

LifeVantage Corp.

NasdaqCM: LFDV



New Products and Valuation Outweigh issues in Japan, reiterate Strong Buy

LifeVantage Corp (LFDV) focuses on selling healthy living products through direct selling. They have scientifically-validated products such as Protandim, Canine Health, and LifeVantage TrueScience.

42%+ Total Upside to Our Price Target:

We believe market expectations will rise to our conservative EPS estimate of \$0.14 for 2015 (40% YoY earnings growth). As growth accelerates, we expect the stock to be rewarded with a higher multiple, which is key to our \$1.82 one-year price target (derived from 13x, 4% above the company's average forward multiple for the past 3 years, our 2015 EPS forecast of \$0.14). The increase in our EPS estimates are mainly due to favorable 1Q15 cost cutting initiatives (gross margins up 20 bps vs. our expectations) and the announcement of an expanded share repurchase program (additional 7M shares).

Where we differ from the market/consensus:

We are above market expectations in terms of 1) LFDV's ability to grow in the Asia Pacific's; 2) LFDV's ability to capture millennial distributors in the U.S.

We are below market expectations in terms of 1) We expect a slight increase in gross margins (+60 bps vs. cons +50 bps) from quality assurance and new product mix 2) We expect less EBITDA margin expansion than consensus estimates (+80 bps vs. cons. +100 bps) as we see less cost cutting opportunities in SG&A.

Investment Thesis

- 1) Introduction of new products targeting Millennials may drive incremental distributors (6k-8.5k distributors) or \$11M to \$15M in sales (est. avg. rep earns ~\$1,800/yr).
- 2) In 2015/16, we forecast that new country launches in the Asia Pacific's will drive incremental sales of \$8M and \$20M, respectively (every 10k distributors adds \$0.01 EPS).
- 3) In 2015/16, we expect pressure on sales in Japan (~30% of sales) with declines of 10% and 8%, respectively.
- 4) A resolution between Herbal Life and the FTC could expand LFDV's multiple closer to the S&P 500s 2016 P/E multiple of 17x from 12x (current median direct selling peer multiple), considering the industries projected earnings growth is close to the S&P 500 (~8% vs. 10% for S&P).
- 5) We view LFDV's valuation as attractive (2015 P/E 9.1x vs. peers of 12.4x) given upcoming catalysts and easier comparisons. For these reasons, LFDV may outperform market expectations.



Rating	Strong Buy
Risk Rating	Moderate
Current Price (Nov 11, 2014)	\$1.27
12-month Price Target	\$1.82
Implied dividend yield	0%
Projected total return	+42%

Shares outstanding (M)	99.3
Market capitalization (M)	\$126.1
Long term debt (MRQ)	\$23.9
Cash (MRQ)	\$22.1
Enterprise value	\$127.9
P/E Multiple (2015)	13x
EV/EBITDA Multiple (2015)	5x
EPS Estimate (2015)	\$0.14
EBITDA Estimate (2015)	\$26.9M

Float as % of shares out.	97%
Short interest as % of Float	2%
Insider ownership	2%
Institutional ownership	14%

Tangible book value p/s	\$0.07
Cash/share	\$0.22

Revenue (M)				
June	2013A	2014A	2015E	2016E
Q1	\$52.9	\$51.3	\$51.6a	\$60.8
Q2	\$53.4	\$51.5	\$56.5	\$62.4
Q3	\$50.4	\$55.1	\$58.6	\$61.8
Q4	\$51.5	\$56.0	\$60.2	\$63.1
FY	\$208.2	\$213.9	\$227.0	\$248.2
EBITDA (M)				
June	2013A	2014A	2015E	2016E
Q1	\$7.1	\$5.6	\$8.3a	\$8.5
Q2	\$0.9	\$5.7	\$6.1	\$8.7
Q3	\$4.4	\$5.0	\$6.3	\$8.5
Q4	\$0.7	\$5.3	\$8.4	\$8.8
FY	\$13.7	\$21.6	\$26.9	\$34.5

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I. 1Q15 Takeaways

Decline of LFDN's shares was due to:

1) Issues in Japan continue to escalate (rev down 16% YoY) with the company now taking litigation action against legacy Japanese distributors that are trying to recruit existing LFDN's distributors. Management expects an 8% revenue decline for the year.

