

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 001-12421

NU SKIN ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

87-0565309

(IRS Employer Identification No.)

75 West Center Street
Provo, Utah 84601

(Address of principal executive offices, including zip code)

(801) 345-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, \$.001 par value	NUS	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2020, 51,030,963 shares of the registrant's Class A common stock, \$.001 par value per share, were outstanding.

NU SKIN ENTERPRISES, INC.

QUARTERLY REPORT ON FORM 10-Q – THIRD QUARTER 2020

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In this Quarterly Report on Form 10-Q, references to “dollars” and “\$” are to United States (“U.S.”) dollars.

Nu Skin, Pharmanex, and ageLOC are our trademarks. The italicized product names used in this Quarterly Report on Form 10-Q are product names and also, in certain cases, our trademarks.

PART I. FINANCIAL INFORMATION

ITEM 1. **FINANCIAL STATEMENTS**

NU SKIN ENTERPRISES, INC.

Consolidated Balance Sheets (Unaudited)

(U.S. dollars in thousands)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 366,710	\$ 335,630
Current investments	11,301	8,413
Accounts receivable, net	60,016	50,378
Inventories, net	270,319	275,891
Prepaid expenses and other	63,916	69,854
Total current assets	<u>772,262</u>	<u>740,166</u>
Property and equipment, net	456,083	453,604
Right-of-use assets	165,749	144,326
Goodwill	196,573	196,573
Other intangible assets, net	74,391	80,321
Other assets	151,653	154,016
Total assets	<u>\$ 1,816,711</u>	<u>\$ 1,769,006</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 55,298	\$ 38,979
Accrued expenses	381,052	290,281
Current portion of long-term debt	30,000	27,500
Total current liabilities	<u>466,350</u>	<u>356,760</u>
Operating lease liabilities	121,439	105,701
Long-term debt	312,664	334,461
Other liabilities	88,785	96,795
Total liabilities	<u>989,238</u>	<u>893,717</u>
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Class A common stock – 500 million shares authorized, \$0.001 par value, 90.6 million shares issued	91	91
Additional paid-in capital	570,491	557,544
Treasury stock, at cost – 39.5 million and 35.0 million shares	(1,446,374)	(1,324,826)
Accumulated other comprehensive loss	(83,108)	(85,292)
Retained earnings	1,786,373	1,727,772
Total stockholders' equity	<u>827,473</u>	<u>875,289</u>
Total liabilities and stockholders' equity	<u>\$ 1,816,711</u>	<u>\$ 1,769,006</u>

The accompanying notes are an integral part of these consolidated financial statements.

NU SKIN ENTERPRISES, INC.**Consolidated Statements of Income (Unaudited)**

(U.S. dollars in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Revenue	\$ 703,347	\$ 589,934	\$ 1,833,741	\$ 1,837,057
Cost of sales	183,374	140,162	463,277	440,854
Gross profit	<u>519,973</u>	<u>449,772</u>	<u>1,370,464</u>	<u>1,396,203</u>
Operating expenses:				
Selling expenses	280,695	231,937	735,365	727,473
General and administrative expenses	165,050	147,943	466,232	455,983
Total operating expenses	<u>445,745</u>	<u>379,880</u>	<u>1,201,597</u>	<u>1,183,456</u>
Operating income	74,228	69,892	168,867	212,747
Other income (expense), net	<u>525</u>	<u>(4,979)</u>	<u>(4,068)</u>	<u>(11,153)</u>
Income before provision for income taxes	74,753	64,913	164,799	201,594
Provision for income taxes	<u>18,446</u>	<u>20,823</u>	<u>46,911</u>	<u>68,153</u>
Net income	<u>\$ 56,307</u>	<u>\$ 44,090</u>	<u>\$ 117,888</u>	<u>\$ 133,441</u>
Net income per share (Note 6):				
Basic	\$ 1.10	\$ 0.79	\$ 2.24	\$ 2.40
Diluted	\$ 1.08	\$ 0.79	\$ 2.23	\$ 2.39
Weighted-average common shares outstanding (000s):				
Basic	51,308	55,548	52,741	55,507
Diluted	52,243	55,788	52,906	55,950

The accompanying notes are an integral part of these consolidated financial statements.

NU SKIN ENTERPRISES, INC.**Consolidated Statements of Comprehensive Income (Unaudited)**

(U.S. dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net income	\$ 56,307	\$ 44,090	\$ 117,888	\$ 133,441
Other comprehensive income, net of tax:				
Foreign currency translation adjustment, net of taxes of \$(8) and \$(31) for the three months ended September 30, 2020 and 2019, respectively, and \$(3) and \$186 for the nine months ended September 30, 2020 and 2019, respectively	10,022	(13,685)	1,873	(15,027)
Net unrealized gains/(losses) on cash flow hedge, net of tax benefit of \$(83) and zero for the three months ended September 30, 2020 and 2019, respectively and \$(83) and zero for the nine months ended September 30, 2020 and 2019, respectively	305	—	305	—
Reclassification adjustment for realized losses/(gains) in current earnings on cash flow hedge, net of taxes of \$(2) and zero for the three months ended September 30, 2020 and 2019, respectively and \$(2) and zero for the nine months ended September 30, 2020 and 2019, respectively	6	—	6	—
	<u>10,333</u>	<u>(13,685)</u>	<u>2,184</u>	<u>(15,027)</u>
Comprehensive income	<u>\$ 66,640</u>	<u>\$ 30,405</u>	<u>\$ 120,072</u>	<u>\$ 118,414</u>

The accompanying notes are an integral part of these consolidated financial statements.

NU SKIN ENTERPRISES, INC.

Consolidated Statements of Stockholders' Equity (Unaudited)

(U.S. dollars in thousands)

	For the Three Months Ended September 30, 2020					
	Class A Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at July 1, 2020	\$ 91	\$ 563,115	\$ (1,427,064)	\$ (93,441)	\$ 1,749,311	\$ 792,012
Net income	—	—	—	—	56,307	56,307
Other comprehensive loss, net of tax	—	—	—	10,333	—	10,333
Repurchase of Class A common stock (Note 6)	—	—	(19,994)	—	—	(19,994)
Exercise of employee stock options (— million shares)/vesting of stock awards	—	261	684	—	—	945
Stock-based compensation	—	7,115	—	—	—	7,115
Cash dividends	—	—	—	—	(19,245)	(19,245)
Balance at September 30, 2020	<u>\$ 91</u>	<u>\$ 570,491</u>	<u>\$ (1,446,374)</u>	<u>\$ (83,108)</u>	<u>\$ 1,786,373</u>	<u>\$ 827,473</u>

	For the Three Months Ended September 30, 2019					
	Class A Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at July 1, 2019	\$ 91	\$ 556,294	\$ (1,324,834)	\$ (81,276)	\$ 1,684,675	\$ 834,950
Net income	—	—	—	—	44,090	44,090
Other comprehensive income, net of tax	—	—	—	(13,685)	—	(13,685)
Repurchase of Class A common stock (Note 6)	—	—	—	—	—	—
Exercise of employee stock options (— million shares)/vesting of stock awards	—	(26)	8	—	—	(18)
Stock-based compensation	—	1,015	—	—	—	1,015
Cash dividends	—	—	—	—	(20,552)	(20,552)
Balance at September 30, 2019	<u>\$ 91</u>	<u>\$ 557,283</u>	<u>\$ (1,324,826)</u>	<u>\$ (94,961)</u>	<u>\$ 1,708,213</u>	<u>\$ 845,800</u>

The accompanying notes are an integral part of these consolidated financial statements.

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Stockholders' Equity (Unaudited)
(U.S. dollars in thousands)

	For the Nine Months Ended September 30, 2020					
	Class A Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2020	\$ 91	\$ 557,544	\$ (1,324,826)	\$ (85,292)	\$ 1,727,772	\$ 875,289
Net income	—	—	—	—	117,888	117,888
Other comprehensive income, net of tax	—	—	—	2,184	—	2,184
Repurchase of Class A common stock (Note 6)	—	—	(127,361)	—	—	(127,361)
Exercise of employee stock options (0.3 million shares)/vesting of stock awards	—	(2,492)	5,813	—	—	3,321
Stock-based compensation	—	15,439	—	—	—	15,439
Cash dividends	—	—	—	—	(59,287)	(59,287)
Balance at September 30, 2020	<u>\$ 91</u>	<u>\$ 570,491</u>	<u>\$ (1,446,374)</u>	<u>\$ (83,108)</u>	<u>\$ 1,786,373</u>	<u>\$ 827,473</u>

	For the Nine Months Ended September 30, 2019					
	Class A Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2019	\$ 91	\$ 552,564	\$ (1,326,605)	\$ (79,934)	\$ 1,635,751	\$ 781,867
Cumulative effect adjustment from adoption of ASC 842	—	—	—	—	657	657
Net income	—	—	—	—	133,441	133,441
Other comprehensive income, net of tax	—	—	—	(15,027)	—	(15,027)
Repurchase of Class A common stock (Note 6)	—	—	(825)	—	—	(825)
Exercise of employee stock options (0.2 million shares)/vesting of stock awards	—	(4,930)	2,604	—	—	(2,326)
Stock-based compensation	—	9,649	—	—	—	9,649
Cash dividends	—	—	—	—	(61,636)	(61,636)
Balance at September 30, 2019	<u>\$ 91</u>	<u>\$ 557,283</u>	<u>\$ (1,324,826)</u>	<u>\$ (94,961)</u>	<u>\$ 1,708,213</u>	<u>\$ 845,800</u>

The accompanying notes are an integral part of these consolidated financial statements.

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Cash Flows (Unaudited)
(U.S. dollars in thousands)

	Nine Months Ended	
	September 30,	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 117,888	\$ 133,441
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,279	57,964
Non-cash lease expense	34,087	33,494
Stock-based compensation	15,439	9,649
Foreign currency losses	1,203	4,145
Loss on disposal of assets	2,516	—
Deferred taxes	(7,931)	1,945
Changes in operating assets and liabilities:		
Accounts receivable	(9,273)	(3,981)
Inventories, net	4,882	6,775
Prepaid expenses and other	4,180	(21,097)
Other assets	(76,487)	(27,101)
Accounts payable	15,884	(6,609)
Accrued expenses	99,438	(62,679)
Other liabilities	27,343	2,082
Net cash provided by operating activities	<u>284,448</u>	<u>128,028</u>
Cash flows from investing activities:		
Purchases of property and equipment	(48,810)	(52,784)
Proceeds on investment sales	7,630	11,160
Purchases of investments	(8,759)	(8,432)
Acquisitions and investments in equity investees	—	(8,073)
Net cash used in investing activities	<u>(49,939)</u>	<u>(58,129)</u>
Cash flows from financing activities:		
Exercise of employee stock options and taxes paid related to the net shares settlement of stock awards	3,321	(2,326)
Payment of cash dividends	(59,287)	(61,636)
Repurchases of shares of common stock	(127,361)	(825)
Payments of debt	(135,000)	(209,455)
Proceeds from debt	115,000	145,000
Net cash used in financing activities	<u>(203,327)</u>	<u>(129,242)</u>
Effect of exchange rate changes on cash	(102)	(7,534)
Net increase (decrease) in cash and cash equivalents	<u>31,080</u>	<u>(66,877)</u>
Cash and cash equivalents, beginning of period	<u>335,630</u>	<u>386,911</u>
Cash and cash equivalents, end of period	<u>\$ 366,710</u>	<u>\$ 320,034</u>

The accompanying notes are an integral part of these consolidated financial statements.

NU SKIN ENTERPRISES, INC.

Notes to Consolidated Financial Statements

1. The Company

Nu Skin Enterprises, Inc. (the “Company”) is a holding company, with Nu Skin, a leading global direct selling company, being the primary operating unit. Nu Skin develops and distributes premium-quality, innovative personal care products and wellness products that are sold worldwide under the Nu Skin, Pharmanex and ageLOC brands and a small number of other products and services. The Company reports revenue from nine segments, consisting of its seven geographic Nu Skin segments—Mainland China; South Korea; Southeast Asia, which includes Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam; Americas/Pacific, which includes Australia, Canada, Latin America, New Zealand and the United States; Japan; Hong Kong/Taiwan, which also includes Macau; and Europe, Middle East and Africa (“EMEA”), which includes several markets in Europe as well as Israel, Russia and South Africa—its Manufacturing segment, which includes manufacturing and packaging subsidiaries; and its Grow Tech segment, which focuses on developing controlled-environment agriculture technologies (the Company’s subsidiaries operating within each segment are collectively referred to as the “Subsidiaries”).

2. Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by US GAAP for complete financial statements. The unaudited consolidated financial statements include the accounts of the Company and its Subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company’s financial information as of September 30, 2020, and for the three- and nine-month periods ended September 30, 2020 and 2019. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. The consolidated balance sheet as of December 31, 2019 has been prepared using information from the audited financial statements at that date. For further information, refer to the consolidated financial statements and accompanying footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019. Additionally, based on the duration and severity of the novel coronavirus (“COVID-19”) pandemic, including but not limited to limitations of holding sales meetings, supply chain disruptions, reduced travel and closed walk-in locations, the Company remains uncertain of the ultimate impact COVID-19 could have on the business. To date, the pandemic has not increased the Company’s costs of or access to capital under the revolving credit facility, and at this time the Company cannot provide assurance it will not in the future. This uncertainty could have an impact in future periods on certain estimates used in the preparation of the third quarter financial results, including, but not limited to, impairment of goodwill and other long-lived assets, income tax provision and recoverability of inventory.

Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance modifies the measurement of expected credit losses of certain financial instruments. This ASU is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods and should be applied on a modified retrospective basis to all periods presented. This ASU was effective for the Company beginning on January 1, 2020. The adoption of the new standard did not have a material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. This guidance modifies, removes, and adds certain disclosure requirements on fair value measurements. This ASU is effective for annual periods beginning after December 15, 2019, including interim periods therein, and early adoption is permitted. This ASU was effective for the Company beginning on January 1, 2020. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Topic 350): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance is effective for interim and annual reporting periods beginning after December 15, 2019 and should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption is permitted. This ASU was effective for the Company beginning on January 1, 2020. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

In March 2020, the FASB issued, ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance for a limited time to ease the potential burden in accounting for the effects of reference rate reform on financial reporting. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The amendments in ASU 2020-04 are elective and are effective upon issuance for all entities. The Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

Inventory

Inventories consist of the following (U.S. dollars in thousands):

	September 30, 2020	December 31, 2019
Raw materials	\$ 92,911	\$ 87,942
Finished goods	177,408	187,949
Total Inventory, net	<u>\$ 270,319</u>	<u>\$ 275,891</u>

Revenue Recognition

Contract Liabilities – Customer Loyalty Programs

Contract liabilities, recorded as deferred revenue within the accrued expenses line in the consolidated balance sheets, include loyalty point program deferrals with certain customers which are accounted for as a reduction in the transaction price and are generally recognized as points are redeemed for additional products.

The balance of deferred revenue related to contract liabilities as of September 30, 2020 and December 31, 2019 was \$17.8 million and \$12.5 million, respectively. The contract liabilities impact to revenue for the three-month periods ended September 30, 2020, and 2019 was a decrease of \$1.8 million and zero, respectively. The impact to revenue for the nine-month periods ended September 30, 2020, and 2019 was a decrease of \$5.3 million and an increase \$1.1 million.

Derivative instruments and hedging activities

FASB ASC 815, Derivatives and Hedging (“ASC 815”), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

In accordance with the FASB’s fair value measurement guidance in ASU 2011-04, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

3. Goodwill

The Company's reporting units for goodwill are its operating segments, which are also its reportable segments.

The following table presents goodwill allocated to the Company's reportable segments for the periods ended September 30, 2020 and December 31, 2019 (U.S. dollars in thousands):

	September 30, 2020	December 31, 2019
<i>Nu Skin</i>		
Mainland China	\$ 32,179	\$ 32,179
Americas/Pacific	9,449	9,449
South Korea	29,261	29,261
Southeast Asia	18,537	18,537
Japan	16,019	16,019
EMEA	2,875	2,875
Hong Kong/Taiwan	6,634	6,634
<i>Manufacturing</i>	72,469	72,469
<i>Grow Tech</i>	9,150	9,150
Total	<u>\$ 196,573</u>	<u>\$ 196,573</u>

4. Debt

Credit Agreement

On April 18, 2018, the Company entered into a Credit Agreement (the "Credit Agreement") with several financial institutions as lenders and Bank of America, N.A., as administrative agent. The Credit Agreement provides for a \$400 million term loan facility and a \$350 million revolving credit facility, each with a term of five years. Both facilities bear interest at the London Interbank Offered Rate ("LIBOR"), plus a margin based on the consolidated leverage ratio. The term loan facility amortizes in quarterly installments in amounts resulting in an annual amortization of 5.0% during the first and second years, 7.5% during the third and fourth years and 10.0% during the fifth year after the closing date of the Credit Agreement, with the remainder payable at final maturity. The Credit Agreement requires the Company to maintain a consolidated leverage ratio not exceeding 2.25 to 1.00 and a consolidated interest coverage ratio of no less than 3.00 to 1.00. As of September 30, 2020, the Company was in compliance with all covenants under the Credit Agreement.

The following table summarizes the Company's debt facilities as of September 30, 2020 and December 31, 2019:

Facility or Arrangement	Original Principal Amount	Balance as of September 30, 2020⁽¹⁾⁽²⁾	Balance as of December 31, 2019⁽²⁾	Interest Rate	Repayment Terms
Credit Agreement term loan facility	\$ 400.0 million	\$ 345.0 million	\$ 365.0 million	Variable 30 day: 2.40%	35% of the principal amount is payable in increasing quarterly installments over a five-year period that began on June 30, 2018, with the remainder payable at the end of the five-year term.
Credit Agreement revolving credit facility		\$ —	\$ —	Variable 30 day: —	Revolving line of credit expires April 18, 2023.

