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**DIRECT SELLING INDUSTRY ANALYSIS**

*For the month ending September 30, 2020*

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**SUMMARY & OUR TAKE**

**Tupperware and Nu Skin lead, Small Cap’s Take a Hit**

September represented a generally volatile period for the markets as a whole and members of our direct selling tracking set were not immune to the action within the broader indices. Generally speaking, the larger capitalization stocks we are tracking were flat, to slightly down during the month, with a couple notable exceptions. Amongst small cap stocks, a number of recent leaders pulled back off of recent highs. As a whole, the **Transformation Capital Direct Selling Index (TDSI)** declined 4.43% over the course of September compared to a decline of 2.28% for the **Dow Jones Industrial Average (DJIA)**. However, the TDSI remains up 44.17% since February 28, 2020, as compared to a gain of 9.34% for the Dow.

**Tupperware Brands Corporation (NYSE: TUP)** moved up to our large cap tracking set this month as the Company rose an additional 24% over the course of the period and now possesses a market capitalization of ~ \$1 billion, which is the minimum requirement for inclusion in our large cap list. Tupperware now stands more than 600% above its February 2020 closing price based on positive trends across its business driven by new management and a pandemic oriented trend towards at home food preparation and storage. Elsewhere, **Nu Skin Enterprises, Inc. (NYSE: NUS)** advanced an additional 6% and now stands 107% above its pre-pandemic levels. Subsequent to the end of the month, after the market closed on October 1, Nu Skin announced revenue results for the third quarter of 2020 that were nearly \$100 million ahead of the low end of the Company’s previously issued guidance range. As a result, the stock rallied approximately 10% on October 2 on trade nearly 3X average. Other interesting notes include **Primerica, Inc. (NYSE: PRI)**, which our research indicates is significantly outperforming its insurance and financial services peers.

The smaller cap stocks amongst our tracking set showed some weakness over the course of the month, but much of that was within stocks that have advanced significantly over the course of the last several months. **Natural Health Trends Corp (NASDAQ: NHTC)** rose more than 20% between September 11 and September 14, on heavy trade, before settling into a gain of 8.25% for the period. **Sharing Services Global Corporation (OTC: SHRG)** fell 47% during the period, but remains 525% above its February 2020 closing price.

**Looking Forward**

September continued the consolidating action we have generally seen amongst our direct selling tracking set since August. We believe this consolidation is a prelude to an exceptionally strong end to what has proved to be a phenomenal year across the channel. As previously mentioned, the markets have been volatile of late, which can cause some fits and starts. The upcoming election and continued uncertainty surrounding the COVID-19 pandemic and related stimulus have all been contributing factors. However, the industry’s overall financial trends, as well as anecdotal evidence, remain strong.

We continue to believe that 2020 remains on track to surpass 2016’s record domestic direct selling revenue and our short to mid-term thesis remains unchanged. Our belief is that the industry will continue to perform well financially and outperform the major indices for the foreseeable future. However, the direct selling industry, as with all industries, is not immune to market driven trends, in either direction.

There continues to be a bullish sentiment surrounding the industry with more than 95% of analysts covering the industry maintaining a “buy” or “hold” rating on the stocks they cover. In addition, the industry continues to pass the eye test with flying colors when considering the private company data we are collecting, as well as the publicly reported data, such as the large revenue beat by NUS.

**CHARTS & ANALYSIS**

September was a volatile month within the markets as a whole and the major indices closed generally down, including a loss of 2.28% for the Dow. Direct selling stocks amongst our tracking set were, for the most part, not immune to this volatility and general downward trend. As a result, the TDSI closed the month down 4.43%.

**TCAP Direct Selling Index**

The TDSI is a market capitalization weighted index of all domestic public direct selling companies with a market capitalization of at least \$25 million. The index is rebalanced monthly and no single issue is permitted to represent more than 20% of the total value of the index. In the event that a particular issue would exceed 20%, then the excess weighting is redistributed amongst the other index components.

TDSI data is tracked back to March 1, 2020 and the index now stands 44% above February 28, 2020 levels, as compared to a gain of approximately 9.34 % for the DJIA.



