



New Age Beverage Corporation

Transaction Conference Call

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

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

Operator

Greetings. Welcome to New Age Beverage Conference Call.

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

I will now turn the conference over to your host, Riley Timmer, Global Director of Investor Relations. Thank you, you may begin.

Riley Timmer

Thank you, Sherry, and good morning everyone. Thank you for joining New Age Corporation's Investor Conference Call to discuss the merger with New Age, ARIIX, Zennoa and three other major e-commerce and direct selling companies.

I'm Riley Timmer. I'm the new Global Head of Investor Relations. I'm actually joining from ARIIX where I was one of the founding partners there, and I'm very excited to be part of the new, combined Company and to be with you all today.

On today's call we'll have Brent Willis, the Chief Executive Officer of New Age, Gregory Gould, Chief Financial Officer of New Age, and Freddy Cooper, CEO of ARIIX.

I'd like to remind everyone that this conference call may contain forward-looking statements reflecting management's current expectations regarding future results of operations, economic performance, financial conditions and achievements of the Company. Forward-looking statements, typically those concerning future performance, are subject to certain risks and uncertainties. Details of the merger can be found on the Form 8-K filed with the SEC.

Any forward-looking statements that we make on this call are based on assumptions as of today, and we undertake no obligation to update these statements as a result of new information or future events. The transcript of today's conference call will be available on the Company's website within the Investors section at newagebev.com.

With that, I'll now turn the call over to Brent.

Brent Willis

Thanks, Riley; excited to be working with you.

This merger is the biggest news to affect New Age probably ever, the biggest news to affect ARIIX ever, and the biggest news to affect the industry in years. The merging of these six e-commerce and direct selling companies is unlike anything that has ever happened in the industry before, and we are very excited about what this combination represents for both our shareholders and all of our valued independent representatives worldwide.

New Age, ARIIX, Zennoa, LIMU, Shannen in Indonesia, and MaVie are all coming together as part of the New Age group to, frankly, create an industry leader. As a result, number one, we will have the most extensive, healthy product portfolio in the industry. Number two, we will have global reach via our unique omnichannel route to market, across more than 75 countries. Number three, we will have, combined, more than 400,000 independent product consultants and representatives. Number four, more than 80% of all the products that they buy are ordered and fulfilled online via e-commerce. Number five, more than 80% of those products are delivered direct to consumer homes. Number six, underpinning all of this, we will have the scale, the resources, the profitability and free cash and the overall financial flexibility to drive organic growth and take advantage of the opportunities that we see worldwide in an increasingly complex business environment.

Look, if we did not all think that we were in the midst of a COVID storm, or that a bigger storm may be coming, well, that's probably just not prudent planning. That storm may sink a lot of smaller folks, and to navigate in those waters, to thrive in those waters, more scale, more resources, more flexibility, lower expenses, more profitability are all the right things to do.

Part of the reason that all of these companies are growing this year, even before joining this group, is because so much of consumer products' goods is shifting towards direct and home delivery around the world. We cannot think of a stronger, more defensible and more appropriate business structure with a 100% healthy product portfolio and direct home delivery route to market. We couldn't think of a better structure to compete if we tried, to really thrive in the new reality in which we all operate, especially in this COVID and post-COVID environment, we believe we are extremely well-positioned.

Guess what? We have more than 400,000 loyal, dedicated, exclusive, independent product representatives and consultants whose livelihood depends on selling our products and who, frankly, like

so many people around the world these days, need the income. We have all of these people exclusively selling our products, now across more than 75 markets throughout the world.

Now, I mentioned to shareholders on our last conference call that we believe that we had created the platform with the infrastructure and capabilities to now begin to leverage that platform. We believe this merger does just that. It's a tremendous portfolio to drive to our markets, and now even more access to more markets with a bigger, broader salesforce, if you will. Not only is this combination a great strategic fit for all the reasons I just mentioned, but financially, also extremely attractive. When you add in the revenue of all of the different partners, as of the end of 2019, that number would exceed \$500 million in net sales. ARIIX alone with more than \$15 million in profit in 2019, and this is before the addition of some of the other partners. That is also before capturing much of the cost and revenue synergies that we believe will exceed \$20 million on an annualized basis. Shortly after merging in 2020, we expect to capture a large portion of the cost synergies. We expect EBITDA margin to be on a run rate of around 10%, and we expect our gross margins to be close to around 70% on a blended basis.

We will have more brands, more products, more people and more resources to drive that growth, so on top of a higher profit, lower expense platform, we have all of the capabilities to drive superior organic growth, and this is just very good news for investors and for our Company. But it's not just me that sees the strategic benefits; we all do. Maybe no one more than Fred Cooper, my partner and future boss, as he joins the Board of the combined companies.

