



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 991 061 312
Organisasjonsform: Norskreg. utenlandsk foretak
Foretaksnavn: AU NATUREL (UK) INC NORWAY
Forretningsadresse: Kjelsåsveien 168 A
0884 OSLO

Regnskapsår

Årsregnskapets periode: 01.10.2019 - 30.09.2020

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Ja
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Kurt Jones
Dato for fastsettelse av årsregnskapet: 28.05.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 19.07.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		319 310 000	277 514 000
Sum inntekter		319 310 000	277 514 000
Kostnader			
Varekostnad		151 401 000	131 683 000
Avskrivning av driftsmidler og immaterielle eiendeler		30 508 000	30 280 000
Annen driftskostnad		138 352 000	109 899 000
Sum kostnader		320 261 000	271 862 000
Driftsresultat		-951 000	5 652 000
Annen finanskostnad		36 464 000	29 026 000
Sum finanskostnader		36 464 000	29 026 000
Netto finans		-36 464 000	-29 026 000
Ordinært resultat før skattekostnad		-37 415 000	-23 374 000
Skattekostnad på ordinært resultat		1 196 000	2 603 000
Ordinært resultat etter skattekostnad		-38 611 000	-25 977 000
Årsresultat		-38 611 000	-25 977 000
Årsresultat etter minoritetsinteresser		-38 611 000	-25 977 000
Totalresultat		-38 611 000	-25 977 000
Overføringer og disponeringer			
Overført fra annen egenkapital		-38 611 000	-25 977 000
Sum overføringer og disponeringer		-38 611 000	-25 977 000



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter o.l.		27 769 000	34 344 000
Goodwill		161 119 000	183 927 000
Sum immaterielle eiendeler		188 888 000	218 271 000
Varige driftsmidler			
Tomter, bygninger o.a. fast eiendom		77 780 000	83 935 000
Sum varige driftsmidler		77 780 000	83 935 000
Sum anleggsmidler		266 668 000	302 206 000
Omløpsmidler			
Varer			
Sum varer		81 406 000	73 469 000
Fordringer			
Kundefordringer		28 529 000	31 963 000
Andre kortsiktige fordringer		12 456 000	8 352 000
Sum fordringer		40 985 000	40 315 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		20 799 000	6 763 000
Sum bankinnskudd, kontanter og lignende		20 799 000	6 763 000
Sum omløpsmidler		143 190 000	120 547 000
SUM EIENDELER		409 858 000	422 753 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital		100 541 000	99 599 000



Balanse

Beløp i: USD	Note	2020	2019
Sum innskutt egenkapital		100 541 000	99 599 000
Opptjent egenkapital			
Annen egenkapital		-120 118 000	-81 507 000
Sum opptjent egenkapital		-120 118 000	-81 507 000
Sum egenkapital		-19 577 000	18 092 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt			465 000
Sum avsetninger for forpliktelser			465 000
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		333 977 000	329 035 000
Sum annen langsiktig gjeld		333 977 000	329 035 000
Sum langsiktig gjeld		333 977 000	329 500 000
Kortsiktig gjeld			
Leverandørgjeld		35 635 000	23 927 000
Annen kortsiktig gjeld		59 823 000	51 234 000
Sum kortsiktig gjeld		95 458 000	75 161 000
Sum gjeld		429 435 000	404 661 000
SUM EGENKAPITAL OG GJELD		409 858 000	422 753 000



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Journalnummer: 2021 679919

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Brønnøysundregistrene, 07.09.2021



Organisasjonsnr: 991 061 312
AU NATUREL (UK) INC NORWAY

RESULTATREGNSKAP

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Organisasjonsnr: 991 061 312
AU NATUREL (UK) INC NORWAY

BALANSE

Beløp i: USD Note 2020 2019

BALANSE - EIENDELER

Anleggsmidler

Immaterielle eiendeler

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Omløpsmidler

Varer

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Fordringer

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SUM EIENDELER	409 858 000	422 753 000
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BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Aksjekapital	100 541 000	99 599 000
Sum innskutt egenkapital	100 541 000	99 599 000

Opptjent egenkapital

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Organisasjonsnr: 991 061 312
AU NATUREL (UK) INC NORWAY

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note

Antall årsverk i regnskapsåret

Virksomheten har hatt følgende antall årsverk:
6.00



Nutrition Parent, LLC
Index
September 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors of Nutrition Parent, LLC

We have audited the accompanying consolidated financial statements of Nutrition Parent, LLC and its subsidiaries, which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive loss, of member's equity (deficit) and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nutrition Parent, LLC and its subsidiaries as of September 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

November 23, 2020

PricewaterhouseCoopers LLP, One Utah Center, 201 South Main Street, Suite 900, Salt Lake City, UT 84111
T: (801) 531 9666, F: (801) 933 8106, www.pwc.com/us