## Large Cap

**Tupperware Brands Corporation (NYSE: TUP)** received a promotion to our large cap tracking set this month with a market cap of ~ \$1 billion. The Company led our large cap tracking set after rising an additional 24% over the month of September and stands approximately 607% above its February 28 closing price. The stock experienced a strong first several weeks of the month, reaching a new 52-week high of \$27.19 per share on September 22, before settling back some leading into the end of the month. Initially prompting the upside action was the initiation of coverage by D.A. Davidson analyst Linda Bolton Weiser, on September 15, with a \$30 price target and a “buy” rating. The positive outlook for TUP is driven by a number of factors such as a trend towards eating driven by COVID 19, a successful pivot towards digital sales and the initial success of the Company’s new management team in cutting costs and managing the balance sheet. Further supporting the stock’s recent performance is the Company’s 2021 outlook, which includes 7% revenue growth and a 40% improvement at the EBITDA line.

**Nu Skin Enterprises, Inc. (NYSE: NUS)** continued its strong pandemic period performance with an additional gain of ~ 6% over the course of September and is now 108% above its February 2020 closing price. NUS generally advanced over the first part of the month and reached a new 52-week high on September 22 before trading slightly lower into the end of the month. Subsequently, on October 1, NUS announced projected revenue results for the third quarter of 2020 which were significantly ahead of the Company’s internal guidance. The Company attributed this strong performance to continued strength in the “West”, which we surmise to primarily include its North America and EMEA segments, as well as the continued success of its digital initiatives, which led to more than 90% of sales transactions including a digital aspect during the quarter. Based on all of the above, management indicated a bullish outlook for the fourth quarter of 2020. Following this announcement, on October 2, the stock surged higher, on 3X average trade, and set a new 52-week high of 57.01.

**Herbalife Nutrition, Inc. (NYSE: HLF)** declined by approximately 5% over the course of the month and now stands 41% above its pre-pandemic levels. The stock continued to trade in a tight consolidating pattern over the first several weeks of the month before showing some relative weakness over the last few weeks and slipping below its 30-day moving average. Subsequent to the end of the month the stock has rallied above that key technical level.

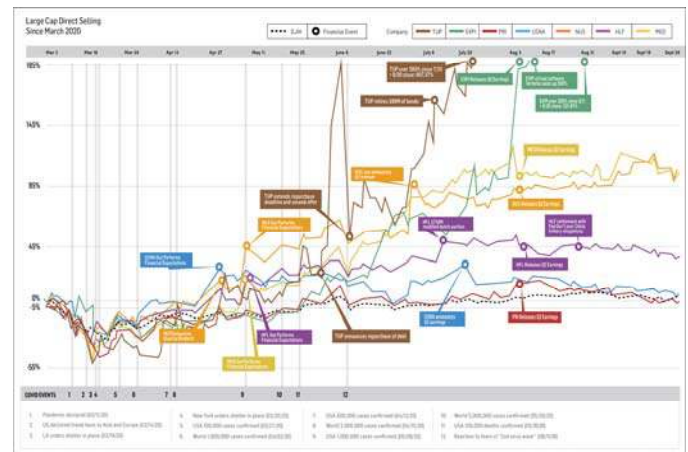
**Medifast, Inc. (NYSE: MED)** experienced a volatile month of trading and ended the period with a gain of approximately 2% after climbing to a new 52-week high earlier in the month before pulling back. The stock now sits 104% above its February 2020 closing price. We believe much of this volatility to be attributable to the general market environment, as well as, more specifically, action related to the declaration of the Company’s quarterly dividend and its associated record date. The stock traded higher during the early part of the month leading into the September 10 dividend announcement and set a 52-week high of \$184.29 on that date. Following this MED traded generally sideways up to the record date of September 22 before sliding back down into the end of the month. The Company

has now settled back into a consolidating pattern, right at its 30-day moving average, and remains in a strong technical position.

**USANA Health Sciences, Inc. (NYSE: USNA)** declined 6% over the course of the period and now stands just 11% above its pre-pandemic period levels. The stock’s continued underperformance as compared to the majority of its peers within our large cap tracking set continues to baffle us. We believe USNA to be a well run company with strong fundamentals. The Company is scheduled to report its third quarter financial results on October 20 and we would look for this to generate positive momentum amongst investors.