Let me please pass it on to Freddy to share a few remarks on the merger.

Fred Cooper

Yes, thank you, Brent. Well, it's good to be back on this call for the first time, and especially in the public arena. It's been over nine years, ago, nine years, when we left USANA to build the ARIIX opportunity. Most of you as investors can look to our track record of creating shareholder value during our time there. We expect to do the same thing here at New Age, and then some.

We worked diligently over the last nine years to create a company that was a disruptor, a disruptor for our employees, our stakeholders, and most importantly, for our independent representatives. We take great pride in what we do and how we do it, and we have great respect and appreciation for the tens of thousands of independent ARIIX representatives around the world who have put their trust not only in me and my partners, but also in this new venture. We know this partnership with New Age will only enhance the business and the value of the overall organizations.

I can personally tell you, for the most part, I look forward to working with Brent to set strategy and increase the overall value of the New Age/ARIIX organization. We align in many ways, pushing forward this disruptive vision of an omnichannel, direct-to-consumer model. ARIIX has been growing steadily, consistently, while we open new markets, acquire new companies, provide unique and rewarding customer loyalty programs, and in launching new products and brands.

One of our core strategies has been the acquisition of other direct selling companies. We've established ourselves years ago to be a house of brands, if you will, facilitating ease of mergers and acquisitions of other direct selling companies. We've always seen ARIIX as an industry consolidator, which has served us very well in the past with the mergers and acquisitions that we have done. In fact, many of the new markets we've opened have come through acquisition, including Japan, Taiwan, and several markets in Europe. This approach allows us to consistently offer more breakthrough products and more business-enhancing options for continued global growth and expansion. Now, together with New Age, we believe we'll have the vehicle to move this industry consolidation strategy forward at an even faster rate.

Concurrent with the closing of the merger, we expect it to be sometime during the third quarter of this year. I'll be joining the Board of Directors of the combined companies. Given my knowledge and Ph. D in Operations, I also expect to be fully engaged to support Brent, and especially am keen to support the capture of the cost and revenue synergies we've identified. Both Brent and I oversee the Convergence Committee, which, for the consolidation and value creation of shareholders will be substantial, and I expect to stay immediately involved in those details.

We expect to eliminate many of the current redundancies and leverage the combined infrastructure of both organizations. Our emphasis will be on reducing SG&A through human resources reduction, eliminating market redundancies and overall operational improvements to both organizations. For our representatives, it'll be key that we don't disrupt their businesses with this merger.

While it brings a lot of excitement to both organizations and their IPCs and our representatives, it will be key not to see any changes to them for at least six months. Our core values and philosophies will remain unchanged, as well as our unique offerings such as our Bill of Rights, our Founders Club, and our partnership with the field.

Furthermore, our compensation plan gives us multiple patents that we have filed hoping to make an exclusive ability and a very unique opportunity for the integration of compensation plans across all businesses without changing a rep's down-line organization. This has always been a hurdle for integrating direct sales companies, which makes what we do very disruptive. These are just a few more of the core competencies that helped us get to the size and scale that we are today. In addition, most of the ARIIX owners and executives will stay actively involved and engaged, including Mark Wilson, who will be the President of New Age, and who was currently the President of ARIIX, and was an officer running Global Sales while at USANA.

We know direct sales, but I'm personally interested in partnering with Brent to further develop our omnichannel strategy on a global level, while using the direct sales model to expand into other direct-to-consumer offerings. Our commitment to the direct sales channel is great, but we plan on being much more than that, which includes finding other methods to help our representatives make money. We believe the omnichannel model will allow for our representatives to find a new way to do business that has never been implemented in direct sales.

The world is evolving and we need to adapt and evolve with a younger demographic who sees the world very differently than the older generation, and an industry in which everything has been well-established, we can create a disruptive approach. We do all of this while leveraging our in-house manufacturing, IT, marketing and other capabilities that will allow us to stay nimble and adapt to the changing times.

Finally, with our historical success, we didn't need New Age, and they didn't need us, but we had a major desire to do more, to impact more, to make more of a difference for consumers and our representatives. That drove us to combine forces and be a spring board for accelerated growth, and a stronger defense against unforeseen disruptions like COVID, and a platform that provides a better opportunity than any other company in the industry to join us, providing the perfect vehicle for increasing shareholder value.

Let me pass it now on to Greg who's going to give you some of the specific details of this transaction. All yours, Greg.

Gregory Gould

Thanks, Fred.

I would like to discuss the transaction and the combination on purely financial terms, which we view as very attractive for shareholders. On a pre-audit basis, ARIIX achieved nearly \$220 million in net revenue and gross margin of above 75% and Adjusted EBITDA of nearly \$20 million, and EBITDA margin of 9% for the full year ended December 31, 2019.

