



**NewAge, Inc.**

**Third Quarter 2020 Conference Call**

**November 9, 2020**

## C O R P O R A T E P A R T I C I P A N T S

**Riley Timmer**, *Global Head, Investor Relations*

**Gregory A. Gould**, *Chief Financial Officer*

**Brent Willis**, *Chief Executive Officer*

**Mark Wilson**, *President, ARIIX*

## C O N F E R E N C E C A L L P A R T I C I P A N T S

**Aaron Grey**, *Alliance Global Partners*

**David Bain**, *ROTH Capital Partners*

## P R E S E N T A T I O N

### Operator

Greetings, and welcome to NewAge, Inc.'s Third Quarter 2020 Conference Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Riley Timmer, Global Head of Investor Relations. You may begin.

### Riley Timmer

Thank you, Laura.

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

I'm pleased to be with you all today, and on today's call we have Brent Willis, Chief Executive Officer; Greg Gould, Chief Financial Officer; and Mark Wilson, the incoming Group President of the combined Company.

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,

especially 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 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.

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 press release, which is available on our website at [newage.com](http://newage.com). A transcript of today's conference call will be available on the Company's website within the Investor Section, again, at [newage.com](http://newage.com).

I'll now turn the call over to Greg Gould, our Chief Financial Officer.

### **Gregory Gould**

Thank you, Riley.

Good morning, everyone.

For the third quarter ended September 30, 2020, net revenue was \$62.7 million, slightly ahead of the previous quarter in Q2 of 2020, and behind the third quarter of '19 where we did \$69.8 million.

During the quarter, COVID-19 and the timing of significant qualifying events related to our IPC's compensation in China most significantly impacted the results. We have seen the continued effect of COVID-19 across virtually all markets, but despite that impact, we saw good growth in a number of our markets, especially in the U.S. where overall revenue growth was up 11%, led by the NewAge Direct Store Distribution, which was up 15%. We also showed improving growth in Latin America and Western Europe. In Japan, our largest market, we saw continuing improvements in our trends.

Gross profit was \$37.5 million, or 60% of net sales, compared to \$40.3 million, or 58% of net sales, in the same quarter of the prior year. This improvement of 207 basis points in gross margin percentage was driven by positive product and channel mix, overall improvement in cost of goods sold on the direct selling side of the business, and improved inventory management in our NewAge segment.

SG&A in the third quarter of 2020 increased 7% compared to the prior-year quarter as a result of a non-recurring severance expense of \$1.7 million. If we did not have this non-recurring expense during the quarter, SG&A would have been nearly flat year-over-year. Moving forward into the fourth quarter, we will also be removing the divested business' SG&A, which was \$1.3 million in the third quarter of 2020.

Our bigger picture in SG&A is the fact that, in the last two quarters, we have eliminated approximately \$10 million in headcount-related cost. This will really benefit us in Q4 of this year and all of next year throughout 2021 at the bottom line, coupled with the elimination of BWR that cost the Company approximately \$7 million in EBITDA during the first nine months of Fiscal 2020 and the loss on the disposal of BWR of \$3.4 million.

These three items should impact our going forward Adjusted EBITDA by more than \$20 million annually. It also puts the Company in a much stronger profit position, and this is on a standalone basis before the addition of ARIIX, which is profitable on a standalone basis, and this all before the benefit of the additional cost synergies we expect that we will accrue from the transaction during 2021.

Net loss increased to \$14.1 million, or \$0.14 per share, during the third quarter of 2020, reflective of the severance and BWR eliminations and other non-recurring charges, compared to a net loss of \$10.7 million, also \$0.14 per share, in the third quarter of 2019.

We had an Adjusted EBITDA loss of \$10.2 million for the third quarter of 2020 compared to a breakeven Adjusted EBITDA for the same quarter in 2019. If you remove the non-recurring expenses for the third quarter of 2020 related to severance, the BWR disposal, and the loss incurred by BWR during the quarter, our adjusted recurring EBITDA was a negative \$2.9 million.

Switching to the balance sheet, NewAge's cash balance was \$26.9 million at September 30, 2020. NewAge also holds additional restricted cash of \$18.3 million in the U.S., China, and other markets for a total of \$45.2 million in cash and restricted cash as of September 30, 2020.

