

# CONNECT WITH NATURE

---

Q3 2022 Earnings Presentation  
November 3, 2022



**NATURES**  
**SUNSHINE**



# SAFE HARBOR STATEMENTS



## Cautionary Note Regarding Forward-Looking Statements

This presentation contains forward-looking statements regarding the Company's future business expectations, which are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans, strategies and financial results, including expected improvement in gross profit and gross margin. All statements (other than statements of historical fact) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as "believe," "hope," "may," "anticipate," "should," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy" and similar expressions, and are based on assumptions and assessments made in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, including the following: adverse impacts of the global COVID-19 pandemic; laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets; extensive government regulations to which the Company's products, business practices and manufacturing activities are subject; legal challenges to the Company's direct selling program or to the classification of its independent distributors; impact of anti-bribery laws, including the U.S. Foreign Corrupt Practices Act; the Company's ability to attract and retain independent distributors; the loss of one or more key independent distributors who have a significant sales network; the Company's joint venture for operations in China with Fosun Industrial Co., Ltd.; registration of products for sale in foreign markets, or difficulty or increased cost of importing products into foreign markets; cybersecurity threats and exposure to data loss; the storage, processing, and use of data, some of which contain personal information, are subject to complex and evolving privacy and data protection laws and regulations; reliance on information technology infrastructure; the effect of fluctuating foreign exchange rates; liabilities and obligations arising from improper activity by the Company's independent distributors; failure of the Company's independent distributors to comply with advertising laws; changes to the Company's independent distributor compensation plans; geopolitical issues and conflicts; negative consequences resulting from difficult economic conditions, including the availability of liquidity or the willingness of the Company's customers to purchase products; risks associated with the manufacturing of the Company's products; uncertainties relating to the application of transfer pricing, duties, value-added taxes, and other tax regulations, and changes thereto; changes in tax laws, treaties or regulations, or their interpretation; actions on trade relations by the U.S. and foreign governments; product liability claims; the sufficiency of trademarks and other intellectual property rights; and our cannabidiol (CBD) product line is subject to varying, rapidly changing laws, regulations, and rules.

These and other risks and uncertainties that could cause actual results to differ from predicted results are more fully detailed under the caption "Risk Factors" in our reports filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports filed on Form 10-Q.

All forward-looking statements speak only as of the date of this presentation and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this presentation. Except as is required by law, the Company expressly disclaims any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this presentation.

## Non-GAAP Financial Measures

We have included information which has not been prepared in accordance with generally accepted accounting principles (GAAP), such as information concerning non-GAAP net income and Adjusted EBITDA. We utilize the non-GAAP measures of non-GAAP net income and Adjusted EBITDA in the evaluation of our operations and believe that these measures are useful indicators of our ability to fund our business. These non-GAAP financial measures should not be considered as an alternative to, or more meaningful than, U.S. GAAP net income (loss) as an indicator of our operating performance. Other companies may use the same or similarly named measures, but exclude different items, which may not provide investors with a comparable view of Nature's Sunshine Products' performance in relation to other companies. We have included a reconciliation of Net Income to Adjusted EBITDA, the most comparable GAAP measure. We have also included a reconciliation of GAAP net income to Non-GAAP net income and Non-GAAP Adjusted EPS, in the appendix. We believe presenting the impact of foreign currency fluctuations is useful to investors because it allows a more meaningful comparison of net sales of our foreign operations from period to period. Net sales excluding the impact of foreign currency fluctuations should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP.



## FEEL THE POWER...



**Nature's Sunshine changed the world** ~50 years ago as the first company to put herbs into easy-to-take capsules



**We sell 700+ products** across six different categories around the world



Sophisticated in-house R&D capabilities via owned **Hughes Center for Research & Innovation**



We manufacture most of our products, **ensuring optimal quality and safety**



We are executing a brand pivot supported by important **consumer lifestyle changes**

# THIRD QUARTER 2022 FINANCIAL SUMMARY



\$ in millions, except for margin and per share amounts

	Q3 2022	Q3 2021	▲	Q3 (y/y) Commentary
Net Sales	\$104.5	\$114.7	-8.9%	Strength in Asia offset by weakness in Europe and North America; down 2.0% on a constant currency basis
Gross Margin	71.6%	74.4%	-2.8%	Increased product reserves due to supply chain challenges, product mix shift, increased production, transportation, material and distribution costs
SG&A	\$36.8	\$39.5	-6.8%	Reflective of cost saving efforts and streamlining of operations
Operating Income	\$5.0	\$10.0	-50.0%	Reflects the sales and gross margin pressures above
Net Income <sup>1</sup>	\$0.1	\$4.9	-98.0%	Reflects sales and gross margin pressures above, as well as increases of \$1.1m in valuation allowance against deferred tax assets.
Diluted EPS	\$0.00	\$0.24	-100.0%	Reflects the factors above
Adj. EBITDA <sup>2</sup>	\$6.8	\$12.9	-47.3%	Reflects the sales and gross margin pressures above

<sup>1</sup> Attributable to common shareholders

<sup>2</sup> See appendix for a reconciliation of non-GAAP terms.