(1) As of September 30, 2020, the current portion of the Company's debt (i.e. becoming due in the next 12 months) included \$30.0 million of the balance of its term loan under the Credit Agreement.

(2) The carrying value of the debt reflects the amounts stated in the above table less debt issuance costs of \$2.3 million and \$3.0 million as of September 30, 2020 and December 31, 2019, respectively, related to the Credit Agreement, which are not reflected in this table.

5. Leases

The Company has operating and finance leases for regional offices, manufacturing facilities, retail centers, distribution centers and certain equipment. The Company's leases have remaining lease terms of 1 year to 24 years, some of which include options to extend the leases for up to 20 years, and some of which include options to terminate the leases within 1 year.

As of September 30, 2020, the weighted average remaining lease term and weighted average discount rate for operating leases was 6.3 years and 4.3%.

The components of lease expense were as follows (U.S. dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating lease cost	\$ 13,038	\$ 12,399	\$ 39,043	\$ 37,677
Variable lease cost	678	732	2,062	2,889
Short-term lease cost	118	41	258	145
Sublease income	(1,075)	(1,395)	(3,264)	(4,563)
Total lease expense	\$ 12,759	\$ 11,777	\$ 38,099	\$ 36,148

Supplemental cash flow information related to leases was as follows (U.S. dollars in thousands):

	Nine Months Ended September 30,	
	2020	2019
Operating cash outflow from operating leases	\$ 40,865	\$ 39,885
Right-of-use assets obtained in exchange for lease obligations	\$ 62,514	\$ 150,127

Maturities of lease liabilities were as follows (U.S. dollars in thousands):

Year Ending December 31,	Operating Leases
2020	\$ 15,631
2021	53,303
2022	36,529
2023	26,418
2024	21,389
Thereafter	41,468
Total	194,738
Less: Finance charges	26,820
Total principal liability	\$ 167,918

During the third quarter of 2020, the Company recognized \$31.3 million of right-of-use assets, primarily in connection with building and warehouse lease renewals. The Company has additional lease liabilities of \$1.2 million which have not yet commenced as of September 30, 2020, and as such, have not been recognized on the consolidated balance sheets.

6. Capital Stock

Net income per share

Net income per share is computed based on the weighted-average number of common shares outstanding during the periods presented. Additionally, diluted earnings per share data gives effect to all potentially dilutive common shares that were outstanding during the periods presented. For the three-month periods ended September 30, 2020 and 2019, stock options of 0.2 million and 1.3 million, respectively, and for the nine-month periods ended September 30, 2020 and 2019, stock options of 0.6 million and 1.2 million, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive.

Dividends

In February, April and July 2020, the Company's board of directors declared quarterly cash dividends of \$0.375 per share. These quarterly cash dividends of \$20.7 million, \$19.4 million and \$19.2 million were paid on March 11, 2020, June 10, 2020 and September 9, 2020 to stockholders of record on February 28, 2020, May 29, 2020 and August 28, 2020. In October 2020, the Company's board of directors declared a quarterly cash dividend of \$0.375 per share to be paid on December 9, 2020 to stockholders of record on November 27, 2020.

Repurchase of common stock

During the three-month periods ended September 30, 2020 and 2019, the Company repurchased 0.4 million shares and zero shares of its Class A common stock under its stock repurchase plan for \$20.0 million and zero, respectively. During the nine-month periods ended September 30, 2020 and 2019, the Company repurchased 4.8 million shares and 14,000 shares of its Class A common stock under its stock repurchase plan for \$127.4 million and \$0.8 million, respectively. As of September 30, 2020, \$342.8 million was available for repurchases under the Company's stock repurchase plan.

7. Fair Value

The carrying value of financial instruments including cash and cash equivalents, accounts receivable and accounts payable approximates fair values due to the short-term nature of these instruments. Fair value estimates are made at a specific point in time, based on relevant market information.

The FASB Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. On a quarterly basis, the Company measures at fair value certain financial assets, including cash equivalents. Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs, other than the quoted prices in active markets, that are observable either directly or indirectly;
- Level 3 – unobservable inputs based on the Company's own assumptions.

Accounting standards permit companies, at their option, to measure certain financial instruments and other eligible items at fair value. The Company has elected not to apply the fair value option to existing eligible items beyond what is required by US GAAP.

The following tables present the fair value hierarchy for those assets measured at fair value on a recurring basis (U.S. dollars in thousands):

	Fair Value at September 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets (liabilities):				
Cash equivalents and current investments	\$ 45,552	\$ —	\$ —	\$ 45,552
Other long-term assets	1,344	—	—	1,344
Derivative financial instruments asset	—	472	—	472
Life insurance contracts	—	—	41,328	41,328
Derivative financial instruments liability	—	(76)	—	(76)
Total	<u>\$ 46,896</u>	<u>\$ 396</u>	<u>\$ 41,328</u>	<u>\$ 88,620</u>
	Fair Value at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash equivalents and current investments	\$ 54,642	\$ —	\$ —	\$ 54,642
Other long-term assets	3,216	—	—	3,216
Life insurance contracts	—	—	41,707	41,707
Total	<u>\$ 57,858</u>	<u>\$ —</u>	<u>\$ 41,707</u>	<u>\$ 99,565</u>

See Note 9 - Derivatives and Hedging Activities, for more information on derivative financial instruments.

The following table provides a summary of changes in fair value of the Company's Level 3 marketable securities (U.S. dollars in thousands):

Beginning balance at January 1, 2020	\$ 41,707
Actual return on plan assets	(379)
Purchase and issuances	—
Sales and settlements	—
Transfers into Level 3	—
Ending balance at September 30, 2020	<u>\$ 41,328</u>

8. Income Taxes

Provision for income taxes for the three- and nine-month periods of 2020 was \$18.4 million and \$46.9 million, compared to \$20.8 million and \$68.2 million for the prior-year periods. The effective tax rates for the three- and nine-month periods were 24.7% and 28.5% of pre-tax income compared to 32.1% and 33.8% in the prior-year periods.

The Company accounts for income taxes in accordance with ASC Topic 740 "Income Taxes." These standards establish financial accounting and reporting standards for the effects of income taxes that result from an enterprise's activities during the current and preceding years. The Company takes an asset and liability approach for financial accounting and reporting of income taxes. The Company pays income taxes in many foreign jurisdictions based on the profits realized in those jurisdictions, which can be significantly impacted by terms of intercompany transactions between the Company and its foreign affiliates. Deferred tax assets and liabilities are created in this process. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized. The Company had net deferred tax assets of \$27.1 million and \$20.0 million as of September 30, 2020 and December 31, 2019, respectively.

The Company evaluates its indefinite reinvestment assertions with respect to foreign earnings for each quarter. For all foreign earnings, the Company accrues the applicable foreign income taxes. For the earnings that have been indefinitely reinvested, the Company does not accrue foreign withholding taxes. Undistributed earnings that the Company has indefinitely reinvested, for which no foreign withholding taxes have been provided, aggregate to \$60.0 million as of December 31, 2019. If the amount designated as indefinitely reinvested as of December 31, 2019 was repatriated to the United States, the amount of incremental taxes would be approximately \$6.0 million. The Company intends to utilize the indefinitely reinvested offshore earnings to fund foreign investments, specifically capital expenditures.

The Company files income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. The Company is no longer subject to tax examinations from the IRS for all years for which tax returns have been filed before 2019. With a few exceptions, the Company is no longer subject to state and local income tax examination by tax authorities for the years before 2016. In 2009, the Company entered into a voluntary program with the IRS called Compliance Assurance Process ("CAP"). The objective of CAP is to contemporaneously work with the IRS to achieve federal tax compliance and resolve all or most of the issues prior to filing of the tax return. The Company has elected to participate in CAP for 2020 and may elect to continue participating in CAP for future tax years; the Company may withdraw from the program at any time. In major foreign jurisdictions, the Company is generally no longer subject to income tax examinations for years before 2012. However, statutes of limitations in certain countries may be as long as ten years. The Company is currently under examination in certain foreign jurisdictions; however, the outcomes of those reviews are not yet determinable. The Company's unrecognized tax benefits relate to multiple jurisdictions. Due to potential increases in unrecognized tax benefits from the multiple jurisdictions in which the Company operates, as well as the expiration of various statutes of limitations, it is reasonably possible that the Company's gross unrecognized tax benefits, net of foreign currency adjustments, may decrease in the next 12 months by approximately \$0.1 to \$1.0 million.

9. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for the Company making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. During 2020, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in Accumulated Other Comprehensive Income and subsequently reclassified into interest expense/income in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense/income as interest payments are made/received on the Company's variable-rate debt. During the next twelve months, the Company estimates that an additional \$76 thousand will be reclassified as an increase to interest expense.

As of September 30, 2020, the Company had four outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk with a total notional amount of \$200 million.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet:

Derivatives in Cash flow Hedging Relationships:	Balance Sheet Location	Fair Values of Derivative Instruments	
		September 30, 2020	December 31, 2019
Interest Rate Swap - Asset	Other Assets	\$ 472	\$ —
Interest Rate Swap - Liability	Accrued Expenses	\$ 76	\$ —

Effect of Cash Flow Hedge Accounting on Accumulated Other Comprehensive Income

The tables below present the effect of cash flow hedge accounting on Accumulated Other Comprehensive Income.

Derivatives in Cash flow Hedging Relationships:	Amount of Gain or (Loss) Recognized in OCI on Derivative			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest Rate Swaps	\$ 396	\$ —	\$ 396	\$ —

Derivatives in Cash flow Hedging Relationships:	Income Statement Location	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Interest Rate Swaps	Other Income	\$ (8)	\$ —	\$ (8)	\$ —

10. Segment Information

The Company reports revenue from nine segments, consisting of its seven geographic Nu Skin segments—Mainland China, Americas/Pacific, South Korea, Southeast Asia, Japan, EMEA, and Hong Kong/Taiwan—and its Manufacturing and Grow Tech segments. The Other category includes miscellaneous corporate revenue and related adjustments. These segments reflect the way the chief operating decision maker evaluates the Company's business performance and allocates resources. Reported revenue includes only the revenue generated by sales to external customers.

Profitability by segment as determined under US GAAP is driven primarily by the Company's transfer pricing policies. Segment contribution, which is the Company's segment profitability metric presented in the table below, excludes certain intercompany charges, specifically royalties, license fees, transfer pricing, discrete charges and other miscellaneous items. These charges have been included in Corporate and other expenses. Corporate and other expenses also include costs related to the Company's executive and administrative offices, information technology, research and development, and marketing and supply chain functions not recorded at the segment level.

The accounting policies of the segments are the same as those described in Note 2 – Summary of Significant Accounting Policies. The Company evaluates the performance of its segments based on revenue and segment contribution. Each segment records direct expenses related to its employees and its operations.

Summarized financial information for the Company’s reportable segments is shown in the following tables. Asset information is not reviewed or included with the Company’s internal management reporting. Therefore, the Company has not disclosed asset information for each reportable segment.

Revenue by Segment

(U.S. dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>Nu Skin</i>				
Mainland China	\$ 169,068	\$ 173,974	\$ 453,096	\$ 567,795
Americas/Pacific	151,465	83,635	353,957	262,932
South Korea	83,460	79,435	236,094	248,020
Southeast Asia	84,102	78,963	220,517	226,853
Japan	70,958	67,197	200,549	194,557
EMEA	61,411	35,742	147,590	120,960
Hong Kong/Taiwan	42,265	40,449	115,253	124,719
Other	(314)	(62)	374	(239)
<i>Total Nu Skin</i>	<u>662,415</u>	<u>559,333</u>	<u>1,727,430</u>	<u>1,745,597</u>
<i>Manufacturing</i> ⁽¹⁾	40,910	30,601	105,975	91,430
<i>Grow Tech</i>	22	—	336	30
Total	<u>\$ 703,347</u>	<u>\$ 589,934</u>	<u>\$ 1,833,741</u>	<u>\$ 1,837,057</u>

(1) The Manufacturing segment had \$10.9 million and \$7.1 million of intersegment revenue for the three months ended September 30, 2020 and 2019, respectively, and \$24.2 million and \$19.5 million for the nine months ended September 30, 2020 and 2019, respectively. Intersegment revenue is eliminated in the consolidated financial statements, as well as the reported segment revenue in the table above.

Segment Contribution

(U.S. dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
<i>Nu Skin</i>				
Mainland China	\$ 54,522	\$ 48,619	\$ 135,577	\$ 158,873
Americas/Pacific	26,256	12,875	61,184	41,314
South Korea	25,232	24,770	73,421	76,417
Southeast Asia	20,426	22,063	54,121	60,895
Japan	18,245	16,287	49,292	46,216
EMEA	7,111	1,529	11,084	6,114
Hong Kong/Taiwan	9,048	8,063	22,825	24,754
<i>Nu Skin contribution</i>	<u>160,840</u>	<u>134,206</u>	<u>407,504</u>	<u>414,583</u>
<i>Manufacturing</i>	6,749	4,577	15,000	11,598
<i>Grow Tech</i>	(5,322)	(5,822)	(17,659)	(14,033)
Total segment contribution	<u>162,267</u>	<u>132,961</u>	<u>404,845</u>	<u>412,148</u>
Corporate and other	(88,039)	(63,069)	(235,978)	(199,401)
Operating income	74,228	69,892	168,867	212,747
Other income (expense)	525	(4,979)	(4,068)	(11,153)
Income before provision for income taxes	<u>\$ 74,753</u>	<u>\$ 64,913</u>	<u>\$ 164,799</u>	<u>\$ 201,594</u>

Depreciation and Amortization

(U.S. dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<i>Nu Skin</i>				
Mainland China	\$ 2,649	\$ 2,708	\$ 7,631	\$ 8,733
Americas/Pacific	268	213	766	633
South Korea	756	1,115	2,731	3,997
Southeast Asia	317	434	1,248	1,373
Japan	296	938	1,602	2,943
EMEA	231	268	731	980
Hong Kong/Taiwan	691	547	1,948	1,600
<i>Total Nu Skin</i>	5,208	6,223	16,657	20,259
<i>Manufacturing</i>	2,077	1,711	5,954	4,916
<i>Grow Tech</i>	1,302	1,244	3,775	3,064
Corporate and other	9,333	10,127	28,893	29,725
Total	\$ 17,920	\$ 19,305	\$ 55,279	\$ 57,964

Capital Expenditures

(U.S. dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
<i>Nu Skin</i>				
Mainland China	\$ 9,000	\$ 10,614	\$ 12,577	\$ 13,328
Americas/Pacific	125	337	891	1,084
South Korea	173	972	537	1,051
Southeast Asia	1,254	140	1,893	459
Japan	1,484	267	3,132	1,385
EMEA	718	16	1,378	92
Hong Kong/Taiwan	7	99	23	1,653
<i>Total Nu Skin</i>	12,761	12,445	20,431	19,052
<i>Manufacturing</i>	2,113	1,100	13,221	4,281
<i>Grow Tech</i>	343	2,577	760	7,628
Corporate and other	4,901	7,448	14,398	21,823
Total	\$ 20,118	\$ 23,570	\$ 48,810	\$ 52,784

11. Commitments and Contingencies

The Company is subject to government regulations pertaining to product formulation, labeling and packaging, product claims and advertising, and the Company's direct selling system. The Company is also subject to the jurisdiction of numerous foreign tax and customs authorities. Any assertions or determination that either the Company or the Company's sales force is not in compliance with existing statutes, laws, rules or regulations could have a material adverse effect on the Company's operations. In addition, in any country or jurisdiction, the adoption of new statutes, laws, rules or regulations or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on the Company and its operations. No assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on the Company's financial position, results of operations or cash flows. The Company and its Subsidiaries are defendants in litigation, investigations and other proceedings involving various matters. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

The Company is subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. The Company believes it has appropriately provided for income taxes for all years. Several factors drive the calculation of its tax reserves. Some of these factors include: (i) the expiration of various statutes of limitations; (ii) changes in tax law and regulations; (iii) issuance of tax rulings; and (iv) settlements with tax authorities. Changes in any of these factors may result in adjustments to the Company's reserves, which would impact its reported financial results.

12. Restructuring

In the fourth quarter of 2018, the Company began a strategic plan to align its resources and capabilities to support its vision of being a world-leading business platform. This program primarily impacted the Company's information technology infrastructure and organization and other departments within its corporate and Americas offices. As a result of the restructuring program, the Company recorded a non-cash charge of \$48.6 million for impairment of information technology assets, including internally developed software for social sharing and digital initiatives, and \$22.1 million of cash charges, including \$20.1 million for employee severance and \$2.0 million for other related cash charges with the restructuring. The restructuring charges were predominately recorded in the Corporate and Other category.

See the table below for detail of restructuring activity for the three months ended March 31, 2019 (U.S. dollars in thousands):

Beginning balance at January 1, 2019	\$	15,462
Amounts paid		(15,046)
Adjustments		(416)
Ending balance at March 31, 2019	\$	<u> —</u>

There was no restructuring activity for the three or nine months ended September 30, 2020 and three months ended September 30, 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that represent our current expectations and beliefs. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws and include, but are not limited to, statements of management's expectations regarding our performance, initiatives, strategies, product introductions and offerings, growth, opportunities and risks; statements of projections regarding future sales, expenses, operating results, taxes and duties, capital expenditures, sources and uses of cash, foreign-currency fluctuations or devaluations, repatriation of undistributed earnings, and other financial items; statements of management's expectations and beliefs regarding our markets and global economic conditions; statements regarding the payment of future dividends and stock repurchases; statements regarding the outcome of litigation, audits, investigations or other regulatory actions; statements regarding government policies and regulations relating to our industry, including government policies and regulations in Mainland China; accounting estimates and assumptions; statements of belief; and statements of assumptions underlying any of the foregoing. In some cases, you can identify these statements by forward-looking words such as "believe," "expect," "optimistic," "project," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could," "may," "might," the negative of these words and other similar words. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. We caution and advise readers that these statements are based on assumptions that may not be realized and involve risks and uncertainties that could cause actual results to differ materially from the expectations and beliefs contained herein. For a summary of these risks, see the risk factors included in our Annual Report on Form 10-K for the 2019 fiscal year and in our subsequent quarterly and other reports, including this Quarterly Report.