Total current assets were \$73.5 million at September 30, 2020 and total current liabilities of \$52.2 million. Importantly, current liabilities reduced by \$7.6 million versus the previous quarter, and the total working capital was \$21.3 million at September 30, 2020.

As we look to the future and the probable closing of the ARIIX transaction, we believe the Company should have significantly improved financial performance. If the ARIIX transaction had closed on June 30, 2020, we believe that our unaudited financials for the third quarter of 2020 on a preliminary pro-forma basis, consolidated with ARIIX, would have had revenues in excess of \$130 million, with a gross margin in the high 60% range and a positive adjusted recurring EBITDA.

With that, I'm going to turn the conference back over to Brent.

#### **Brent Willis**

Thanks, Greg.

It's a little counter-intuitive for us to talk about NewAge standalone for Q3 because with the announcement of the five-company merger on July 20 our Company looks completely different. That notwithstanding, let me personally own the results looking back to Q3.

China really impacted the results again, as did COVID again, as did the retail brands in the U.S., the BWR Group again, affecting us at both the top and bottom lines. Those are all the negatives, and they are 100% my accountability. Our second and third quarters are usually our biggest quarters, and we actually eked out a bit of growth versus second quarter of this year; but if it weren't for the three impacts I just referenced, I believe we could have been well into the \$70 million range for the quarter in net revenue, and given our infrastructure, a disproportionate amount of that drops to the bottom line and the EBITDA.

Looking at China, it's both the result of COVID and our own historical weaknesses as an organization. Please don't forget that when we acquired Morinda at the very end of 2018, beginning of 2019, it had been declining for 10 years. Financially and resource-wise, it was incredible and highly accretive for our shareowners, but that does not make it any easier to turn around after a free fall for 10 years. Honestly, you need a bit of time. Before we acquired it, China had been growing double digits for Morinda. Then in 2019, the Chinese Government impacted the entire industry. In 2020, we had to make a compensation system change to stay competitive, and we have just not been able to get consistent growth month-to-month in the context of what we believe is still quite an attractive market, but a rapidly changing one. We're very anxious and enthusiastic about the merger, as the prospects of doubling our local scale, new products and a broader portfolio, new management from ARIIX, and new distributor leadership are all going to have a tremendous impact in this very important market.

I also own BWR. Mid-last year, strategically, we tried to add scale to the retail brands and improve sales management. Those are the right things to do, but in the context of COVID and changing traditional retail dynamics, cost of goods sold gets negatively impacted, distribution costs get negatively impacted, cost of doing business with retailers goes up and retailers stop adding anything new and they gravitate towards their largest suppliers, and it just becomes too expensive and less attractive versus our other significantly higher profit opportunities.

I admire our teams for trying certain things, but I respect them even more when they have the courage and discipline to cut bait on things that just aren't working. In this case, the dispositions should add more than \$15 million in Adjusted EBITDA to NewAge standalone on an annualized basis, which is also the right thing to do in this current business environment.

Now on the positive side of the ledger, we are seeing good growth in a number of markets worldwide, especially in the U.S., where overall growth was 11%, primarily driven by our Direct Distribution division that was up 15% in the quarter and continuing trend improvements in Japan, our largest market. It's not that we don't have complexities in these areas and COVID impacts; we've just been building on the momentum, and had some very good management and leadership teams in these geographies that are overcoming the obstacles.

Now speaking of momentum, I'd like to respectfully ask Mark Wilson, who is the incoming Group President, to discuss what's been happening, both with ARIIX pre-merger and NewAge in the field, and with sales during the transition. Mark?

**Mark Wilson**

Thanks, Brent.

Whether you're looking for organic growth or growth via acquisition, neither one is actually all that easy. I have over 30 years of experience in this industry, so I've seen a few things in my career. Even with the ARIIX over the past nine years, we have been one of the fastest-growing companies in the industry during that period, growing both organically and via acquisitions. With virtually all the acquisitions we have done, most of the time you get a little bit of pull back, and not all the distributors transition over this in the short-term, so you typically get a short-term dip in revenue impacting results during the transition. This is the first time ever, if I could emphasize, that we are not seeing that pull back.

We are getting very good growth virtually everywhere on both the ARIIX and the NewAge side, and instead of distributors opting out, the news of the merger and how we have handled it so far has actually been a catalyst for new distributors joining us and new companies asking if we will let them join us. Now, as investors know, we are not yet closed or merged, so we have to continue to operate separately, technically, but we are allowed to converge and coordinate, so we've been doing this with everything we can do to get a head start. Greg already talked about that \$10 million in head count that was taken out on the NewAge side. Well, we have used this merger as an opportunity to do the same thing on the ARIIX side as well, so it will also benefit the Company in the next year.

