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NewAge, Inc.

Fourth Quarter and Full Year 2020 Financial Results Investor Conference Call

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CONFERENCE CALL PARTICIPANTS

David Bain, *B. Riley Financial*

Andrew Bond, *Alliance Global Partners*

Michael Grondahl, *Northland Securities*

PRESENTATION

Operator

Greetings, and welcome to the NewAge, Inc.'s Fourth Quarter and Full Year 2020 Conference Call.

I will now to turn the conference over to your host, Riley Timmer. You may begin.

Riley Timmer

Thank you.

Good morning, and thank you for joining NewAge Inc.'s Fourth Quarter and Full Year 2020 Financial Results Investor Conference Call.

I'm Riley Timmer, the Global Head of Investor Relations of NewAge, and I'm pleased to be with you all today.

On today's call, we have Brent Willis, our Chief Executive Officer; and Mark Wilson, our Group President.

I'd like to remind everyone that this conference call may contain certain forward-looking statements reflecting Management's current expectations regarding future results of operations, economic performance, financial condition, and achievements of the Company. Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties. Factors that could cause these results to differ materially are set forth in our Annual Report on Form 10-K and 10-Q filed with the SEC. Any forward-looking statements that we may make on this call are based on assumptions as of today, and we undertake no obligation to update these statements as a result of new information or future events.

Also, during this call, we may present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings release, which is available on our website. The transcript of today's conference call will also be available on the Company's website within the Investor Section at newage.com.

I'll now turn the call over to Brent Willis, our CEO.

Brent Willis

Thank you, Riley, and good morning, everyone.

NewAge is now a half billion dollar Company in pro-forma revenue from, really, just an idea four-and-a-half years ago; essentially, from near zero to—in mid-2016 to this scale right at $500 million in a relatively short period of time, and now our first profitable quarter with $2.9 million of EBITDA. We said all along that as we reached the initial scale we intended, which we've now hit, that the profitability will come, and that this commitment has now materialized, so we expect to methodically and systematically improve on this profit base from this point forward.

Now, why will the bottom line further improve from here? Well, it's just the math. Financially, now we have the scale and the associated resources. We don't need more SG&A, and we believe we have the right infrastructure for a multibillion-dollar sized multinational. We have the market breadth and access, we've got the people, the systems; everything you need to capture the benefit of more scale, whereby a disproportionate amount of that growth will accrue to EBITDA margin and bottom-line performance.

Now, even though we have the scale and profitability as a result, much of our success still depends on the quality of our team and people. It always does, but with historically smaller companies like ours, it depends on them and their unwavering perseverance for success.

To that end, I have with me on the call this morning long-term industry veteran, Mark Wilson, our Group President of our Direct/Social Selling Division, who leads all of our regions and commercial operations. I think Mark is by far and away one of the best in the industry, if not the best, and he will discuss the progress and details of our operational performance, and provide more color on the operating results in our key geographies.

Now, when you start out these start-ups, and if you are begrudgingly public, like we inherited, you articulate your expectations of what you will do, and if four-and-a-half years ago we would have said we're going to add $500 million of revenue and become EBITDA positive and cash flow generating, no one would have believed us, let's face it, so we're just not going to communicate our next milestones. What we will say, however, is that we are methodically going to build our business for consistent top-line and consistent bottom-line EBITDA, free cash, and EBITDA margin improvement, and we are confident that we have both the business structure and the financial structure to do it.

Now, leading to that methodical performance, as one of my mentors used to say, is a focus on what matters. To this end, the divestiture of BWR, that, frankly, cost us more than $7 million at the EBITDA level a year, was the right move. That happened at the end of Q3.

We really loved our retail brands, but the economics in the retail brand beverage sector just changed, and we did not have the scale or the leverage to do anything about it, so we made the decision to divest them, and the end result is at least $7 million more in EBITDA per year, and this move enables an even greater focus on building out our direct route-to-market with competitively-advantaged social selling tools, which we see as a major trend, and frankly, a must-have for CPG companies to survive and thrive. We have over a 70% gross margin in this sector of the business, and tremendous industry tailwinds behind us, and with all of the both organic and external growth opportunities in front of us, critical to our success is focusing both those financial resources against the opportunity and our human resources.

