main reasons we have Constitutional Convention because the Articles of Confederation were weakened.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

And we're being all kinds of internal terrorists. The truth is the second best solution would be if the Supreme Court says, "You, Congress, have to evolve." I mean -- but if Congress passes a national law.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Yes, and we continue to work frequently, regularly with Congress to pass a law that would be fair both brick-and-mortar, brick-and-click and pure click retailers.

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Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

I mean something that creates a -- the kinds of things that are of issue in this, and it's significant, it's worth taking a minute. There are things of issue in these tax laws when the states do this that -- for example, we want -- if states want us online guys to collect their taxes for them, we would like the state to have to put their tax rates up in a database that we interrogate and use and if they make a mistake, it's on them. You would think that would be kind of a very common-sensical thing to ask for. Well, people's heads explode when you ask that. States? Well.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

And what's good for the goose should be good for the gander.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Yes, what if Vermont, which has some village in Vermont, where I come from, has a 2-week back-to-school tax holiday on sweaters or something and they forget to update their database and we're using 1 rate for 2 weeks for that, anyone ordering in that place in Vermont. Well multiply that by tens of thousands of towns and such across the country, you start having -- if people might have mispaid by a dollar or 2 here and a dollar or 2 -- next thing you know it's class action suits and people are expecting billions of dollars. So we think the states, if they want us to do this, they should publish the rates and they should be certified these are the rates so please use them, that's true; believe it or not that's kind of one of the big hold-ups, which is hilarious to me.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Patrick, Rob Hughes has been our long-standing CFO, did a great job. He has moved over to De Soto. Question came in, why does DeSoto merit Rob Hughes' involvement?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Oh, De Soto is a huge opportunity, De Soto is a huge opportunity, I believe. There's global interest in this and even since we got started, there's all kinds of ways we see this can create value. We didn't really do it thinking -- yes, well just by way of example, there's over \$100 trillion of known mineral reserves in the world that really can't be gotten to because before a mining company can dig, a mining company needs to raise capital probably, and when it raises capital, it needs to prove that as it's digging or mining that it's not, what was that movie, based on a book, the movie, the blue people? Avatar. Yes, I would say that they're an Avatar people. So we can solve problems like that and make sure that the wealth is enjoyed by the Avatar people living there. There's trillions of dollars of value that is locked up in so many different ways, mineral reserves just being one of them. We're hearing from global entities. I had a conversation a week ago with the head of a global entity, he asked me how quickly can you bring this to our continent and do this and that? So there's lots -- but this is a long-term -- to me this is a sleeper and it can change the world and make the world better. I think there's ways it's going to make money but go ahead, Seth.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Yes. And I would also add Rob Hughes really loves De Soto. It was his choice to go there. He's really interested in it and when you have somebody who's great and talented and extremely confident like Rob Hughes, letting him do something they're passionate about is going to unlock a bunch of value in it.



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Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Yes, and he's very passionate about it, he's passionate about it and so we got Greg instead, he's this young guy. Warren Buffet says it's tough to teach a young dog old tricks but I'm sure Greg will do just -- so we conducted a long, long search and we have some real talent in our CFO.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

We have found, Patrick that having good financial leaders in our organization makes a big difference. Having Rob with De Soto and having Greg at Overstock, I think will make a big difference for both of them. Appreciate the explanation about the status of the ICO, is Overstock eventually, you'll consider investing in the greenshoe or in the STO?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Thank you. STO is the correct term. ICO is so 2017. As security tells me they're distinct from the utility tokens, 90% of which I think broke the law. We're going to have -- why don't we -- we're thinking of -- we're not stepping in the way of this security token. I think that we might do something intercompany at the end. I think we'll probably take a little bit of cash back that is owed us, not a lot amount, not a big amount and -- no, but I don't think we're going to be investing any cash in the security token but I forget, there's some legal wording I need to obey. Do you have any comment on that, Jonathan?

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

No, no. But we haven't made a decision but it's not our plan to invest.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Yes. I would say if we do something it will be in the greenshoe and it will be non-cash, it'll just be a relatively small amount. It won't be major for us.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

TZERO is building a security token platform. Is there any concern that it will be up and running with no or very few security tokens to trade on?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Well absolutely because there are no security tokens out there to trade yet. I mean, technically, technologically, we could turn something on I think this week. But the question of what token do you want trading on there, there's a...

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Yes, I think the first Reg D and Reg S tokens that were offered under SEC exemptions are now just beginning to come up on the end of their trading lockups, and so it's really in the coming month or 2 that the very first tokens are coming available to be listed.

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

Several parties have reached out, both private and public that want to do their STO using our platform.