We've also had a head start in sales, and we've been building on momentum we had at ARIIX coming into the merger. In Europe, for Q3, ARIIX was up over 200% versus the same quarter last year, and separately, Russia and the Baltics were up over 250% versus prior year. Our business in Western Europe is now trending at above \$100 million annually, so we're very optimistic in its continued growth and contribution.

In Japan, our largest market, across all companies, we're combined 1.3%—up 1.3% to more than \$35 million in revenue for the quarter. I think it's important, because culturally, this is probably the most difficult

market and responded to change, and continued the long-term trend reversal on Noni Morinda side is a positive result.

In greater China, we were down very similar to NewAge, but in Australia/New Zealand, we were up quarter versus the prior year

Switching to the Americas, Brent already talked about the growth we saw on the NewAge side, and we experienced the same thing with ARIIX. The U.S. was up over 100% in net revenue quarter compared to the third quarter in the prior year.

And in Mexico, ARIIX was up 70% prior to the year, and up nearly 300% versus last quarter, and in emerging market, where we have good momentum. We have a number of new brands from respected—with the respective companies we are launching there, and we will continue to grow.

Now, as investors know, with all these numbers preliminary and unaudited on the ARIIX side, and not included in the results Greg communicated on the NewAge standalone, but my point in sharing is where we are is we are trending—there is threefold: number one, we have great scale and momentum, and sales growth in most markets coming to the merger; and number two, that momentum really sets us up combined group into the—the Q4 and the next year; and number three, when you look at what we've just done on the profit side with NewAge, taking out the \$10 million in headcount costs, eliminating the \$15 million drag from the retail brands on an annualized basis, the cost reductions we have done on the ARIIX side added to an already near 10% EBITDA margin we did last year, leaves us well-positioned for the coming year.

I can tell you, I am very, very pleased with how well we are integrating, how seamlessly we are bringing the two companies together, and how well we are connecting with our field and top leaders. It is very motivating for our distributors with how much buzz the merger is creating in our industry, with new distributors and new companies trying to join us, and how well we are setting ourselves up for Q4 and thereafter. After 30 years in the industry working with some of the leading companies in the sector, this is probably the most excited I have ever been, and I'm confident of the future of our combined companies.

With that, let me pass it back to Brent.

### **Brent Willis**

Thanks, Mark. Great job and great job leading all of the sales teams. They really gravitate towards you and all your experience.

I hope that we can all see the momentum with our merger with ARIIX and the completely different scale it provides us. One can just add up the profitability and the cost that we've taken out, both with head count, the disposition of BWR, and the other actions we've already taken, on top of the additional cost synergies that we've already communicated. We said we would do it, and we have indeed executed.

If I were to summarize Q3, look, China has been a problem for us for the past two years, and it's not unique to NewAge, and ARIIX and virtually all others in the direct selling industry have similar issues. We believe we have our arms around it, as Mark mentioned, but aside from China, our momentum in many markets around the world from Japan to Southeast Asia to Europe and U.S., and Latin America looks encouraging. Of course, I am disappointed with the BWR performance in China in the quarter, and I take full responsibility for it.

Also, however, in the quarter, getting rid of the BWR drain, taking out the costs; number three, integrating and converging the merger with ARIIX and the other companies; number four, establishing our new

integrated vision and culture; and number five, keeping the pace, keeping the growth and attracting all these new leaders that are joining us in droves is commendable, so I'm happy to have "cleaned up in Q3," created a major step up and organized a powerful setup for both Q4 and 2021 in top and bottom lines.

NewAge is now four and a half years old, and it's never fast enough for our investors or ourselves, but I give the team credit for going from virtually a couple of million dollars in sales to more than \$500 million in sales with a 60%-plus gross margin. When you do the math on the numbers we have shared, a run rate in the near term that is positive in profitability with the potential for further significant growth in 2021, that reality is not yet built into our NewAge stock, which is exactly why the ARIIX guys joined us with all their success, because they see the same thing, and they have experience of what they did with the USANA stock when they ran that company.