When we look out to where we expect to be in the next few years, this is why we are continuing to strengthen our Management team with the right skill set to lead to a multibillion-dollar multinational.

We recently just hired a Chief People Officer, as building a high-performance company and culture is critical to our success, and we'll continue to make additional changes to the Management team, bringing on those leaders that will both embody the culture we're building, and have the bandwidth for the opportunities in front of us.

Look, what we saw in Q4 is the beginning of something big, as we promised. It's more than a foundation. It is a springboard. We have the scale; we have the profitability; we have the market reach; and we have an aligned, committed, and impassioned team of more than 400,000 brand partners and customers across more than 50 countries. We have the organizational capabilities, an increasingly stronger Management team, and we have the financial resources, and a whole host of growth opportunities in front of us. ARIIX was and is an organic growth business, and it has only accelerated from there since the combination.

Given all the things that have come together for us so far that, frankly, investors are just getting the earliest glimpse of now, coupled with all the transformative external growth opportunities that are continuing to present themselves, well, like I said, this is much more than a foundation. This is the springboard of something big.

Let me pass it over to Mark to give you some insight on what is happening for us operationally. Mark?

Mark Wilson

Hey. Thanks, Brent.

As the Group President at NewAge, my focus is the leadership of our markets, all the people around the world in our regions, our hundreds of thousands of brand partners and customers, and directing our global sales strategy. In addition, I am leading the team that is responsible for the execution of our successful convergence and the integration and synergy capture with the now combined companies, and I'm happy to report we're seeing better-than-expected results in our first hundred days or so.

Now, three things are happening that we are pleased to report.

First, we identified around $20 million in synergies that would accrue from the combination of the first 12 to 18 months coming together. We have already captured over $15 million alone in annualized savings in our first hundred days, and we know there are additional benefits potentially even beyond the $20 million commitment as we dig deeper.

Second, we continue to experience organic growth in a number of our regions. Pro-forma last year, we did arrive at $500 million, as Brent mentioned, in net revenue. Brent has previously guided us to a high single-digit or low double-digit revenue growth, which we are confident we can meet, and even exceed this guidance. Oftentimes with mergers, you see a slight softening in sales. However, it's been just the opposite for us, as we actually see accelerating sales and leaders from companies joining us for even bigger opportunities.

The third thing that I'm pleased to report is that we are coming together as one Company and creating a new culture of performance and collaboration. We now are operating with one aligned goal, and everyone is pulling in that same direction, and with the changes that we are making with the Management team, this will only serve to facilitate the new culture that we are creating going forward.

Coming from ARIIX, we know that—what it takes to run a successful international business profitably, and this requires discipline and a scaled approach. We hire, pay, manage, and spend according to our sales and profit levels, so our different geographic regions, for the most part, all function as profit-generating segments.

As Brent alluded to in his comments, we will focus our efforts operationally on the following: first, develop a leading presence and increase our market share in core markets of Western Europe, Japan, China, and the Americas; second, selectively invest in high-potential emerging markets where we believe we can complement our core markets and help us achieve our overall sales and profitability goals; and third, have the discipline to either downsize or eliminate markets that don't fit in our performance objectives or fit into our current growth strategy.

We believe the best strategy is to focus only on high-potential markets and opportunities, leveraging where we have a competitive advantage. This will provide more time and resources to focus on those markets and opportunities that represent the greatest profitability, that represent the most scalable potential, and represent the greatest opportunity for superior and sustainable organic growth.

Let me quickly dive into some of our business segments and provide some insight to their performance.

On top of now being the largest, Europe is also our fastest-growing region. That trend has continued post-merge, and we continue to achieve record sales and growth. Our success is being driven by strong leadership and growth in a number of customers and brand partners, primarily in the markets of France, Italy, and Spain. Our strategy to help our brand partners become influencers utilizing social selling and technology is resonating in the region, and we are working to systematize what we now—and how they do that in Europe to our other regions around the world.

Switching to Greater China, this is one place where the social selling and technology approach, similar to Europe, will easily translate. We're already seeing major growth in live-streaming, WeChat sales, and other social media platforms in that market. Combined, Greater China is more than $100 million in revenue for us, and we are attracting new leaders and seeing good growth this year. Combined with the strength of the Tahitian Noni brand and encouraging responsiveness to several new product introductions, we see greater China to be a growth region during our 2021.