The following Management's Discussion and Analysis should be read in conjunction with our consolidated financial statements and related notes and Management's Discussion and Analysis included in our Annual Report on Form 10-K for the 2019 fiscal year, and our other reports filed with the Securities and Exchange Commission through the date of this Quarterly Report.

Overview

Revenue for the three-month period ended September 30, 2020 increased 19% to \$703.3 million, compared to \$589.9 million in the prior-year period, and revenue for the nine-month period ended September 30, 2020 and 2019 was \$1.8 billion for both periods presented. Sales Leaders increased 12% and Customers increased 28% on a year-over-year basis.

Our results benefited from our strategic shift to become a more digital business, as well as the current environment where consumers are spending more time online and working from home, and our sales leaders have been able to leverage the power of social sharing to achieve greater levels of productivity. Digital sales accounted for approximately 90% of sales during the third quarter. Our 19% revenue growth was driven by solid growth in our Americas/Pacific segment and our EMEA segment, where our social selling business model represents a larger portion of our business than our other segments. Third-quarter results also benefited from our continued technology enhancements and approximately \$30 million of third-quarter preview sales as part of our *ageLOC Boost* product launch. A number of our segments were able to hold digital regional conventions, which helped grow our Sales Leaders for the third quarter. We remain optimistic about the remainder of 2020, as we remain focused on building Sales Leaders by leveraging our technology enhancements and executing a strong product launch in the fourth quarter. The launch of *ageLOC Boost* will follow the same approach as our 2017-2018 launch of *ageLOC LumiSpa*. We sold a limited quantity of *ageLOC Boost* in the third quarter of 2020, and will continue the launch process for this product across our markets during the fourth quarter of 2020 and first quarter of 2021.

Earnings per share for the third quarter of 2020 increased 37% to \$1.08, compared to \$0.79 in the prior-year period. Earnings per share for the first nine months of 2020 decreased 7% to \$2.23, compared to \$2.39 in the prior-year period. The increase in earnings per share for the quarter is primarily driven by the increase in revenue. Increases in freight cost and general and administrative expenses were offset by a lower weighted-average outstanding shares from our stock repurchases and a lower tax rate. The decrease in earnings per share for the nine-month period reflects the same factors, along with impacts from the first quarter, when our general and administrative expenses as a percentage of revenue were relatively higher due to the fixed nature of these expenses against our lower first-quarter revenue.

Segment Results

We report our business in nine segments to reflect our current management approach. These segments consist of our seven geographic Nu Skin segments—Mainland China, Americas/Pacific, South Korea, Southeast Asia, Japan, Hong Kong/Taiwan, and EMEA—and our Manufacturing and Grow Tech segments. The Other category includes miscellaneous corporate revenue and related adjustments.

The following table sets forth revenue for the three- and nine-month periods ended September 30, 2020 and 2019 for each of our reportable segments (U.S. dollars in thousands):

	Three Months Ended September 30,		Change	Constant- Currency Change ⁽¹⁾	Nine Months Ended September 30,		Change	Constant- Currency Change ⁽¹⁾
	2020	2019			2020	2019		
<i>Nu Skin</i>								
Mainland China	\$ 169,068	\$ 173,974	(3)%	(4)%	\$ 453,096	\$ 567,795	(20)%	(19)%
Americas/Pacific	151,465	83,635	81%	90%	353,957	262,932	35%	43%
South Korea	83,460	79,435	5%	5%	236,094	248,020	(5)%	(2)%
Southeast Asia	84,102	78,963	7%	8%	220,517	226,853	(3)%	(1)%
Japan	70,958	67,197	6%	4%	200,549	194,557	3%	2%
EMEA	61,411	35,742	72%	67%	147,590	120,960	22%	23%
Hong Kong/Taiwan	42,265	40,449	4%	—	115,253	124,719	(8)%	(10)%
Other	(314)	(62)	(406)%	(403)%	374	(239)	256%	256%
<i>Total Nu Skin</i>	<u>662,415</u>	<u>559,333</u>	18%	19%	<u>1,727,430</u>	<u>1,745,597</u>	(1)%	1%
<i>Manufacturing</i>	40,910	30,601	34%	34%	105,975	91,430	16%	16%
<i>Grow Tech</i>	22	—	100%	100%	336	30	1,020%	1,020%
Total	<u><u>\$ 703,347</u></u>	<u><u>\$ 589,934</u></u>	19%	19%	<u><u>\$ 1,833,741</u></u>	<u><u>\$ 1,837,057</u></u>	—	2%

(1) Constant-currency revenue change is a non-GAAP financial measure. See “Non-GAAP Financial Measures,” below.

The following table sets forth segment contribution for the three- and nine-month periods ended September 30, 2020 and 2019 for each of our reportable segments (U.S. dollars in thousands). Segment contribution excludes certain intercompany charges, specifically royalties, license fees, transfer pricing and other miscellaneous items. We use segment contribution to measure the portion of profitability that the segment managers have the ability to manage for their respective segments. For additional information regarding our segments and the calculation of segment contribution, see Note 10 to the consolidated financial statements contained in this report.

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change
	2020	2019		2020	2019	
<i>Nu Skin</i>						
Mainland China	\$ 54,522	\$ 48,619	12%	\$ 135,577	\$ 158,873	(15)%
Americas/Pacific	26,256	12,875	104%	61,184	41,314	48%
South Korea	25,232	24,770	2%	73,421	76,417	(4)%
Southeast Asia	20,426	22,063	(7)%	54,121	60,895	(11)%
Japan	18,245	16,287	12%	49,292	46,216	7%
EMEA	7,111	1,529	365%	11,084	6,114	81%
Hong Kong/Taiwan	9,048	8,063	12%	22,825	24,754	(8)%
<i>Total Nu Skin</i>	<u>160,840</u>	<u>134,206</u>	20%	<u>407,504</u>	<u>414,583</u>	(2)%
<i>Manufacturing</i>	6,749	4,577	47%	15,000	11,598	29%
<i>Grow Tech</i>	(5,322)	(5,822)	9%	(17,659)	(14,033)	(26)%

The following table provides information concerning the number of Customers and Sales Leaders as of September 30, 2020 and 2019. “Customers” are persons who have purchased products directly from the Company during the three months ended as of the date indicated. Our Customer numbers do not include consumers who purchase products directly from members of our sales force. “Sales Leaders” are independent distributors, and sales employees and independent marketers in Mainland China, who achieve certain qualification requirements.

	As of September 30, 2020		As of September 30, 2019		% Increase (Decrease)	
	Customers	Sales Leaders	Customers	Sales Leaders	Customers	Sales Leaders
Mainland China	341,386	20,970	317,257	23,776	8%	(12)%
Americas/Pacific	438,889	14,400	229,013	7,760	92%	86%
South Korea	164,256	7,973	169,589	7,363	(3)%	8%
Southeast Asia	163,536	8,357	145,845	7,936	12%	5%
Japan	126,896	6,523	128,373	5,964	(1)%	9%
EMEA	235,202	6,226	147,758	4,060	59%	53%
Hong Kong/Taiwan	69,346	4,067	68,862	4,231	1%	(4)%
Total	1,539,511	68,516	1,206,697	61,090	28%	12%

Following is a narrative discussion of our results in each segment, which supplements the tables above.

Mainland China. During the third quarter of 2020, we continued to see sequential stabilization following the 2019 contraction of our business in the Mainland China market, compounded by the impact of COVID-19 and the related public-health restrictions, which severely limited large in-person meetings in the first nine months of 2020. As a result of the foregoing issues, revenue and Sales Leaders declined for the third quarter and first nine months of 2020 on a year-over-year basis, but improved on a sequential basis. Our Customers increased 8% from successful customer initiatives, including the second quarter launch of a new loyalty program.

The year-over-year increase in segment contribution for the third quarter is primarily attributable to improvements in general and administrative expenses from a decrease in promotions due to COVID-19 restrictions, and a slight decline in selling expense as a percentage of revenue, partially offset by the decline in revenue. The salaries and service fees of our Sales Leaders in Mainland China are fixed until they are adjusted in a quarterly evaluation process. As a result, we have variations in our selling expenses as a percentage of revenue, particularly when there is a sequential change in revenue. The decrease in segment contribution for the first nine months of 2020 is attributable to the decline in revenue, partially offset by improvements in gross margin, from product mix.

Americas/Pacific. Our Americas/Pacific markets continue to benefit from greater adoption of innovative products shared increasingly via the social sharing business model supported by our digital tools, combined with the current environment where consumers are spending more time at home, shopping and working online. This contributed to an 81% increase in revenue for the third quarter and a 35% increase for the first nine months of 2020. The new social and digital tools as well as strong sales leadership in social sharing in these markets have enabled our sales force to more effectively transact business digitally, which has been beneficial to our business during the COVID-19 pandemic. These factors, along with a virtual regional convention, led to a significant increase in Customers as well as Sales Leaders. Our Latin America markets also performed well during the quarter, with strong interest in the *ageLOC Boost* previews being held in the markets and increasing digital maturity leveraging a highly social demographic of leaders. Our reported revenue also reflects a negative currency impact of 9% and 8% for the third quarter and first nine months of 2020, respectively, primarily due to the weakening Argentina peso. In our U.S. market, we continue the Sales Leader limited preview of our new *Nutricentials Bioadaptive Skin Care* product line in the fourth quarter of 2020 and plan to make it widely available for consumer purchase in the first quarter of 2021. In our U.S. market, we plan to introduce and launch *ageLOC Boost* during late 2021.

The year-over-year increase in segment contribution for the third quarter and first nine months of 2020 primarily reflects the increase in revenue, and a decrease in selling expenses as a percentage of revenue from the strong growth in the quarter. These factors were partially offset by a lower gross margin, which primarily reflects an increase in freight cost and changes in our product mix, with a higher shift to devices, which carry a lower gross margin than our other Nu Skin products. Additionally, general and administrative expenses increased for the third quarter and first nine months of 2020 due to higher labor expenses to support growth and the regional convention, although as a percentage of revenue it decreased due to the higher revenue. The rapid growth in our Americas/Pacific region has placed a strain on our resources and required additional air freight of our products, particularly in the Latin America markets in order to meet the increasing demand.

South Korea. Our business in South Korea showed encouraging progress, with 5% revenue growth for the third quarter. Revenue for the first nine months declined 5%, which includes a 3% negative impact from foreign-currency fluctuations, along with the impacts of COVID-19. Revenue also benefited from new product launches in the third quarter, including a local launch of our latest fitness nutrition products and some initial sales of our *ageLOC Boost* preview.

For the third quarter, segment contribution increased slightly due to the higher revenue, partially offset by higher selling expenses as a percentage of revenue. The decrease in segment contribution for the nine-month period ended September 30, 2020 is primarily attributable to the decrease in revenue, partially offset by a slight improvement in gross margin, from the product shift to higher-margin products.

Southeast Asia. Our Southeast Asia segment performed well in the quarter, with 7% revenue growth. Revenue for the first nine months declined 3%; as we previously discussed, the COVID-19 outbreak impacted our Southeast Asia segment longer than others. During the third quarter we held a virtual regional convention in the region, which helped Sales Leaders and Customers grow 5% and 12%, respectively.

The third quarter decline in segment contribution is largely attributed to lower gross margin and increased selling expenses as a percentage of revenue from higher sales promotions during the quarter and sales mix, partially offset by increased revenue. The decrease in segment contribution for the first nine months of 2020 is primarily from the decline in revenue and a lower gross margin from higher sales promotions.

Japan. Our Japan segment continues to perform well, resulting in 6% revenue growth for the third quarter of 2020, including a 2% benefit from favorable foreign-currency fluctuations. For the first nine months of 2020, the market had stable revenue growth.

For the third quarter and first nine months of 2020, segment contribution increased due to improved revenue along with lower general and administrative expenses from continued cost-saving measures.

EMEA. Our EMEA segment had a strong third quarter, benefiting from further adoption of the social sharing business model supported by our digital tools, combined with the current environment where consumers are spending more time shopping and working online. This contributed to a 72% increase in revenue, 53% increase in Sales Leaders and 59% increase in Customers. Our reported revenue also benefited 5% from foreign-currency fluctuations for the third quarter of 2020. For the first nine months of 2020, revenue grew 22%. Similar to our Americas/Pacific segment, the strong sales leadership in social sharing has allowed the EMEA segment to more effectively transact business digitally, which has been beneficial to our business during the COVID-19 pandemic. In our EMEA segment, we are planning to preview the *Nutricentials Bioadaptive Skin Care* product line in the fourth quarter of 2020 and to make it generally available for purchase in the first quarter of 2021. We plan to introduce and launch *ageLOC Boost* during 2021.

The strong improvements in segment contribution for both periods presented were primarily attributable to higher revenue, and the fixed nature of general and administrative expenses, partially offset by a lower gross margin from higher freight cost. The rapid growth in this region has placed a strain on our resources and required additional air freight of our products to meet the increasing demand.

Hong Kong/Taiwan. Our Hong Kong/Taiwan segment continues to be challenged from the ongoing decline from 2019 and COVID-19, with flat constant-currency revenue and Customers for the quarter, and a 4% decline in Sales Leaders. Our reported revenue benefited 4% from foreign-currency fluctuations for the third quarter of 2020. This segment's performance for the nine months ended September 30, 2020 was additionally impacted by the social incidents that began in 2019 and continued into 2020 in Hong Kong.

The increase in segment contribution for the third quarter of 2020 is primarily from reported revenue growth and improving gross margins. The decline in segment contribution for the first nine months of 2020 is attributable to the decline in revenue.

Manufacturing. Our Manufacturing segment had a strong third quarter with a 34% year-over-year increase in revenue and a 16% increase for the nine-month period ended September 30, 2020. Our previous investments in additional capacity have allowed our manufacturing companies to continue to increase revenue as the demand for nutrition and personal care products continues to expand.

The \$2.2 million and \$3.4 million improvements in segment contribution for the three- and nine-month periods ended September 30, 2020, respectively, reflect revenue increases and improved gross margin, partially offset by increased general and administrative expenses.

Grow Tech. Our Grow Tech segment continues to invest in controlled-environment agriculture technologies. We have found that some of this technology has broader applications in agriculture, and we are investing to pursue these potential opportunities. We are expecting continued losses in 2020 from this segment as we continue to research and refine the technology.

Consolidated Results

Revenue

Revenue for the three-month period ended September 30, 2020 increased 19% to \$703.3 million, compared to \$589.9 million in the prior-year period. Revenue for the nine-month period ended September 30, 2020 and 2019 was \$1.8 billion. For a discussion and analysis of these decreases in revenue, see “Overview” and “Segment Results,” above.

Gross profit

Gross profit as a percentage of revenue was 73.9% for the third quarter of 2020, compared to 76.2% for the prior-year period, and 74.7% for the first nine months of 2020, compared to 76.0% for the prior-year period. Gross profit as a percentage of revenue for core Nu Skin decreased 2.3 percentage points to 76.3% for the third quarter of 2020 and decreased 1.2 percentage points to 77.2% for the first nine months of 2020. Our Nu Skin gross profit was negatively impacted by higher freight cost during the third quarter and first nine months of 2020 due to express orders to meet higher demand. Also contributing to the lower gross margin is that our growth is being driven by sales increases in the Americas and EMEA, which have lower margins than other markets, combined with an overall increase in our sales percentage from our Manufacturing segment which produces a lower gross margin.

Selling expenses

Selling expenses as a percentage of revenue were 39.9% for the third quarter of 2020, compared to 39.3% for the prior-year period, and 40.1% for the first nine months of 2020, compared to 39.6% for the prior-year period. Core Nu Skin selling expenses as a percentage of revenue increased 0.9 percentage points to 42.4% and 42.6%, for the third quarter and first nine months of 2020, respectively. Selling expenses for our core Nu Skin business are driven by the specific performance of our individual Sales Leaders. Given the size of our sales force and the various components of our compensation and incentive programs, selling expenses as a percentage of revenue typically fluctuate plus or minus approximately 100 basis points from period to period. Our selling expenses as a percentage of revenue increase in periods of high sequential revenue growth, as more of our Sales Leaders qualify for incentive events.

General and administrative expenses

General and administrative expenses as a percentage of revenue decreased to 23.5% for the third quarter of 2020, from 25.1% for the prior-year period, and increased to 25.4% for the first nine months of 2020, from 24.8% for the prior-year period. General and administrative expenses increased to \$165.1 million in the third quarter of 2020, compared to \$147.9 million in the prior-year period and increased to \$466.2 million in the first nine months of 2020, compared to \$456.0 million in the prior-year period. The increases for the third quarter and first nine months of 2020 primarily relate to higher employee incentive compensation in 2020 upon achievement of performance goals, partially offset by lower travel and sales force events as a result of the COVID-19 restrictions that were in place during the period.

Other income (expense), net

Other income (expense), net was \$0.5 million for the third quarter of 2020 compared to \$(5.0) million for the prior-year period, and \$(4.1) million for the first nine months of 2020 compared to \$(11.2) million for the prior-year period. The decrease in expense for the three- and nine-month periods ended September 30, 2020 primarily relates to lower interest expenses due to decreased interest rates, as well as a benefit from foreign-currency fluctuations.