Offset by:

1) More confidence in growth of the North American region based on 1Q15 results (+6% revenue YoY), positive commentary about the new products (energy drinks), and management's confidence in a rebound of growth in the back half of the fiscal year.

2015 Guidance released

Despite the short fall in revenue in 1Q15 (8% below consensus), management maintained guidance. Although Japan did worse than expected, management stated that LFDN may pick up additional revenue with the launch in Thailand in the back half of the year (estimates of ~7M in revenue).

2015 Guidance:

Revenue \$225M-\$235M (5-10% YoY growth)

EPS: \$0.14-\$0.16

Gross Margins: 85-86%

Operating Margins: 11-12%

Diluted Shares: 107M

Tax Rate: 34%

II. Scenario Analysis

Figure 1: Scenario Analysis

Scenario Analysis			
Stock Price	Multiple 2015e EPS		Assumptions for 2015 and 2016 (estimates given in respective order)
Upside Case \$2.24 76.4%	14x	\$0.16	LFVN's new products focused on U.S millennials create sales growth of 20% and 10% Country launches in the Asia Pacific region deliver growth of 14% and 30% Japan improves with declines in growth of 6% and 0%. Gross margins increase 40 bps and 60 bps. EBITDA margins increase 90 and 80 bps.
Base Case \$1.82 43.3%	13x	\$0.14	LFVN's new products focused on U.S millennials create sales growth of 15% and 5%. Country launches in the Asia Pacific region deliver revenue growth of 9% and 20%. Japan continues to struggle with declines in growth of 10% and 8%. Gross margins increase 40 bps and decrease 10 bps. EBITDA margins increase 180 bps and 200 bps.
Downside Case \$1.10 -13.4%	10x	\$0.11	LFVN's new products focused on U.S millennials create sales growth of 5% and 3%. Country launches in the Asia Pacific region deliver growth of 9% and 20%. Japan continues to struggle with declines in growth of 13% and 9%. Gross margins decrease 50 bps and 40 bps. EBITDA margins increase 0 bps and 0 bps.

Source: Midtown Partner Estimates

Direct Selling Stocks trade at a discount to the market

Direct Selling stocks trade at a NTM P/E discount of ~30% relative to the S&P 500 (13x vs. 17x) due to regulatory issues for Herbal Life. Historically, Direct Selling stocks have traded at a 3% premium to the S&P 500 (10 yr average) but due to short sellers that has changed. Despite this premium, direct selling stocks are estimated to have 12% LT EPS growth vs. 8% for the S&P 500. In addition, Direct Selling stocks trade at 2016 PEG ratio of 0.8x versus 1.8x, a significant difference even when considering the risk of regulatory issues with direct selling stocks. The risk of direct selling stocks is likely over stated, in the context of 2 yr Beta vs. the 5 yr Beta, or 1.3 vs. 1.3. Further, if a resolution between HLF and Pershing Square were to occur, we would expect direct selling stocks to experience multiple expansions as volatility declines and investors feel more comfortable with risk levels.

Figure 3: Forward estimates for direct selling companies Vs. S&P 500

Company Name	EPS	EPS	LT -EPS	P/E	P/E	P/E	P/E	PEG	PEG	BETA	BETA	BETA	REVISIONS
	GR (14-15)	GR (15-16)	GR	2014	NTM	2015	2016	2015	2016	1YR	2YR	5YR	PRICE
HLF Herbalife Ltd.	-5.7%	-5.7%	-5.7%	7.x	6.8x	6.4x	6.8x	-1.1x	-1.2x	2.4	2.0	1.5	0.0
NUS Nu Skin Enterprises Inc.	-0.7%	-0.7%	17.0%	6.8x	10.6x	9.8x	9.8x	-13.5x	-13.6x	1.6	1.8	1.7	High
NATR Nature's Sunshine Products	21.2%	21.2%	15.0%	11.7x	14.5x	15.9x	13.1x	.8x	.6x	0.9	0.9	0.8	0.0
USNA USANA Health Sciences Inc	14.8%	14.8%	12.0%	20.6x	16.3x	18.8x	16.4x	1.3x	1.1x	1.8	1.6	1.3	0.0
AVP Avon Products Inc.	8.4%	8.4%	6.5%	10.8x	12.3x	12.6x	11.6x	1.5x	1.4x	0.7	1.3	1.4	High
TUP Tupperware Brands Corpor	3.4%	3.4%	12.5%	11.9x	12.5x	12.4x	11.9x	3.6x	3.5x	0.4	0.7	1.2	High
LFVN Lifevantage Corporation	42.9%	42.9%	12.0%	12.8x	7.8x	9.1x	6.4x	.2x	.1x	0.4	0.9	0.9	Average
High	42.9%	42.9%	17.0%	20.6x	16.3x	18.8x	16.4x	3.6x	3.5x	2.4	2.0	1.7	0.0
Low	-5.7%	-5.7%	-5.7%	6.8x	6.8x	6.4x	6.4x	-13.5x	-13.6x	0.4	0.7	0.8	0.0
Median	8.4%	8.4%	12.0%	11.7x	12.3x	12.4x	11.6x	.8x	.6x	0.9	1.3	1.3	0.0
^SPX S&P 500 Index	9.5%	9.5%	8.3%	18.7x	16.2x	17.4x	15.9x	1.8x	1.7x	0.0	0.0	0.0	0.0