In Japan, we are experiencing growth as a combined Company, and in fact, Q4 saw growth on the Noni Morinda side of the business for the first time in several years. Reversing this trend is a very, very encouraging sign to our Japan business. On the ARIIX side of the business, in Japan, we are focusing on the efforts of building the continued and e-commerce subscriber side of the business, and the recent announcement of the planned merger with Aliven should add an additional $20 million in revenue and add to our profitability. They bring strong leadership at both the corporate level and in the field; they have excellent government relations; and have a unique portfolio of healthy products that we believe will add nicely to the current NewAge offering.

Finally, in the Americas, specifically U.S., Canada, and Mexico, we are seeing solid growth. The level of engagement and motivation among our leaders is at an all-time high. All of our groups here are accelerating, including the Direct Store Division that had 15% growth prior to the Q4; Mexico, that had triple-digit growth; and our Direct/Social Selling Group in the U.S. that also experienced double-digit growth.

The credit for our success has to really go to our brand partners and their amazing leadership.

For example, partners like Dr. Alberto Peña from Mexico. Dr. Peña is attracting healthcare professionals and young professionals looking for new personal financial model and a way to incorporate healthier lifestyles into everything they do, and this new model, by the way, is particularly attractive to millennials and Gen-Zs.

Other partners, like Paolo Meucci from Italy, who has built an easy to duplicate system for his team and create a unique social selling system for his business, which is second to none. Our partners like Beanie (phon) from Belgium and France whose social selling product experience and lifestyle social selling and conversion media activities are leading the way for us globally.

These are just a few of the hundreds of thousands of talented leaders that are contributing to our success, and they are the ones that really deserve the credit. It's the drive, activity and efforts of these impassioned folks and all of our brand partners that are leading our global performance. This is what leads the measured confidence that we have quarter-by-quarter to build on our springboard that the combination of NewAge and ARIIX represents.

I'm going to now turn it back over to Brent.

Brent Willis

Thank you, Mark. Great job and keep it going, man.

Let me review some of the detailed financials before we close it up and open it up to questions.

In 2020 in Q4, we reached $90.4 million in revenue, an increase of 53% versus prior year. Driving the result was the performance in the regions and respective divisions as Mark reviewed, and the consolidation of ARIIX in the last months plus of the year.

Gross margin reached 66.8% versus 54.3% in the same quarter last year. This 12.5 percentage point increase was driven by higher net revenue from our Direct/Social Selling division and the additions of the new businesses, which were all margin accretive.

Net loss was $4.0 million, an improvement of $61.8 million compared to a loss of $65.8 million in the fourth quarter of the private year—prior year, and we believe our most important and relevant metric was Adjusted EBITDA where we reached $2.9 million for the fourth quarter of 2020 compared with a negative $17.4 million for the fourth quarter of 2019, an improvement in Adjusted EBITDA of $20.2 million for the quarter.

I know we communicated that we would be around breakeven less than a month ago, so to exceed that more conservative guidance is a step in the right direction, and we believe this is just a starting point in terms of bottom line profitability. We only had ARIIX and the other companies consolidated for a little over a month's period of time, and going forward throughout 2021, we will also have the benefit of all the synergy and cost reduction capture translating directly to net incomes and free cash flow.

For the full year, for the period ending December 31, 2020, net revenue reached $279.5 million for the year ended versus $253.7 million in 2019, an increase of 10.2%. Pro forma combined revenues for the full year was right at $500 million, a near doubling of our scale and almost 10 times the size of scale we were in 2019, so we would say another step in the right direction.

Gross margin for the year reached $177.5 million, or 63.5% of net revenue, compared with $152.7 million, or 60.2% of net revenue, an increase of $24.8 million, or 3.3 percentage points. Gross margin increase was driven by higher relative sales, the additions of the new businesses, as well as the divestment of the low and negative margin retail brands.

Net loss was $39.3 million for the year compared to a net loss of $89.8 million for the year ended December 31, 2019. The improvement of $50.5 million was a result of improved operating performance and a significant non-recurring impairment expense in 2019 related to the now divested retail brands.