Provision for income taxes

Provision for income taxes for the three- and nine-month periods of 2020 was \$18.4 million and \$46.9 million, compared to \$20.8 million and \$68.2 million for the prior-year periods. The effective tax rates for the three- and nine-month periods were 24.7% and 28.5% of pre-tax income compared to 32.1% and 33.8% in the prior-year periods. The decrease in the effective tax rate for the third quarter and first nine months of 2020 primarily reflects the strong growth in the U.S. market and Manufacturing segment, which enabled us to utilize additional foreign tax credits to offset the U.S. income taxes. In addition, in the third quarter of 2020 our effective tax rate benefited from the expiration of statute of limitations for an uncertain tax position.

On March 27, 2020, the CARES Act was signed into law, which, among other things, includes provisions relating to net operating loss carryback periods, alternative minimum tax credit refunds, and modifications to the net interest deduction limitations. We have assessed the impact of this new legislation and, at present, do not expect it to have a material impact on our 2020 effective tax rate.

Net income

As a result of the foregoing factors, net income for the third quarter of 2020 was \$56.3 million, compared to \$44.1 million in the prior-year period. Net income for the first nine months of 2020 was \$117.9 million, compared to \$133.4 million for the first nine months of 2019.

Liquidity and Capital Resources

Historically, our principal uses of cash have included operating expenses (particularly selling expenses) and working capital (principally inventory purchases), as well as capital expenditures, stock repurchases, dividends, debt repayment and the development of operations in new markets. We have at times incurred long-term debt, or drawn on our revolving line of credit, to fund strategic transactions, stock repurchases, capital investments and short-term operating needs. We typically generate positive cash flow from operations due to favorable margins and have generally relied on cash from operations to fund operating activities. In the first nine months of 2020, we generated \$284.4 million in cash from operations, compared to \$128.0 million in cash from operations during the prior-year period. The increase in cash flow from operations primarily reflects cost-saving initiatives implemented by our markets, along with higher payout of accruals in the first quarter of 2019, mainly attributable to severance pay-out, along with a decrease in cash outflows in 2020 due to higher commission accrual that will be paid out in the fourth quarter of 2020. Cash and cash equivalents, including current investments, as of September 30, 2020 and December 31, 2019 were \$378.0 million and \$344.0 million, respectively, driven by the positive cash flow from operations, partially offset by dividend payments and stock repurchases.

Working capital. As of September 30, 2020, working capital was \$305.9 million, compared to \$383.4 million as of December 31, 2019. The decline in working capital reflects a higher accrued bonus, an increase in accrued commissions from the increased sales during the end of the quarter, and deferred revenue, partially offset by the increase in cash and accounts receivable from timing of sales.

Capital expenditures. Capital expenditures for the first nine months of 2020 were \$48.8 million. We estimate that capital expenditures will total approximately \$65-75 million for 2020. Our 2020 capital expenditures include the following:

- the expansion and upgrade of our facilities and equipment;
- purchases and expenditures for computer systems and equipment, software, and application development; and
- purchases of equipment and development of our technology in our Grow Tech initiative.

Our 2020 capital expenditures also include construction of a new manufacturing plant in Mainland China. To date we have spent approximately \$17.9 million on this project, with approximately \$7.4 million in 2020, and we expect that our expenditures for this project will total approximately \$55 million over the next 2-3 years, including approximately \$12-15 million during 2020.

Credit Agreement. In April 2018, we entered into a Credit Agreement (the “Credit Agreement”) with various financial institutions as lenders and Bank of America, N.A., as administrative agent. The Credit Agreement provides for a \$400.0 million term loan facility and a \$350.0 million revolving credit facility, each with a term of five years. We used the proceeds of the term loan and the draw on the revolving facility to pay off the Previous Credit Agreement, and the outstanding balance on the Convertible Notes. The interest rate applicable to the facilities is subject to adjustments based on our consolidated leverage ratio. The term loan facility amortizes in quarterly installments in amounts resulting in an annual amortization of 5.0% during the first and second years, 7.5% during the third and fourth years and 10.0% during the fifth year after the closing date of the Credit Agreement, with the remainder payable at final maturity. As of September 30, 2020 and December 31, 2019, we had no outstanding borrowings under our revolving credit facility, and \$345.0 and \$365.0 remaining balance on our term loan facility. The carrying value of the debt also reflects debt issuance costs of \$(2.3) million and \$(3.0) million as of September 30, 2020 and December 31, 2019, respectively, related to the Credit Agreement. The Credit Agreement requires us to maintain a consolidated leverage ratio not exceeding 2.25 to 1.00 and a consolidated interest coverage ratio of no less than 3.00 to 1.00. We are currently in compliance with all debt covenants under the Credit Agreement.

Derivative Instruments. As of September 30, 2020, we had four interest rate swaps, with a total notional principal amount of \$200 million and a maturity date of July 31, 2025. We entered into these interest rate swap arrangements during the third quarter of 2020 to hedge the variable cash flows associated with our variable-rate debt under the Credit Agreement.

Stock repurchase plan. In 2018, our board of directors approved a stock repurchase plan authorizing us to repurchase up to \$500.0 million of our outstanding shares of Class A common stock on the open market or in private transactions. During the first nine months of 2020, we repurchased approximately 4.8 million shares of our Class A common stock under the plan for \$127.4 million. As of September 30, 2020, \$342.8 million was available for repurchases under the plan. Our stock repurchases are used primarily to offset dilution from our equity incentive plans and for strategic initiatives.

Dividends. In February, April and July 2020, our board of directors declared quarterly cash dividends of \$0.375 per share. These quarterly cash dividends of \$20.7 million, \$19.4 million and \$19.2 million were paid on March 11, 2020, June 10, 2020 and September 9, 2020 to stockholders of record on February 28, 2020, May 29, 2020 and August 28, 2020. In October 2020, our board of directors declared a quarterly cash dividend of \$0.375 per share to be paid on December 9, 2020 to stockholders of record on November 27, 2020. Currently, we anticipate that our board of directors will continue to declare quarterly cash dividends and that the cash flows from operations will be sufficient to fund our future dividend payments. However, the continued declaration of dividends is subject to the discretion of our board of directors and will depend upon various factors, including our net earnings, financial condition, cash requirements, future prospects and other relevant factors.

Cash from foreign subsidiaries. As of September 30, 2020 and December 31, 2019, we held \$378.0 million and \$344.0 million, respectively, in cash and cash equivalents, including current investments. These amounts include \$326.2 million and \$277.9 million as of September 30, 2020 and December 31, 2019, respectively, held in our operations outside of the U.S. Substantially all of our non-U.S. cash and cash equivalents are readily convertible into U.S. dollars or other currencies, subject to procedural or other requirements in certain markets, as well as an indefinite-reinvestment designation, as described below.

We typically fund the cash requirements of our operations in the U.S. through intercompany dividends, intercompany loans and intercompany charges for products, use of intangible property, and corporate services. However, some markets impose government-approval or other requirements for the repatriation of dividends. For example, in Mainland China, we are unable to repatriate cash from current operations in the form of dividends until we file the necessary statutory financial statements for the relevant period. As of September 30, 2020, we had \$60.4 million in cash denominated in Chinese RMB. We also have intercompany loan arrangements with some of our markets, including Mainland China, that allow us to access available cash, subject to certain limits in Mainland China and other jurisdictions. We also have drawn on our revolving line of credit to address cash needs until we can repatriate cash from Mainland China or other markets, and we may continue to do so. Except for \$60.0 million of earnings in Mainland China that we designated as indefinitely reinvested during the second quarter of 2018, we currently plan to repatriate undistributed earnings from our non-U.S. operations as necessary, considering the cash needs of our non-U.S. operations and the cash needs of our U.S. operations for dividends, stock repurchases, capital investments, debt repayment and strategic transactions. Repatriation of non-U.S. earnings is subject to withholding taxes in certain foreign jurisdictions. Accordingly, we have accrued the necessary withholding taxes related to the non-U.S. earnings.

We currently believe that existing cash balances, future cash flows from operations and existing lines of credit will be adequate to fund our cash needs on both a short- and long-term basis. The majority of our historical expenses have been variable in nature, and as such, a potential reduction in the level of revenue would reduce our cash flow needs. In the event that our current cash balances, future cash flow from operations and current lines of credit are not sufficient to meet our obligations or strategic needs, we would consider raising additional funds in the debt or equity markets or restructuring our current debt obligations. Additionally, we would consider realigning our strategic plans, including a reduction in capital spending, stock repurchases or dividend payments.

Contingent Liabilities

Please refer to Note 11 to the consolidated financial statements contained in this Quarterly Report for information regarding our contingent liabilities.

Critical Accounting Policies

There were no significant changes in our critical accounting policies during the third quarter of 2020.

Seasonality and Cyclicity

In addition to general economic factors, we are impacted by seasonal factors and trends such as major cultural events and vacation patterns. For example, most Asian markets celebrate their respective local New Year in the first quarter, which generally has a negative impact on that quarter. We believe that direct selling is also generally negatively impacted during the third quarter, when many individuals, including our sales force, traditionally take vacations.

Prior to making a key product generally available for purchase, we may do one or more introductory offerings of the product, such as a preview of the product to our Sales Leaders, a limited-time offer, or other product introduction or promotion. These offerings may generate significant activity and a high level of purchasing, which can result in a higher-than-normal increase in revenue, Sales Leaders and/or Customers during the quarter and can skew year-over-year and sequential comparisons.

Currency Risk and Exchange Rate Information

A majority of our revenue and many of our expenses are recognized outside of the United States, except for inventory purchases, a significant portion of which are primarily transacted in U.S. dollars from vendors in the United States. The local currency of each of our Subsidiaries' primary markets is considered the functional currency with the exception of our Asia product-distribution subsidiary in Singapore and, as discussed below, our subsidiary in Argentina. All revenue and expenses are translated at weighted-average exchange rates for the periods reported. Therefore, our reported revenue and earnings will be positively impacted by a weakening of the U.S. dollar and will be negatively impacted by a strengthening of the U.S. dollar. These impacts may be significant because a large portion of our business is derived from outside of the United States. Given the uncertainty of exchange rate fluctuations, it is difficult to predict the effect of these fluctuations on our future business, product pricing and results of operations or financial condition.

In the second quarter of 2018, published inflation indices indicated that the three-year cumulative inflation in Argentina exceeded 100 percent, and as of July 1, 2018, we elected to adopt highly inflationary accounting for our subsidiary in Argentina. Under highly inflationary accounting, the functional currency for our subsidiary in Argentina became the U.S. dollar, and the income statement and balance sheet for this subsidiary have been measured in U.S. dollars using both current and historical rates of exchange. The effect of changes in exchange rates on peso-denominated monetary assets and liabilities has been reflected in earnings in Other income (expense), net and was not material. As of September 30, 2020, our subsidiary in Argentina had a small net peso monetary position. Net sales of our subsidiary in Argentina were less than 2% of our consolidated net sales for the three- and nine-month periods ended September 30, 2020 and 2019.

We may seek to reduce our exposure to fluctuations in foreign currency exchange rates through the use of foreign currency exchange contracts and through intercompany loans of foreign currency. We do not use derivative financial instruments for trading or speculative purposes. We regularly monitor our foreign currency risks and periodically take measures to reduce the impact of foreign exchange fluctuations on our operating results. As of September 30, 2020 and 2019, we did not hold non-designated mark-to-market forward derivative contracts to hedge foreign denominated intercompany positions or third party foreign debt. As of September 30, 2020, and 2019 we did not hold any forward contracts designated as foreign currency cash flow hedges. We continue to evaluate our foreign currency hedging policy.

Non-GAAP Financial Measures

Constant-currency revenue change is a non-GAAP financial measure that removes the impact of fluctuations in foreign-currency exchange rates, thereby facilitating period-to-period comparisons of the Company's performance. It is calculated by translating the current period's revenue at the same average exchange rates in effect during the applicable prior-year period and then comparing that amount to the prior-year period's revenue. We believe that constant-currency revenue change is useful to investors, lenders and analysts because such information enables them to gauge the impact of foreign-currency fluctuations on our revenue from period to period.

Available Information

Our website address is www.nuskin.com. We make available, free of charge on our Investor Relations website, ir.nuskin.com, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

We also use our Investor Relations website, ir.nuskin.com, as a channel of distribution of additional Company information that may be deemed material. Accordingly, investors should monitor this channel, in addition to following our press releases, Securities and Exchange Commission filings and public conference calls and webcasts. The contents of our website shall not be deemed to be incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by Item 3 of Part I of Form 10-Q is incorporated herein by reference from the sections entitled "Derivative Instruments" and "Currency Risk and Exchange Rate Information" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of Part I and also from Note 9 to the consolidated financial statements contained in this Quarterly Report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of September 30, 2020.

Changes in Internal Controls Over Financial Reporting.

We made no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The following information supplements and amends our discussion set forth under “Legal Proceedings” in our Annual Report on Form 10-K for the 2019 fiscal year and subsequent reports.

We are currently in litigation with Don Roberts, a consultant in the agriculture industry. Mr. Roberts claims he is a general partner in our indoor-growing business and related businesses. He also claims he was instrumental in developing some of the business’s intellectual property. In May 2019, we filed a lawsuit in the U.S. District Court for the District of Utah, seeking a declaratory judgment that Mr. Roberts is not an inventor of any of the business’s intellectual property and is not a partner in the business. This lawsuit was dismissed on jurisdictional grounds in December 2019. We have appealed that dismissal to the U.S. Court of Appeals for the Tenth Circuit. In November 2019, Mr. Roberts filed suit in Utah’s Fifth Judicial District Court, seeking a declaratory judgment that he is a general partner and, as such, is entitled to a 50% ownership interest and 50% of the profits generated by the business. Mr. Roberts also seeks damages exceeding \$250 million. We filed a motion to dismiss this action in state court or, in the alternative, to transfer venue to Utah’s Fourth Judicial District Court. The state court denied our motion, and in October 2020 we filed a motion seeking permission to file an interlocutory appeal. We believe Mr. Roberts’s claims are without merit, and we intend to vigorously defend ourselves.

Please refer to Note 11 to the consolidated financial statements contained in this report and to our discussion set forth under “Legal Proceedings” in our Annual Report on Form 10-K for the 2019 fiscal year for additional information regarding our legal proceedings.

ITEM 1A. RISK FACTORS

The information presented below supplements and should be read in conjunction with the detailed discussion of risks associated with our business in our recent SEC filings, including our Annual Report on Form 10-K for the 2019 fiscal year and subsequent reports.

If we are unable to effectively manage our growth in certain markets, our operations could be harmed.

At times, we can experience significant growth in one or more of our markets. For example, during the second and third quarters of 2020 we experienced significant growth in some of the markets in our Americas/Pacific and EMEA segments. Growth can strain our ability to effectively manage our operations, as it requires us to expand our management team, labor force, and manufacturing operations. Insufficient management execution to support growth could result in, among other things, product delays or shortages, operating mistakes and errors, inadequate customer service, inappropriate claims or promotions by our sales force, and governmental inquiries and investigations, all of which could harm our revenue and ability to generate sustained growth and result in unanticipated expenses. In addition, we need to continue to attract and develop qualified management personnel to sustain growth. If we are not able to successfully retain existing personnel and identify, hire and integrate new personnel, our business and growth prospects could be harmed.

Our ability to conduct business in international markets may be affected by political, legal, tax and regulatory risks.

Our ability to capitalize on growth in new international markets and to maintain the current level of operations in our existing international markets is exposed to risks associated with our international operations, including:

- the possibility that a government might ban or severely restrict our sales compensation and business models;
- the possibility that local civil unrest, political instability, or changes in diplomatic or trade relationships might disrupt our operations in one or more markets;
- the lack of well-established or reliable legal systems in certain areas where we operate;
- the presence of high inflation in the economies of international markets in which we operate;
- the possibility that a government authority might impose legal, tax, customs, or other financial burdens on us or our sales force, due, for example, to the structure of our operations in various markets;
- the possibility that a government authority might challenge the status of our sales force as independent contractors or impose employment or social taxes on our sales force; and
- the possibility that governments may impose currency remittance restrictions limiting our ability to repatriate cash.

There has been an increasing level of tension in U.S.-China relations over the last year. Given the significant size of our China business, our business could be harmed if relations continue to deteriorate or additional sanctions or restrictions are imposed by either government. For example, in August 2020, the President of the United States issued an executive order prohibiting certain transactions related to WeChat, the predominant mobile application in China. Although the initial regulations pursuant to the executive order will not impact our business in China, there can be no assurance that the regulations or the executive order will not be broadened. In addition, there have been adverse public reaction and media attention to statements made by representatives of other businesses related to these issues that have adversely affected business. We could similarly face adverse public or media attention, and potentially increased regulatory scrutiny, as a result of increased trade or political tensions or any statements or actions by employees or our sales force that generate publicity with respect to these issues.

Cyber security risks and the failure to maintain the integrity of company, employee, sales force or guest data could expose us to data loss, litigation, liability and harm to our reputation.

We collect, store and transmit large volumes of company, employee, sales force and guest data, including payment card information, personally identifiable information and other personal information, for business purposes, including for transactional and promotional purposes, and our various information technology systems enter, process, summarize and report such data. The integrity and protection of this data is critical to our business.

We are subject to significant security and privacy regulations, as well as requirements imposed by the payment card industry. For example, during 2018, the General Data Protection Regulation went into effect in the European Union, imposing increased data protection regulations, the violation of which could result in fines of up to 4% of our annual revenue. Many other jurisdictions have similarly enacted security and privacy regulations, including California and Mainland China, and we believe this trend will continue. In the United States, congressional committees have held preliminary hearings about the advisability of a federal data privacy law, but it is uncertain whether the federal government will adopt such a law and whether it would preempt state data privacy laws. The prospect of new data privacy laws and ambiguity regarding the interpretation of existing laws has resulted in significant uncertainty and compliance costs. In addition to laws specifically governing privacy and data security, in some cases, federal and state regulators and state attorneys general and administrative agencies have interpreted more general consumer protection laws to impose standards for the online collection, use, dissemination and security of data. Although we monitor regulatory developments in this area, any actual or perceived failure by us to comply with these requirements could subject us to significant penalties, lawsuits and negative publicity and require changes to our business practices. In particular, maintaining compliance with these and other evolving regulations and requirements around the world often requires changes to our information system architecture and data storage processes. Making these changes is, and will likely continue to be, difficult and expensive. Investigations by the regulators of data security laws could also result in the payment of fines and harm our reputation. Private actions by affected individuals could also result in significant monetary or reputational damage.