Source: Capital IQ

III. Valuation

We view LFN's valuation as favorable given its trading 41% below its historical relative valuation and 35% below the sectors current relative valuation. Recent depressed sales growth has led to the decline in valuation; however we believe the risk reward is favorable given new product initiatives and the growth potential in the Asia Pacific region. Adding to this depressed valuation is the regulatory issues happening with Herbal Life. If and when HLF has a favorable outcome, that would increase the valuation closer to the S&P.

Our multiple of 13x 2015 EPS is derived from the median of direct selling peers with forward estimates. We expect LFN's current multiple of 9.1x 2015 EPS will converge to its peers as revenue growth increases and EBITDA margins expand.

IV. Where we could be wrong:

Introduction of new products do not penetrate meaningful distributors

As competitors begin to focus on growing its number of younger distributors (Millennials); this could impact LFN's ability to add the number of distributors we have estimated.

LFN may not continue to execute and grow its presence in the Asia Pacific region

Similar to competitors, we expect LFN to grow its presence in the Asia Pacific region and add more countries in which it sells products. If this does not occur, the growth potential of LFN may be slowed.

Sales in Japan may not stabilize

Given the recent slowdown in direct selling in Japan and the potential for more issues (recall or regulatory) we expect Japan to continue to decline. Also, recent structural changes in Japan slowed growth in the region, however because these impediments to growth no longer exist, sales in Japan may stabilize more than our expectations.

Resolution between Herbal Life and the FTC may not occur

As we are two years into the battle between Herbal Life and Bill Ackman, we now expect that some type of resolution may occur sooner rather than later, which would improve the valuation of all direct selling stocks. However, the case with HLF may continue to put pressure on the valuation of direct selling stocks for years. In addition, some lawyers have said that the case could go on for a few more years.

LFVN faces currency exposure (~40% of revenues are outside the U.S)

Almost half of sales are outside the U.S and therefore have exposure to currency risk. If the dollar were to strengthen than that would result in a loss.

Appendix:

Appendix A: Income Statement

INCOME STATEMENT	1Q13A	2Q13A	3Q13A	4Q13A	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15E	3Q15E	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E	2011	2012	2013	2014E	2015E	2016E
	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16
Revenues	52.9	53.4	50.4	51.5	51.3	51.5	55.1	56.0	51.6	56.5	58.6	60.2	60.8	62.4	61.8	63.1	38.9	126.2	208.2	214.0	227.0	248.2
COGS	7.8	8.8	7.3	7.9	7.8	7.9	8.5	9.0	5.7	9.0	9.4	9.6	9.7	10.0	9.9	10.1	5.9	18.1	31.8	33.2	33.8	39.7
COGS (product recall costs)	0.0	5.9	(0.5)	(0.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	0.0	0.0	0.0
Gross Profit (inc recall)	45.1	38.8	43.5	44.2	43.5	43.6	46.6	47.1	45.9	47.5	49.2	50.6	51.1	52.4	52.0	53.0	33.0	108.1	171.5	180.8	193.2	208.5
Gross Profit (adj)	45.1	44.6	43.0	43.6	43.5	43.6	46.6	47.1	43.9	47.5	49.2	50.6	51.1	52.4	52.0	53.0	33.0	108.1	176.3	180.8	191.2	208.5
Sales and Marketing	29.5	29.6	29.8	33.9	30.2	29.8	32.5	27.0	24.6	31.1	32.2	33.1	33.5	34.3	34.0	34.7	21.1	68.4	122.4	119.5	121.0	136.5
GA	7.9	7.5	8.4	8.7	7.4	7.6	8.5	14.8	13.6	10.2	10.5	10.8	9.1	9.4	9.5	9.5	7.5	16.4	32.5	38.2	45.2	37.5
R&D	0.5	0.7	0.8	0.8	0.3	0.6	0.7	0.0	0.0	0.6	0.8	0.8	0.6	0.6	0.8	0.8	0.5	1.4	2.9	1.5	2.1	2.8
EBITDA	7.1	0.9	4.4	0.7	5.6	5.7	5.0	5.3	8.3	6.1	6.2	6.3	8.4	8.6	8.2	8.5	4.1	22.5	15.4	23.7	26.9	33.7
EBITDA Adj.	7.1	6.8	4.0	0.1	5.6	5.7	5.0	5.3	5.7	6.2	6.4	6.6	8.5	8.7	8.5	8.8	3.9	22.0	18.5	21.6	25.0	34.5
Depreciation	0.2	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.2	0.5	1.7	2.1	2.0	2.0
Amortization of intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	6.9	0.5	3.9	0.3	5.1	5.2	4.5	4.7	7.7	5.7	5.7	5.8	7.9	8.1	7.7	8.0	3.9	22.0	13.7	21.6	24.9	31.7
EBIT Adj.	6.9	6.4	3.5	(0.4)	5.1	5.2	4.5	4.7	5.2	5.8	6.0	6.1	8.0	8.2	8.0	8.3	3.7	21.5	16.9	19.4	23.0	32.5
Non-oper expenses	0.0	0.0	0.0	(0.4)	0.0	0.0	0.1	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	(0.0)	(0.1)	(0.8)	0.1	0.4	0.0
Loss (gain) on asset sales	0.1	0.0	0.0	0.9	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	0.1	1.7	0.4	0.0	0.0