Switching to the balance sheet and cash flow statements, we finished the year with $65.2 million in cash, of which $11.5 million was long-term restricted, $10 million was short term, and $43.7 million was unrestricted, and as investors know, as a subsequent event, we added in another just over $53 million in February to put us in a very strong cash and financially flexible position.

For the period ending December 31, 2020, total assets were $451.2 million, an increase of around $200 million versus prior year.

Now, on all the financials, we are still working to finish our 10-K with our auditor, Deloitte, and given we closed in the end of November and completed the audit and filed our 8-K/A on the combination in the beginning of February, it's just not enough time to complete all the required testing and procedures, so we will likely be filing a 12b-5 to provide us that additional time needed to complete the work in the final testing and procedures.

To summarize, here is what we believe are the most important takeaways from today's call. There are six of them, and we'd like to just give you the facts as we see them.

Number one, we are becoming an organic growth company with industry-leading net revenue growth. We see the trends that are happening in Q4 carrying over to what looks to be shaping up to be an excellent Q1, as do the underlying drivers of those trends.

Number two, we have exposure to growth markets and category segments, and have a direct-to-consumer home route-to-market, and are confident that these tailwinds will continue to support industry leading growth.

Number three, we have a clear vision to become a social selling machine, and we have a competitive advantage in more than 400,000 brand partner distributors that we are arming with what, we believe, is differentiated and competitively advantaged sales tools.

Number four, we are now profitable and free cash flow generating, and will continue to build EBITDA margin from here, accruing from the core existing business.

Number five, beyond the core, we can do more. We see an incredibly target rich environment in what is a very unconsolidated sector where there are few, if any, players that either know how to effectively consolidate and integrate, or have the financial wherewithal to do so. The decisions we made in 2020 both in terms of additions and subtractions are normal course of business in these types of companies at this stage and in their journey. It was exactly the same at a previous company I used to work for, AB InBev.

Finally, number six, we have the real financial flexibility and the investment capital to put us in a position to address that truly plethora of both organic and external growth opportunities in front of us.

Like I said, no one would have believed us four years ago if we said we were going to add in a half billion dollars in revenue and get to over 65% gross margin with positive EBITDA, and despite that track record and performance, no one is going to believe our next threshold. No problem. We're just going to methodically grow our top and bottom lines, showing consistent improvement year-over-year and quarter-versus-quarter in organic revenue and EBITDA.

We're going to take advantage of what we see as a very attractive set of opportunities in front of us, and know we know we have the right direct-to-consumer business model, an increasingly strong Management team, the portfolio of healthy products, and the execution capabilities to capture our fair share of the opportunity and deliver superior return for our value-added shareholders, our brand partners, and the NewAge associates.

With that, I'd like to open up to questions with the Operator.

Operator

Our first question is from David Bain with B. Riley. Please proceed with your question.

David Bain

Fantastic, and congratulations on a strong 4Q execution.

The first question I had, obviously Brent, you just laid out your intent to become the largest social selling distribution company, and obviously you have the organic growth, which you pointed to, and you did speak to some opportunities in front of you. Assuming there are some potential acquisitions, , we look at the traditional comps, not social, and they're selling over 10 times on '22. The last announced acquisition looked like it was done at 1x. I'm trying to understand, maybe that was an outlier, not sure, but how can you, or can you consistently close additional targets below trading multiples, and outside of price, what do you look for in terms of dynamics in an acquisition? Is it geographic diversity, number of reps, growth; can you help us capsulate that?

Brent Willis

Yes, that is a multi-faceted, multi-part question, Dave, but, look, we have both a set of financial criterion that our Board has been really stringent upon, and set of strategic criterion, and there's about seven or eight components in each one of those.

On the financial side, the fundamental answer is, number one, it has to be accretive for shareholders pre-synergies, and under the synergy capture that we, frankly, think we've got the competitive advantage on how to develop that, frankly, we learned from the 3G Group, that is incremental benefit on top for shareholders, so from a financial criterion standpoint, we're really stringent upon those metrics to ensure accretion for shareholders.