Similarly, a failure to adhere to the payment card industry's data security standards could cause us to incur penalties from payment card associations, termination of our ability to accept credit or debit card payments, litigation and adverse publicity, any of which could have a material adverse effect on our business and financial condition.

In addition, a penetrated or compromised data system or the intentional, inadvertent or negligent release, misuse or disclosure of data could result in theft, loss, or fraudulent or unlawful use of company, employee, sales force or guest data. Although we take measures to protect the security, integrity and confidentiality of our data systems, we experience cyber attacks of varying degrees and types on a regular basis. Our infrastructure may be vulnerable to these attacks, and in some cases it could take time to discover them. Our security measures may also be breached due to employee error or malfeasance, system errors or otherwise. This risk is heightened as a result of the current COVID-19 pandemic as many of our employees are working remotely. Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information to gain access to our data or our users' or customers' data. Any such breach or unauthorized access could result in the unauthorized disclosure, misuse or loss of sensitive information and lead to significant legal and financial exposure, regulatory inquiries or investigations, loss of confidence by our sales force and customers, disruption of our operations, damage to our reputation, and costs associated with remediating the incident. These risks are heightened as we work with third-party partners, including providers of mobile and cloud technologies, and as our sales force uses social media, as the partners and social media platforms could be vulnerable to the same types of breaches. Acquisition activity, which we have engaged in and which we may continue to engage in, may also heighten these risks, as the systems of the companies we acquire are not under our control prior to the acquisitions and it may take time to evaluate these systems and implement appropriate modifications to them.

Epidemics, including the recent outbreak of COVID-19, and other crises have and will likely continue to negatively impact our business.

Due to the person-to-person nature of direct selling, our results of operations have been, and will likely continue to be, harmed if the fear of a communicable and rapidly spreading disease or other crises such as natural disasters result in travel restrictions or cause people to avoid group meetings or gatherings or interaction with other people. It is difficult to predict the impact on our business, if any, of the emergence of new epidemics or other crises. The outbreak of COVID-19 and resulting pandemic have resulted in significant contraction of economies around the world and interrupted global supply chains as many governments have issued stay-at-home orders to combat COVID-19. Government-imposed restrictions and public hesitance regarding in-person gatherings, travel and visiting public places have reduced our sales force’s ability to hold sales meetings, resulted in cancellations of key sales leader events and incentive trips, and required us to temporarily close our walk-in and fulfillment locations in certain markets where we have such properties. The outbreak has also impacted our ability to obtain some ingredients and packaging as well as ship products in some markets. Our supply chain and logistics have incurred some interruptions and cost impacts to date, and we could experience more significant interruptions and cost impacts or face more significant closures in the future. These factors and other events related to COVID-19 have negatively impacted our sales and operations and will likely continue to negatively affect our business and our financial results. The COVID-19 situation is changing rapidly, and there is much uncertainty regarding its duration and future impacts.

Any significant decline in our operating results in the future could also adversely affect our financial position and liquidity. Under the terms of our existing credit facility, we are required to maintain certain interest coverage and leverage ratios. In addition, our outstanding borrowings under our credit facility and related term loan impose debt service and amortization requirements. A significant deterioration in our results of operations in the future as a result of the COVID-19 pandemic could impact our ability to comply with our financial covenants and debt service and amortization obligations, which could result in an event of default under the terms of our credit facility. An event of default under our credit facility could result in an inability to access funding under the agreement and the acceleration of our obligations, which would have a material adverse effect on our financial condition and liquidity.

In addition, regulatory authorities closely scrutinize the product- and earnings-related claims made by direct-selling companies and their independent distributors, including claims related to the COVID-19 pandemic. For example, since April 2020, the Federal Trade Commission (“FTC”) has issued letters that have warned several direct-selling companies to remove and address claims that they or their distributors were making about their products’ ability to treat or prevent COVID-19 and/or about the earnings that people who have recently lost income could make. Although we take steps to educate our distributors on proper claims, if our distributors make improper claims, or if regulators determine we are making any improper claims, this could lead to an FTC investigation and could harm our business and reputation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) ⁽¹⁾
July 1 - 31, 2020	72,166	\$ 44.65	72,166	\$ 359.6
August 1 - 31, 2020	72,061	46.94	72,061	\$ 356.2
September 1 - 30, 2020	276,272	48.46	276,272	\$ 342.8
Total	420,499	\$ 47.55	420,499	

(1) In August 2018, we announced that our board of directors approved a stock repurchase plan. Under this plan, our board of directors authorized the repurchase of up to \$500 million of our outstanding Class A common stock on the open market or in privately negotiated transactions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

On November 3, 2020, the Executive Compensation Committee (“Committee”) of the Board of Directors of Nu Skin Enterprises, Inc. (the “Company”) adopted the Third Amended and Restated Nu Skin Enterprises, Inc. Deferred Compensation Plan, effective as of January 1, 2021 (the “DCP”). The DCP is a nonqualified deferred compensation plan under which eligible participants may elect to defer the receipt of current compensation. Eligible participants include select employees of the Company, including executive officers. The terms of the DCP will apply to contributions made on or after January 1, 2021.

Pursuant to the DCP, participants may elect to defer up to 80% of their base salary and up to 100% of any cash bonus that otherwise would be payable in a calendar year. Prior to the amendment, participants also could defer up to 100% of restricted stock units granted to them during a calendar year. In addition to such elective deferrals, the DCP also permits the Company to make discretionary contributions, and it provides that the Company shall make matching contributions of up to 5% of a participant’s base salary.

All amounts a participant elects to defer, adjusted for earnings and losses thereon, are 100% vested at all times. All amounts contributed by the Company, adjusted for earnings and losses thereon, will vest 20% per year over five years, subject to acceleration upon the occurrence of certain events including the completion of at least 10 years of employment above a specified compensation level. Under the prior version of the Company’s Deferred Compensation Plan, Company contributions generally vested over a 20-year period.

Distributions under the DCP are payable in cash, and the participant may elect either a lump sum payment or monthly, quarterly or annual installments over a maximum of 15 years.

The prior version of the Company’s Deferred Compensation Plan did not provide matching contributions. As previously disclosed, the Company has historically made discretionary contributions of 10% of a participant’s base salary each year. In view of the opportunity in the DCP to receive a 5% match, the Company currently anticipates reducing its discretionary contributions to 5% of base salary each year.

The foregoing description of the DCP is not intended to be complete and is qualified in its entirety by reference to the full text of this document, which is filed as an exhibit to this Quarterly Report.

ITEM 6. EXHIBITS

Exhibits Regulation S-K Number	Description
10.1	Third Amended and Restated Nu Skin Enterprises, Inc. Deferred Compensation Plan, effective as of January 1, 2021.
10.2	Employment Agreement between the Company and Joseph Y. Chang, effective as of October 15, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed October 20, 2020).
10.3	Nu Skin Enterprises, Inc. Executive Severance Policy, amended and restated effective as of October 15, 2020 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed October 20, 2020).
31.1	Certification by Ritch N. Wood, Chief Executive Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Mark H. Lawrence, Chief Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Ritch N. Wood, Chief Executive Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Mark H. Lawrence, Chief Financial Officer, pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 4, 2020

NU SKIN ENTERPRISES, INC.

By: /s/ Mark H. Lawrence
Mark H. Lawrence
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

**THIRD AMENDED AND RESTATED
NU SKIN ENTERPRISES, INC.
DEFERRED COMPENSATION PLAN**

Effective as of January 1, 2021

**NU SKIN ENTERPRISES, INC.
DEFERRED COMPENSATION PLAN**

PREAMBLE

Nu Skin Enterprises, Inc., (the “Company”) has previously established the Nu Skin Enterprises, Inc. Deferred Compensation Plan (the “Plan”). The purpose of the Plan is to provide a select group of management, highly compensated employees, or Directors of the Company (and certain affiliates) with the opportunity to defer a portion of their compensation. The Plan is intended to constitute an unfunded “top hat” plan described in Section 201(2), 301(a)(3), and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). As a “top hat” plan, the Plan is not subject to ERISA’s eligibility, vesting, funding, or fiduciary responsibility requirements. The Plan has made a notice filing with the United States Department of Labor (the “DOL”) and is required to provide information to the DOL on request.

The Plan has been, and shall continue to be, administered in good faith compliance with Section 409A and interim guidance issued thereunder from December 15, 2005 until January 1, 2008. This Plan was first amended and restated effective as of January 1, 2008 to comply with final regulations issued under Section 409A of the Code.

The Plan was amended and restated effective January 1, 2009, to change the vesting schedule and payment terms applicable to Participants who are employed with the Company on or after January 1, 2009. The Plan was further amended and restated effective January 1, 2015 to make certain changes in the Plan design, including the ability to defer restricted stock units.

The Plan is hereby amended and restated to modify the vesting schedule, to include matching contributions and to remove the ability to defer restricted stock units.

ARTICLE 1

DEFINITIONS

The following words and phrases used in the Plan with the initial letter capitalized shall have the meanings set forth in this Article, unless a clearly different meaning is required by the context in which the word or phrase is used:

1.1. “**Account**” means all of such accounts as are established under this Plan from time to time.

1.2. “**Affiliate**” means (a) a corporation that is a member of the same control group of corporations (within the meaning of Section 414(b) of the Code) as is the Company, (b) any other trade or business (whether or not incorporated) controlling, controlled by, or under common control (within the meaning of Section 414(c) of the Code) with the Company, and (c) any other corporation, partnership, or other organization that is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) with the Company or which is otherwise required to be aggregated with the Company under Section 414(o) of the Code.

1.3. **“Base Salary”** means a Participant’s annual base salary, excluding bonuses, commissions, incentive and all other remuneration for services rendered to the Company and prior to reduction for any salary deferrals, including but not limited to, deferrals under plans established pursuant to Section 125 of the Code or qualified pursuant to Section 401(k) of the Code.

1.4. **“Beneficiary”** means the person or entity that a Participant, in Participant’s most recent written designation filed with the Plan Administrator has designated to receive Participant’s benefit under the Plan in the event of Participant’s death. Changes in designations of Beneficiaries may be made upon written notice to the Plan Administrator in any form as the Plan Administrator may prescribe.

1.5. **“Board of Directors”** or **“Board”** means the Board of Directors of the Company.

1.6. **“Bonus”** means the additional cash compensation paid to a Participant by the Company or an Affiliate pursuant to any incentive or bonus plan, program, or practice of the Company or an Affiliate.

1.7. **“Cause.”** Termination of employment or service for **“Cause”** shall mean the termination of a Participant’s employment with or service to the Company (for purposes of this Section 1.7, **“Company”** shall refer to the Company and any affiliates or subsidiaries of the Company) because of:

(a) a material breach by the Participant of any of the Participant’s obligations under the Company’s Key Employee Covenants or any Employment Agreement, which breach is (i) not cured within any applicable cure period set forth in the Key Employee Covenants or employment agreement, and (ii) materially injurious to the Company;

(b) any willful violation by the Participant of any material law or regulation applicable to the business of the Company, which is materially injurious to the Company, or the Participant’s conviction of, or a plea of nolo contendere to, a felony or any willful perpetration of common law fraud; or

(c) any other willful misconduct by the Participant that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its subsidiaries or affiliates.

1.8. **“Change of Control”** means a **“change in the ownership of the Employer,”** a **“change in effective control of the Employer,”** and/or a **“change in the ownership of a substantial portion of the Employer’s assets”** as defined under Treasury Regulation § 1.409A-3(i)(5).

1.9. **“Code”** means the Internal Revenue Code of 1986, as amended.

- 1.10. “**Company**” means NU SKIN ENTERPRISES, INC. and any successor corporations.
- 1.11. “**Company Contribution**” means any of the contributions by the Company pursuant to Section 3.2 of this Plan.
- 1.12. “**Company Contribution Account**” means the bookkeeping account maintained by or for the Company for each Participant that is credited with an amount equal to the Company Contributions Amount, if any, and earnings and losses credited on such amounts pursuant to Section 4.2. The Company Contribution Account may be divided into one or more subaccounts in the discretion of the Plan Administrator.
- 1.13. “**Compensation**” means Base Salary or Director Fees earned in such Plan Year, Bonuses earned in such Plan Year (whether payable during such Year or the following Year), that the Participant is entitled to receive for services rendered to the Company.
- 1.14. “**Compensation Committee**” means the executive compensation committee appointed by the Board of Directors, which includes select members of the Board of Directors.
- 1.15. “**Deferral Account**” means the bookkeeping account maintained by or for the Plan Administrator for each Participant, which account is credited with amounts equal to the portion of the Participant’s Compensation that he or she elects to defer, and the earnings and losses pursuant to Section 4.1.
- 1.16. “**Deferral Contributions**” means contributions by a Participant pursuant to Section 3.1 or Section 3.2 of this Plan.
- 1.17. “**Director**” means a non-employee director of the Company.
- 1.18. “**Director Fees**” means all Board and committee meeting fees payable to a Director, and any annual retainer payable for a Plan Year, determined in each case before reduction for amounts deferred under the Plan. Director Fees do not include expense reimbursements, incentive stock awards or any form of noncash compensation or benefits.
- 1.19. “**Disability**” or “**Disabled**” shall mean (consistent with the requirements of Code Section 409A) that the Participant (a) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (b) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant’s employer. For purposes of this Plan, a Participant shall be Disabled if (a) determined to be totally disabled by the Social Security Administration, or (b) determined to be disabled in accordance with the applicable disability insurance program of such Participant’s employer, provided that the definition of “disability” applied under such disability insurance program complies with the requirements of this definition.

- 1.20. “**Distributable Amount**” means the vested balance in Participant’s Deferral Account and Company Contribution Account.
- 1.21. “**Effective Date**” means the effective date of this restatement, which shall be January 1, 2021. The original effective date of the Plan was December 14, 2005 and the Plan was previously amended and restated effective as of January 1, 2009, and January 1, 2015.
- 1.22. “**Employee**” means (1) each person receiving remuneration, or who is entitled to remuneration, for services rendered to the Company or an Affiliate as a common-law employee, or (2) a Director of the Company or an Affiliate.
- 1.23. “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.
- 1.24. “**Fund**” means one or more of the investment funds selected by the Plan Administrator pursuant to Section 3.3.
- 1.25. “**Interest Rate**” means, for each Fund, an amount equal to the net gain or loss on the assets of such Fund during each month, as determined by the Plan Administrator.
- 1.26. “**Matching Contributions**” means, Company Contributions that are contingent on a Participant’s yearly Deferral Contributions.
- 1.27. “**Participant**” means an Employee who has been selected to participate under Section 2.1, who has elected to participate under Section 2.2, and whose participation has not been terminated. If indicated by the context, the term Participant also includes former Participants whose active participation in the Plan has terminated but who have not received all amounts to which they are entitled under the Plan.
- 1.28. “**Participation Agreement**” means the agreement entered into by the Company and a Participant as set forth in Section 2.2.
- 1.29. “**Plan**” means the Nu Skin Enterprises, Inc. Deferred Compensation Plan, as amended from time to time.
- 1.30. “**Plan Administrator**” means the Compensation Committee or its designated agents (to the extent such authority has been designated by the Compensation Committee).
- 1.31. “**Plan Year**” shall mean the calendar year.
- 1.32. “**Qualified Plan**” shall mean the Nu Skin Enterprises, Inc. 401(k) Plan, effective January 1, 2015, as amended from time to time, or such other Company-sponsored qualified plan as may be designated by the Plan Administrator.
- 1.33. “**Reasonable Time**” shall mean any date within the same calendar year as the applicable distribution event (*e.g.*, Separation from Service) or, if later, by the 15th day of the third calendar month following the occurrence of such distribution event.

1.34. “**Restricted Stock Units**” shall mean rights to receive shares of Stock selected by the Plan Administrator in its sole discretion and awarded to the Participant under an equity incentive plan, and the deferred amount shall be calculated using the closing price of Stock at the end of the business day closest to the date such Restricted Stock Unit would otherwise vest, but for the election to defer. The portion of any Restricted Stock Unit deferred shall, at the time the Restricted Stock Unit would otherwise vest under the terms of the applicable equity incentive plan, but for the election to defer, be reflected on the books of the Company as an unfunded, unsecured promise to deliver to the Participant a specific number of actual shares of Stock in the future.

1.35. “**Scheduled Withdrawal**” means the distribution date elected by the Participant for an in-service withdrawal from such Deferral Accounts deferred in a given Plan Year, and earnings and losses attributable thereto, as set forth on the election form for such Plan Year.

1.36. “**Separation from Service**” means a severance of a participant’s employment relationship with the Company and all Affiliates for any reason other than the participant’s death. Whether a Separation from Service has occurred is determined under Section 409A of the Code and Treasury Regulation 1.409A-1(h) (*i.e.*, whether the facts and circumstances indicate that the Employer and the employee reasonably anticipated that no further services would be performed after a certain date or that the level of bona fide services the employee would perform after such date (whether as an employee or independent contractor) would permanently decrease to no more than 20% of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36 month period (or the full period of services to the employer if the employee has been providing services to the employer less than 36 months)). Separation from Service shall not be deemed to occur while the employee is on military leave, sick leave or other bona fide leave of absence if the period does not exceed six (6) months or, if longer, so long as the employee retains a right to reemployment with the Company or an affiliate under an applicable statute or by contract. For this purpose, a leave is bona fide only if, and so long as, there is a reasonable expectation that the employee will return to perform services for the Company or an affiliate. Notwithstanding the foregoing, a 29 month period of absence will be substituted for such 6 month period if the leave is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of no less than 6 months and that causes the employee to be unable to perform the duties of his or her position of employment.