If we look at the full year of 2019 on a combined company basis, New Age and ARIIX pro forma net revenue were over \$450 million and blended gross margin of 70%, and EBITDA, when adjusted for the elimination of New Age's brand business, of nearly \$30 million, importantly, not including any of the recent additions of MaVie, Zennoa, LIMU, or Shannen. Those are all upside to these projections.

ARIIX has continued to grow in 2020, and through April, year-to-date, is up 5% compared to the same period in the prior year, similar to New Age, that was up 9% in the first quarter of this year. During the first half of 2020, Asia-Pacific represents a little more than 50% of their business, not including the recent combination of Shannen in Indonesia, which we expect could add an additional \$25 million in revenue in 2020 on a full year basis.

Europe also represents a little more than 30% of the ARIIX business, which has shown significant growth over the past several months, as they have had several new leaders join across the region. That is the geographic footprint of ARIIX, and from a portfolio standpoint, their largest category group is Nutritional Performance, with their brands Slenderiiz and Nutrifii, which represent about 77% of their portfolio, and significantly strengthen the Nutritional Performance category platform of the combined companies to go with New Age's, LIMU's and Zennoa's strengths in healthy hydration and wellness, and New Age's and Shannen's strengths in healthy appearance platforms.

Switching to the balance sheet; as of April 2020, ARIIX had over \$25 million in cash, current assets of \$54 million and total assets of \$68 million, against just \$44 million in current liabilities. When merged with New Age, ARIIX will be bringing approximately \$15 million in working capital and will be incorporated with minimal debt.

In synergies, as discussed in the press release and as mentioned by Brent, we have identified a number of cost and revenue opportunities that we believe will improve as a result of the combination. On the cost side, we believe these can total \$20 million within the next 12 to 18 months, with approximately \$10 million coming from administrative redundancies and op ex savings, most of which will be captured prior to year-end.

Clearly, the financial combination is transformative for both New Age, ARIIX, and all of the partners coming together in terms of greater scale, more resources, better management and lower percentages as a percentage of revenue. We think this very timely and strategic. We also believe the level of accretion from the transaction for shareholders will be outstanding.

The total consideration at closing, of \$25 million in cash and 18 million shares, can be paid from New Age's current resources. The \$10 million payment in six months can be satisfied in either cash or stock, and can frankly be paid in free cash generated by the combined business if we choose to do so, and finally, the last \$141 million payment that is not due for two years. We will have a number of ways to satisfy this obligation in either cash or stock in the future.

As you can see, the New Age stock is at a much more attractive level today since the announcement of the transaction, and we expect the value should increase as we anticipate improved overall performance in the future.

With that, I will hand the call back over to Brent.

Brent Willis

Thanks, Greg.

I also want to thank Jeff Yates, the CFO of ARIIX who has been instrumental in leading ARIIX financially through this very strong point, and also Jeff thank you in bringing this opportunity together with New Age to closure. Jeff is on the call today, for anyone that may have questions in the Q&A portion of today's call.

I do want to turn it over to questions, but before I do, let me try and connect some of the dots. New Age's strategy is and always has been to build healthy, functional brands and global distribution. We may have broadened our definition of the segments in which we compete. It's a bit larger than the 100% beverage focus that we started with, but that doesn't change the strategy that was designed to, number one, capitalize on the fundamental shift in consumer behavior to health and wellness; number two, take advantage of retail disintermediation and real change in the retail landscape; number three, strike while our major competitors are just being big and slow and formulaic.

We have always known we had to disrupt, from a retail standpoint, and if COVID illuminates anything in the CPG world, it illuminates change in the retail landscape across all categories and the value in being direct. We can't and never intended to play Coke's or Pepsi's or other CPG player's games from a route to market standpoint, so the fact that we are playing our own game and disrupting how we get products to consumers, where and when they want them, with more than 80% ordered and fulfilled online, and more than 80% delivered direct to consumer homes, is our game. Let me tell you: we couldn't have architected a better route to market if we tried, especially in the changed business environment that pervades us all.

I believe we had the brands, and now we are even better, way better, in fact. We had the market and channel access, and now we are, well, way better and bigger and broader. We had the team and infrastructure and organizational capabilities, and now we are even stronger there, and we had the financial flexibility that has evidenced itself with the pulling together of this—I don't know what the best analogy, kind of blockbuster, 16 trade and deal.