Potentially, Aliven, at 1x EBITDA, is an outlier. Potentially Morinda that we did in 2018 that is essentially, when it was all said and done, a little bit more than 1x EBITDA. Potentially, those are outliers, but the bottom line is a lot of these companies, in a sea of increasingly choppy COVID waters, need a bigger boat, and they need a safer harbor, and we represent that, right, and they all want access to the growth and the potential in the NewAge stock, right, so we're going to be very careful, I think, going forward in terms of that word dilution, and we have a range of vehicles at our disposal from our cash balance that we have debt opportunities, earn-out opportunities, and selectively stock and equity to enable these companies to attractively come into the fold, but we also think we've got the processes down where we can really bring them on and integrate them, and from the strategic standpoint, we are focused on those core markets of Western Europe, China, and Japan, and the Americas.

Those are probably where we look first from a market standpoint, and we also look at further penetration to those few emerging markets where we are investing, which includes the southern tip of Africa or the southern cone of Africa, potentially the CIS countries, potentially Mexico and parts of Latin America, and potentially Korea, so we look at the emerging market opportunities where we believe we can develop a scale and competitive advantage position that would be accretive for us.

Then, on the brand side, we'll just never compromise on brand or product side in terms of healthy products. It's what we stand for and it's where we believe we've got some competitive advantage too, in terms of our functional differentiation across our three product platforms, so those are some of the criterion that we look for, but there are a wealth of external growth opportunities, but I think as you see, and we expect investors will see, the organic growth opportunities, boy, they are really coming, and Mark and team have just done a superb job of capturing that organic growth opportunity and realizing it. That doesn't always happen when you bring these companies together, but all the brand partners in all the regions are just doing a superb job on their organic growth opportunities, and we're going to continue and invest in those.

David Bain

Yes, and that, hopefully, was going to be my one follow-up. That's one thing we're excited about is sort of that transformation from face-to-face direct selling to the social selling platform that you've discussed having an acute focus on. We look at that as early innings, what—and Mark spoke to this, but I'm hoping we can get a little bit more specific. When you have a 400,000 IPC force and you're training all over the world, and I know the demographic shift is younger and they're more acclimated to the technology, but how do you work the different geographies and attacking the technology and the opportunities as an organization? How specific is it to geographies, and is there something that you see that you're willing to reveal that you're doing different than some of the other platforms that have reported?

Brent Willis

Mark, do you want to try to hit it first?

Mark Wilson

I would love to, so great question.

With social selling and social commerce, there are so many platforms, so many different options out there. You really need to specialize to the demographics in the region where, for example, we're approaching China slightly different because of the WeChat and other platforms that are more popular there versus some markets are using more of an Instagram, Tik-Tok, and a little bit of Facebook still, and so we're making sure that we're diversified in those areas and making sure that we're attractive to the kind of pre-dispositions that our leaders would have.

We will be announcing, and we're working on, some new tools that will be coming out in the next few months, so we have—in the next several weeks, we'll be launching some platforms to make it easier for the average person to be social selling, to be inviting individuals to take a look at their products and attract the consumers, because one of our goals here is to have—certainly we want hundreds of thousands of great influencers and leaders, if not million, but tens of millions of customers, and the whole game now is to make sure that you make it easy for them to attract those customers through the social selling.

We are also working on a new program that will come out probably late second quarter. We'll be rolling it out, and that will make it even easier and a new approach in social selling, so we'll talk more about that in the coming months, and I think that's going to drive—we're budgeting that to be close to 20% of our growth through the end of the year in social selling, and it's just an easier way to attract individuals who are interested in this new model.

Brent Willis

Thanks, Mark.

(Multiple speakers) add to, it is different, as you know, Dave, the social selling and platforms and tech that is used in China, and it's much more direct versus, I would say, more lifestyle in Western Europe and in North America. Not only is some of the technology different, but the level of overtness of selling is also very different, but we—at the same time, recognizing those differences, we believe that there are a lot of things that we can rinse and repeat.

When we say we intend to be the world's leading social selling and distribution company, our direct selling route-to-market is just our route-to-market. It is not the entire Company, right, so the social selling technology, much more Etsy Marketplace, and some of the leading social selling and e-commerce companies, is much more of what is driving the Company going forward.