**eXp World Holdings (NASDAQ: EXPI)** declined only 9.31% over the course of September. Typically this might be considered somewhat of a significant decline over the course of a month, however, it pales in comparison to the 124% gain the stock experienced over the course of August and the 322% that EXPI has increased since the end of February 2020. In this context it qualifies as a minor pullback. The stock trended generally downward over the course of the month, in a tight consolidating pattern on light trade, and remains well above key technical support levels such as its 30-day moving average. Since the end of the month the stock has begun moving higher gain on heavier trade.

**Primerica, Inc. (NYSE: PRI)**, lost 9.48% over the course of September and now sits about where it started the pandemic period up just 2.31% since its February 2020 closing price. While this appears to be (and is) significant under performance when compared to the remainder of our tracking set, it actually represents a strong performance when compared to the financial services industry as a whole. As we have previously discussed, it is our belief that direct selling companies should be compared to other direct selling companies and not just companies who market and sell similar products and/or services. We believe that PRI’s chosen channel of direct selling is the primary factor that has enabled the Company to significantly outperform the financial services and insurance industries as a whole. Over the course of the same pandemic period, the S&P Select Insurance Industry Index has declined approximately 11%, while the S&P/BMV Financial Services Index has declined a more dramatic 32%.



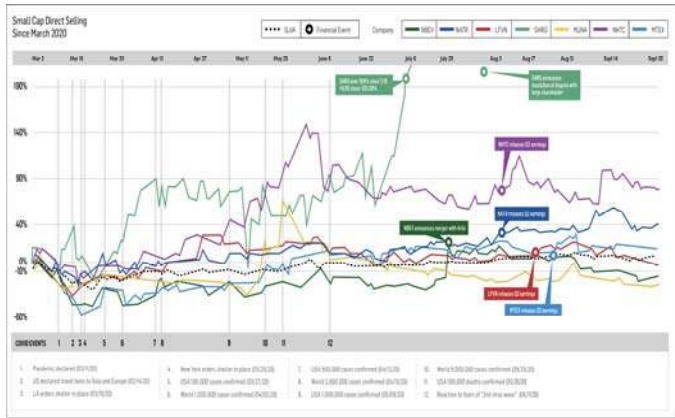
**Note:** For the purposes of this report, Transformation Capital considers direct companies with a market capitalization in excess of \$1 billion “Large Cap”.

### Small Cap

Looking at our small cap tracking set, the group as a whole showed some weakness during the month with two exceptions. Generally speaking, small capitalization stocks unperformed larger cap stocks over the course of September with the small cap S&P 500 losing approximately 5% over the course of the period as compared to a 2.3% loss for the DJIA.

**Natures Sunshine Products, Inc. (NASDAQ: NATR)** rose approximately 5% during September and now stands 41% above its February 2020 closing price. On September 3 the Company announced a new business model and rebranding initiative that appears to have initiated a several day price run up to a new 52-week high, which was followed by a decline and stabilization into a consolidating pattern above its 30-day moving average.

**Natural Health Trends Corp. (NASDAQ: NHTC)** increased 8.25% over the course of the month and has now risen approximately 72% since March 1. We are unaware of any specific news items or events driving the positive action in the stock, but, on September 11, the stock moved 22% higher on volume approximately 10X average trade.

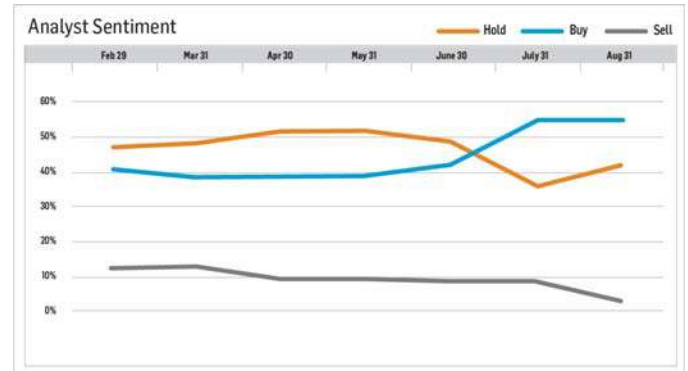


Short interest can be a difficult indicator to analyze. On the one hand, an increase in short interest can be a bearish sign in that it indicates an increased sentiment among investors that a stock is likely to decline based on any number of factors such as a belief the Company’s fundamentals are deteriorating, or a belief that it has run too far too fast. Conversely, as a stock moves higher a significant short interest can serve as extra fuel on the fire as investors scramble to “buy to cover” their short positions and mitigate losses.