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Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Yes. Well 2,000 companies have reached out. But in terms of folks we've had real conversations with and so forth.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

And who are nearing the end of their lockups so that they're ready to be traded.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Right. So when people sell under Reg D, which is accredited, there's a 1 year lockup and when they sell under Reg S, there's a 90-day lockup, I think. So the first ones are reaching the point where they'll come out of lockup and will be developing -- we'll be getting them up. There's one I got excited about this quarter, one investment in Elio car coin, although the cars itself are exciting, we have a copy of it here for the shareholder meeting tomorrow. To me, it takes people a bit to get the magic of security tokens and what's possible. What security tokens unlock is a way for people to cooperate far beyond what shares of stock have ever allowed. In particular, the Elio Coin token, I think -- so I'm hearing dozens of different ideas about how security tokens can be used to raise money and devise capital markets around them. The Elio Coin token is very interesting to me for the following reason. They need, let's say, \$200 million to get their car company launched. If they went and saw a normal institutional investor, or VC or something, they're trying to convince the fellows, give us \$200 million. Investors have to decide how big is the market for this kind of ultra low-priced car, how big a share of the market can this fellow, Elio, get and then can he run the rest of the company; that's the decision tree that they've got to go down. The Elio car token, the coin, is very anticipating -- they've got like 65,000 preorders or something like that for the car. So they think they're going to bring something. They can bring something to market, there will be a long line of people waiting for it. There will be people willing to pay to advance themselves in line. One in 8 cars, look at the Elio documents to get the details. By the way, this is the first securities token, I think, brought to market underwritten by a major -- by a bank, Jones Trading. What they anticipate is when there is this line for these cars there will be people who will pay to advance their way in line. They're going to take 1 in 8 cars that comes off the assembly line and take it away from the normal waiting line and auction it off. That actually auctions for \$7,500, but the bidding is to get to -- the price is the same but the bidding is to get to the front of that auction line, the auction is going to be conducted in Elio Coins. That was a mouthful, but what all that means is they have found a way now to anticipate demand in the future that they can -- and people's willingness to pay to advance themselves in line, monetize it now, turn it into capital with which to build the company. Why I find that so interesting is that the question of do they sell the car token turns out to be a very good proxy for the first 2 of those 3 questions I have described a minute ago, the question of how big a market is there and can this guy capture a share of it. It's pretty much the same question as can you sell these tokens, and for various detailed reasons if you think it through. That means that this may lead to a much more efficient way of allocating capital and capital -- I mean, this innovation, which is made possible by security tokens, the way Elio has structured the coin, could be adapted to building buildings, building public works, building highways, funding pharmaceutical research, all kinds of things. It's a really revolutionary idea, now, it may flop, it may totally flop. But, if it works, it means American entrepreneurs have a way to connect with capital, not by going and praying to the gods on Sand Hill Road but by creating these coins. If they sell the coins, then that's the same thing as saying there's a market there and they can get a share of the market. So, it may be a very efficient mechanism, I'm intrigued by it for that reason. So it's not -- however, all that said, I think the Elio car is really cool. A safe \$7,500 car that I think it's a cool car. I know there's some sloth out there, 8 or 9 years ago a factory closed down in Louisiana, a GM plant closed down, and this entrepreneur who's a 36-year Detroit engineer got -- somebody made a deal with the town and said give us a chance to get a car company there and now the town is impatiently tapping their foot and saying, well, where's the car plant here? Where is the car plant now? I don't know how many car plants have been reopened in Louisiana since the Great Recession but they're very impatient that this gets reopened, and so you see that somebody sued them for this or that, it looked pretty trivial to me. The lawsuits, I mean, I'm sorry, the due diligence. There's more -- MoFo is involved, Jones Trading is involved, there's been a bunch of due diligence out of these guys. It's not like the fellow who's sitting at home counting his money. This is a classic American entrepreneur who's trying to get a company off the ground and this funding mechanism may prove to be really a -- like a cold fusion moment. It's a whole new way for entrepreneurs to think about their funding, and so we'll see if it works but as I do with all this tZERO stuff, it's extremely risky. I mean, we created a whole new financial market and ways of doing things. So just be aware, all the stuff is risky, some of it may flop. We have entrenched contenders we have to compete with. So sorry if I don't warn people. I've tried to remember every time to -- remember, we're talking about dislodging some deeply entrenched competitors.



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Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

I'm glad you talked about Elio, there's another question on that. We're approaching the end of the hour and have 3 or 4 questions on that. One of the questions on Elio is why did Overstock make the investment rather than Medici Ventures or tZERO? May I address that, Patrick?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Sure.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

So Medici Ventures' Charter is to invest in companies or advance companies that are using blockchain technology. Elio is using blockchain technology in the coin offering but not in its operating business. And so in that respect, it felt a better fit for Overstock than for Medici or tZERO. Next question is, is Joe Cammarata still affiliated with tZERO?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Joe is a Director of tZERO and I thank him for his 8 years of service putting SpeedRoute together and building that into what it was. He promised me that he would give at least 2 or 3 years to this and he completed his promise. But yes, he is affiliated, he's on the board and I anticipate he will be giving Saum no small amount of advice going forward. I get repeatedly told around the country no one in this country knows more about routing and exchange technology than Joe Cammarata. So he's built a wonderful base for Saum to take into the world of blockchain.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Two more questions on tZERO. This investor, who appreciated the update on the DLR and stock lending business, wanted to know is it currently operational and are we receiving revenues from the DLR stock lending business? If so, are there any projections for the future?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

It is operational and there is a brokerage using it. I'm sorry, you go ahead.