Think about it, converting this competitive advantage of these 400,000 plus brand partners that we have, converting them all to the influencers that they are becoming and giving them all of that, as Mark talked about, new tools and new social selling tech worldwide, really will accelerate the kind of company we expect to be, which is much more on the social selling side, e-commerce marketplace side, and as Mark talked about, tens of millions of consumer database side, in addition to the hundreds of thousands of brand partners that we have, so we've really got that potential to transform the Company going forward on top of this. It is the foundation, but at the same time, it's a huge springboard that's now throwing off the organic growth and the profitability, as we expected.

David Bain

Yes. No, we find that to be really transformational. All right, thanks so much guys. Appreciate it.

Brent Willis

Thanks, Dave.

Operator

Our next question is from Aaron Grey with Alliance Global Partners. Please proceed with your question.

Andrew Bond

Good morning. This is Andrew Bond on the line for Aaron Grey. Thank you for taking our questions.

Could you provide an update on the timing around potential top-line synergies from the ARIIX acquisition? You previously mentioned timing as dependent on product registration, inventory levels, and system integration. Just wanted to see if there were any updates to your expectations, and when you might be able to realize those benefits? Thank you.

Brent Willis

Yes, it's really Mark that's leading all of those initiatives for the Company, and the entire Convergence team, that we call it, that included representatives from both sides, so Mark, can you give an update on where we are in both the cost synergies, and to Andrew's question, what's happening, too, on the revenue synergy side from cross-pollination?

Mark Wilson

Yes, sure. Thank you, and first of all, I think, as I mentioned earlier, we've already seen $15 million in realized opportunities, but we're taking a second swipe at that, and so you'll see rather than a one big fell swoop, we're looking at it more by department and by region as we're coming together, so during the convergence process, which is going very, very well, we're looking at, as offices, you have your leases coming up, you have opportunities as we're coming together in convergence. We've already started some markets that are already converged together. Other markets will be converged together in—probably the majority of our markets will see a timing around June, and some will trail-out through the rest of the year, so as those come together, we'll continue to realize additional benefits through this convergence process which will drop through, including our operations where we've already identified so many opportunities in working with the Operations team of efficiencies; everything from shipping to purchasing, manufacturing, other opportunities that we see that will contribute to this.

As I said previously, we're very confident that we'll hit the $20 million that we committed to, and I would not be surprised if we don't go substantially beyond that in the opportunities that we're seeing, and—for example, just even with—even a little company like Aliven that we've announced the merger coming together with, those will allow us and afford us even greater opportunities in the future moving forward as we converge these, because the model's getting more and more efficient all the time.

We have our IT. Investing a lot in technology right now. We're putting a lot of time and effort in this, and. in fact, programming currently something that's never been done in the industry where we can literally run multiple compensation plans for a time to allow people the time to get used to us, to blend the family at the right time, rather than forcing issues, which is going to afford us another unique opportunity in the industry that I've never seen before, and allow some of those profits to drop through, so we're very encouraged with where we're at, but stay tuned throughout the year. You're going to see additional profits and revenues coming from the convergence.

Brent Willis

I would just add to—thanks, Mark—on the further upside quotient of synergies, it is some of those revenue synergies, and so one of those—just one of those products, for example, is our Noni+CBD shots in Japan where, in some independent third-party research, that we were just surprised with. They showed that we were the number one selling CBD supplement in all of Japan, right, so we had first-mover advantage there. We still have first-mover advantage, and now we're translating that to the other components of our different businesses, whether it's ARIIX or Zennoa in Japan, to enable them to sell that too, given its early level of success, and that's just one example, but we're doing cross-pollination of our different brands to enable all of our different units to sell those—to sell that broader portfolio and capture that—the benefit of the revenue synergies.

Andrew Bond

Great. Great, thanks for that color, and as a follow-up, I know you just touched on it, but just to dig a little deeper, could you talk about the integration process with ARIIX, specifically around the commission structure and how you're looking to create, eventually, a uniform commission structure within the umbrella organization? Thank you.

Mark Wilson

Sure. Do you want me to take that Brent?

Brent Willis

Yes, sure.

Mark Wilson

With that we've—it's a very complex process, as you can imagine, in all the different markets and bringing this altogether, and as I mentioned, we've already taken some of our smaller markets; for example Brazil. We have several markets around the world that are already starting the integration process; Mexico, Colombia, some of these that we've used as a first test as we're bringing that together. The majority of those markets will see some convergence, and the timing is around June that we're planning and slating for working with our IT on, and that would mean that we would be converged together into one compensation plan in many of these markets during the June, July phases, so that would give us some facility to make things a little simpler, and rather than run two separate, you're going to run one. It brings the teams together. We're seeing a blending and convergence of our team leadership.