The one significant change in short interest during September involved NATR, one of our leading small cap stocks during the month, which dropped from 6.9 DTC to 2.2 DTC. Short sellers covering losses during the early part of the month likely added to NATR’s impressive several-day run the first week of September.

### Analyst Sentiment Index

During the month the number of sell-side analysts maintaining “buy” and “hold” ratings on industry stocks remained virtually the same, however, the “buy” ratings within the tracking set increased. Additionally, the number of analysts recommending investors “sell” industry stocks continued to decline.



**Methodology:** The TCAP Analyst Sentiment Index is a consensus tracking tool that aggregates and averages the recommendations of all covering analysts across all public direct selling companies.

### Short Interest Data & Analysis

The below chart is an aggregate index of “days to cover” amongst the entire tracking set. For those who do not know, days to cover is a measure determined by dividing the total outstanding short interest by average daily trading volume.



As indicated in the chart above, short interest has generally declined across the industry since the markets reached their mid-March, COVID-19 induced lows. However, there has been a slight increase over the last two reporting periods.

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**ABOUT TRANSFORMATION CAPITAL, LLC**

Transformation Capital, LLC is a boutique investment banking, business development and corporate finance advisory firm primarily focused on the direct selling vertical, as well as ancillary businesses. Located in Dallas, Texas, Transformation's core service offerings include both buy and sell-side M&A advisory, equity and debt financing, as well as joint venture and partnership opportunities. For more information please visit our website at: [www.transformationcapital.com](http://www.transformationcapital.com), or contact us directly as follows:

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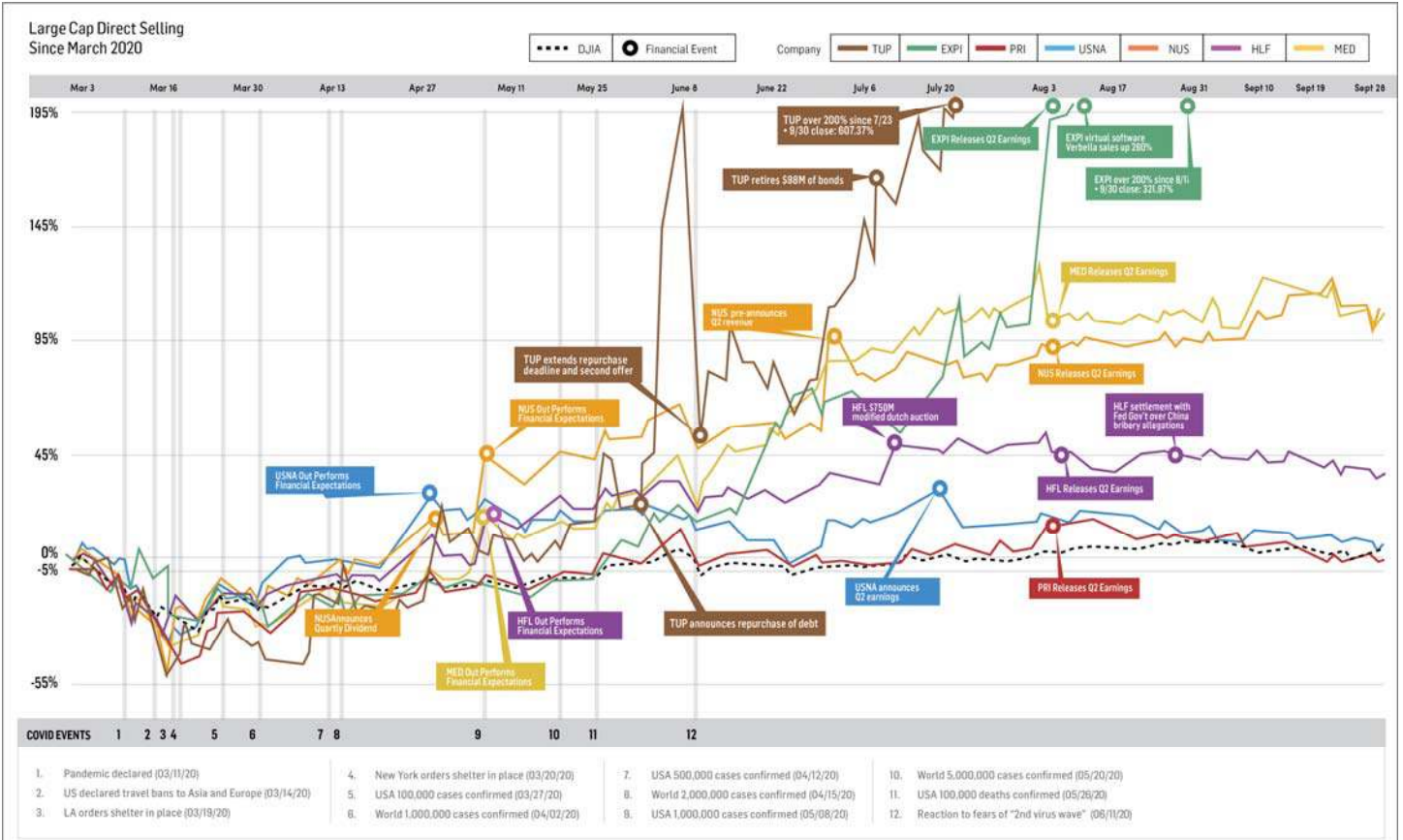
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### Large Cap Direct Selling Since March 2020