Going forward, we have more resources to drive organic growth through an even more robust platform, and then almost doubling of our network salesforce expansion to another 20 markets, with lower expenses and more free cash flow generation. I am honored to be in a position to lead this Company, and all of our more than 400,000 representatives, affiliates and independent product consultants going forward. I am confident that together with Fred and all of my colleagues from ARIIX, from Noni, from LIMU, from Shannen, from Zennoa and from MaVie, that we will continue to make a difference for consumers with healthy products and drive tremendous wealth creation for all our valued shareholders and everyone who touches our great Company.

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

Operator

Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from David Bain with ROTH Capital Partners.

David Bain

Okay, thank you. First, I just want to say congratulations; pretty incredible from when we first began following your Company not too long ago, but four years, kept your feet moving big time. Good stuff.

As was spoken to in the prepared remarks and shown by the acquisition consideration structure, ARIIX and the other candidates whole value of the combined entity, as future shareholders, obviously, I have to believe there are other large players that see NBEV as an attractive team and platform. As our (inaudible) was noted, it's been an industry consolidator in direct. Do you envision revenue and EBITDA scale to be increased significantly further in the same way, or is the sole focus on organic growth in the immediate term?

Fred Cooper

Both.

David Bain

Got it.

Fred Cooper

This is Fred Cooper, it's going to come through both.

David Bain

Okay, okay. Then just two more if I could; one, it sounds like ARIIX has a different payout incentive for its independent consultants and the current base of IPs. Will the structure change towards ARIIX? Is that one of the revenue or cost benefits; do you anticipate any sort of disruption from any changes, or will the company remain bifurcated from that standpoint?

Brent Willis

Yes, on the compensation system—this is Brent here. One of the great competitive advantages that we now have, and it is one of the things that has precluded this industry from consolidating historically, ARIIX has been a consolidator because not only do they have the culture, not only did they have the people and operating capabilities, but they had this unique patented compensation system that Dr. Freddy Cooper developed. It is unique in the industry and is tremendous.

One of the things that is critical in these combinations is limited disruption for the field, limited disruption for all of the representatives, but we have no plans in the short-term to merge those compensation systems because we want to communicate to our field leaders that everything is remaining the same for them, except they have more resources and more growth and more access to more markets. We're going to limit the disruption on the field, and most of the conversions, Dave, is going to be around the cost synergy area, both from a headcount redundancy standpoint, and we think we can get most of which in 2020, but then also in utilizing our in-house manufacturing, our warehousing in Europe and those kinds of things where we think that there's substantial savings, so across the board on cost synergies. That's where the most value is and that's what we're going to focus on.

Moving too quickly is probably the biggest—in terms of integration, especially in compensation, is probably the biggest risk, and it's just not a risk that we're going to undertake. But long-term, we love the competitive advantage in this very unique patented compensation system that ARIIX brings, and we think, as we evaluate that, potentially for other partners that may want to join our system, of which there is a plethora out there, we'll look to utilize that competitive advantage.

David Bain

Okay, great. Just my final one if I could, can you just give us a snapshot of pro forma revenue generation percentage by country or region? Does diversity augment in terms of weightings, or become more weighted to Asia or other areas?

Gregory Gould

Yes, this is Greg, I'll take that one. When we looked at the combined performance for 2019, on an overall business, we had about 65% of our revenues coming out of Asia, 20% out of the U.S., and then the final 15% out of the EU and rest of world. But based upon ARIIXs' performance during the last six months, they have seen substantially stronger performance in Europe, and really had some really good growth there. Then during 2020, we probably would expect to see our overall breakdown getting closer to 20% to 25% in Europe, with the difference coming out of Asia going forward. That's kind of the geographic breakdown.

Brent Willis

Hey, Dave, it's Brent here. I wanted to just add one more thing, strategically, right? We've said historically that New Age has three focused markets: Japan, China and North America. What this merger does is it significantly strengthens our business in both Japan and China, two of the focused regions. What it also does, it gives us—because I sort of think of another leg, if you will, with the tremendous growth in Europe. We're seeing both in first and second quarter, unbelievable growth, both on our side and the ARIIX side; triple digits, really, on the ARIIX side, and triple digits in most markets on the New Age side, first and second quarter in Europe. A little bit surprising, but we'll take it.

We're seeing the emergence of additional scale legs, not just in Brazil that we just recently opened, and Europe, but some other markets too. We like the fact that we have other legs beyond just a significantly increased scale in two of the strategic markets in both Japan and China.

David Bain

Fantastic, all right. Congratulations again.

Gregory Gould

Thanks, Dave.

Operator

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

Michael Grondahl

Yes, thanks, guys.

Maybe just a first one for Greg; could you talk a little bit about what the pro forma balance sheet and share count looks like?

Gregory Gould

Yes, so let's start with share count. Post-deal, right when we close, we're going to be upwards of roughly 120 million shares outstanding, based upon where this deal will close at, and based upon a few non-compete agreements.

