

Toby Smith: Hey, this is Toby Smith, Next Big Thing Investing. Without a doubt in the food business, particularly the quick service business, the next big thing are smoothies. Mmm. God, I love my smoothies. Ricardo – did I mess it up?

Riccardo Delle Coste: No.

Toby Smith: What's your last name?

Riccardo Delle Coste: Delle Coste.

Toby Smith: Delle Coste – see, that part I messed up. It's for a company called Barfresh Foods. They're a client of ours at NBT. We are bullish on smoothies because McDonald's, Burger King, everybody else is out selling smoothies.

So smoothies are like the hockey stick growth. Why are they growing so fast do you think?

Riccardo Delle Coste: In today's society one's looking for a healthier alternative to sodas. The parents are looking for healthier alternatives for their kids and it's a great new way to _____ --

Toby Smith: So here's the problem with smoothies. I just happened to be in New York here last week and I was at a – I don't know – a thing in Union Station. For them to make the smoothie, they had a refrigerator box. They had 100 square feet of area in a 700 square feet or maybe 50 square feet, but it was a lot of space. That's expensive. It's like 100 or 200 grand I'm sure by the time they're done.

Your solution is a single serve product and you can tell it to the audience there, and I don't have to build freezers, I don't have to build new stations. I can use a single blender.

Riccardo Delle Coste: Yep.

Toby Smith: And I can be in the smoothie business. So that's your value proposition to these guys.

Riccardo Delle Coste: Absolutely.

Toby Smith: So tell us. The value proposition, how does it work?

Riccardo Delle Coste: So essentially what we've done is we've enabled a fast food or any other retail outlet to deliver a real juice bar quality smoothie

basically using our proprietary packaging system which has all the ingredients in it.

So we already have in the pack the real fruit, the frozen yogurt or sorbet, the juice and even the ice cubes. That packet simply gets added with some water into the blender, blended and one pack makes one drink.

So no longer do you need to worry about having an ice machine. No longer do you need to worry about having a frozen cabinet with all the different ingredients and buying all the different ingredients. One drink, one pack that contains four or five different ingredients in the one pack is all you need.

Toby Smith: Obviously there's a lot of quick service restaurants, QSRs as they say. I like to hear the Australia. How do you say QSR in Australian?

Riccardo Delle Coste: QSRs.

Toby Smith: Ahh. That have already done this, McDonalds is the best example. Their average sales per store is up something between 5 ½ to 7 percent when they brought smoothies in. So now everybody else is chasing McDonald's.

Ricardo Delacost: Correct.

Toby Smith: But again, at McDonald's in one of those stores, they may have spent \$200,000.00 to get that stuff together or more.

You've made a number of announcements. You first started with the first one was your casino chain. On these announcements, ladies and gentlemen, normally because of non-compete issues or non-disclosure you can't tell the name of it. So we'll just do our fingers like that. How about that?

Riccardo Delle Coste: Correct.

Toby Smith: So this is a large, national casino firm, which is only three, and has multiple properties throughout the United States. How does a development deal work with them? What's the average type deal?

Riccardo Delle Coste: Yeah, look, they are all a little bit different in their own right. With this particular casino chain it's quite interesting because every venue represents multiple opportunities for us.

Toby Smith: 'Cause they have restaurants. They have _____, bars –

Riccardo Delle Coste: Absolutely . They have everything. Buffets, employee dining, room service.

Toby Smith: I can imagine a smoothie buffet, by the way. Go ahead.

Riccardo Delle Coste: Well they're actually have been some hotels at the moment, but they make them a long way. The operators will make them, blend them with fruit and yogurt, et cetera. So our package is just a little bit easier for them.

So, the casino chain has just started. We actually just _____ --

Toby Smith: Alright. Well we're gonna come back in a second. We're gonna talk about some really big, and then a gigantic one he's just brought in. We're almost to 10,000 outfits we think in the next year are gonna be selling this product and then that is money. Alright. Next big thing in food: smoothies right here.

[End Barfresh Food Group (BRFH) 1; begin Barfresh Food Group (BRFH) 2]

Toby Smith: We're back with Barfresh. What's the name of it? You're smoothies? Is that the trade name --?

Riccardo Delle Coste: Right.

Toby Smith: Okay. Riccardo Delle Coste. Originally from Australia I gather.

Riccardo Delle Coste: That's correct.

Toby Smith: So you became the smoothie king in Australia and now you're carpet bagging, you're taking it to the United States are ya'?

Riccardo Delle Coste: Yes we are.

Toby Smith: I love that. I love it. So tell me, you got a business down there that you were doing this and you figured out how to do this.

Riccardo Delle Coste: Yeah, pretty much. I had some juice bars and developed the product from scratch. Trying to work out how to make it more efficient in other environments. We've really perfected it down there in terms of the delivery system and –

Toby Smith: You also have patents, right, _____ --

Riccardo Delle Coste: Correct. We have patents in quite a number of countries, pending in the U.S. and granted in quite a number of countries around the world.