Interest Income	0.0	0.0	(0.1)	0.0	(0.2)	(0.7)	0.0	0.0	0.0	(0.7)	0.0	0.0	(0.2)	(0.7)	0.0	0.0	0.0	0.1	(0.0)	(0.8)	(0.7)	(0.8)
Interest expense	(0.0)	0.0	0.0	0.0	0.0	0.8	1.2	1.2	(0.8)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	6.0	(0.0)	0.0	3.2	1.7	3.4
EBT adj (Excluding unusual)	0.7	0.1	(9.8)	(47.2)	4.2	7.4	6.4	7.3	6.9	6.4	3.6	(0.9)	5.1	4.8	3.2	3.6	(2.3)	21.4	16.0	16.7	21.6	30.0
EBT (Including unusuals)	6.9	6.4	3.6	(0.9)	5.1	4.8	3.2	3.6	6.0	5.4	4.9	5.3	7.4	8.1	7.1	7.4	(2.3)	21.4	16.0	16.7	21.6	30.0
Provision for taxes	2.7	0.3	0.6	(0.1)	1.9	1.5	0.7	1.2	2.4	1.8	1.7	1.8	2.5	2.7	2.4	2.5	0.1	2.2	3.5	5.3	7.8	10.2
Equity earnings in affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interest in earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (Excluding unusuals)	4.2	6.1	3.0	(0.8)	3.3	3.3	2.5	2.4	3.5	3.6	3.3	3.5	4.9	5.3	4.7	4.9	(2.4)	19.2	12.4	11.4	13.8	19.8
Net Income (Including unusuals)	4.2	0.2	3.4	(0.2)	3.3	3.3	2.5	2.4	6.1	3.4	3.0	3.2	4.7	5.2	4.4	4.6	(50.6)	12.9	9.3	13.5	15.7	19.0
WACSO	110.9	113.4	112.8	112.5	114.7	105.8	101.6	101.6	99.6	97.6	95.6	93.6	91.6	91.6	91.6	91.6	73.2	102.7	112.3	105.9	96.6	91.6
EPS (Basic Excluding extra)	\$0.04	\$0.05	\$0.03	(\$0.01)	\$0.03	\$0.03	\$0.02	\$0.02	\$0.04	\$0.04	\$0.03	\$0.04	\$0.05	\$0.06	\$0.05	\$0.05	(\$0.03)	\$0.19	\$0.11	\$0.13	\$0.14	\$0.22
EPS (Basic Including extra)	\$0.04	\$0.00	\$0.03	(\$0.00)	\$0.03	\$0.03	\$0.02	\$0.02	\$0.06	\$0.04	\$0.03	\$0.03	\$0.05	\$0.06	\$0.05	\$0.05	(\$0.69)	\$0.13	\$0.08	\$0.13	\$0.16	\$0.21
Normalized Tax Rate	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%	37.5%
EPS (Normalized)	\$0.04	\$0.03	\$0.02	(\$0.00)	\$0.03	\$0.02	\$0.02	\$0.02	\$0.04	\$0.03	\$0.03	\$0.04	\$0.05	\$0.05	\$0.05	\$0.05	(\$0.02)	\$0.13	\$0.09	\$0.10	\$0.14	\$0.20
WACSO - Diluted	125.8	127.1	125.0	112.5	123.5	112.4	106.6	106.6	103.9	103.6	101.6	99.6	97.6	97.6	97.6	97.6	73.2	118.3	122.9	112.3	102.2	97.6
EPS (Diluted Excluding extra)	\$0.03	\$0.05	\$0.02	(\$0.01)	\$0.03	\$0.03	\$0.02	\$0.02	\$0.03	\$0.03	\$0.03	\$0.04	\$0.05	\$0.05	\$0.05	\$0.05	(\$0.03)	\$0.16	\$0.10	\$0.10	\$0.14	\$0.20