Then with the balance sheet, we do see ourselves, depending on the amount of cash that comes with ARIX, at closing, we see our cash coming down a little bit, to kind of the mid-20s to \$30 million. Then we continue to see a very strong balance sheet, having made a strong ratio, or our current ratio, based upon our (inaudible) any of our current liabilities.

Michael Grondahl

Got it. Do you anticipate—I think there's an agreement with your credit facility to maybe draw down or issue another \$15 million of equity in the back half of the year. Is there any update on that?

Gregory Gould

Yes. With that current facility, we are continuing to use them, but there's going to be lots of new alternatives out there for us to look at on the credit side. We're looking at different things we can do to possibly loosen that up moving forward in the second half of this year. But basically right now, we feel pretty good about the cash position, where we're at, and especially with the knowledge that we'll be generating free cash flow moving forward once we close this.

Brent Willis

Hey, Mike, it's Brent here. Just to build on what Greg said, with that free cash flow generation and now the positive level of net income and higher gross margin and positive EBITDA, like Greg said, we have access to so many more opportunities from a financial partner standpoint, and major banking relationships, so we're looking at those now. But because we throw off the positive free cash as a Company, we don't believe we need to access any of those things, but given our scale of north of \$500 million in revenue and the level of profitability, we want to make sure we have the right financial partners with us going forward on the banking and debt and other side that will really enable us with scale, beyond where we are today, both organically and externally. We think we're extremely well-positioned, not just from a capital market standpoint and a stock standpoint (inaudible) and our common stock, but also the balance sheet that is really clean for the size and scale Company.

As you know, Mike, we started it four years ago and we were worth \$2 million in revenue; today we're north of \$500 million. It's taken exactly four years, so to bet against continued growth and real scaling of this firm to leverage its platform and build on this disruptive opportunity, is probably not a good bet, but we think that we're going to continue to grow, as Fred mentioned, in a range of different ways, and those opportunities are really at the forefront to this Company and they come every day. I think Greg together with Jeff Yates, you're doing this hard job in maintaining that financial flexibility and increase it going forward with the right financing partners.

Michael Grondahl

Great, great. Then, Brent, just an update, I think the \$30 million of pro forma Adjusted EBITDA excludes the drag from the legacy brand. Is there an update on the legacy brands, kind of where you're at with those?

Brent Willis

Yes, so I mentioned that we were looking at our strategic alternatives on some of those legacy brands, and we have indeed had multiple expression of interest from those. We're right in the midst of it, and we expect to communicate on the third quarter conference call which was what again...

Fred Cooper

On August 10.

Brent Willis

August 10, so on the third quarter conference call, we'll have a specific update for shareholders. But the bottom line is, regardless of what you do with those brands, the negative EBITDA drag goes away, the op ex goes away. That part is not a choice, and we'll have the specific update of what we're doing with individual brands, licenses, so those kinds of things. But we've already made some substantial changes and improvements at the gross margin level; we gained some incremental distribution, so we made some good progress on those brands; many of them are just too small for us, and just less strategic.

But as Fred mentioned, and we love this omnichannel strategy, our DSC business is growing fantastically. We still think of that as particularly strategic for us, and overall retail too, but with the right customers, with the right size customers and the right size brands. As I mentioned, we'll be communicating and providing an update on those smaller brands that are just less strategic for us going forward, on the next Investor Call.

Michael Grondahl

Okay and lastly, the ARIIX's two popular products, Slenderiiz and I think it was Nutrifii, how long does it take to get those into the IRC's at New Age?

Brent Willis

It's interesting. I'm going to take the first piece of this, because Fred and I were up last night until 1:30 am talking with Asia, so we're a little bit incoherent on this call today, so I apologize for that—at least Fred is, I'm on my game.

I'm going to pay for that comment. It's one of the questions that all of the reps want, USA, we all want access to all the new products and all the new markets, and they want it yesterday, right? It's the first question any one of them ask. What we're doing is things for sustainability, right? We make no promises to them, but we structure these things. Frankly, New Age, we had a huge new product portfolio planned in terms of new immunity shots that we're launching around the world, and a range of new products already to drive our organic growth. Frankly, it's a complexity to figure out, okay, when and how do you add in Slenderiiz and Nutrifii and some of these products into the New Age system?

But let me tell you, man. The independent representatives, they're all clamoring to have these products. But you've got to be really, really careful about when you do it. Fred has even more experience, times a factor of a hundred, on doing this and doing it right. I'd ask Fred, how do you frame Mike's question?