We've already had a number of events and meetings, both virtual, and even a few live events, as COVID is starting to open up those opportunities for us to have some in-person meetings again and see this blending of these leaders coming together into one, and they're very, very excited about the ARIIX compensation plan becoming the staple as we move forward, but as I mentioned, we're not going to push this. We're going to make sure we take the time, and our key is just to keep the growth and keep the sales moving forward, and to listen to our leaders and work with them, so with the uniqueness of something we've developed in our IT, we're able to run those for whatever time it takes to make sure that that convergence comes together, so I think Japan and some of the other markets will be probably later in the year, if not towards the end of the year, and again, we're going to take that in baby steps as we move forward.

Brent Willis

Andrew, it's a really insightful question too, because it is one of the hurdles that a lot of, let's just say, direct selling companies, it's why they can't consolidate. It's why they can't merge because of the differences in the compensation system, but as Mark pointed out, our IT Group, we think, is outstanding with some outstanding leadership and people and team in that, and we've been able to figure out how to run multiple compensation systems concurrently and still be SOX compliant, right, so that's a real trick to be able to get done, but having that flexibility, and allows us to move at the right pace of when our leaders want to do it right, so that's why Mark said we're just not going to push this. We're going to do what's right for our leaders, what they want to drive their income, which we're absolutely committed to, and our livelihood depends on their success and their motivation, and so we're not going to do anything that's going to challenge that.

Andrew Bond

Great. Thank you for the detail, and congrats on the profitable quarter.

Brent Willis

Thanks, Andrew.

Operator

Our next question is from Mike Grondahl with Northland Securities. Please proceed with your question.

Michael Grondahl

Yes. Thanks, guys.

Is it possible to break out brand partners for each of the combined companies and how you think they're going to grow over the next year or two?

Brent Willis

Sort of, Mike, but—and it's a really good question, because what people don't know is there is about a 93% R-square correlation between your numbers of brand partners, the engagement and motivation of those brand partners, and net revenue. There's lots of things that matter, and there's other correlated factors, but a lot really does come down to, today, the—your numbers, and so as we go forward, we communicate 400,000. Our number is actually—in terms of brand partners and customers and subscribers and affiliates, actually substantially larger than that, and we expect to build and get to millions of brand partners in the next few years, because we know how important that is for revenue, but just like Mark said, we want hundreds of thousands, let's say, of brand partners, but at the same time, we are building tens of millions of consumers and a database there, so—and it's hard to break out of how many brand partners we have on the ARIIX side versus the Zennoa side versus LIMU side versus the Morinda side, because we don't manage the business that way, which really—in most markets, really all one and one management team, one leadership driving and communicating with them, and we're, what, less than six months into the merger; really, a couple of months, a little bit more than 100 days into the merger, so going forward, it's just going to be one team, and so we don't really look at it as separate, but I don't know, Mark, what else would you add to Mike's very good question?

Mark Wilson

Yes.

The other thing I'd add is, certainly, as we were going through the merger, we were watching this, but to Brent's point, we've tried to blend them together and create one team. For example, in North America, our area leader here, Rick Redford's done an amazing job of blending the two cultures together, especially at the leadership level, which are now operating under NewAge, and even though you had your tribal heritage, so to speak, of I came from ARIIX or I came from LIMU or I came Zennoa or Morinda, they're really coming together and excited about working together as one group and one force, and so we just had an event in Florida that showed that and demonstrated the working together.

They were on the stage together. They were presenting together. They broadcasted with their teams around the nation together, so we're really trying to blend that together into one group, and as you attract new leadership groups on a weekly basis, they come from all sorts of backgrounds and companies and past histories, and so we, as fast as possible, try to bring them into the NewAge culture, and that's what we've created in bringing this together, rather than, this is an ARIIX culture or this is a Morinda culture.

We've done, I think, a really good job of blending that together, so I'd like to bring them all together into one group and keep them that way, so we really don't identify them separately.

