

Dear Fellow Shareholder,

We continue 2020 with a great sense of pride for the tremendous progress we have made since our transition to a direct-to-consumer business model in 2016.

I recently attended the awards ceremony for Deloitte's 2019 Technology Fast 500™, an annual program where Deloitte ranks the top 500 fastest-growing technology, media, telecommunications companies across North America. Conversion Labs was honored to rank #189 overall and #14 in the Digital Content/Media/Entertainment category.

About 85% of the companies included on this list received venture capital or private equity funding sometime in their history, and we believe this highlights the capital efficiency that makes Conversion Labs special. With only \$4 million of invested capital since the launch of our direct-to-consumer marketing business, we have grown from essentially zero in 2016 to an annualized revenue run-rate of nearly \$18 million.

We recently reported preliminary unaudited net sales for the fourth quarter and full year of 2019 ended December 31. For the fourth quarter, we reported estimated net sales of ~\$3.7 million, representing an increase of 64% over the same period a year ago. For the full-year of 2019, we reported estimated net sales of ~\$12.2 million, an increase of 47%. Our run-rate of ~\$18 million reflects an acceleration in our business in the latter part of the fourth quarter and in Q1 2020.

We attribute this phenomenal growth and success to the dedicated and talented team of professionals we have been fortunate enough to assemble over the last few years. It has been an incredible ride, and we're now continuing 2020 with strong tailwinds supporting us.

In 2019, we saw great opportunities forming in telemedicine that could bolster our growth, and we began to strategically invest in people and infrastructure. In a sense, this is truly the core of what Conversion Labs is all about: identifying opportunity and making smart investments in our future.

Such investments include expanding our team of talented people (our 'ninjas'), great businesses (our growing portfolio of brands), and our business model (online direct-to-consumer healthcare and telemedicine). We see these investments driving continued growth in 2020 and beyond.

Over-The-Counter Business

Despite fierce competition in the marketplace, our flagship over-the-counter brand, Shapiro MD, has grown steadily with its highly effective solution for hair-loss. Since its inception, Shapiro MD has received over a billion online impressions and boasts more than 150,000 customers to-date. We're proud to say Shapiro MD has become a leading online brand for the treatment of hair loss in both men and women.

Not resting on our laurels, we have continued to invest in developing Shapiro MD's product offerings, which we expect will drive strong growth this year. One of the brand's strongest selling points has been and continues to be its patented formulations and deep roots in clinical science.

We filed a 510(k) medical device submission with the FDA for a 272-diode laser hair regrowth helmet. This innovative device is another clinically proven product for hair loss that has received strong customer interest. Once FDA cleared, it will demonstrate that our laser hair regrowth product is at least as safe and effective, that is, substantially equivalent, to an already legally marketed device. We anticipate receiving 510(k) clearance this quarter.

We are continuing to build upon Shapiro MD's success as a leading brand for scientifically backed hair growth products. We've integrated our telemedicine infrastructure with Shapiro MD's existing product line and are currently offering telemedicine consultations for hair loss. In addition to finasteride (generic Propecia) for men, we are beginning to offer proprietary compounded topical medications to men and women in 49 states.

We believe Shapiro MD will become the first hair loss brand in the country where men and women can access clinically studied over-the-counter and prescription products for hair loss via telemedicine, including every FDA approved drug and medical device for hair regrowth. We expect these new product offerings and the introduction of our telemedicine services will support further revenue growth and profitability in 2020 and beyond.

Telemedicine Business

In early 2019, we made a strategic decision to enter telemedicine. While many new technologies, including electronic health records, have transformed healthcare in many ways, we see online diagnosis and treatment of patients and the associated pharmacy business as the next big wave that will fundamentally change the nation's \$3.5 trillion healthcare market. Driving this transformation will be the fact that telemedicine services and online pharmacies can improve access to healthcare while dramatically reducing costs for millions of Americans.

The key to success in telemedicine lies in being able to acquire customers cost-effectively and then retain them over the long term. The companies that will ultimately dominate the direct-to-consumer telemedicine space will be those that are 1) first-to-market, 2) create a convenient and incredible customer experience, and 3) are the best online marketers. We believe Conversion Labs checks all three of these boxes.

We launched our first telemedicine brand, Rex MD, in December 2019. Rex MD is a men's health brand initially focused on treating and prescribing medication for erectile dysfunction (ED). The size of the global ED treatment market is estimated to exceed \$2.95 billion by 2023, so capturing even a small percentage of this market would be transformational for Conversion Labs.

The second telemedicine brand we plan to launch in Q1 2020 is our SOS Rx product line. SOS Rx will initially offer prescription drugs to patients for use in the event of disaster scenarios, such as flu epidemics, radiological exposure, or bioterrorism. The recent outbreak of the coronavirus in China that has now spread to the U.S. is a perfect case in point.

A recent survey by Finder.com revealed an estimated 68 million Americans (1 in 4) have purchased survival gear in response to unrest over political events or natural disasters. We believe our SOS Rx offering addresses a significant unmet need and that a large number of Americans desire to have the appropriate medications on hand in the event of an emergency.

Strategic Investments

In June 2018, we acquired a 51% stake in LegalSimpli Software, the creators of PDF Simpli. PDF Simpli is a SaaS product that allows users to convert, edit, sign, and share PDF documents. Demand for these services has been strong, and PDF Simpli has grown from 10,000 registrants to well over 3.8 million and is now marketed in more than 100 countries.

PDF Simpli grew its revenue by 339% to ~\$1 million in Q4 2019 revenue as compared to the same quarter a year ago. Based upon its strong growth trajectory, we anticipate it achieving a \$10 million annualized run-rate by mid-2020.

Grow or Die

As the football legend and winning coach, Lou Holtz, once said, “In this world, you’re either growing or you’re dying. So, get in motion and grow.” We’ve taken this advice to heart at Conversion Labs. Every year, quarter, week and day, we ask the critical question: how do we keep growing?

For starters, below is a summary of our top priorities in 2020:

- Continue to grow the Shapiro MD brand by improving our customer experience, product extensions, and integrating telemedicine services and online pharmacy.
- Scale Rex MD through the addition of new prescription and over-the-counter men’s health products in the coming months.
- Launch SOS Rx, our second telemedicine brand, by the end of Q1 2020.
- Support the growth of PDF Simpli, which we believe will contribute ~\$8-10 million to 2020 revenue.
- Opportunistically acquire, license or launch additional products that are synergistic with our existing portfolio.

Given the traction we’ve seen in the first 50 days of 2020, we believe that our business will conservatively exceed \$30 million in topline revenue in 2020 and reach profitability.

While no plan is ever perfect, we'll be guided by our history, our successes and failures, as we endeavor to grow each and every day. We will also remain obsessive about doing everything possible to enhance and protect shareholder value.

We are grateful for your continued support, and want to extend our thanks to our loyal customers and our amazing team working hard behind the scenes every day to build a valuable and lasting company.

Yours sincerely,



Justin Schreiber
Chairman & Chief Executive Officer



Stefan Galluppi
Chief Operating & Technology Officer