The NewAge stock has gone from around \$0.19 on the OTC's pinks when I started four years ago to more now with around two million shares of daily liquidity; a good institutional shareholder base starting point. It's not success, and we are not arguing it's success, but it doesn't happen overnight, but it does happen when you have the kind of committed and quality team that has been there and done it before, and has the perseverance like this Management Team does.

Now, we're not going to be providing guidance for Q4, but once the ARIIX acquisition is completed and we believe that we'll all have a positive—or we believe that we'll be positive in EBITDA for the quarter. As Greg mentioned, we have been—had we been combined with ARIIX for the third quarter, pro-forma revenue would have been greater than \$130 million, gross margin in the high 60% range, and recurring Adjusted EBITDA would have been positive. We expect to build on that scale and momentum both in Q4 and throughout 2021.

Closing of the transaction is imminent as we are almost done with the ARIIX audit. That will take away any distractions and eliminate a bunch of complexities, and enable us to truly operate as one and capture the full potential of our great Company with the, what we view as limitless opportunities in front of it.

With that, I'd like it—to pass it back to you, Operator, and open it up to questions

#### **Operator**

At this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary for you to pick up your handset before pressing the star keys. One moment, while we poll for questions.

Our first question comes from the line of Aaron Grey with Alliance Global Partners. You may proceed with your question.

#### **Aaron Grey**

Hi. Good morning, and thanks for the questions.

#### **Brent Willis**

Hi, Aaron.

#### **Aaron Grey**



Hi. How are you guys doing?

Really appreciate the color you guys gave, especially on ARIIX from a geography basis, but just want to kind of clarify, so if I look at the \$130 million roughly pro-forma, how would that compare sequentially versus 2Q pro-forma? Certainly looks like you guys had great momentum in Europe and some others. And then also just on top of that, just can you talk about any potential impact a second wave potentially could have in terms of COVID and maybe how you've adjusted the business models, either with Noni by NewAge or ARIIX in terms of being able to adjust for that? Thanks.

**Brent Willis**

I'm going to give you something that's anecdotal, Aaron, but I'll give you the trends and then I'll ask Mark for his perspective, right.

First off, I mean, the audit that is being done with ARIIX is 2018 and 2019, right, Greg, so it isn't of 2020, so these are all preliminary unaudited numbers, so I have to qualify that, but if we did a bit more than \$130 million in Q3, what we are seeing on the ARIIX side is really good trends quarter-to-quarter, and we're seeing stability and growth in most markets Q3 versus Q2 on the Noni by NewAge side and especially on the DSD distribution side, but nowhere near the growth rates that you have with ARIIX, so they've got some of the best momentum in the entire industry that is coming from all these new leaders joining us and just good organic growth, but it is anecdotal, because the numbers are unaudited.

Mark, what are you seeing on the ARIIX side Q3 versus Q2, so sequentially?

**Mark Wilson**

Yes. Thank you, Brent, and great question.

We are continuing to see solid growth, and the beautiful thing about being very diverse around the world and having solid business growing, not only in Europe, but now we're starting to see it coming together in Latin America, albeit it's much smaller, North America, continuing to grow, and that's one of those things that you want to see in the business, especially at our age, to continue to grow and develop. I think adding to it with, we're focused on greater China to make sure that continues to grow. I'm very optimistic of where we're headed.

As mentioned earlier, normally when you're coming together like this, there's a little bit of paralysis in the field where they get a little hesitant, so they stop for a minute until they can figure this out, and one of the things I think we've done exceptionally well on both sides this year is continued to keep everybody growing and focused on the opportunities that are there, so I think you're going to see continued growth and continued great results as we work towards making sure both sides stay excited and stay engaged, and we're going to be offering both brands to each other, so that convergence coming together in the coming months and quarters will only help and add to the excitement and opportunity that I think our representatives and IPCs will fill.

**Brent Willis**

Yes. Mark brings up a good point, Aaron, and I'll just build on this and then we can go on to the other questions, is he talked about that, what I call, cross-pollination of brands as a revenue synergy. We haven't really built that into our projections, and we communicated that we would do at least \$20 million in cost synergies, and we still believe that that number to be 90%-plus likely to get that \$20 million of cost synergies out, but we've kept all of the revenue synergies as an upside, and so we are seeing some of that growth already in Mexico that we communicated to investors, I don't know, about three or four weeks



ago, on some of the cross-pollination of brands, but there's huge excitement amongst all of our distributor base, which is larger than 400,000 people between our distributors and our customers out there, in getting access to all of the brands or more of the brands in the portfolio to be able to sell those. so a lot of excitement and upside in revenue synergies, and on top of good growth—I would say, good growth that we're seeing on the ARIIX side and stable and slight growth on the NewAge side, with the exception of China.