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

Yes, it is in production. We're doing production beta testing and especially -- so there's more demand, as I mentioned earlier, than we want to onboard, but we are going to scale that up in the coming quarter. With products in general but especially in the fintech space, you don't want to immediately onboard a lot of clients while you're enhancing and improving the product, and so we've been very careful to make sure it's a solid product and there's no leaks and it does exactly what we want it to.

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Also to be clear, we're not a clearing firm. We don't hold and lend securities directly. We license software to people who do and so the expansion you'll see is additional software licensing to clearing firms to lend their securities.



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Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Okay. And the last question has to do with (inaudible)

Seth A. Moore - *Overstock.com, Inc. - SVP of Strategy & Chief of Staff to the CEO*

Sorry, I did miss a piece of that question. We do have some small amounts of revenue coming from that beta period, but that is from the limited production testing we've done in the one-off agreement. You'll see those revenues expand as we increase the licensing base on it.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Yes. There are favored clients of a broker-dealer who are getting to use this and they're using it, getting locates and shorting into the market. We've learned a lot, product development is like this; it's real time. We've learned that what we brought to the market was not exactly what the market wanted. They wanted the ability to do intraday, they wanted the ability to do longer holds and so the product is evolving in order to meet that demand.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Last question has to do with security tokens offerings, kind of 2 pieces. How much Overstock cash has been spent on launching tZERO's security token offering? And what percentage of the tokens purchased to date were purchased by someone -- by Overstock or someone affiliated with Overstock versus those not affiliated?

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

No. Overstock hasn't purchased any, and I haven't purchased any.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Nor has Medici Ventures

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

No these are all legitimate orders

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

And marketing of the -- I don't think we've disclosed what the marketing is but it's coming out of proceeds of the tokens.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

tZERO, yes. Overstock has spent nothing on this, tZERO has, there's my time. I've spent a lot of time in the last several months with this but no, Overstock has not been spending anything on this. Okay. Saum, do you want to add anything else?

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

No. Just excited to be part of this world-changing opportunity with tZERO.



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Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Saum is my first, second and third choice to do what has to be done in the next stage of tZERO's growth. I don't want to overstate, but I feel -- I guess I've mentioned in the press release something about Texas Gulf Sulphur, and that really was my concern. I've no idea what the stock should do. No idea and I don't think it's my job to make the stock do one thing or another. It's odd that I have some of the conversations I'm having with people, where they see extraordinary values in tZERO. I mean, people throw out numbers in the billions, they throw out numbers in the tens of billions of what they think this can be and the kinds of numbers we're hearing that people think it might be worth now or relatively soon. So I think in terms of, if somebody sold their stock today, or a year ago if somebody sold their stock and they didn't know that we've got something we're working on in here that may actually be like cold fusion, I feel some obligation to people like that, not to convince anybody how much it's worth but just to let people know, we are working on things that there are powerful people in the world think are going to be worth fortunes; but I'm not trying to convince you of that. I feel just like I've got to turn the cards up on the table, you folks should be looking at these. The value of business you've got to look hard at tZERO and try to come up with, as well as the other blockchain investments, as well as Retail and come up with their own conclusion. But I felt an obligation to sort of set up a flare and get people to know there are assets within our company that may end up being extraordinarily viable.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

Patrick, one more question came in. Can we talk about the status of the security class action lawsuits? I'm willing to answer it if want me to.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Please.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

So there have been 2 suits filed. They are basically the same and will be put together we think sometime before the end of this quarter. We don't think the claims are valid. We had to defend ourselves. Security class action suits tend to happen whenever a stock goes down, which we read through the claims we think they're -- to call them frivolous I think is being generous.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

They didn't call for frivolous? I mean, yes, I stopped reading in the press release when it said something about, well Bitcoin went up and then Bitcoin went down and we didn't want it to. We are not Bitcoin. There is unfortunately a 92 -- the last time I calculated, there was 92% correlation between Bitcoin price movements and Overstock over the last year, that's a huge mistake. Anyone betting on us as a proxy for Bitcoin, it's a big mistake. We carry a small amount of Bitcoin. We liquidate it every once in a while, make a couple of million bucks. We don't have it -- this is a terrible bet as a proxy for Bitcoin.

Jonathan E. Johnson - *Overstock.com, Inc. - President of Medici Ventures & Director*

And we are a bullish on blockchain technology.

Patrick M. Byrne - *Overstock.com, Inc. - Founder, CEO & Director*

Right. We don't have any opinion on what Bitcoin is going to do.



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Okay. Thank you. Nice working for smart owners. Sorry we do not yet have answers for you on a couple of things we are actively involved in. I would tell you more if I could. But I can tell you that the plan we announced for Retail business, we are executing it's coming off just right and the key point is I think that you will continue to see nice acceleration for at least Q2 and Q3. Thank you very much.

Saum Noursalehi - *Overstock.com, Inc. - CEO of tZERO & Director*

Thank you.

Operator

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

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