# STRONG BALANCE SHEET



## Balance Sheet Highlights

- Cash and cash equivalents totaled \$57.0M
- \$1.5M of debt at 9/30/22 vs. \$2.4M at 12/31/21

	As of	
	Sep. 30, 2022	Dec. 31, 2021
<i>(\$ in millions)</i>		
Cash and Cash Equivalents	\$ 57.0	\$ 86.2
Receivables	10.0	8.9
Total Assets	223.5	258.9
Debt	1.5	2.4
Total Liabilities	81.8	97.5
Total Stockholders' Equity	141.8	161.4

# NET SALES BY OPERATING SEGMENT



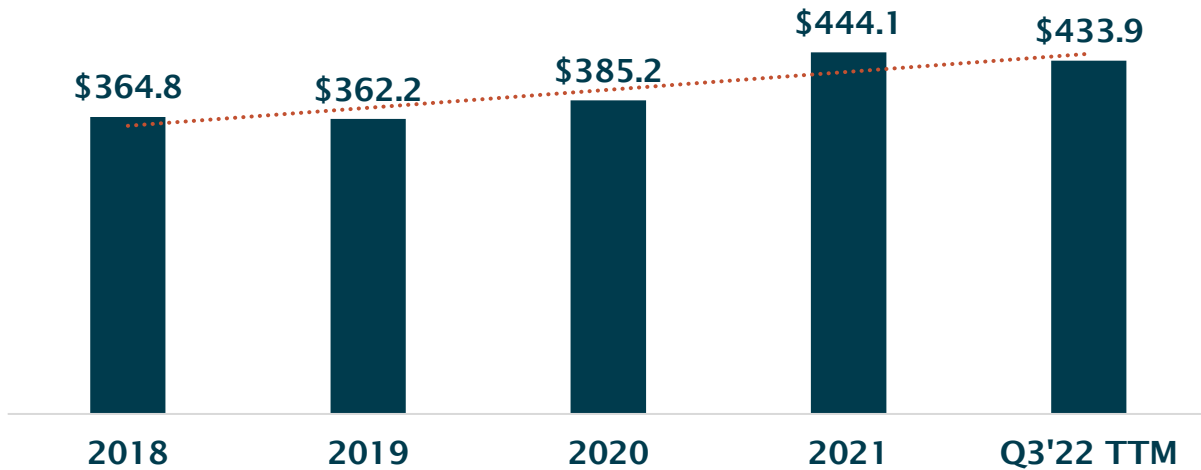
	Net Sales by Operating Segment (Amounts in Thousands)				
	Q3 2022	Q3 2021	% Change	Impact of Currency Exchange	% Change Excl. Impact of Currency
<b>Asia</b>	\$ 47,878	\$ 48,417	(1.1)%	\$ (6,307)	11.9%
<b>Europe</b>	19,328	21,813	(11.4)	(1,166)	(6.0)
<b>North America</b>	31,504	37,738	(16.5)	(89)	(16.3)
<b>Latin America and Other</b>	5,796	6,778	(14.5)	(81)	(13.3)
	<u>\$ 104,506</u>	<u>\$ 114,746</u>	(8.9)%	\$ (7,643)	(2.3)%

# HISTORICAL FINANCIAL PERFORMANCE



## Revenue

\$ in Millions

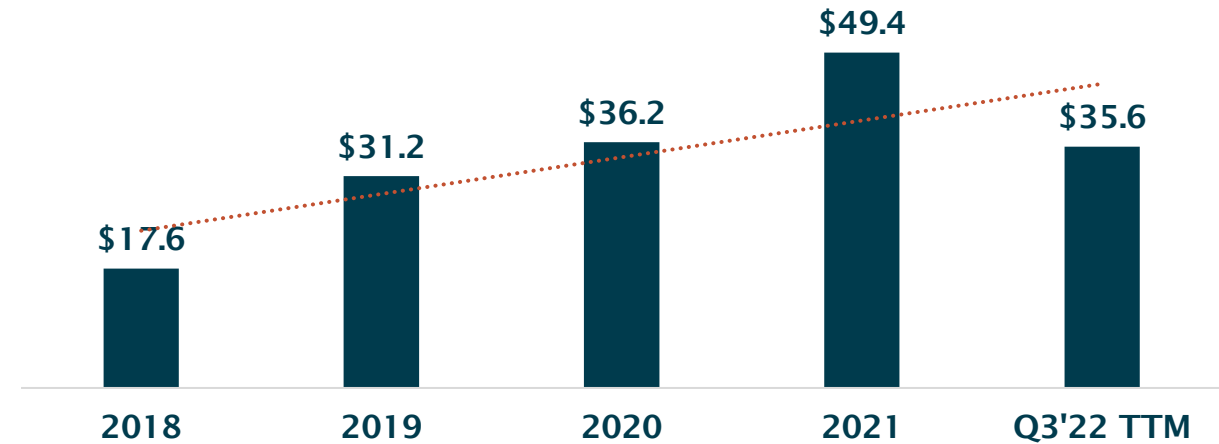


### Revenue Accelerant Opportunities

- Stronger regional-focused sales teams
- International market growth (Korea, Western Europe)
- Increased productivity of customers & distributors
- New products