**Aaron Grey**

Okay. Great. Thanks, that's super helpful color.

And then just when you kind of think about near-term dynamics, and I know you mentioned you're not giving any guidance on the fourth quarter, but just wanted to kind of talk about, obviously, there's been concerns in what you are seeing kind of a second wave from COVID-19 in different geographies just because you have exposure to so many different countries. Can you talk about what you might be seeing a little bit more near term and kind of the playbook that you guys now have, having implemented kind of virtual meetings, and also maybe a difference in terms of products that are kind of—especially with your new immunity products, what's been kind of gaining momentum, and maybe what kind of impacts you might expect if there is more of a second wave as we continue to go through the winter? Thanks.

**Brent Willis**

Yes. The testing is when countries shut down—when like, Japan shuts down or Indonesia shuts down, it's really tough to build the business, even though our infrastructure is 80% ordered and fulfilled online and more than 80% delivered to home. Even with that infrastructure, it still negatively impacts us, but what we've seen in most market is an ability to navigate through that, so even as we get a second wave in the United States—Mark talked about this, right, so we've got this global business with good scale in Europe, good scale in a number of Asia Pacific markets, Latin America and the U.S., and as long as the markets don't shut down completely, we're in a very reasonable position, I would say, from an infrastructure and route-to-market standpoint to navigate through those waters, I think better than virtually any other kind of infrastructure or route-to-market structure that I can think of.

Mark, what would you say? Because, I mean, you see it daily with all the COVID impacts happening around the world.

**Mark Wilson**

I would agree with that, and I think our representatives have learned that doing business completely differently. Europe was already online, so the nice thing about them is they were able to respond to this very positively, and many of our brands, which are focused on boosting the immunity system and your immune system, that not only helped, but positioned us well for a product that people are looking for, so I think that's a good thing.

I think there are certain markets like Asia—Pacific Asia and Asia that it is a little more difficult to, as Brent mentioned, during these times, but even they have begin shifting to a new style of business, and are interested, obviously, in the products and moving forward. In addition to that, we've upped our inventories to position ourselves, because sometimes that was probably the most difficult piece to make sure we navigated through during COVID-type shutdowns, so I think we're fairly well-positioned, as Brent said, and cautiously optimistic of how we're going to be able to manage through this.

**Aaron Grey**

Okay. All right. Great. Thanks for that color, and just one last one from me and then I'll jump back in the queue.

You guys gave some—a lot of color on China. Obviously, that's a market that continues to see some sequential decline. Just curious in terms of—do you think it's more of an impact from COVID? I know we had some things even before COVID in 2019 that you mentioned earlier on the call, so what do you think is going to be the catalyst for you guys and for the industry, because you mentioned others are having a similar impact in terms of when you guys start to see growth kind of start to reignite within that country, because when you guys first made the acquisition of Morinda, Brent, obviously, China was doing very well and kind of starting to roll right over—right afterwards, so just wondering what you might think will be the kind of catalyst kind of get that back to growth, because it was a great market for you guys when you guys first bought the company.

**Brent Willis**

Yes. It was great, Aaron, just until we acquired it, and then right after we acquired it, even though financially it was tremendous, and total resource-wise, it was tremendous for our investors, boy, that was a nice punch in the face from China right after acquiring the business. Right? That affected us all throughout 2019, and we actually started off pretty well in China in 2020, but just to stay competitive with all of the changing dynamics, we had to change the compensation system, and you get a good month here and then not a good month there.

In Q3, it's a little bit cryptic, but Greg talked about we didn't do another qualifying promotion that we did in—we didn't cycle it in 2020 as we did in 2019. Part of the reason for that was it wasn't profitable in 2019 when we did that and we saw that people just loaded up on inventory, and it just ends up costing us money, so by eliminating those promotional kinds of behaviors, we improve our overall profitability, but from a revenue standpoint, it didn't cycle, and so that's some of—positive on the—more positive on the bottom line, but you see the impact on the top line, and that was the most profound impact of any of the group.