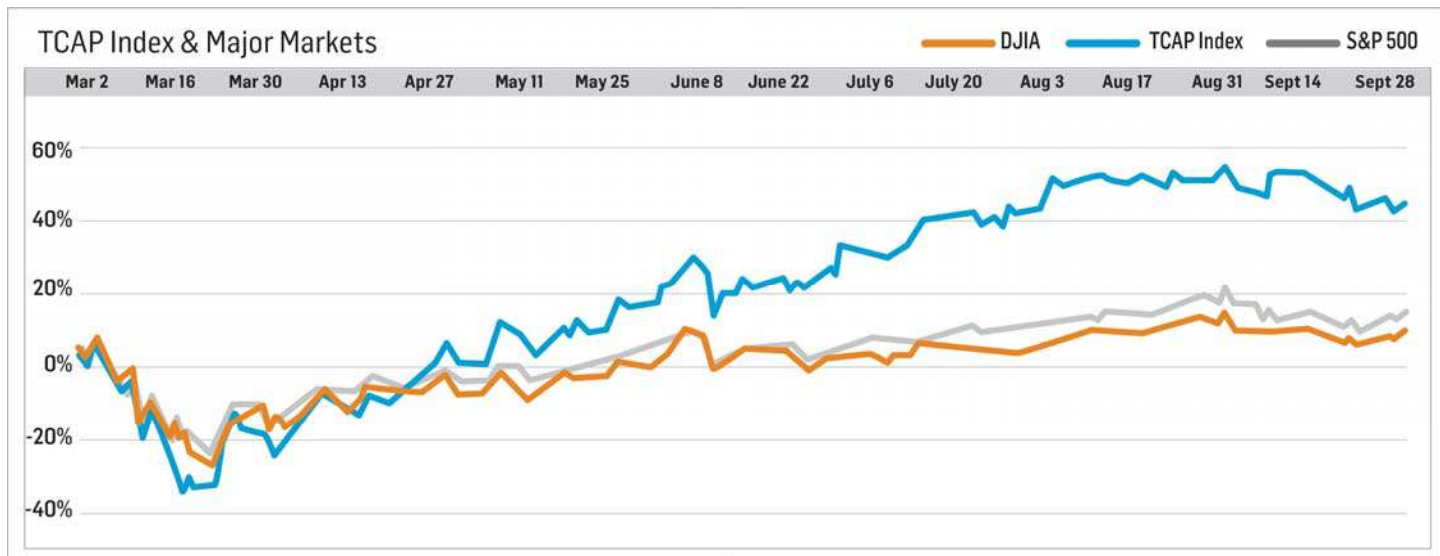
Large Cap Symbol	Stock Summary					Mkt Cap	Key Financial Metrics				
	02/29/20	08/31/20	09/30/20	MoM	Sept VS Feb		09/30/20	52 Wk High	52 Wk Low	Spread	EPS (ltm)
Herbalife (HLF)	\$32.36	\$49.15	\$46.65	-5.09%	41.16%	\$5,699	\$52.89	\$20.73	\$32.16	\$2.26	\$19.38
Primerica (PRI)	\$110.58	\$124.85	\$113.14	-9.38%	2.31%	\$4,471	\$138.05	\$61.20	\$76.85	\$9.03	\$12.28
eXp World Holdings (EXPI)	\$9.56	\$44.48	\$40.34	-9.31%	321.97%	\$2,765	\$46.58	\$6.51	\$40.07	\$0.11	\$382.63
Nu Skin (NUS)	\$24.09	\$47.27	\$50.09	5.97%	107.92%	\$2,574	\$53.63	\$12.31	\$41.33	\$2.81	\$17.74
Medfast (MED)	\$80.44	\$161.66	\$164.45	1.73%	104.44%	\$1,926	\$184.29	\$49.03	\$135.26	\$6.57	\$25.34
USANA (USNA)	\$66.10	\$78.41	\$73.65	-6.07%	11.42%	\$1,548	\$92.26	\$43.01	\$49.25	\$5.21	\$14.32
Tupperware (TUP)	\$2.85	\$16.29	\$20.16	23.76%	607.37%	\$990	\$27.19	\$1.15	\$26.04	\$0.27	-\$125.53
DJIA	25,409	28,430	27,782	-2.28%	9.34%		29,569	18,214	11,355		