EPS (Diluted Including extra)	\$0.03	\$0.00	\$0.03	(\$0.00)	\$0.03	\$0.03	\$0.02	\$0.02	\$0.06	\$0.03	\$0.03	\$0.03	\$0.05	\$0.05	\$0.05	\$0.05	(\$0.69)	\$0.11	\$0.08	\$0.12	\$0.15	\$0.19
Margins																						
Gross Profit (inc recall)	85.2%	72.5%	86.4%	85.8%	84.8%	84.6%	84.6%	84.0%	89.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.8%	85.7%	82.4%	84.5%	85.1%	84.0%
Gross Profit (adj)	85.2%	83.5%	85.4%	84.6%	84.8%	84.6%	84.6%	84.0%	85.1%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%	84.8%	85.7%	84.7%	84.5%	84.2%	84.0%
EBITDA	13.5%	1.7%	8.8%	1.4%	10.8%	11.0%	9.1%	9.5%	16.1%	10.8%	10.5%	10.5%	13.8%	13.8%	13.2%	13.5%	10.6%	17.8%	7.4%	11.1%	11.9%	13.6%
EBITDA Adj.	13.5%	12.7%	7.9%	0.2%	10.8%	11.0%	9.1%	9.5%	11.1%	11.0%	11.0%	11.0%	14.0%	14.0%	13.7%	13.9%	10.1%	17.4%	8.9%	10.1%	11.0%	13.9%
EBIT	13.1%	0.9%	7.8%	0.5%	9.9%	10.0%	8.1%	8.5%	15.0%	10.0%	9.7%	9.7%	13.0%	13.0%	12.4%	12.7%	10.1%	17.4%	6.6%	10.1%	11.0%	12.8%
EBIT Adj.	13.1%	11.9%	6.9%	-0.7%	9.9%	10.0%	8.1%	8.5%	10.0%	10.2%	10.2%	10.2%	13.2%	13.2%	12.9%	13.1%	9.5%	17.0%	8.1%	9.1%	10.2%	13.1%
EBT adj (Excluding unusuals)	1.3%	0.1%	-19.4%	-91.6%	8.2%	14.5%	11.7%	13.0%	13.3%	11.2%	6.1%	-1.4%	8.4%	7.7%	5.2%	5.7%	-5.8%	16.9%	7.7%	7.8%	9.5%	12.1%
EBT (Including unusuals)	13.0%	11.9%	7.1%	-1.7%	10.0%	9.3%	5.8%	6.4%	11.6%	9.5%	8.4%	8.8%	12.1%	12.9%	11.5%	11.8%	-5.8%	16.9%	7.7%	7.8%	9.5%	12.1%
Net Income (Excluding unusuals)	7.9%	11.4%	5.9%	-1.5%	6.3%	6.4%	4.5%	4.2%	6.8%	6.3%	5.6%	5.8%	8.0%	8.5%	7.6%	7.8%	-6.1%	15.2%	6.0%	5.3%	6.1%	8.0%
Net Income (Including unusuals)	7.9%	0.4%	6.8%	-0.3%	6.3%	6.4%	4.5%	4.2%	11.8%	6.1%	5.1%	5.3%	7.8%	8.3%	7.1%	7.4%	-130.0%	10.3%	4.5%	6.3%	6.9%	7.7%
Growth																						
Revenues	163.2%	111.4%	39.1%	15.5%	-2.9%	-3.6%	9.3%	8.8%	0.6%	9.7%	6.4%	7.5%	17.8%	10.4%	5.5%	4.7%	na	224.2%	65.0%	2.8%	6.1%	9.3%
EBITDA Adj.	103.6%	55.5%	-39.3%	-98.5%	-22.1%	-16.8%	25.6%	4580.7%	3.1%	9.8%	29.0%	24.2%	48.3%	40.5%	31.4%	32.3%	na	461.1%	-15.7%	16.4%	16.1%	37.8%
EPS (Normalized)	46.1%	-25.3%	-48.8%	-111.4%	-18.9%	-1.7%	-562.1%	-34.5%	21.5%	64.6%	61.6%	34.4%	34.4%	59.5%	50.9%	43.0%	na	-769.0%	-31.7%	10.7%	42.1%	46.5%