1.37. “**Stock**” shall mean the Company’s Class A common stock, \$0.001 par value per share, or any other equity securities of the Company designated by the Plan Administrator.

1.38. “**Trust Agreement**” means any trust agreement established pursuant to Section 8.1 between the Company and the Trustee or any trust agreement hereafter established.

1.39. “**Trustee**” means the Trustee under the Trust Agreement.

1.40. “**Trust Fund**” means all assets of whatsoever kind or nature held from time to time by the Trustee pursuant to the Trust Agreement and forming a part of this Plan, without distinction as to income and principal and without regard to source, *i.e.*, Participant contributions, earnings, or forfeitures.

ARTICLE 2

ELIGIBILITY

2.1.General. For purposes of Title I of ERISA, the Plan is intended to be an unfunded plan of deferred compensation covering a select group of management, highly compensated employees, and Directors. As a result, participation in the Plan shall be limited to Employees who are properly included in one or all of these categories. The Plan Administrator shall designate the individuals who are eligible to participate in the Plan. The Plan Administrator, in the exercise of its discretion, may exclude an Employee who otherwise meets the requirements of this Section 2.1 from participation in the Plan if it concludes that excluding the Employee is necessary to satisfy these requirements. The Plan Administrator also may exclude an Employee who otherwise meets the requirements of this Section 2.1 for any other reason, or for no reason, as the Plan Administrator deems appropriate.

2.2.Participation. Each Employee who is designated as eligible to participate in the Plan by the Plan Administrator may become a Participant by completing and signing an enrollment form provided by the Plan Administrator and delivering the form to the Plan Administrator. The Employee must designate on the form the amount of Deferral Contributions and must authorize the Company or an Affiliate to reduce Participant's Compensation in an amount equal to Participant's Deferral Contributions.

2.3.Timing of Participation. After an Employee has been selected by the Plan Administrator to participate in the Plan for the first time (and does not participate in or has not previously participated in another voluntary deferral plan of the Company or an Affiliate), the Employee has 30 days to notify the Plan Administrator whether he will participate in the Plan. If the Employee timely notifies the Plan Administrator of Participant's intent to participate in the Plan, the Employee's participation will commence on the first payroll period following or coinciding with the first day of the calendar month after the Plan Administrator is so notified. If the Employee does not timely notify the Plan Administrator of Participant's intent to participate in the Plan, the Employee's participation may commence on the first payroll period following or coinciding with the first day of any later Plan Year by notifying the Plan Administrator prior to the first day of such Plan Year and provided further that the Plan Administrator determines that the Employee remains eligible to participate in the Plan under Section 2.1.

2.4.Discontinuance of Participation. Once an Employee is designated as a Participant, he will continue as such for all future Plan Years unless the Plan Administrator specifically discontinues participation. The Plan Administrator may discontinue an individual's participation in the Plan at any time for any or no reason. If an individual's participation is discontinued, the individual will no longer be eligible to make future deferral elections or receive Company Contributions. The Employee will not be entitled to receive a distribution, however, until the occurrence of one of the events listed in Article 6, or as permitted in Article 7.

ARTICLE 3

DEFERRAL ELECTIONS

3.1. Elections to Defer Compensation.

3.1.1. **Deferral of Base Salary.** For any Plan Year, a Participant may elect to defer a portion of the Base Salary otherwise payable to him. Any such deferrals shall be in whole percentages or a specific dollar amount of the Participant's Base Salary, as specified in an election form approved by the Plan Administrator.

3.1.2. **Deferral of Bonuses.** A Participant may also elect to defer a portion of any Bonus which might be payable to him by the Company. Any such deferrals shall be in whole percentages or a specific dollar amount of the Participant's Bonus, as specified in an election form approved by the Plan Administrator.

3.1.3. **Deferral of Director Fees.** For any Plan Year, a Participant may elect to defer a portion of the Director Fees otherwise payable to him. Any such deferrals shall be in whole percentages or a specific dollar amount of the Participant's Director Fees, as specified in an election form approved by the Plan Administrator.

3.1.4. **Deferral of Restricted Stock Units.** For any Plan Year prior to January 1, 2021, a Participant may elect to defer a portion of the Restricted Stock Units that may be granted to him or her in a Plan Year, as specified in an election form approved by the Plan Administrator.

3.1.5. **Limitations on Deferrals.** A Participant may elect to defer up to 80% of Participant's Base Salary and 100% of Participant's Bonus and Director Fees for each Plan Year, provided that the total amount deferred by a Participant shall be limited in any calendar year, if necessary, to satisfy any employment tax, income tax and employee benefit plan withholding requirements as determined in the sole and absolute discretion of the Plan Administrator. There is no minimum deferral amount. The Plan Administrator reserves the right to change such limits from time to time.

3.1.6. **Duration of Compensation Deferral Election.** An Employee's initial election to defer Compensation must be made within the time frame established by the Plan Administrator, which shall be prior to the taxable year in which the election relates and is to be effective with respect to Compensation earned for services performed after such deferral election is processed. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles 6 and 7. A Participant may increase, decrease or terminate a deferral election with respect to Compensation for any subsequent Plan Year by filing a new election within the time frame established by the Plan Administrator but in no event later than December 31 in the year prior to the beginning of the next Plan Year, which election shall be effective on the first day of the next following Plan Year. In the absence of a Participant making a new election, the last election on file will apply to deferrals for the new Plan year.

In the case of an employee who first becomes eligible to participate in the Plan after January 1, 2006 (and does not participate in or has not previously participated in another voluntary deferral plan of the Company or an Affiliate), such Employee shall have 30 days from the date he becomes eligible to make an election with respect to Compensation earned for services performed subsequent to the election. Such election shall be for the remainder of the Plan Year (and future Plan Years, unless subsequently changed prior to the commencement of a given Plan year) in the event the Plan Year has commenced. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles 6 and 7.

Notwithstanding the foregoing, with respect to Restricted Stock Units (i) to which a Participant has a legally binding right to payment in a subsequent year, and (ii) that is subject to a forfeiture condition requiring the Participant's continued services for a period of at least twelve (12) months from the date the Participant obtains the legally binding right, the Plan Administrator may determine that an irrevocable deferral election for such Restricted Stock Units may be made by timely delivering Participant election(s) to the Plan Administrator in accordance with its rules and procedures, no later than the 30th day after the Participant obtains the legally binding right to the Restricted Stock Units, provided that the election is made at least twelve (12) months in advance of the earliest date at which the forfeiture condition could lapse, as determined in accordance with Treas. Reg. §1.409A-2(a)(5). Any deferral election(s) made in accordance with the preceding sentence shall become irrevocable no later than the 30th day after the Participant obtains the legally binding right to the Restricted Stock Units subject to such deferral election(s).

3.1.7. **Elections Other Than Initial Election.** Any Employee or Director who has terminated a prior Compensation deferral election may elect to again defer Compensation by completing and signing an enrollment form provided by the Plan Administrator and delivering the form to the Plan Administrator within the time frame established by the Plan Administrator but in no event later than December 31 of the year prior to the beginning of the Plan Year to which such deferral election relates. An election to defer Compensation must be filed in a timely manner in accordance with Section 3.1(d). Such election shall apply to Compensation for services performed in the Plan Year to which such deferral election relates. Such election shall specify the time and method of distribution of the annual deferral amount in accordance with Articles 6 and 7.

3.2. Company Contribution.

3.2.1. Discretionary Company Contributions. The Company shall have the discretion to make Company Contributions to the Plan at any time and in any amount on behalf of any Participant. Company Contributions shall be made in the complete and sole discretion of the Company and no Participant shall have the right to receive any Company Contribution in any particular Plan Year regardless of whether Company Contributions are made on behalf of other Participants. Any such Company Contributions shall be credited to the Plan on the date or dates determined by the Plan Administrator in its sole discretion.

3.2.2. Company Matching Contributions. As of January 1, 2021, the Company shall make a Matching Contribution equal to the amount of Participant's Deferral Contribution for the Plan Year up to 5% of Participant's Base Salary. Matching Contributions shall be made available for all Grade 17 and above employees (or equivalent) who were Participants in the Plan at any time during the Plan Year. Any such Matching Contributions shall be credited to the Plan on the date or dates determined by the Plan Administrator in its sole discretion.

3.2.3. Company Qualified Plan Makeup Contributions. The Company may, in its sole discretion, make a Company Contribution on behalf of the Participant for each Plan Year in which the Participant makes a deferral under this Plan which shall equal the maximum company contributions that would have been provided to the Participant under the Company's Qualified Plan had the Participant made no elective deferral under this Plan. The Company Contribution for Qualified Plan makeup each Plan Year shall be reduced by the amount of company contributions actually credited to the Participant under the Qualified Plan for such Plan Year. Any such Company Contributions shall be credited to the Plan on the date or dates determined by the Plan Administrator in its sole discretion.

3.3. Investment Elections.

3.3.1 At the time of making the deferral elections described in Section 3.1, Participant shall designate, on a form provided by the Plan Administrator, the types of investment funds in which Participant's Account will be deemed to be invested for purposes of determining the amount of earnings and losses to be credited to that Account. In making the designation pursuant to this Section 3.3, Participant may specify that all or any percentage of Participant's Account is to be deemed invested, in whole percentage increments, in one or more of the types of investment funds deemed to be provided under the Plan, as communicated from time to time by the Plan Administrator. A Participant may change the designation made under this Section 3.3 by filing an election, on a form provided by the Plan Administrator at such time or times as may be permitted by the Plan Administrator. If a Participant fails to elect a type of fund under this Section 3.3, he or she shall be deemed to have elected the money market type of investment fund.

3.3.2 Although a Participant may designate the type of investments, the Plan Administrator shall not be bound by such designation. The Plan Administrator may select from time to time, in its sole and absolute discretion, commercially available investments of each of the types communicated by the Plan Administrator to the Participant pursuant to Section 3.3.1 above to be the Funds. The Interest Rate of each such commercially available investment fund shall be used to determine the amount of earnings or losses to be credited to Participant's Account under Article 4.

3.3.3 Company Stock Unit Fund.

- (i) A Participant's Restricted Stock Unit deferrals will be automatically and irrevocably allocated to a Fund that tracks the performance of the Company's Stock (the "**Company Stock Unit Fund**"). Participants may not select any other Fund to be used to determine the amounts to be credited or debited to their Restricted Stock Unit deferrals. Furthermore, no other portion of the Participant's Accounts can be either initially allocated or re-allocated to the Company Stock Unit Fund. Amounts allocated to the Company Stock Unit Fund shall only be distributable in actual shares of Stock.
- (ii) Any stock dividends, cash dividends or other non-cash dividends that would have been payable on the Stock credited to a Participant's Accounts shall be credited to the Participant's Accounts in the form of additional shares of Stock and shall automatically and irrevocably be deemed to be re-invested in the Company Stock Unit Fund until such amounts are distributed to the Participant. The number of shares credited to the Participant for a particular stock dividend shall be equal to (A) the number of shares of Stock credited to the Participant's Account as of the payment date for such dividend in respect of each share of Stock, multiplied by (B) the number of additional or fractional shares of Stock actually paid as a dividend in respect of each share of Stock. The number of shares credited to the Participant for a particular cash dividend or other non-cash dividend shall be equal to (A) the number of shares of Stock credited to the Participant's Account as of the payment date for such dividend in respect of each share of Stock, multiplied by (B) the fair market value of the dividend, divided by (C) the "fair market value" of the Stock on the payment date for such dividend.
- (iii) The number of shares of Stock credited to the Participant's Account may be adjusted by the Committee, in its sole discretion, to prevent dilution or enlargement of Participants' rights with respect to the portion of his or her Account allocated to the Company Stock Unit Fund in the event of any reorganization, reclassification, stock split, or other unusual corporate transaction or event which affects the value of the Stock, provided that any such adjustment shall be made taking into account any crediting of shares of Stock to the Participant under this Section.
- (iv) For purposes of this Section 3.3.3, the fair market value of the Stock shall be, in the event the Stock is traded on a recognized securities exchange, an amount equal to the closing price of the Stock on such exchange on the date set for valuation or, if no sales of Stock were made on said exchange on that date, the closing price of the Stock on the next preceding day on which sales were made on such exchange; or, if the Stock is not so traded, the value determined, in its sole discretion, by the Committee in compliance with Section 409A.

ARTICLE 4

DEFERRAL ACCOUNTS

4.1. Deferral Accounts. The Plan Administrator shall establish and maintain a Deferral Account for each Participant under the Plan. Each Participant's Deferral Account shall be further divided into separate subaccounts ("investment fund subaccounts"), each of which corresponds to an investment fund elected by the Participant pursuant to Section 3.3. A Participant's Deferral Account shall be credited as follows:

- (a) Within a reasonable time after amounts are withheld and deferred from a Participant's Compensation, the Plan Administrator shall credit the investment fund subaccounts of the Participant's Deferral Account with an amount equal to Compensation deferred by the Participant in accordance with the Participant's election under Section 3.3; that is, the portion of the Participant's deferred Compensation that the Participant has elected to be deemed to be invested in a certain type of investment fund shall be credited to the investment fund subaccount corresponding to that investment fund;
- (b) Each business day, each investment fund subaccount of a Participant's Deferral Account shall be credited with earnings or losses in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the prior day plus contributions credited that day to the investment fund subaccount by the Interest Rate for the corresponding fund selected by the Company pursuant to Section 3.3.
- (c) In the event that a Participant elects for a given Plan Year's deferral of Compensation to have a Scheduled Withdrawal, all amounts attributed to the deferral of Compensation for such Plan Year shall be accounted for in a manner which allows separate accounting for the deferral of Compensation and investment gains and losses associated with such Plan Year's deferral of Compensation.

4.2. Company Contribution Account. The Plan Administrator shall establish and maintain a Company Contribution Account for each Participant under the Plan. Each Participant's Company Contribution Account shall be further divided into separate investment fund subaccounts corresponding to the investment fund elected by the Participant pursuant to Section 3.3. A Participant's Company Contribution Account shall be credited as follows:

- (a) As soon as reasonably practicable after a Company Contribution, the Plan Administrator shall credit the investment fund subaccounts of the Participant's Company Contribution Account with an amount equal to the Company Contribution, if any, applicable to that Participant, that is, the proportion of the Company Contribution, if any, which the Participant elected to be deemed to be invested in a certain type of investment fund shall be credited to the corresponding investment fund subaccount; and

- (b) Each business day, each investment fund subaccount of a Participant's Company Contribution Account shall be credited with earnings or losses in an amount equal to that determined by multiplying the balance credited to such investment fund subaccount as of the prior day plus contributions credited that day to the investment fund subaccount by the Interest Rate for the corresponding Fund selected by the Company pursuant to Section 3.3

4.3. Schedule a Accounts for Pre-Existing Deferred Compensation Obligations. Prior to the Effective Date of the Plan, the Company and/or certain of its Affiliates had entered into non-qualified deferred compensation arrangements with certain Participants employed by the Company and/or its Affiliates. The terms of such arrangements are set forth in individual "plans" or agreements signed by the Company and/or an Affiliate and the employee. The deferred compensation arrangements identified on Schedule A attached hereto ("Schedule A Arrangements") are incorporated herein by reference. It is intended that the Schedule A Arrangements will comply with Code Section 409A. Effective January 1, 2005, the rights and obligations of the parties to those arrangements will be governed by the terms of this Plan, and will not be governed by the terms of the Schedule A Arrangements, except as otherwise provided hereafter. The Plan Administrator will establish and maintain under this Plan a "Schedule A Account" for each Participant who is party to a Schedule A Arrangement ("Schedule A Participant") and will credit to such Schedule A Account for each Schedule A Participant the value as of January 1, 2006 of the respective Schedule A Participant's Compensation Account(s) as established under the applicable Schedule A Arrangement. For greater clarity, generally the Compensation Accounts under the Schedule A Arrangements are divided into two sub-accounts (Employee Compensation Sub-Account and Company Compensation Sub-Account), and this distinction will be maintained under the Schedule A Accounts. The Company Compensation Sub-Account will continue to vest in accordance with the terms of the applicable Schedule A Arrangement. In addition, the Plan Administrator may further divide the sub-accounts under the Schedule A Accounts into separate investment fund sub-accounts corresponding to the investment fund elected by the Participant pursuant to Section 3.3. Schedule A Participants will elect, prior to December 31, 2006, the form of distribution for their Schedule A Accounts and such elections will comply with IRC Section 409A and applicable guidance thereunder. If a Schedule A Participant has not designated a form of payment for his or her Schedule A Account on or before December 31, 2006, the form of payment designated in the applicable Schedule A Arrangement will be the default form of payment for such Schedule A Account(s). After December 31, 2006, any change in the form of payment as to a Schedule A Account must be in accordance with the requirements of Section 6.5(f) of this Plan respecting election changes for forms of payment. The timing of distributions of Schedule A Accounts will be governed by the terms of this Plan.

4.4. Accounting. At the end of each quarter, the Company shall notify each Participant as to the amount, if any, of Participant's Deferral Account and Company Contribution Account. The accounting shall specify the vested portion of amounts held pursuant to the Plan.

4.5. Preservation of Accounts. A Participant shall not be deemed to have had a Separation from Service for purposes of preservation of all Deferral Accounts and Company Contribution Accounts in the event of a bona fide approved leave of absence from the Company for a prolonged period of time for:

(a) Service as a full-time missionary for any legally recognized ecclesiastical organization, or

(b) United States Military duty.

Notwithstanding the foregoing, a Separation from Service shall be deemed to occur six months after commencement of the leave in the absence of a contractual or statutory right to re-employment.