Small Cap Direct Selling  
Since March 2020



Small Cap Direct Selling  
Since March 2020

Small Cap Symbol	Stock Summary					Mkt Cap (m)	Key Financial Metrics				
	02/29/20	08/31/20	09/30/20	MoM	Sept VS Feb		08/31/20	52 Wk High	52 Wk Low	Spread	EPS (ltm)
Nature's Sunshine (NATR)	\$8.20	\$11.04	\$11.57	4.80%	41.10%	\$226	\$13.50	\$5.50	\$8.00	\$0.56	\$20.83
LifeVantage (LFPV)	\$11.91	\$15.02	\$12.07	-19.64%	1.34%	\$173	\$17.25	\$7.75	\$9.50	\$0.81	\$14.34
New Age Beverage (NBEV)	\$2.02	\$2.17	\$1.73	-20.28%	-14.36%	\$169	\$3.59	\$0.98	\$2.61	-\$0.73	-\$1.68
Natural Health Trends (NHTC)	\$3.29	\$5.21	\$5.64	8.25%	71.57%	\$60	\$8.27	\$2.52	\$5.75	-\$0.31	-\$13.19
Medical Marijuana (MJNA)	\$0.02	\$0.02	\$0.01	-18.15%	-11.29%	\$55	\$0.04	\$0.01	\$0.02	\$0.00	\$6.17
Sharing Services Global (SHRG)	\$0.04	\$0.47	\$0.25	-46.58%	525.00%	\$49	\$0.73	\$0.02	\$0.71	\$0.04	\$17.89
Mannatech (MTEX)	\$14.77	\$18.82	\$16.75	-10.13%	13.45%	\$35	\$19.39	\$6.49	\$12.90	\$1.91	\$7.93
DJIA	25,409	28,430	27,782	-2.28%	9.34%		29,569	18,214	11,355		