Fred Cooper

Yes, we have a couple of items going for us. First, we have done this at least a dozen times with different mergers that we have done. It will depend on the following factors primarily. First, are we currently in the country, operating with registered products? We have quite a bit of overlap between us and New Age

Beverage. Those countries will be able to have access to our products much quicker because the products have already been registered.

In those countries where products are not yet registered, we will begin that process immediately, then the holdout is inventory levels. How much inventory do we have to make sure we don't disrupt the current purchasing patterns of ARIIX, and allow New Age to make some additional purchases as they try our products and vice-versa.

The last is systems; are the warehouses and our integrated systems able to be able to move from warehouse to warehouse, the product inventory levels? At ARIIX, we have a proprietary in-house IT system that will make it very easy for us to be able to make products for our ARIIX representatives from the New Age Beverage side, available fairly immediately. You will begin to see the transfer of being able to do products as early as three months, and some will go as long as a year, depending on how long product registration is for a particular country.

Brent Willis

I would tell you just one last thing financially, Mike, I thought that was just a great answer from Fred. But financially, we have not yet modeled in any of those revenue synergies from a cross-pollination standpoint, so that is all an upside to what we've modeled so far. Like Fred said, it will take some time, and it takes time depending on our status and preparation and the by market standpoint. We're treating them as an upside financially, in terms of our synergy model of the \$20 million that we talked about. The predominance of all of that comes from the cost synergies from eliminating redundancies right away, headcount opportunities, office merger and consolidation opportunities, those kinds of things. But the revenue synergies, which is the translation of this cross-pollination of products is not yet modeled, and a further significant synergy upside.

Michael Grondahl

Got it, that's helpful. Hey, thanks a lot guys.

Brent Willis

Thanks, Mike.

Operator

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

Aaron Gray

Hi, good morning, guys, and congrats again on the combination.

Brent Willis

Thanks, Aaron.

Aaron Gray

One question for me was something you guys alluded to in your prepared remarks, referring to the ability to kind of transition, not only in the direct selling business, but also omnichannel, and also increasing the adoption of more of the younger consumer. We'd love to hear your take and some of the initiatives you

have in place to kind of transition that business and shift towards more of an omnichannel strategy, and what you look to do to bring on more of the younger consumer as you continue to evolve the business? Thank you.

Brent Willis

Yes, I'm going to ask Fred to chime in on this one also, but one of the things that—why I think we're both seeing growth this year in this COVID context, which a lot of CPG companies can't claim, is we've made a very significant move towards social and digital selling tools. Those tools that are particularly popular with millennials, which is now 50% of the global population, where they use those tools as a way to bring in new sellers, new independent representatives, and to just commercialize this product, because we have those social tools and because so many millennials around the world need income, they need jobs, they need livelihoods, this system is just perfectly situated for them around the world. The fact that we sell healthy products; millennials like that, and the fact that we are a purpose-driven Company, it's a must-have for these millennials these days.

That's why I say we think we're perfectly well-structured. Even a company, believe it or not, like Avon, one of the great companies that's frankly, historic, a very slow-mover in this industry, they just reported, what, a couple of days ago, in the U.K., a doubling of the size of their representatives, and a network joining their business, right. This system, where it's very low cost of entry, you don't have to have a lot of experience, but we put everybody through our training systems, our social and digital systems; those tools are really, really working for us.

I'm excited about what that represents, because if you think about it, look. This is like a new Uber kind of shared economy. Millennials want to, number one, buy products and order them online, that's us; number two, they want it delivered to their home, guess what, that's us; and number three, they respond to friends and family and word of mouth, and social and digital, and their Instagram feeds. Guess what? I have just described our system.

I think that this whole direct system and the omnichannel route to market is the way. Even Pepsi's trying to sell products online. We're just two steps ahead, and now together with ARIIX, a mile ahead in terms of the model of where consumers are going, because you've got to have the system, you've got to have the social tools, and we have to have the younger population of social and digital sellers, micro-influencers, nano-influencers, not just macro-influencers. But guess what? We have them around the world, and ARIIX just brings even more in spades—as do our other partners, LIMU and Shannen and MaVie and others.

Fred, I don't know what else might you add to what I said, in terms of this new Uber model that we're on the forefront of really driving. I love it.

Fred Cooper

Yes, part of our acquisition strategy at ARIIX is to try to target a specific demographic that kind of fits in, and that demographic is a 30-year-old female with 1.5 children. I know it sounds funny, but it really is a very specific niche that we have, and they are all about themselves and being the superstar. Think of it as a selfie picture of a transformation story that says, "Look at me, look at the products I've taken, look at my lifestyle. Don't you wish you were me? Come join me." We have a lifestyle rewards program, a house of brands for them to pick through for their products, and make them and their lifestyle the advertising promotional marketing tool of the Company.