Brent Willis

Mark, could I follow up on Mike's question actually with you is, what would you say is really driving that organic growth for us, because, as you know, this doesn't typically happen, right? Typically, there's a pull-back, because we've seen in other companies, but what's really driving it? Is it that—because ARIIX in terms of the (multiple speakers).

Mark Wilson

The real excitement is several things. First of all, when you have growth and you have this merger coming together, people—our field really see an opportunity with our brand partners that not only is it exciting to be part of the public company and the growth and participate in that element of growth, along with their growing commissions and their individual businesses, but they're seeing the convergence coming together, offering new markets. It's offering new potential products and brands, and as you're part of an exciting group—let me take Europe for example.

Europe is growing so well that it just is encouraging new people to take a look at this that maybe have been on the side lines watching, and so you have brand partners now that are joining us because they see the growth, they see the excitement and the success, and let's face it, people love to hang out with successful people or successful organizations. You want to be part of that, and when you get that momentum like we're experiencing in France and Italy and other markets in Europe, it becomes contagious, so to speak, and the talk is out there, so you become known as that is the new growth opportunity that's there.

I think all of these things, combining this with the excitement—we've seen this in North America as we're coming together, our leaders have never been as excited as they are right now with the potential, and I think some things are spurring that with the current economy, the current situation that COVID threw us into. People are looking for a home-based business a side household, in addition to probably more concerned with health and taking preventative actions than they've ever been, so it made it easier for it, but I think the combining of everything coming together at the same time, they are so excited about this Company and the growth and the potential that they can be a part of versus a company that's declining.

In fact, we've seen a whole new group in Morinda that are igniting and reengaging that probably we're living more of a concern of, well, we're in this decline over time, and now that they're part of NewAge and they're seeing the opportunity to win, they have a whole new attitude, and I think that's why we're attracting companies like Aliven and others that want to be part of this, so I think you've only seen the tip of the iceberg on this one.

Michael Grondahl

Got it, and then, hey, with Aliven, I think that's under an LOI right now. Is there any update there or any thought when that could go to definitive and when it might close?

Brent Willis

Yes, the definitive agreement is with SEC Council, and it really mirrors the LOI in terms of consideration, no surprises, so I would say, imminent, Mike, and we want to bring it in because, Oi-san, who is their leader and founder is—just got such tremendous government relationships, tremendous leader, and is going to be a tremendous ambassador for the combined group, and we'd love to incorporate and consolidate in that $20-plus million in revenue and $3-plus million in EBITDA, so we'd love to consolidate that in as soon as possible, but we've got to get through our 10-K first.

We've got a lot of stuff that we've got to do, because the 8-K/A on the NewAge ARIIX merger was just done on the first of February, right, so we are—our hands are busy from a compliance and stocks and audit and integration standpoint, but what's nice about Aliven is it's really seamless to integrate in our—in purely our Japan operations, so I would say that the definitive agreement is with Council and it mirrors the LOI, and I would say it is imminent, so shareholders should expect that coming, I would say in March, or shortly thereafter.

Michael Grondahl

Got it. Okay. Thank you.

Brent Willis

Great questions.

Operator

We have reached the end of our question-and-answer session, and I'll now turn the call over to Brent Willis for closing remarks.

Brent Willis

Thanks, everybody.

Hopefully everybody can start to hear the excitement that we see in the business, and when you have these kinds of growth opportunities, when you have this kind of, now, financial health and financial performance, when you have these organizational capabilities in people and team and infrastructure that can really perform that's all focused against one common goal, and underpinning all of that, you've got the financial flexibility, it gives you a lot of confidence of delivering superior return for shareholders, which we're all in the same boat as shareholders.

ARIIX definitely is given—80%, 90% of the consideration for that combination is all based on stock and stock price growth, so we are all 100% committed to equity price appreciation for shareholders, so—and we're taking those decision to achieve that in a very significant way for the long term, so we're very pleased with the quarter. Frankly, we thought our—the Q1 2021 would be our first profitable quarter, so we are happy to gain EBITDA profitability in Q4, so—and we're just not going to look back, so thank you very much for the continued support, and stay tuned. Thanks, everybody.

Operator

This concludes today's conference. You may disconnect your line at this time. Thank you for your participation.