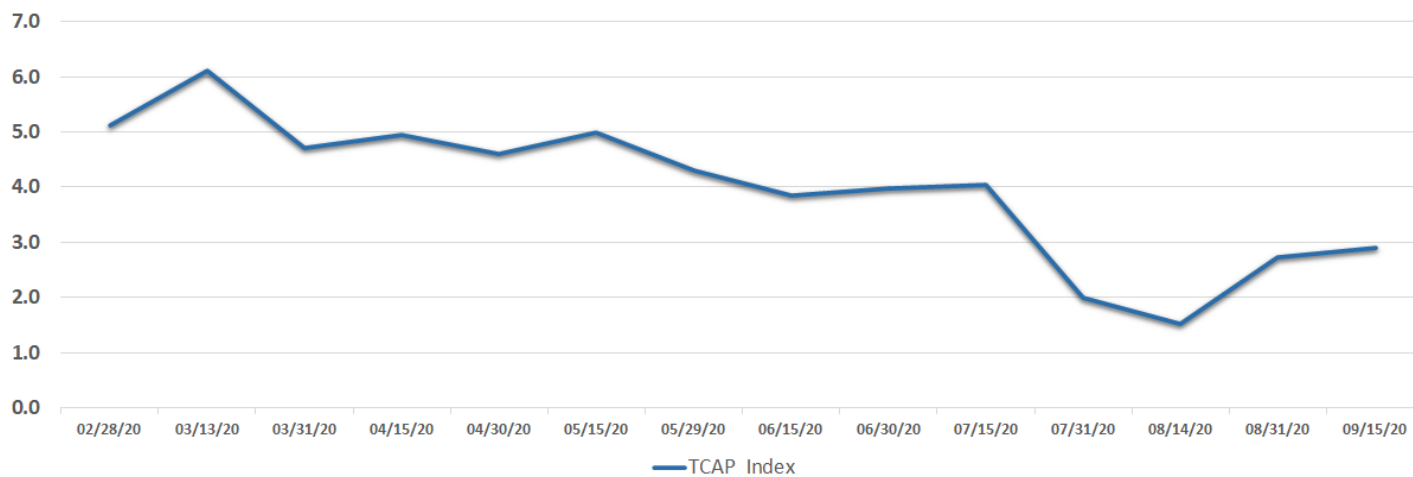
**Methodology:** The TCAP Direct Selling Index is rebalanced monthly and comprised of 14 component stocks, weighted by market capitalization and with no single issue carrying more than a 20% weighting within the index. In the event that an issue(s) would exceed 20% of the index, then the surplus weighting is spread equally among the remaining components (unless the additional weighting would cause another issue to exceed 20%).

#### TCAP Direct Selling Index - Stock Performance Summary

Month ending 09/30/20

Symbol	Stock Summary					Mkt Cap	Key Financial Metrics				
	02/29/20	08/31/20	09/30/20	MoM	Sep vs. Feb		09/30/20	52 Wk High	52 Wk Low	Spread	EPS (ltm)
HLF	\$32.36	\$49.15	\$46.65	-5.09%	44.16%	\$5,699	\$52.89	\$20.73	\$32.16	\$2.26	\$19.59
PRI	\$110.58	\$124.85	\$113.14	-9.38%	2.31%	\$4,471	\$138.05	\$61.20	\$76.85	\$9.03	\$12.27
EXPI	\$9.56	\$44.48	\$40.34	-9.31%	321.97%	\$2,765	\$46.58	\$6.51	\$40.07	\$0.11	\$382.49
NUS	\$24.09	\$47.27	\$50.09	5.97%	107.92%	\$2,574	\$53.63	\$12.31	\$41.33	\$2.81	\$19.09
MED	\$80.44	\$161.66	\$164.45	1.73%	104.44%	\$1,926	\$184.29	\$49.03	\$135.26	\$6.57	\$25.17
USNA	\$66.10	\$78.41	\$73.65	-6.07%	11.42%	\$1,548	\$92.26	\$43.01	\$49.25	\$5.21	\$14.36
TUP	\$2.85	\$16.29	\$20.16	23.76%	607.37%	\$990	\$27.19	\$1.15	\$26.04	\$0.27	-\$127.33
NATR	\$8.20	\$11.04	\$11.57	4.80%	41.10%	\$226	\$13.50	\$5.50	\$8.00	\$0.56	\$20.88
LFVN	\$11.91	\$15.02	\$12.07	-19.64%	1.34%	\$173	\$17.25	\$7.75	\$9.50	\$0.81	\$14.63
NBEV	\$2.02	\$2.17	\$1.73	-20.28%	-14.36%	\$169	\$3.59	\$0.98	\$2.61	-\$0.73	-\$1.77
NHTC	\$3.29	\$5.21	\$5.64	8.25%	71.57%	\$60	\$8.27	\$2.52	\$5.75	-\$0.31	-\$13.05
MJNA	\$0.02	\$0.02	\$0.01	-18.15%	-11.29%	\$55	\$0.04	\$0.01	\$0.02	\$0.00	\$6.17
SHRG	\$0.04	\$0.47	\$0.25	-46.58%	525.00%	\$49	\$0.73	\$0.02	\$0.71	\$0.04	\$17.89
MTEX	\$14.77	\$18.64	\$16.75	-10.13%	13.45%	\$35	\$19.39	\$6.49	\$12.90	\$1.91	\$7.90
<b>TCAP Index</b>	<b>\$47.06</b>	<b>\$70.99</b>	<b>\$67.85</b>	<b>-4.43%</b>	<b>44.17%</b>	<b>\$20,741</b>	<b>\$79.49</b>	<b>\$27.66</b>	<b>\$51.83</b>	<b>\$3.73</b>	<b>\$64.56</b>
<b>DJIA</b>	<b>25,409</b>	<b>28,430</b>	<b>27,782</b>	<b>-2.28%</b>	<b>9.34%</b>		<b>29,569</b>	<b>18,214</b>	<b>11,355</b>		