## Adj. EBITDA<sup>1</sup>

\$ in Millions



### Margin Drivers

- Raw material optimization
- Drive manufacturing efficiencies, removing waste
- Logistics and transportation efficiencies
- SG&A cost efficiencies

<sup>1</sup> See appendix for a reconciliation of this non-GAAP term.

# OUR OPERATIONAL EXECUTION



## Brand Power



Revitalized our brand with new packaging & advertising

## Field Energy

● SUBSCRIBE & THRIVE  
**\$22.95**  
SAVE 25%  
~~\$30.60~~

- FREE Shipping (1 per month)
- FREE 1-Year Premium Membership
- One-click pause or cancel
- Choose your schedule and frequency
- Cancel anytime

Frequency

Offered new suite of business tools, services & customer-focused rewards

## Digital First



Introduced new website functionality to move from transactional to personal relationships

## Manufacturing Inc.



Secured USDA and ISO 9001 certifications, enhancing our industry-leading advantage

## The Right Stuff



Streamlined global business processes to improve overall cost and efficiency



# 2022 PRIORITIES



# OUR RESPONSE TO TODAY'S CONSUMER DEFINES OUR VISION



## Vision

SHARE THE HEALING  
POWER OF NATURE,  
WITH EVERYONE.

### How?



**Offer** specialty, time-tested products, proven by health practitioners



**Create lifestyle** branding and storytelling

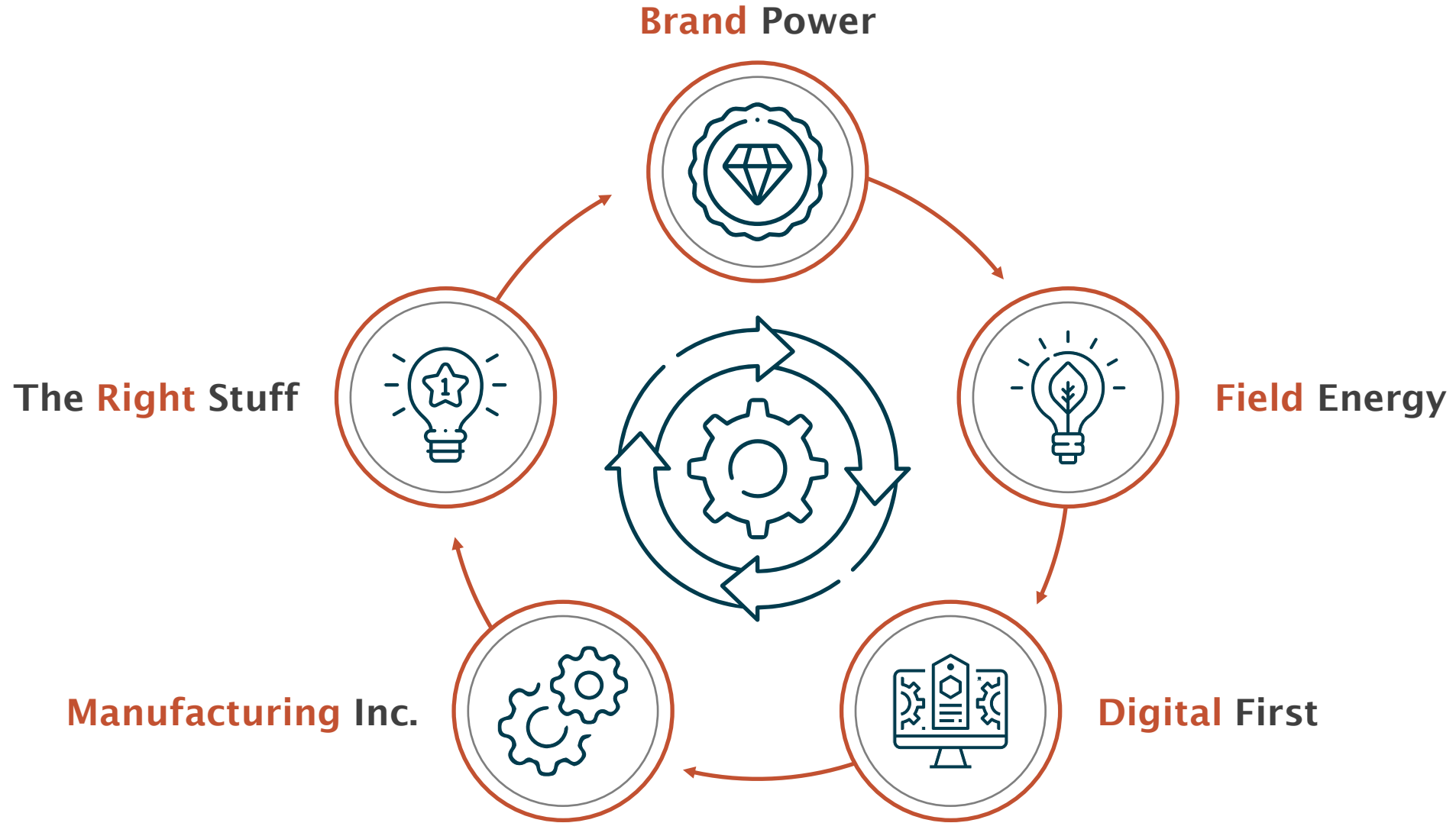


**Leverage** websites, e-commerce and digital marketing to drive customer loyalty



**Deliver customized experiences** to encourage trial and repeat purchases

# OUR FIVE GLOBAL GROWTH STRATEGIES



# CAPITAL ALLOCATION PLAN



**Significant cash flow  
has enabled the  
investment and growth  
of the business to date**

**Well-positioned to  
return a portion of this  
cash to shareholders**

## Capital Allocation Plan

**\$1.0M in shares repurchased at an average cost of \$10.48 per share in Q3 2022 – \$24.6M remaining in share repurchase program as of September 30, 2022**

---

**Investment in process improvement and supply chain**

---

**Ongoing investment in organic growth opportunities**

---

**Strategic M&A**



# CONTACT US

Investor Relations Contact

**Cody Slach**

Senior Managing Director,  
Gateway Group, Inc.



(949) 574-3860



NATR@gatewayir.com