Nutrition Parent, LLC
Consolidated Balance Sheets
September 30, 2020 and 2019

<i>(in thousands of dollars)</i>	2020	2019
Assets		
Current assets		
Cash	20,799	6,763
Accounts receivable, net	28,529	31,963
Inventories, net	81,406	73,469
Prepaid expenses and other current assets	4,975	5,739
Assets held for sale	7,481	2,613
Total current assets	<u>143,190</u>	<u>120,547</u>
Property, plant and equipment, net	77,780	83,935
Goodwill, net	161,119	183,927
Intangible assets, net	26,009	32,776
Other noncurrent assets	1,760	1,568
Total assets	<u>409,858</u>	<u>422,753</u>
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	27,855	18,728
Accrued expenses	7,780	5,199
Current portion of capital leases	226	-
Current portion of long-term debt	6,516	2,486
Dissenting stockholders	53,081	48,748
Total current liabilities	<u>95,458</u>	<u>75,161</u>
Term loans, net	333,715	329,035
Capital leases	262	-
Deferred tax liabilities, net	-	465
Total liabilities	<u>429,435</u>	<u>404,661</u>
Commitments and contingencies (Notes 10, 11 and 16)		
Member's equity (deficit)		
Member's equity	100,541	99,599
Accumulated deficit	(119,909)	(80,564)
Accumulated other comprehensive loss	(209)	(943)
Total member's equity (deficit)	<u>(19,577)</u>	<u>18,092</u>
Total liabilities and member's equity (deficit)	<u>409,858</u>	<u>422,753</u>

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



Nutrition Parent, LLC
Consolidated Statements of Comprehensive Loss
Years Ended September 30, 2020 and 2019

<i>(in thousands of dollars)</i>	2020	2019
Net sales	\$ 319,310	\$ 277,514
Cost of sales	151,401	131,683
Gross profit	167,909	145,831
Operating expenses		
Selling, general and administrative	138,352	109,899
Amortization of goodwill and intangible assets	30,010	29,702
(Gains) losses on disposals of property, plant and equipment	(375)	578
Impairment of held for sale assets	873	-
	168,860	140,179
(Loss) income from operations	(951)	5,652
Interest expense	36,629	30,024
Other income, net	(165)	(998)
Loss before provision for income taxes	(37,415)	(23,374)
Provision for income taxes	1,930	1,812
Net loss	(39,345)	(25,186)
Other comprehensive income (loss)		
Foreign currency translation adjustment, net of tax	734	(791)
Comprehensive loss	\$ (38,611)	\$ (25,977)

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



Nutrition Parent, LLC
Consolidated Statements of Member's Equity (Deficit)
Years Ended September 30, 2020 and 2019

	Member's Equity	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Member's Equity (Deficit)
<i>(in thousands of dollars)</i>				
Balance at September 30, 2018	\$ 99,043	\$ (40,384)	\$ (152)	\$ 58,507
Contributions of member's equity	56	-	-	56
Distributions	-	(14,994)	-	(14,994)
Other comprehensive loss	-	-	(791)	(791)
Equity compensation payments	500	-	-	500
Net loss	-	(25,186)	-	(25,186)
Balance at September 30, 2019	99,599	(80,564)	(943)	18,092
Other comprehensive income	-	-	734	734
Equity compensation payments	942	-	-	942
Net loss	-	(39,345)	-	(39,345)
Balance at September 30, 2020	\$ 100,541	\$ (119,909)	\$ (209)	\$ (19,577)

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

**Nutrition Parent, LLC**
Consolidated Statements of Cash Flows
Years Ended September 30, 2020 and 2019

<i>(in thousands of dollars)</i>	2020	2019
Cash flows from operating activities		
Net loss	\$ (39,345)	\$ (25,186)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	39,832	40,132
Amortization of deferred financing fees	1,761	1,371
Loss on debt extinguishment	9,439	-
(Gains) losses on disposals of property, plant and equipment	(375)	142
Losses on disposals of assets held for sale	-	436
Impairment of held for sale assets	873	-
Stock based compensation	942	500
Bad debt expense	876	180
Inventory obsolescence expense	2,872	2,290
Deferred income taxes	(465)	804
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable, net	2,558	(10,195)
Inventories, net	(10,809)	93
Prepaid expenses and other current assets	764	2,934
Other non current assets	(339)	(38)
Accounts payable	9,927	3,402
Accrued expenses	4,292	(3,838)
Dissenting stockholders	14,683	3,444
Other noncurrent liabilities	475	-
Net cash provided by operating activities	<u>37,961</u>	<u>16,471</u>
Cash flows from investing activities		
Proceeds from sales of property, plant and equipment	943	72
Proceeds from sales of assets held for sale	-	6,928
Purchases of property, plant and equipment	(10,776)	(12,065)
Acquisition of business	-	(10,478)
Net cash used in investing activities	<u>(9,833)</u>	<u>(15,543)</u>
Cash flows from financing activities		
Proceeds from debt	367,500	19,000
Payments on debt	(359,218)	(5,156)
Payments on capital lease obligation	(213)	-
Payments of financing fees	(11,059)	(483)
Acquisition of predecessor, net of cash acquired	(10,350)	-
Payment of contingent consideration	(776)	(687)
Contributions of member's equity	-	56
Net member's equity issuance costs paid on behalf of parent	-	(2,788)
Distributions of member's equity	-	(12,206)
Net cash used in financing activities	<u>(14,116)</u>	<u>(2,264)</u>
Effect of exchange rate changes on cash	24	(149)
Net increase (decrease) in cash	<u>14,036</u>	<u>(1,485)</u>
Cash		
Beginning of period or year	<u>6,763</u>	<u>8,248</u>
End of period or year	<u>\$ 20,799</u>	<u>\$ 6,763</u>