### TCAP Direct Selling Short Interest Index



#### TCAP Index Companies' Historical Days to Cover

Symbol	02/28/20	03/13/20	03/31/20	04/15/20	04/30/20	05/15/20	05/29/20	06/15/20	06/30/20	07/15/20	07/31/20	08/14/20	08/31/20	09/15/20
NATR	6.1	4.5	2.5	5.2	4.5	3.5	4.7	1.1	2.7	2.1	8.0	10.4	6.9	2.2
LFVN	7.7	7.4	6.7	8.0	6.1	5.1	9.5	6.4	6.8	7.8	14.3	31.5	8.0	7.0
NBEV	4.6	9.3	6.3	6.3	5.4	7.7	5.0	4.3	5.7	6.3	1.3	8.9	6.7	5.3
MTEX	1.0	1.0	1.0	1.0	1.0	1.0	1.7	1.0	1.0	1.1	2.8	2.5	1.2	1.0
TUP	3.7	3.5	3.4	3.4	3.2	3.2	3.4	2.5	2.5	2.5	1.0	1.9	3.7	1.6
NHTC	9.6	21.6	11.2	22.5	10.9	7.8	3.7	1.0	3.6	4.0	4.2	3.6	1.7	1.2
MJNA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SHRG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
USNA	11.4	11.3	9.6	8.0	6.1	4.2	4.2	4.3	6.1	5.3	6.3	11.7	10.3	11.1
NUS	4.7	4.2	1.9	1.9	2.0	1.9	1.5	2.4	2.2	2.4	4.9	4.3	4.1	4.1
HLF	4.1	3.3	2.9	4.9	4.9	5.4	3.9	4.0	4.2	4.3	6.4	9.3	3.6	5.9
MED	12.5	11.5	10.5	10.0	10.8	10.7	11.6	11.6	11.4	6.5	6.3	9.3	4.2	5.0
EXPI	21.7	18.0	12.3	14.4	20.0	23.6	16.3	12.0	4.7	8.6	5.1	4.2	1.0	1.5
PRI	3.5	3.7	2.7	2.0	2.3	2.4	2.2	2.6	2.9	2.9	5.8	6.6	3.7	3.0
<b>TCAP Index</b>	<b>5.1</b>	<b>6.1</b>	<b>4.7</b>	<b>4.9</b>	<b>4.6</b>	<b>5.0</b>	<b>4.3</b>	<b>3.9</b>	<b>4.0</b>	<b>4.0</b>	<b>2.0</b>	<b>1.5</b>	<b>2.7</b>	<b>2.9</b>