# APPENDIX



# ADJUSTED EBITDA RECONCILIATION



	Three Months Ended	
	September 30,	
	2022	2021
Net income	\$ 200	\$ 5,458
Adjustments:		
Depreciation and amortization	2,661	2,735
Share-based compensation expense	593	886
Other loss, net*	2,281	886
Provision for income taxes	2,531	3,662
Other adjustments (1)	(1,430)	(687)
Adjusted EBITDA	\$ 6,836	\$ 12,940
(1) Other adjustments		
Impact of Russia/Ukraine war**	\$ (750)	\$ —
Restructuring and other related expenses	130	—
Capital allocation and other expenses	—	90
VAT refund	(810)	(777)
Total adjustments	\$ (1,430)	\$ (687)

\*Other (income) loss, net is primarily comprised of foreign exchange losses, interest income, and interest expense.

\*\* As a result of the conflict between Russia and Ukraine, the Company has recorded a non-cash reserve above and beyond usual operating levels based on its estimates of actual future inventory consumption and operating results

# ADJUSTED EBITDA RECONCILIATION



	RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA				
	2018	2019	2020	2021	Q3'22 TTM
Net Income (loss)	\$ (1,202)	\$ 6,929	\$ 22,958	\$ 30,207	\$ 12,269
Adjustments:					
Depreciation and amortization	9,806	10,599	10,743	11,162	10,998
Share-based compensation expense	2,170	2,120	3,787	3,731	2,708
Other (income) loss, net*	2,151	483	(1,339)	2,848	3,595
Provision (benefit) for income taxes	4,402	8,713	(137)	1,615	3,755
Other adjustments (1)	252	2,375	173	(143)	2,246
Adjusted EBITDA	<u>\$ 17,579</u>	<u>\$ 31,219</u>	<u>\$ 36,185</u>	<u>\$ 49,420</u>	<u>\$ 35,571</u>
(1) Other Adjustments					
Capital allocation and other unusual expenses	-	-	-	265	-
Inventory reserve related to Russia/Ukraine war**	-	-	-	-	2,300
CEO transition	2,518	-	-	-	-
Restructuring related expenses	1,525	2,375	808	369	756
Gain on sale of properties	(3,791)	-	-	-	-
VAT Refund	-	-	(635)	(777)	(810)
Total adjustments	<u>\$ 252</u>	<u>\$ 2,375</u>	<u>\$ 173</u>	<u>\$ (143)</u>	<u>\$ 2,246</u>

\*Other (income) loss, net is primarily comprised of foreign exchange losses, interest income, and interest expense.

\*\* As a result of the conflict between Russia and Ukraine, the Company has recorded a non-cash reserve above and beyond usual operating levels based on its estimates of actual future inventory consumption and operating results