Source: Capital IQ, Midtown Partners Estimates

Appendix B: Growth comparison of direct selling companies in the Asia Pacific Region

Business Segments - Asia Pacific												
Currency	12/31/2008 USD	12/31/2009 USD	12/31/2010 USD	12/31/2011 USD	12/30/2012 USD	12/30/2013 USD	Growth Rates USD	Growth Rates USD	Growth Rates USD	Growth Rates USD	Growth Rates USD	CAGR USD
North America												
HLF	410.8	509.2	683.5	938.6	1,139.9	1,174.6	7.4%	16.1%	13.7%	20.7%	7.8%	23.4%
NUS	107.7	120.1	182.8	235.0	328.6	379.0	16.5%	-4.2%	-0.7%	15.0%	29.7%	28.6%
USNA	91.3	95.2	99.3	111.4	139.7	155.4	-7.7%	1.0%	-2.4%	3.4%	7.1%	11.2%
AVP	679.3	1,030.7	981.4	942.4	902.4	757.9	-9.1%	-4.4%	-14.6%	-6.5%	-16.7%	2.2%
TUP	336.1	494.0	584.0	714.0	780.7	836.9	-2.1%	11.7%	6.2%	-2.0%	3.8%	20.0%
NATR	315.0	286.2	225.2	216.9	208.9	207.1	-9.1%	-21.3%	-3.7%	-3.7%	-0.9%	-8.0%
MTEX	117.0	103.7	87.8	81.4	70.5	80.3	-18.4%	-27.1%	-14.6%	-15.1%	-5.0%	-7.3%
NHTC	35.3	21.9	15.2	21.7	26.7	41.4	-54.5%	-17.8%	22.5%	22.1%	30.0%	3.2%
High	679.3	1,030.7	981.4	942.4	1,139.9	1,174.6	16.5%	16.1%	22.5%	22.1%	30.0%	28.6%
Low	35.3	21.9	15.2	21.7	26.7	41.4	-54.5%	-27.1%	-14.6%	-15.1%	-16.7%	-8.0%
Median	216.0	203.2	204.0	226.0	268.8	293.0	-8.4%	-4.3%	-1.6%	0.7%	5.5%	7.2%
Average	261.6	332.6	357.4	407.7	449.7	454.1	-9.6%	-5.8%	0.8%	4.2%	7.0%	9.2%
Large Companies												
HLF	410.8	509.2	683.5	938.6	1,139.9	1,174.6	7.4%	16.1%	13.7%	20.7%	7.8%	23.4%
NUS	107.7	120.1	182.8	235.0	328.6	379.0	16.5%	-4.2%	-0.7%	15.0%	29.7%	28.6%
USNA	91.3	95.2	99.3	111.4	139.7	155.4	-7.7%	1.0%	-2.4%	3.4%	7.1%	11.2%
AVP	679.3	1,030.7	981.4	942.4	902.4	757.9	-9.1%	-4.4%	-14.6%	-6.5%	-16.7%	2.2%
TUP	336.1	494.0	584.0	714.0	780.7	836.9	-2.1%	11.7%	6.2%	-2.0%	3.8%	20.0%
High	679.3	1,030.7	981.4	942.4	1,139.9	1,174.6	16.5%	16.1%	13.7%	20.7%	29.7%	28.6%
Low	91.3	95.2	99.3	111.4	139.7	155.4	-9.1%	-4.4%	-14.6%	-6.5%	-16.7%	2.2%
Median	336.1	494.0	584.0	714.0	780.7	757.9	-2.1%	1.0%	-0.7%	3.4%	7.1%	20.0%
Average	325.0	449.8	506.2	588.3	658.2	660.8	1.0%	4.0%	0.4%	6.1%	6.4%	17.1%
Small Companies												
NATR	315.0	286.2	225.2	216.9	208.9	207.1	-9.1%	-21.3%	-3.7%	-3.7%	-0.9%	-8.0%
MTEX	117.0	103.7	87.8	81.4	70.5	80.3	-18.4%	-27.1%	-14.6%	-15.1%	-5.0%	-7.3%
NHTC	35.3	21.9	15.2	21.7	26.7	41.4	-54.5%	-17.8%	22.5%	22.1%	30.0%	3.2%
High	315.0	286.2	225.2	216.9	208.9	207.1	-9.1%	-17.8%	22.5%	22.1%	30.0%	3.2%
Low	35.3	21.9	15.2	21.7	26.7	41.4	-54.5%	-27.1%	-14.6%	-15.1%	-5.0%	-8.0%
Median	117.0	103.7	87.8	81.4	70.5	80.3	-18.4%	-21.3%	-3.7%	-3.7%	-0.9%	-7.3%
Average	155.8	137.3	109.4	106.7	102.0	109.6	-27.3%	-22.1%	1.4%	1.1%	8.0%	-4.0%