By doing that, boy, they are more than happy to share their information of what they're doing with ARIIX, and we want to bring a lot of that to the table at New Age as we continue to expand the channel of product offerings, more on a social media and social selling platform.

Aaron Gray

Thanks for that color, super helpful.

Just a second one for me and then I'll hop back into queue is, Fred, you gave a lot of helpful color in terms of some of those revenue synergies and timing, kind of the other side of that, because that's definitely where I see a lot of opportunity in terms of this merger. Can you talk about expectations and what you've seen historically from similar acquisitions, in terms of being able to capture more consumer wallet, maybe impacts to the average basket that might be able to be expected, especially as we look at—there is some overlap, but also some additional products between the beverage, wellness, nutritional performance and beauty products that are going to be offered through these six different platforms. Any kind of impact you could expect, that would be helpful. Thanks.

Fred Cooper

Sure. During all of the acquisitions, we prefer a company that has one or two products that can be added to a particular brand. But in some events, we do not have a specific brand, and an acquisition gives us an opportunity to instantly have a product line that is registered across countries that we are currently doing business in. Occasionally, we also pick up a license or two, in a direct selling format, in countries where we're not doing business. It's one of the reasons we really love New Age, is the number of countries they're in and fully operating and functional in.

Once we do that, the real cost for the acquisition is an asset purchase, usually with involvement on the Senior Management related to how it touches the field, and then frankly, everything else, with the exception of Customer Support, is usually redundant. Once we hit our breakeven level on cash, everything above that is tremendous contribution to our bottom line, to the tune of 25% to 30%. Acquisitions are a great way for us to gain economies of scale as we push forward.

Then in addition, some of the biggest assets you gain are on an organic level, in which we find the top leaders of that organization are now more fired up and inspired to go sell because they're in more countries, a broader range of diversity of products, and a compensation plan that pays better to them specifically. With all of those benefits, as long as the reps got more ways to make money and feel they're going to make more money on the business, they get excited and talk, and all we want them to do is get excited and talk about themselves, and the transformations that they have.

Aaron Gray

All right, great, thanks for that color and congrats again on the acquisitions.

Fred Cooper

Thank you.

Multiple Speakers

Thanks, Aaron.

Operator

Our next question is from Doug Lane with Lane Research. Please proceed with your question.

Douglas Lane

Hi, good morning everybody. This really is a transformational acquisition, no question about it. I guess my first question is, are you going to change the name of the Company and are you going to move the headquarters to Salt Lake City?

Brent Willis

We're all in Utah right now; Doug, this is Brent here. Given the interesting level of liquidity we have with the NBEV ticker—and we've got, believe it or not, 112,000 shareholders with this Company. It's just unheard of. We don't have as much institutional ownership, it's around 30%. We'd love to have more bigger, broader institutions, and we think the scale will attract bigger, more broader institutions, especially with coverage coming from you in the future, Doug.

The ticker will still remain NBEV, the global Company will still be New Age. We expect to be filing a 14C here shortly, because it's not really appropriate as New Age Beverages Corporation anywhere, it's just New Age, Inc. That's the parent company, if you will. But as Fred notes even better than myself, look, there's a lot of loyalty that each one of our reps have to where they came from, whether it's LIMU or Zennoa, or Noni by New Age, or ARIIX. Changing that loyalty, or disrupting that loyalty would not be value-added for shareholders, it just wouldn't be smart.

All of those things will remain: ARIIX will remain, Noni will remain. In some cases, we may subscript that to say Noni: A New Age Company; Zennoa: A New Age Company; ARIIX: A New Age Company, for maybe public company reasons or those kinds of things. But you have to put your reps and your independent product consultants first, and their loyalties first. They have a lot of affinity for these brand names. That's the last thing we'll be changing, but frankly, I'm going to be living up here in Utah for the next, at least month, maybe year, as we drive synergy capture that all of us on the call are leading, but Fred and I are overseeing. There's real, real money there in that synergy capture. We're just not going to leave it to chance.

Ultimate success, frankly, it's not about the strategy here, it's not about all the markets and the brands and the products. It's about culture, right, and that cannot be delegated. I'm not going to delegate it to Fred, I'm not going to delegate it to Riley, I'm not delegating it to Greg Gould, I'm not delegating it to Jeff Yates. I own it. You have to build one company, one mission, one aligned target, one aligned set of values and operating behaviors that everybody subscribes to and everybody aligns to, and one metric-driven performance-oriented culture. We will be building that kind of Company.

The challenge for us is look, we're only \$500 million plus in revenue today from \$2 million four years ago. Honestly, Doug, we're just getting started, and now we've got more to be able to do more with. We're excited about the scale and the value creation opportunities for shareholders of what this Company looks like over the next couple years.