But going forward on the catalyst, let me throw it over to Mark, right, to see what he sees as the benefits of the combination, both for the ARIIX and NewAge side and all our distributors in China and what his outlook is for China? Mark?

**Mark Wilson**

Yes. Thanks, Brent.

I think that's why we're so excited about getting the close done, is if we can get the merger closed and finally get through the audit portion of this, we can take full advantage of what the merger offers with the license in China. That's a big deal. I think it'll be interesting to see, not only politically, but just how China is opening up their economy and not seeing this as quite a struggle. I think we're just now starting to see—traditionally, our Chinese reps have done a lot of meetings in person, face-to-face and these kind of things, and they've had the luxury of having us over there quite a bit traveling, which all of that has had to change this year up until this point, and so we're anticipating as those things start to open up a little bit, especially able—now they're able to do meetings and whatnot, we're going to see some strength there as it comes back in, I think, beginning in the fourth quarter and especially into 2021 as we look forward to that, so I'm still very optimistic of what we're going to be able to achieve in China moving forward. I think that's going to be a strong market for us ongoing and in the future, so.

**Aaron Grey**

All right. Thanks for the color. Look forward to the closing of the acquisition. I'll jump back in the queue.

**Brent Willis**

Thanks, Aaron.

**Operator**

Our next question comes from the line of David Bain with ROTH Capital Partners. You may proceed with your question.

**David Bain**

Great. Actually, some of my questions were asked, but maybe I can dive in a little more deeply if I could.

I'm trying to understand the big picture, IPC growth. You talked about convention and maybe other in-person opportunities. Those are canceled for now, but are we seeing some cost offsets, number one, and the maintenance of the associate base, and then you mentioned out of COVID, perhaps the resumption of in-person events being a forward catalyst. Is there a way now to combine the technology and everything that you've learned to sort of reinvigorate that IPC growth and kind of merge those two things together?

**Brent Willis**

I'm going to throw it over to Greg on the cost side.

First off, just on the business side. We executed, I think, first week in October, our Global Business Summit, and normally in those kinds of things we get 400, 500 people, or maybe a thousand people that come to that stuff. Because we were able to do it all virtually, we had more than 10,000 people come, and for the first time, we actually charged people to come, so—and so completely different model and virtually, we were able to just connect with so many people.

It's interesting, on the ARIIX side, they're doing these things like once every other month, and they get 5,000, 7,000 people at a pop in their virtual conferences, so we're learning very, very quickly how to operate in the new norm and connect with our folks versus in-person meetings. That being said, they still do some of the in-person meetings in certain places and the events, just because it energizes everybody together.

Before I pass it over to Greg in terms of any financial impact or what happens from a T&E standpoint, Mark, what are you seeing in terms of the virtual events we're doing and how we're connecting with the field in a digital and virtual way, in a different way, and what you see that process looking like going forward?

**Mark Wilson**

Yes. I think you summarized that very well, and what we're doing is, we're getting—we're only getting better. What we've found is there is a new way of doing business through these virtual events where you can get literally thousands and thousands of individuals from all around on these activities and to celebrate with them, celebrate the things that they enjoy doing, introduce new products and brands. This is continuing and it's allowing us to reach at—a perfect example is down in Mexico, where they actually shut our meeting down that we had planned. They went to a drive-in theater and people drove in in their cars and participated, but the fun thing was it was online and had a presence of over 3,000 people that

were linked in and joined in throughout Mexico who couldn't attend the event, so we're learning this and we're getting very, very good at this. We have events planned in November, into December, into the new year and this will continue our new way of doing business.

My only point was earlier, is just that China typically has not been a real social online event in planning, and they're just now learning how to do that, so they're a little behind on that piece, and we're going to keep that even for them, but I think as their market now is opening up, you're going to see some opportunity there as well.

**David Bain**

Right, and—go ahead.

**Brent Willis**

Hi, Dave, can I—can we just hit the cost piece as it relates to T&E and that kind of stuff?

**David Bain**

Sure absolutely.

**Brent Willis**

Go ahead, Greg.

**Gregory A. Gould**

Yes. With cost piece, the big thing this year, we had actually planned to do a live conference clear up until once March hit, but basically with these conferences, six months out you start spending the money and signing the contract, so in this year, we didn't really see a huge benefit from it, but one thing we did do this year was that we really learned the right way to do a virtual conference, so that we see now going forward into 2021, we should be saving a lot of money by doing some or more virtual conferences. I'm sure with Pfizer's new vaccine, we'll try to get back in line and start having some more face-to-face conferences as well, but...