Source: Capital IQ, Midtown Partners Estimates

Appendix C: Growth comparison of direct selling companies in the North America Region

Business Segments - North America												
Currency	12/31/2008 USD	12/31/2009 USD	12/31/2010 USD	12/31/2011 USD	12/30/2012 USD	12/30/2013 USD	Growth Rates USD	Growth Rates USD	Growth Rates USD	Growth Rates USD	Growth Rates USD	CAGR USD
North America												
HLF	477.6	512.9	595.4	676.9	816.9	881.0	7.4%	16.1%	13.7%	20.7%	7.8%	13.0%
NUS	223.9	260.9	250.0	248.2	285.3	370.1	16.5%	-4.2%	-0.7%	15.0%	29.7%	10.6%
USNA	259.8	239.7	242.1	236.4	244.3	261.7	-7.7%	1.0%	-2.4%	3.4%	7.1%	0.1%
AVP	2,522.0	2,293.4	2,193.5	1,872.5	1,751.1	1,458.2	-9.1%	-4.4%	-14.6%	-6.5%	-16.7%	-10.4%
TUP	303.3	296.9	331.5	352.0	344.8	358.0	-2.1%	11.7%	6.2%	-2.0%	3.8%	3.4%
NATR	315.0	286.2	225.2	216.9	208.9	207.1	-9.1%	-21.3%	-3.7%	-3.7%	-0.9%	-8.0%
MTEX	200.5	163.7	119.3	101.9	86.5	82.2	-18.4%	-27.1%	-14.6%	-15.1%	-5.0%	-16.3%
RELV	85.4	75.0	66.9	60.9	53.8	53.7	-12.1%	-10.9%	-9.0%	-11.6%	-0.3%	-8.9%
NHTC	3.2	1.5	1.2	1.5	1.8	2.4	-54.5%	-17.8%	22.5%	22.1%	30.0%	-6.2%
CAW	57.5	57.7	50.8	49.2	53.4	38.8	0.4%	-11.9%	-3.1%	8.4%	-27.3%	-7.5%
High	2,522.0	2,293.4	2,193.5	1,872.5	1,751.1	1,458.2	16.5%	16.1%	22.5%	22.1%	30.0%	13.0%
Low	3.2	1.5	1.2	1.5	1.8	2.4	-54.5%	-27.1%	-14.6%	-15.1%	-27.3%	-16.3%
Median	241.9	250.3	233.7	226.6	226.6	234.4	-8.4%	-7.6%	-2.7%	0.7%	1.8%	-6.9%
Average	444.8	418.8	407.6	381.6	384.7	371.3	-8.9%	-6.9%	-0.6%	3.1%	2.8%	-3.0%
Large Companies												
HLF	477.6	512.9	595.4	676.9	816.9	881.0	7.4%	16.1%	13.7%	20.7%	7.8%	13.0%
NUS	223.9	260.9	250.0	248.2	285.3	370.1	16.5%	-4.2%	-0.7%	15.0%	29.7%	10.6%
USNA	259.8	239.7	242.1	236.4	244.3	261.7	-7.7%	1.0%	-2.4%	3.4%	7.1%	0.1%
AVP	2,522.0	2,293.4	2,193.5	1,872.5	1,751.1	1,458.2	-9.1%	-4.4%	-14.6%	-6.5%	-16.7%	-10.4%
TUP	303.3	296.9	331.5	352.0	344.8	358.0	-2.1%	11.7%	6.2%	-2.0%	3.8%	3.4%
High	2,522.0	2,293.4	2,193.5	1,872.5	1,751.1	1,458.2	16.5%	16.1%	13.7%	20.7%	29.7%	13.0%
Low	223.9	239.7	242.1	236.4	244.3	261.7	-9.1%	-4.4%	-14.6%	-6.5%	-16.7%	-10.4%
Median	303.3	296.9	331.5	352.0	344.8	370.1	-2.1%	1.0%	-0.7%	3.4%	7.1%	3.4%
Average	757.3	720.8	722.5	677.2	688.5	665.8	1.0%	4.0%	0.4%	6.1%	6.4%	3.3%
Small Companies												
NATR	315.0	286.2	225.2	216.9	208.9	207.1	-9.1%	-21.3%	-3.7%	-3.7%	-0.9%	-8.0%
MTEX	200.5	163.7	119.3	101.9	86.5	82.2	-18.4%	-27.1%	-14.6%	-15.1%	-5.0%	-16.3%
RELV	85.4	75.0	66.9	60.9	53.8	53.7	-12.1%	-10.9%	-9.0%	-11.6%	-0.3%	-8.9%
NHTC	3.2	1.5	1.2	1.5	1.8	2.4	-54.5%	-17.8%	22.5%	22.1%	30.0%	-6.2%
CAW	57.5	57.7	50.8	49.2	53.4	38.8	0.4%	-11.9%	-3.1%	8.4%	-27.3%	-7.5%
High	315.0	286.2	225.2	216.9	208.9	207.1	0.4%	-10.9%	22.5%	22.1%	30.0%	-6.2%
Low	3.2	1.5	1.2	1.5	1.8	2.4	-54.5%	-27.1%	-14.6%	-15.1%	-27.3%	-16.3%
Median	85.4	75.0	66.9	60.9	53.8	53.7	-12.1%	-17.8%	-3.7%	-3.7%	-0.9%	-8.0%
Average	132.3	116.8	92.7	86.1	80.9	76.8	-18.7%	-17.8%	-1.6%	0.0%	-0.7%	-9.4%
LFVN	na	4.1	10.9	31.2	89.2	131.5	0.0%	162.9%	186.8%	185.8%	47.4%	137.4%

Source: Capital IQ, Midtown Partners Estimates

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Rating	Rating Description	Number of Companies Covered	Midtown Partners & Co. LLC Rating Distribution Percentage	Investment Banking Clients	Percent Banking Clients
Strong Buy	We expect these shares to increase in value by at least 20% over the next 12 months.	7	44%	0	0%
Buy	We expect these shares to increase in value by at least 10% over the next 12 months	2	12%	0	0%
Neutral	We expect these shares to remain within a range +/- 10% within the next 12 months	7	44%	0	0%
Sell	We expect these shares to decrease in value by at least 10% over the next 12 months				
Not Rated	The ratings for the subject company have been temporarily suspended by Midtown Partners & Co. LLC				

Midtown Partners & Co. LLC & Co., Inc. - Risk Ratings

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Moderate	Financial results of companies with a "Moderate" risk rating have a moderate level of predictability and / or their share prices are subject to moderate volatility as measured by Beta.
High	Financial results of companies with a "High" risk rating have a low level of predictability and / or their share prices are subject to high volatility as measured by Beta.
Speculative	Financial results of companies with a "Speculative" risk rating have a very low level of predictability and / or their share prices are subject to high volatility as measured by Beta. Investments in these shares carry very high risk.

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