Douglas Lane

Thanks, Brent, that's good color. Fred, it's good to talk to you again; it's been a little while. I see you really started working with LIMU a year ago, announcing a merger. There's not a lot of mergers in direct selling, not a strategic focus on mergers. There's one-offs, Avon being bought by Natura and what have you. What have you accomplished with LIMU over the last 11 months since that merger was announced?

Fred Cooper

Yes. The good thing is, we started out on small companies learning how to do this. As we started out, we learned what works with the field and what doesn't work with the field. It kind of relates to the last question, do you change your name now, etc.? People are very loyal to their brand and their product.

With the LIMU deal, what we began with was, we did the asset purchase and didn't tell anyone. As we kept it quiet, the field, when they first hear, "Oh my gosh, this is a new organization that owns us, who are they?" We're able to relax their concerns by saying, "Don't worry, we've owned you for a while and you didn't see any significant changes." After that occurs, then the next step is to introduce them to our products, and their products to our field. Because we waited some time, we didn't wait in getting the products registered, the registration in different countries, our licensure work done, etc.

Then in the second steps, they were very excited and didn't have to wait very long to get to try the different products. Then the third step is, they start to say, "Oh, okay, and we want to take a look at your compensation plan." I cannot emphasize enough, acquisitions do not work in our industry because you have to change the parent/child relationship of a unilevel and a binary, or a matrix and a binary. In our case, it is not necessary. We are able to take someone's compensation plan, model it within a couple of days, and by a distributor by distributor basis, tell them whether their income will go up or down on their same volume they have generated.

Once the top leaders learn their income is only going to go up for the same volume, we have them. Then they're coming to us, saying, "Can we get on the new ARIIX compensation plan?" As soon as we had them there, we then transformed them to the new compensation plan on a single platform, which then creates economies of scale and cost savings to us. At LIMU, we are now presently just moving them over to the new compensation plan, and for the first time ever, it's been great to see the LIMU reps asking us to integrate faster. That's what we plan on doing now going forward, and then we have all of these prior owners giving testimonials, as well as big leaders giving testimonials, how much they love the integration now with ARIIX, their new home. That's the process, so it's nice, calculated, slow and steady.

Brent Willis

Hey Doug, it's Brent here. I just want to mention one other thing, that look, we are not arguing that this industry and what we are doing is a consolidation play. We want to drive organic growth, and the leverage of all of these markets and all of the products that we have around the world, that is a key piece of our strategic plan.

That being said, however, this industry has not been consolidated, and as you probably know, I did that in the beer industry and growth, and implemented the strategy for AB InBev, and we just executed that consolidation play and we figured out the economics in the beer industry on a by-country basis, on how to extract the maximum amount of free cash flow out of every single market. I led that acquisition of InBev and the 3G guys, and we've gone on to replicate that same model in other CPG industries. We just happened to do that consolidation of that industry faster and better, before Anheuser-Busch, the previous leaders, and Miller and some of the other smaller regional players, couldn't even figure out what we were doing, because we came from nowhere, after 600 years of sleepiness as a Belgian company.

There are those opportunities and there's so many companies that are looking for, frankly, being part of us, because they're unsettled. They don't know what the future brings, but they know that we've got this fantastic public entity, this competitive advantage in terms of a compensation system, and this culture of winning and growing that, combined with ARIIX and New Age, is just even more attractive for other leaders to join, because nobody's got a better product portfolio, nobody's got a better compensation system, nobody's got a better "put the field and leaders first" philosophy than we do. At the Company, we

don't think anybody's got a better platform, so it's a really attractive base on which to build, as we all talked about driving both external growth for those opportunities that strategically fit, and financially provide the cash and scale and even greater free cash flow generation that we want on the financial piece, but then also on the strategic fit piece.

There's just a wealth of opportunities that we think we're perfectly positioned for, both organically and externally going forward.

Douglas Lane

Thanks, that's helpful. Thanks, Fred, thanks Brent.

Fred Cooper

You bet. Good to be back. It's been a while. I see some familiar names on the call, I'm like, "Oh, it's going to be good to chat again."

Operator

We have reached the end of our Q&A session. I would like to return the call back over to Brent for closing remarks.

Brent Willis

I'll just say, on behalf of all of our colleagues and our 400,000 plus independent product consultants, affiliates and representatives around the world, thank you for this opportunity. We're incredibly excited about A, making a difference for consumers with healthy products around the world; and B, driving tremendous wealth creation for everybody that touches this Company.

Thank you everybody for joining us on the call, and we look forward to growing together. Thanks everybody.

Fred Cooper

Thanks everybody.

Operator

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