ARTICLE 5

VESTING

5.1. Vesting in Deferral Account. Subject to Section 5.3, Participant shall be 100% vested in his or her Deferral Account at all times.

5.2. Vesting in Company Contribution Account.

5.2.1. Company Contributions. Subject to Section 5.3, each Participant shall become vested in Participant's Company Contributions credited yearly to the Plan under Section 3.2. after January 1, 2021, in accordance with the following schedule:

When Participant Has Completed the Following Additional Years of Employment following the Respective Company Contribution:	The Vested Portion of Participant's Yearly Company Contribution under Section 3.2 Will Be:
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	40%
3 years but less than 4 years	60%
4 years but less than 5 years	80%
5 years or more	100%

The vesting schedule above is intended to be a rolling vesting schedule that will apply separately to Company Contributions credited to the Plan each Plan Year.

Subject to Section 5.3, each Participant shall become vested in Participant's discretionary Company Contributions credited to the Plan prior to January 1, 2021 under Section 3.2.1 in accordance with the following schedule:

When the Participant Has Completed the Following Years Employment:	The Vested Portion of Participant's Company Contribution of Account under Section 3.2.1 Will Be:
Less than 10 years	0%
10 years but less than 11 years	50%
11 years but less than 12 years	55%
12 years but less than 13 years	60%
13 years but less than 14 years	65%
14 years but less than 15 years	70%
15 years but less than 16 years	75%
16 years but less than 17 years	80%
17 years but less than 18 years	85%
18 years but less than 19 years	90%
19 years but less than 20 years	95%
20 years or more	100%

Notwithstanding any of the foregoing provisions for progressive vesting of Company Contribution Accounts related to contributions pursuant to Section 3.2, such Company Contributions shall become fully vested upon the earliest occurrence of any of the following events while in the employment of the Company:

- (a) Participant attains 60 years of age;
- (b) Participant's death or Disability as defined in the Plan;
- (c) The Plan Administrator may, in its discretion, accelerate vesting of a Participant's Company Contribution Account; or
- (d) For Company Contributions credited to the Plan after January 1, 2021, Participant has completed 10 years of employment with the Company as a grade 17 or above employee (or equivalent).

5.2.2 Company Qualified Plan Makeup Contributions. Subject to Section 5.3, each Participant shall become vested in his or her Company Contributions for Qualified Plan makeup credited to the Plan under Section 3.2.3 in accordance with the vesting schedule provided under the Qualified Plan.

5.3. Forfeiture.

5.3.1. Restricted Stock Units. Notwithstanding Section 5.1 above, a Participant's deferrals into this Plan of Restricted Stock Units shall remain subject to any and all forfeiture, "clawback" or similar restrictive covenants or terms and conditions under the applicable equity incentive plan under which such Restricted Stock Units were initially granted.

5.3.2. Company Contribution Account. Notwithstanding Sections 5.2 above, Participant shall forfeit all amounts in the Company Contribution Account (and none of such amounts shall be distributed pursuant to Section 6 below) if the Administrator elects to terminate Participant's rights to those amounts upon the occurrence of the following events:

- (a) the Participant's employment or service is terminated for Cause; or
- (b) the Participant, directly or indirectly, enters into the employment of, owns any interest in, or engages or participates in (individually or as an officer, director, shareholder, consultant, partner, member, joint venturer, agent, equity owner, distributor or in any other capacity whatsoever) any company, corporation or business in the direct selling or multi-level marketing industry (including any subsidiary or affiliate thereof) that operates in any territory where the Company or any of its affiliates or subsidiaries engages in business;

ARTICLE 6

DISTRIBUTION OF BENEFITS

6.1.Separation From Service. A Participant who incurs a Separation from Service with the Company and all Affiliates for any reason other than death or Disability is entitled to distribution of amounts vested and credited to Participant's Account at the time and in the manner provided in Section 6.5.

6.2.Disability.

- (a) Plan Years Prior to 2015. In regard to amounts attributable to Plan Years prior to 2015, a Participant who separates from service with the Company or an Affiliate due to Disability and who has satisfied all of the covenants, conditions and promises contained in this Plan (to the extent applicable) is entitled to a distribution of amounts vested and credited to Participant's Account as provided in Section 6.5. Subject to Section 6.5, the payments attributable to Plan Years prior to 2015 may commence as of the date of Separation from Service due to Disability.
- (b) Plan Years On or After 2015. In regard to amounts attributable to Plan Years commencing on or after 2015, a Participant experiences a Disability and who has satisfied all of the covenants, conditions and promises contained in this Plan (to the extent applicable) is entitled to a distribution of amounts vested and credited to Participant's Account as provided in Section 6.5. Subject to Section 6.5, the payments attributable to Plan Years commencing on or after 2015 may commence as of the date of the Participant's Disability.

6.3.Death.

- (a) **Benefit.** If a Participant dies before the day on which Participant's benefit payments commence, the Participant's Beneficiary is entitled, at the time and in the manner provided in Section 6.5, the following:
 - (1) the amount of Participant's Deferral Account, including any earnings thereon; and
 - (2) for Participants that have been credited with Company Contributions pursuant to Section 3.2, the greater of (i) the vested portion of Participant's Company Contribution Account, including any earnings thereon, as of the date of Participant's death; or (ii) an amount equal to five times the average of Participant's Base Salary for the three most recent years. Notwithstanding, this Section 6.3(a)(2) shall not apply to any Participant who did not receive Company Contributions pursuant to Section 3.2 prior to January 1, 2015.

- (b) **Death After Commencement of Benefits.** If a former Participant dies after the day on which his or her benefit payments commence, but prior to the complete distribution of all amounts to which such Participant is entitled, the Participant's Beneficiary is entitled to receive any remaining amounts to which Participant would have been entitled had the Participant survived at the time and in the manner provided in Section 6.5. The Plan Administrator may require and rely upon such proofs of death and the right of any Beneficiary to receive benefits under this Section 6.3 as the Plan Administrator may reasonably determine, and its determination of death and the right of such Beneficiary to receive payment is binding and conclusive upon all persons.

6.4. Change of Control. In the event of a Change of Control, the Plan Administrator may, in its discretion, accelerate vesting of a Participant in his or her Company Contribution Account.

6.5. Time and Method of Distribution of Benefits. Payment shall commence within a Reasonable Time following the earliest to occur of the following events in (a), (b) or (c) below:

(a) **Termination.**

- (1) Distribution of Deferral Account. Other than Restricted Stock Units, payment of amounts vested and credited in a Deferral Account other than the portion attributable to deferrals of Restricted Stock Units to a Participant who is entitled to benefits under Section 6.1 will commence within a Reasonable Time following the Participant's Separation from Service (except that, in the event that the Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to the Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier)).
- (2) Distribution of Restricted Stock Units. Payment of amounts vested and credited in a Deferral Account that are attributable to deferrals of Restricted Stock Units to a Participant who is entitled to benefits under Section 6.1 will commence within a Reasonable Time following the one-year anniversary of the Participant's Separation from Service, subject to the requirements under Section 5.3.

- (3) Distribution of Company Contribution Account. Payment of amounts vested and credited in a Company Contribution Account to a Participant who is entitled to benefits under Section 6.1 (subject to any forfeiture under Section 5.3) will commence within a Reasonable Time following the one-year anniversary of the Participant's Separation from Service. Notwithstanding the foregoing, if the Participant's Separation from Service occurs at or after the Participant's attainment of age 60 or after the Participant has completed twenty years of employment, then payment will commence within a Reasonable Time following the Participant's Separation from Service (except that, in the event that the Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to the Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier)).
- (4) Distribution Following Change in Control. Notwithstanding any Participant election under Section 6.5(e) below to the contrary, in the event that a Participant's Separation from Service occurs within two (2) years following a Change in Control, such Participant's Accounts shall be distributed in the form of a lump sum without regard to any election as to the form of payment that may have been submitted in accordance with Section 6.5(e) below.

(b) **Disability.**

- (1) For amounts attributable to Plan Years that commenced prior to January 1, 2015, payment to a Participant who is entitled to benefits under Section 6.2 will commence within a Reasonable Time after the Participant's Separation from Service due to a Disability. In the event that Participant is a "Specified Employee," as defined under Treasury Regulation § 1.409A-1(i), payment to Participant will begin no earlier than six months following Participant's Separation from Service (or upon the Participant's death, if earlier).
- (2) For amounts attributable to Plan Years commencing on or after January 1, 2015, Participants may make an election as to the form of payment that will be applicable in the event of the Participant's Disability. The form of payment shall be elected in accordance with Section 6.5(e) below and a separate election may be submitted that will apply to each Plan Year. A Participant who experiences a Disability and is entitled to benefits under Section 6.2 shall receive such benefits within a Reasonable Time after the Participant's Disability.

- (c) **Death.** Payment to the Beneficiary of a Participant who is entitled to benefits under Section 6.3 will commence within a Reasonable Time after the Participant's death.
- (d) **Death After Commencement of Payments.** If a Participant dies after the day on which his or her benefit payments commence but before the complete distribution to such Participant of the benefits payable to him under the Plan, any remaining benefits will continue to be distributed to the Participant's Beneficiary in the same manner as elected by the Participant under Section 6.5(e). Payments to the Beneficiaries entitled to payments pursuant to Section 6.3 will be made within a Reasonable Time following the death of Participant.
- (e) **Form of Payment.** Except as otherwise determined by the Plan Administrator in its sole discretion, any distribution paid from the Plan to a Participant or Beneficiary from a Participant's Account will be paid in cash. Except as otherwise provided in Section 6.4, such distribution will be paid in either a lump sum payment or in monthly, quarterly, or annual installments over a period not to exceed 15 years; provided that if the value of the Participant's Account at the time of distribution is less than \$50,000, such distribution shall be paid in the form of a lump sum distribution. Notwithstanding the foregoing, no elections for monthly distributions may be made with respect to Plan Years commencing on or after January 1, 2015. With respect to each annual deferral amount (including both Participant deferrals and Company contribution amounts for such Plan Year), a Participant must elect which form of payment to receive in his or her initial or annual deferral election form, which election may be changed by the Participant at any time so long as (i) the election does not take effect until at least 12 months after the date in which the election is made, (ii) the first payment for which the election is made will be deferred for a period of 5 years from the date such payment would otherwise have been made (other than for payments triggered by the Participant's death or Disability), and (iii) the change is received by the Plan Administrator at least 12 months prior to the Participant's first scheduled payment date. In the absence of a Participant making a distribution election, the default form of payment shall be lump sum. Participant's Account shall continue to be credited with earnings pursuant to Sections 4.1 and 4.2 of the Plan until all amounts credited to his or her Account under the Plan have been distributed.

6.6.Designation of Beneficiary. Each Participant has the right to designate, on forms supplied by and delivered to the Plan Administrator, a Beneficiary or Beneficiaries to receive Participant's benefits in the event of Participant's death. For each Participant who is married, the Beneficiary will be deemed to be Participant's spouse, unless the Participant's spouse consents to the Participant's Beneficiary designation to the contrary. Such consent must be in writing, must acknowledge the effect of the Beneficiary designation and the spouse's consent thereto. Subject to the foregoing, each Participant may change their Beneficiary designation from time to time in the manner described above and the change will be effective upon receipt by the Plan Administrator, whether or not the Participant is living at the time the notice is received. There is no liability on the part of the Plan Administrator with respect to any payment authorized by the Plan Administrator in accordance with the most recent valid Beneficiary designation of the Participant in the Plan Administrator's possession before receipt of a more recent and valid Beneficiary designation. If no designated Beneficiary is living when benefits become payable, or if there is no designated Beneficiary, the Beneficiary will be Participant's spouse; or if no spouse is then living, such Participant's issue, including any legally adopted child or children, in equal shares by right of representation; or if no such designated Beneficiary and no such spouse or issue, including any legally adopted child or children, is living upon the death of a Participant, or if all such persons die prior to the full distribution of such Participant's benefits, then the Beneficiary shall be the estate of the Participant.

6.7.Payments to Disabled. If a person entitled to any payment is under a legal disability, or in the sole judgment of the Plan Administrator is otherwise unable to apply such payment to his or her own interest and advantage, the Plan Administrator in the exercise of its discretion may make any such payment in any one or more of the following ways: (a) directly to such person, (b) to Participant's legal guardian or conservator, or (c) to Participant's spouse or to any person charged with the legal duty of Participant's support, to be expended for Participant's benefit. The decision of the Plan Administrator will in each case be final and binding upon all persons in interest.

6.8.Underpayment or Overpayment of Benefits. In the event that, through misstatement or computation error, benefits are underpaid or overpaid, there is no liability for any more than the correct benefit sums under the Plan. Overpayments may be deducted from future payments under the Plan, and underpayments may be added to future payments under the Plan, subject to applicable limitations under Section 409A of the Code.

6.9.Inability to Locate Participant. In the event that the Plan Administrator is unable to locate a Participant or Beneficiary within two years following the required payment date, the amount allocated to the Participant's Account shall be forfeited. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated without interest or earnings.

ARTICLE 7

WITHDRAWALS

7.1.Scheduled Withdrawals.

- (a) In the case of a Participant who has elected a Scheduled Withdrawal for a distribution while still in the employ of the Company, such Participant shall receive Participant's Distributable Amount, but only with respect to those vested deferrals and earnings from the Participant's Deferral Account that have been elected by Participant to be subject to the Scheduled Withdrawal in accordance with this Section 7.1(a) of the Plan. A Participant's Scheduled Withdrawal can be no earlier than two years from the last day of the Plan Year for which Participant's deferrals are made. Any distribution made pursuant to a Scheduled Withdrawal shall be made in either a lump-sum payment or annual installment payments up to 5 years. These payments will be made in February of the year(s) selected. By way of clarification, Scheduled Withdrawals shall not be available from the Company Contribution Account.
- (b) A Participant may extend the Scheduled Withdrawal for any Plan Year, provided such extension occurs at least one year before the Scheduled Withdrawal and is for a period of not less than five years from the Scheduled Withdrawal. In the event a Participant separates from service with the Company prior to, or during the distribution of, a Scheduled Withdrawal for any reason, then the portion (or remaining portion) of Participant's Account associated with a Scheduled Withdrawal that has not been distributed prior to such separation, shall be distributed, along with any remaining portion of the annual deferral amount not subject to the Scheduled Withdrawal, in the form selected by the Participant in accordance with Section 6.5. If no such election was made under Section 6.5 for such annual deferral amount, such Scheduled Withdrawal shall be paid in a lump sum.

7.2.Hardship. In the event of an unforeseeable financial emergency, a Participant may make a written request to the Plan Administrator for a hardship withdrawal from his or her Account. For purposes of this Plan, an "unforeseeable financial emergency" is defined as a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent (as such term is defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The granting of a Participant's request for a hardship withdrawal shall be left to the absolute discretion of the Plan Administrator and the Plan Administrator may deny such request even if an unforeseeable financial emergency clearly exists. A request for a hardship withdrawal must be made in writing at least 30 days in advance, on a form provided by the Plan Administrator, and must be expressed as a specific dollar amount. The amount of a hardship withdrawal may not exceed the lesser of the amount required to meet Participant's unforeseeable financial emergency or Participant's vested Account balance. A hardship withdrawal will not be permitted to the extent that the hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, liquidation of the Participant's assets to the extent that such liquidation would not itself cause a severe financial hardship, or by the cessation of Deferral Contributions.

7.3. Acceleration of Benefits. The Plan Administrator may accelerate the distribution of a Participant's vested Account balance in order to (a) satisfy a domestic relations order; (b) pay employment taxes on amounts deferred under the Plan; (c) permit an automatic lump sum payment of not more than \$10,000 upon the termination of a Participant's entire interest in the Plan; or (d) any other permitted acceleration under Section 409A of the Code and the regulations thereof, including a Change of Control. In the event an accelerated distribution is requested by a Participant to satisfy a domestic relations order, the Plan Administrator shall make payments to someone other than Participant, as directed by the qualified domestic relations order.

7.4. Crediting of Withdrawals. Withdrawals and other distributions shall be charged pro rata to the Funds in which the Account of the Participant is invested, pursuant to Participant's designation under Sections 4.1 and 4.2 hereof.

ARTICLE 8

ADMINISTRATION OF THE PLAN

8.1. Adoption of Trust. The Company may enter into a Trust Agreement with the Trustee, to which the Company or any adopting Affiliate may, in its sole discretion, contribute cash or other property to provide for the payment of benefits under the Plan. The provisions of the Plan shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust Agreement shall govern the rights of the Company, adopting Affiliates, Participants and the creditors of the Company and adopting Affiliates to the assets transferred to the Trust Fund. All obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust Agreement, and any such distribution shall reduce the obligations under the Plan.

8.2. Powers of the Plan Administrator.

- (a) The Plan Administrator shall have the power and discretion to perform the administrative duties described in this Plan or required for proper administration of the Plan and shall have all powers necessary to enable it to properly carry out such duties. Without limiting the generality of the foregoing, the Plan Administrator shall have the power and discretion to construe and interpret this Plan, to hear and resolve claims relating to this Plan, and to decide all questions and disputes arising under this Plan. The Plan Administrator shall determine, in its discretion, the status and rights of a Participant, and the identity of the Beneficiary or Beneficiaries entitled to receive any benefits payable hereunder on account of the death of a Participant.
- (b) Except as is otherwise provided hereunder, the Plan Administrator shall determine the manner and time of payment of benefits under this Plan. All benefit disbursements by the Trustee shall be made upon the instructions of the Plan Administrator.
- (c) The decision of the Plan Administrator upon all matters within the scope of its authority shall be binding and conclusive upon all persons.
- (d) The Plan Administrator shall file all reports and forms lawfully required to be filed by the Plan Administrator and shall distribute any forms, reports or statements to be distributed to Participants and others.
- (e) The Plan Administrator shall keep itself advised with respect to the investment of the Trust Fund and shall report to the Company regarding the investment and reinvestment of the Trust Fund not less frequently than annually.