**Brent Willis**

With our own immunity product that we sell, by the way, Dave.

**Gregory A. Gould**

Yes, but with where we sit today, we do see some nice cost synergies where we should see some benefit during 2021 going to some more virtual conferences, which could save us a couple million dollars per year, actually, in SG&A.

**David Bain**

Great, and just one follow-up on China. I know this has been discussed a lot, but as you mentioned, others haven't seen a real bounce back since the review process early last year that was pre-COVID. Outside of COVID, are we seeing anything structurally that's changed there in terms of maybe competition outside the direct space like Alibaba, Tmall, or has there just been a cooling impact from that review process that never really dissipated, and specific to Noni for NewAge, I mean, did the comp

structure there aggravate trends? Did ARIIX see the same kind of trends or maybe a little bit better, and are we going to be changing the comp structure there again in terms of planning going forward?

**Brent Willis**

I would say, ARIIX results are about the same as ours, but there are some companies that basically just had to exit or had really challenging results. Others have weathered through, frankly, better than we have.

I think our biggest challenge was we kind of rode this wave before we acquired the business, and it still had some weaknesses in our Company. We were kind of a one-trick pony with just Noni, which local consumers love, right, so we've got great stability with Noni and those kinds of things, but it isn't necessarily now a huge growth engine, and we have seen some Korean competitors come into the market, and we just—we were not competitive from our compensation system, and we were starting to lose leaders in the beginning part of the year because our compensation system wasn't competitive. This is why it's so important to integrate with ARIIX. It's important for them because they get access to our China license, and it's important for us because, on an integrated basis, we get more products, we get more—a broader portfolio, we get more leaders, and we integrate the compensation system that is going to be very attractive and one of the most attractive in the industry that will be positive for us going forward.

Mark is on this like every single day. What else would you say, Mark, in terms of China and the compensation system, and is kind of your assessment of the positives and negatives, or risks—pros and cons, risks and opportunities as you see in the market as we come together?

**Mark Wilson**

Yes. I think the brand diversity that we have as a Company now, Brent touched on this, is a really strong one that you're going to see advantage to coming forward in the year as we merge together. I think that's a big thing when we talk about this cross-pollination and cross-selling. That gives us a great opportunity. For example, we just launched in the ARIIX side a new skincare brand, which has already seen some fun and some excitement there in Europe and some of our other markets, but adding to that, just the brand diversity that we have to offer our consumers is, I think, a powerful thing, as well as—we touched on it, Noni's a well-known brand, a strong brand. It's got good history, good science behind it, so that is a stable, good brand that we can build on, but in addition to that, adding these other (inaudible) where coming together is a big piece for us, as well as the—again, I'm just going to touch on the diversity; having the two companies come together, having Europe be a strong growth opportunity for us, as well as Latin America starting to kick in, and going back to Asia, just seeing that things are starting to come together there, and as they do, I believe that you're going to see some good results moving forward, even in greater China.

**David Bain**

Great. Looking forward to the combo. Appreciate it. Thank you.

**Brent Willis**

Thanks, Mark.

**Operator**

Ladies and gentlemen, we have reached the end of today's question-and-answer session. I would like to turn this call back over to Mr. Brent Willis for closing remarks.

**Brent Willis**

Yes. The only closing remarks, I would say is, look, I am owning 100% of the BWR decision. It was the right strategic thing to try. It just didn't work, so the fact that we have made the decision, we have executed on the close is a very positive impact on us financially, and if you look at that, coupled with the cost reductions that we've taken out, look, those things very positively add to the overall EBITDA of the business, coupled with ARIIX and their performance on a standalone basis, really sets us up nicely for Q4. It is a very different Company and it takes time to build. And you get positives and negatives when you're building these things over time, right? We've had the positives. Every single business does, but like Mark said, we've got the benefit of being a global business operating in a number of countries around the world, and we can navigate those waters to really build the business very attractively for investors going forward.

I want to thank everybody for joining us on the call today. Thanks.

**Gregory A. Gould**

Thank you.

**Mark Wilson**

Thank you, everybody.

**Operator**

Thank you for joining us today. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation, and enjoy the rest of your day.