Toby Smith: Cool. So, let's look at the model here. So you've added a casino. You just recently in December added 2; a 3,000 unit fast food or QSR and then a 6,000 unit. So I'm doing rough math here. We're getting close to 10,000 potential outlets here. How long does it take to get this 3,000 one, how long does it take you to get from trial flavors to roll out to the 3,000 do you think?

Riccardo Delle Coste: It could run into anything from three to nine months on a smaller scale one. Again, they all have their own individual quirks –

Toby Smith: Absolutely. Sure.

Riccardo Delle Coste: -- but 3 to 9 months on one and the other one's more of a 12-month program.

Toby Smith: Alright. The 6,000 one, you're actually selling them a custom machine or are they using the standard type machine?

Riccardo Delle Coste: No, it's around the product. So basically we have a customized range of products for them and that's the benefit of our product and our format is that it's really a delivery system. So we are able to customize for each one of these major food chains what's right for their consumer.

Toby Smith: Now these are non-alcoholic smoothies, but you could do a Margarita smoothie, right?

Riccardo Delle Coste: Absolutely.

Toby Smith: Actually in some of these smoothies that's becoming the hot thing. Certainly in New York. Not that I've ever been to a bar, but I have friends that have been to a bar and had one.

Alright. Let's talk the math 'cause I love the math. So let's just use 10,000 as a round number 'cause you're gonna be signing more agreements I assume.

Riccardo Delle Coste: Correct.

Toby Smith: So let's say we're at 10,000 stores. On 10,000 stores, normalize it. Are they selling 50 a day? It could go from 50 to 150 a day depending on the _____ --

Riccardo Delle Coste: Yeah, look, typically we have different segments of customers. So you have your T-1 high volume, fast food chains, you have your mid-T and you have your lower volume stores. Your lower volume stores can do anything from 25 to 50 units a week and your mid-T is 50 to 100 –

Toby Smith: A week.

Riccardo Delle Coste: -- and then it really jumps up. A week. Then it really jumps up from there. You can go anything from 200 to 400 units per week per store.

Toby Smith: Wow.

Riccardo Delle Coste: Typically the larger the number of stores, the higher the volume that they do.

Toby Smith: When they introduce it, like in Australia you worked with a couple of these large _____, sales have to go like this, right. They introduce it and then they sample it –

Riccardo Delle Coste: Correct. They sample it. They do advertising campaigns. They do promotions. So they do really ramp up.

Toby Smith: Alright. So I'm gonna boil it down into just simple downbursts. So let's say the wholesale price, they're paying anywhere from 80 cents to \$1.50 for the raw ingredient.

Riccardo Delle Coste: Pretty much.

Toby Smith: So we're gonna call that \$1.00. We're gonna say average it all up for 10,000 stores. Let's say it's 50 a day. So 50 times 10,000. So that's 50,000 a day times 80 cents to \$1.50. So \$1.00. So these revenues really start to ramp as these guys come up.

Riccardo Delle Coste: Correct.

Toby Smith: Where do you make the product?

Riccardo Delle Coste: We currently have a facility in Salt Lake City.

Toby Smith: You're not offshoring? You're making it in America?

Riccardo Delle Coste: No, no, no. In America.

Toby Smith: Way to go.

Riccardo Delle Coste: _____ America _____. So we have a very lean model. We are able to ramp up with our customers very quickly through contract manufacturers spread out around the country.

Toby Smith: Alright. Well Barfresh is really the only pure play on the smoothie game. Certainly there's Jamba Juice, but those are the stores. They have a better model. When a trend's going like this you want to be the arms dealer. You want to sell the product. You wanna make money from everybody.

You don't wanna be stuck and having overhead of retail store, et cetera. You're gonna be nationwide here within the next 12 months. You'll have distributors and so when the distributors are selling to one of your 10,000 contract stores, they could also sell to non-contract stores, right.

Riccardo Delle Coste: Absolutely.

Toby Smith: So you'll have the Cisco's and the U.S. Food Americas.

Riccardo Delle Coste: Correct.

Toby Smith: So we just think as a consumer product, as a consumer business, think about Green Mountain coffee. Green Mountain coffee got the Keurig machines out and they sell single serving coffee. Sales like that stock like this.

In our opinion, Barfresh has a very similar model, very similar opportunity and we think they're the next Green Mountain coffee. It's not a bad company to emulate, by the way, but there's a lotta lotta analogs. A lot of things that are comparable here. So what are you most excited about over the next 12 months? You've got a lot on your plate.

Riccardo Delle Coste: Yeah, look, we've got an amazing management team that we're putting together and the opportunity to work with some of these multi-national fast food chains, it's great. It's really exciting and there's a lot more to come.

Toby Smith: Barfresh Foods here, you're United States based. Will this U.S. company setup sales outside the United States?

Riccardo Delle Coste: At some stage.

Toby Smith: Okay. But it's a big enough United States.

Riccardo Delle Coste: Absolutely.

Toby Smith: And Canada is --?

Riccardo Delle Coste: And Canada as well.

Toby Smith: Alright. Next big thing in food is smoothies. This is the smoothie king coming to the United States from Australia to teach us how to make money in smoothies. Next big thing. Thanks for being with us.

Riccardo Delle Coste: Thanks very much.

Toby Smith: Alright, man.

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