8.3. Creation of Committee. The Compensation Committee may appoint a separate committee to perform its duties as Plan Administrator by the adoption of appropriate resolutions of the Compensation Committee. The committee must consist of at least two (2) members, and they shall hold office during the pleasure of the Compensation Committee. The committee members shall serve without compensation but shall be reimbursed for all expenses by the Company. The committee shall conduct itself in accordance with the provisions of this Article 8. The members of the committee may resign with 30 days notice in writing to the Company and may be removed immediately at any time by written notice from the Company.

8.4. Chairman and Secretary. The committee shall elect a chairman from among its members and shall select a secretary who is not required to be a member of the committee and who may be authorized to execute any document or documents on behalf of the committee. The secretary of the committee or his or her designee shall record all acts and determinations of the committee and shall preserve and retain custody of all such records, together with such other documents as may be necessary for the administration of this Plan or as may be required by law.

8.5. Appointment of Agents. The committee may appoint such other agents, who need not be members of the committee, as it may deem necessary for the effective performance of its duties, whether ministerial or discretionary, as the committee may deem expedient or appropriate. The compensation of any agents who are not employees of the Company shall be fixed by the committee within any limitations set by the Board of Directors.

8.6. Majority Vote and Execution of Instruments. In all matters, questions and decisions, the action of the committee shall be determined by a majority vote of its members. They may meet informally or take any ordinary action without the necessity of meeting as a group. All instruments executed by the committee shall be executed by a majority of its members or by any member of the committee designated to act on its behalf.

8.7. Allocation of Responsibilities. The committee may allocate responsibilities among its members or designate other persons to act on its behalf. Any allocation or designation, however, must be set forth in writing and must be retained in the permanent records of the committee.

8.8. Conflict of Interest. No member of the committee who is a Participant shall take any part in any action in connection with his or her participation as an individual. Such action shall be voted or decided by the remaining members of the committee.

8.9. Indemnity. To the extent permitted by applicable state law, the Company shall indemnify and hold harmless the Plan Administrator, the committee and each member thereof, the Board of Directors, and any delegate of the committee or Plan Administrator who is an employee of the Company against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to the Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

ARTICLE 9

ADOPTION OF PLAN BY AFFILIATES

The adoption of this Plan by any Affiliate shall not be effective without the written consent of the Company. Any adoption shall be evidenced by certified copies of the resolution of the foregoing board of directors indicating the adoption. The resolution shall define the effective date for the purpose of the Plan as adopted by the corporation or Affiliate. Upon the adoption by any Affiliate, the term "Company" shall include such Affiliate.

CLAIM REVIEW PROCEDURE

10.1.Initial Claims. A Participant or Beneficiary entitled to benefits need not file a written claim to receive benefits. If a Participant, Beneficiary or any other person (all of whom are referred to in this Section as a “Claimant”) is dissatisfied with the determination of his or her benefits, eligibility, participation or any other right or interest under this Plan, such person may file a written statement setting forth the basis of the claim with the Plan Administrator. The Plan Administrator will notify the Claimant of the disposition of the claim within 90 days after the request is filed with the Plan Administrator. The Plan Administrator may have an additional period of up to 90 days to decide the claim if the Plan Administrator determines that special circumstances require an extension of time to decide the claim and the Plan Administrator advises the Claimant in writing of the need for an extension (including an explanation of the special circumstances requiring the extension) and the date on which it expects to decide the claim. If, following the review, the claim is denied, in whole or in part, the notice of disposition shall set forth:

- (a) the specific reason(s) for denial of the claim;
- (b) reference to the specific Plan provisions upon which the determination is based;
- (c) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the Plan’s appeal procedures, and an explanation of the time limits applicable to the Plan’s appeal procedures.

10.2.Appeal of Adverse Benefit Determination.

- (a) Within 60 days after receiving the written notice of the disposition of the claim described in paragraph (a), the Claimant, or the Claimant’s authorized representative, may appeal such denied claim. The Claimant may submit a written statement of his or her claim (including any written comments, documents, records and other information relating to the claim) and the reasons for granting the claim to the Plan Administrator. The Plan Administrator shall have the right to request of and receive from the Claimant such additional information, documents or other evidence as the Plan Administrator may reasonably require. If the Claimant does not request an appeal of the denied claim within 60 days after receiving written notice of the disposition of the claim as described in paragraph (a), the Claimant shall be deemed to have accepted the disposition of the claim and such written disposition will be final and binding on the Claimant and anyone claiming benefits through the Claimant, unless the Claimant shall have been physically or mentally incapacitated so as to be unable to request review within the 60-day period. The appeal shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such documents, records or other information were submitted or considered in the initial benefit determination or the initial review.

- (b) A decision on appeal to the Plan Administrator shall be rendered in writing by the Plan Administrator ordinarily not later than 60 days after the Claimant requests review. A written copy of the decision shall be delivered to the Claimant. If special circumstances require an extension of the ordinary period, the Plan Administrator shall so notify the Claimant of the extension with such notice containing an explanation of the special circumstances requiring the extension and the date by which the Plan Administrator expects to render a decision. Any such extension shall not extend beyond 60 days after the ordinary period. The period of time within which a benefit determination on review is required to be made shall begin at the time an appeal is filed in accordance with the provisions of paragraph (b)(1) above, without regard to whether all the information necessary to make a decision on appeal accompanies the filing.

If the appeal to the Plan Administrator is denied, in whole or in part, the decision on appeal referred to in the first sentence of this paragraph (b) shall set forth:

- (1) the specific reason(s) for denial of the claim;
- (2) reference to the specific Plan provisions upon which the determination is based;
- (3) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits; and
- (4) a statement of the Claimant's right to bring a civil action.

10.3. Right to Examine Plan Documents and to Submit Materials. In connection with the determination of a claim, or in connection with review of a denied claim or appeal pursuant to this Section, the Claimant may examine this Plan and any other pertinent documents generally available to Participants relating to the claim and may submit written comments, documents, records and other information relating to the claim for benefits. The Claimant also will be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the Claimant's claim for benefits with such relevance to be determined in accordance with Section 10.4 (Relevance).

10.4.Relevance. For purpose of this Section, documents, records, or other information shall be considered “relevant” to a Claimant’s claim for benefits if such documents, records or other information:

- (a) were relied upon in making the benefit determination;
- (b) were submitted, considered, or generated in the course of making the benefit determination, without regard to whether such documents, records or other information were relied upon in making the benefit determination; or
- (c) demonstrate compliance with the administrative processes and safeguards required pursuant to this Section regarding the making of the benefit determination.

10.5.Decisions Final; Procedures Mandatory. To the extent permitted by law, a decision on review or appeal shall be binding and conclusive upon all persons whomsoever. To the extent permitted by law, completion of the claims procedures described in this Section shall be a mandatory precondition that must be complied with prior to commencement of a legal or equitable action in connection with the Plan by a person claiming rights under the Plan or by another person claiming rights through such a person. The Plan Administrator may, in its sole discretion, waive these procedures as a mandatory precondition to such an action.

10.6.Time for Filing Legal or Equitable Action. Any legal or equitable action filed in connection with the Plan by a person claiming rights under the Plan or by another person claiming rights through such a person must be commenced not later than the earlier of: (1) the shortest applicable statute of limitations provided by law; or 2 years from the date the written copy of the Plan Administrator’s decision on review is delivered to the Claimant in accordance with Section 10.2 (Appeal of Adverse Benefit Determination).

ARTICLE 11

LIMITATION OF RIGHTS, CONSTRUCTION

11.1. **Limitation of Rights.** Neither this Plan, any Trust Agreement, nor membership in the Plan shall give any employee or other person any right except to the extent that the right is specifically fixed under the terms of the Plan. The establishment of the Plan shall not be construed to give any individual a right to be continued in the service of the Company or as interfering with the right of the Company to terminate the service of any individual at any time.

11.2. **Construction.** The masculine gender, where appearing in the Plan, shall include the feminine gender (and vice versa), and the singular shall include the plural, unless the context clearly indicates to the contrary. Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of this Plan. If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced in accordance with the laws of the State of Utah.

ARTICLE 12

LIMITATION ON ASSIGNMENT; PAYMENTS TO LEGALLY INCOMPETENT DISTRIBUTEES

12.1. **Anti-Alienation Clause.** No benefit which shall be payable under the Plan to any person shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of the same shall be void. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements or torts of any person, nor shall it be subject to attachment or legal process for or against any person, except to the extent as may be required by law.

12.2. **Permitted Arrangements.** Section 12.1 shall not preclude arrangements for the withholding of taxes from benefit payments, arrangements for the recovery of benefit overpayments, arrangements for the transfer of benefit rights to another plan, or arrangements for direct deposit of benefit payments to an account in a bank, savings and loan association or credit union (provided that such arrangement is not part of an arrangement constituting an assignment or alienation). Additionally, Section 12.1 shall not preclude arrangements for the distribution of the benefits of a Participant or Beneficiary pursuant to the terms and provisions of a "domestic relations order" in accordance with such procedures as may be established from time to time by the Plan Administrator.

12.3. **Payment to Minor or Incompetent.** Whenever any benefit which shall be payable under the Plan is to be paid to or for the benefit of any person who is then a minor or determined by the Plan Administrator to be incompetent by qualified medical advice, the Plan Administrator need not require the appointment of a guardian or custodian, but shall be authorized to cause the same to be paid over to the person having custody of the minor or incompetent, or to cause the same to be paid to the minor or incompetent without the intervention of a guardian or custodian, or to cause the same to be paid to a legal guardian or custodian of the minor or incompetent if one has been appointed or to cause the same to be used for the benefit of the minor or incompetent.

ARTICLE 13

AMENDMENT, MERGER, AND TERMINATION

13.1. **Amendment.** The Company shall have the right at any time, by an instrument in writing duly executed, acknowledged and delivered to the Plan Administrator, to modify, alter or amend this Plan, in whole or in part, prospectively or retroactively; provided, however, that the duties and liabilities of the Plan Administrator and any Trustee hereunder shall not be substantially increased without its written consent; and provided further that the amendment shall not reduce any Participant's interest in the Plan, calculated as of the date on which the amendment is adopted. If the Plan is amended by the Company after it is adopted by an Affiliate, unless otherwise expressly provided, it shall be treated as so amended by such Affiliate without the necessity of any action on the part of the Affiliate. Any Affiliate or other corporation adopting this Plan hereby delegates the authority to amend the Plan to the Company. An Affiliate or other corporation that has adopted this Plan may terminate its future participation in the Plan at any time.

13.2. **Merger or Consolidation of Company.** The Plan shall not be automatically terminated by the Company's acquisition by or merger into any other employer, but the Plan shall be continued after such acquisition or merger if the successor employer elects and agrees to continue the Plan. All rights to amend, modify, suspend, or terminate the Plan shall be transferred to the successor employer, effective as of the date of the merger.

13.3. **Termination of Plan or Discontinuance of Contributions.** It is the expectation of the Company that this Plan and the payment of contributions hereunder will be continued indefinitely. However, continuance of the Plan is not assumed as a contractual obligation of the Company, and the right is reserved at any time to terminate this Plan or to reduce, temporarily suspend or discontinue contributions hereunder; provided, however, that the termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination. Section 409A of the Code generally prohibits the acceleration of the payment of benefits under the Plan. As a result, except as otherwise permitted by Treasury Regulation Section 1.409A-3(j)(4)(ix), the termination of this Plan may not result in the acceleration of any payment to any Participant or Beneficiary.

13.4. **Limitation of Company's Liability.** The adoption of this Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any employee or Participant or to be consideration for, an inducement to, or a condition of the employment of any employee. A Participant, employee, or Beneficiary shall not have any right to retirement or other benefits except to the extent provided herein.

GENERAL PROVISIONS

14.1. **Status of Participants as Unsecured Creditors.** All benefits under the Plan shall be the unsecured obligations of the Company as applicable, and, except for those assets which may be placed in any Trust Fund established in connection with this Plan, no assets will be placed in trust or otherwise segregated from the general assets of the Company or each Company, as applicable, for the payment of obligations hereunder. To the extent that any person acquires a right to receive payments hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

14.2. **Uniform Administration.** Whenever in the administration of the Plan any action is required by the Plan Administrator, such action shall be uniform in nature as applied to all persons similarly situated.

14.3. **Heirs and Successors.** All of the provisions of this Plan shall be binding upon all persons who shall be entitled to any benefits hereunder, and their heirs and legal representatives.

14.4. **Section 409A.** Under no circumstances may the time or schedule of any payment made or benefit provided pursuant to this Plan be accelerated or subject to a further deferral except as otherwise permitted or required pursuant to regulations and other guidance issued pursuant to Section 409A of the Code and the provisions of this Plan. If a payment is not made due to a dispute with respect to such payment, the payment may be delayed in accordance with Treasury Regulation Section 1.409A-3(g). If the Company fails to make any payment under this Plan, either intentionally or unintentionally, within the time period specified in the Plan, but the payment is made within the same calendar year, such payment will be treated as made within the time period specified in the Plan pursuant to Treasury Regulation Section 1.409A-3(d). This Plan shall be operated in compliance with Section 409A of the Code and each provision of the Plan shall be interpreted, to the extent possible, to comply with Section 409A of the Code. Nevertheless, the Company cannot, and does not, guarantee any particular tax effect or treatment of the amounts due under the Plan. Except for the Company's responsibility to withhold applicable income and employment taxes from compensation paid or provided to the Participants, the Company will not be responsible for the payment of any applicable taxes on compensation paid or provided to any Participant.

To signify its adoption of this Plan document, the Company has caused this Plan document to be executed by a duly authorized officer of the Company, effective on the 1st day of January, 2021.

NU SKIN ENTERPRISES, INC.

By: /s/ Ritch N. Wood

Its: Chief Executive Officer

SCHEDULE A

Nu Skin International, Inc. Deferred Compensation Plan (Adams, Mark)
Nu Skin International, Inc. Deferred Compensation Plan (Allen, Charles)
Deferred Compensation Plan (New Participant Form) (Averett, Claire)
Deferred Compensation Plan 2004b (Averett, Claire)
Nu Skin International, Inc. Deferred Compensation Plan (Bush, Lori)
Deferred Compensation Plan 2004b (Bush, Lori)
Nu Skin International, Inc. Deferred Compensation Plan (Cerqueira, Luiz)
Nu Skin International, Inc. Deferred Compensation Plan (Chang, Joseph)
Deferred Compensation Plan 2004b (Chang, Joseph)
Deferred Compensation Plan (New Participant Form) (Chard, Dan)
Nu Skin International, Inc. Deferred Compensation Plan (Conlee, Robert)
Nu Skin International, Inc. Deferred Compensation Plan (Dorny, Matt)
Deferred Compensation Plan (New Participant Form) (Durrant, Jodi)
Nu Skin International, Inc. Deferred Compensation Plan (Ford, Joe)
Nu Skin International, Inc. Deferred Compensation Plan (Fralick, John)
Nu Skin International, Inc. Deferred Compensation Plan (Frary, Jim)
Deferred Compensation Plan (New Participant Form) (Garrett, Gary)
Deferred Compensation Plan (New Participant Form) (Hartvigsen, Rich)
Deferred Compensation Plan 2004b (Hartvigsen, Rich)
Deferred Compensation Plan (New Participant Form) (Henderson, Sid)
Deferred Compensation Plan 2004b (Henderson, Sid)

Deferred Compensation Plan (New Participant Form) (Howe, Keith)

Nu Skin International, Inc. Deferred Compensation Plan (Hunt, Truman)

Deferred Compensation Plan (New Participant Form) (King, Richard)

Deferred Compensation Plan 2004b (King, Richard)

Deferred Compensation Plan (New Participant Form) (Lindley, Corey)

Nu Skin International, Inc. Deferred Compensation Plan (Lords, Brian)

Deferred Compensation Plan (New Participant Form) (MacFarlene, Larry V.)

Nu Skin International, Inc. Deferred Compensation Plan (Mangum, Bart)

Deferred Compensation Plan (New Participant Form) (Messick, Owen)

Deferred Compensation Plan (New Participant Form) (Morris, Brad)

Nu Skin International, Inc. Deferred Compensation Plan (Nielson, Chris)

Nu Skin International, Inc. Deferred Compensation Plan (Nelson, Brett)

Nu Skin International, Inc. Deferred Compensation Plan (Peterson, Jack)

Deferred Compensation Plan (New Participant Form) (Schultz, Tom)

Deferred Compensation Plan (New Participant Form) (Schwerdt, Scott)

Nu Skin International, Inc. Deferred Compensation Plan (Smidt, Carsten)

Deferred Compensation Plan (New Participant Form) (Smith, Michael)

Nu Skin International, Inc. Deferred Compensation Plan (Thibaudeau, Elizabeth)

Nu Skin International, Inc. Deferred Compensation Plan (Treharne, Alex)

Deferred Compensation Plan (New Participant Form) (Van Pelt, Dane)

Deferred Compensation Plan 2004b (Van Pelt, Dane)

Nu Skin International, Inc. Deferred Compensation Plan (Wayment, Brad)

Deferred Compensation Plan (New Participant Form) (Wolfert, Mark)

Nu Skin International, Inc. Deferred Compensation Plan (Wood, Ritch)

Nu Skin International, Inc. Deferred Compensation Plan (Young, Rob)

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Ritch N. Wood, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Ritch N. Wood

Ritch N. Wood
Chief Executive Officer

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Mark H. Lawrence, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nu Skin Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Mark H. Lawrence

Mark H. Lawrence
Chief Financial Officer

SECTION 906 CERTIFICATION OF CHIEF EXECUTIVE OFFICERCERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Nu Skin Enterprises, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 (the "Report"), I, Ritch N. Wood, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2020

/s/ Ritch N. Wood

Ritch N. Wood
Chief Executive Officer