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



Nutrition Parent, LLC
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

(in thousands of dollars)

1. Description of Business

Nutrition Parent, LLC and its subsidiaries (the "Company") is an integrated manufacturer, marketer, distributor and retailer of high-quality branded nutritional supplements and other natural products sold primarily to and through (i) health and natural food stores, (ii) distributors, (iii) food, drug and mass and (iv) e-commerce. Internationally, the Company markets and distributes branded nutritional supplements and other natural products to and through health and natural product distributors and retailers. The Company's core business strategy is to operate businesses in the natural products industry that manufacture, market and distribute branded nutritional supplements and other natural products.

The Company manufactures and sells nutritional supplements and other natural products under numerous brands, including *Solaray®*, *KAL®*, *Zhou Nutrition®*, *Heritage Store®*, *Zand®* and *Dynamic Health®*.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances are eliminated.

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of net sales and expenses during the reported periods. Significant estimates include values and lives assigned to acquired intangible assets, reserves for customer returns and allowances, uncollectible accounts receivable, valuation adjustments for slow-moving, obsolete and/or damaged inventory and valuation and recoverability of long-lived assets. Actual results may differ from these estimates.

Fair Value of Financial Instruments

The Company believes that the fair values of financial instruments, including cash, accounts receivable, and accounts payable, approximate their respective book values at September 30, 2020 and 2019. The book values of cash, accounts receivable and accounts payable approximate their fair values based on their short-term nature.

Cash

The majority of the Company's cash was held by one bank at September 30, 2020 and 2019. As a result of this concentration, the Company's cash balances frequently exceed federally insured limits. The Company does not believe it is subject to any other unusual risks as a result of this concentration other than those normally associated with commercial banking relationships.

Accounts Receivable

Provision is made for estimated bad debts based on a periodic analysis of individual customer balances, including an evaluation of days sales outstanding, payment history, recent payment trends and perceived creditworthiness.



Nutrition Parent, LLC
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

(in thousands of dollars)

Inventories

Inventories include freight-in, materials, labor and overhead costs and are stated at the lower of cost or market. Historically, cost has been determined by a moving weighted average. In August 2020, the Company changed from moving weighted average to actual cost. The difference between moving weighted average and actual cost was immaterial. Valuation adjustments are made for slow-moving, obsolete and/or damaged inventory based on a periodic analysis of individual inventory items, including an evaluation of historical usage and/or movement, age, expiration date and general condition.

Assets Held for Sale

Assets of a disposal group are classified as held for sale in the period when (i) the Company commits to a plan of action to sell the assets, (ii) the assets are available for immediate sale in their present condition, (iii) an active program to locate a buyer has been initiated and (iv) the sale of the assets is considered probable within one year. Assets of a disposal group classified as held for sale are separately disclosed on the balance sheet (Note 6).

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the respective assets. Expenditures for renewals and betterments are capitalized, while maintenance and repairs are charged to operations in the periods incurred. Upon sale or disposal of an asset, the historical cost and related accumulated depreciation or amortization of such asset are removed from their respective accounts and any gain or loss is recorded in the Consolidated Statements of Comprehensive Loss.

The Company evaluates the recoverability of property, plant and equipment whenever events or circumstances indicate that the carrying amount of an asset group may not be recoverable. The Company measures recoverability of an asset group by comparison of its carrying amount to the future undiscounted cash flows the asset group is expected to generate. If an asset group is considered to be impaired, the difference between the carrying amount and the fair value of the impaired asset group is recognized as an impairment charge.

Goodwill and Intangible Assets

The excess of purchase price over fair value of assets acquired in business combinations is classified as goodwill and assigned at the entity level. Goodwill and intangible assets are amortized on a straight-line basis over two to ten years and are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If an event occurs indicating that the carrying value of goodwill may not be recoverable, a single step impairment test is performed to compare the fair value of the Company to its carrying value, including existing goodwill. Goodwill is considered impaired if the carrying value of the Company exceeds the estimated fair value. The impairment amount is determined as the difference between the implied fair value of the Company and its carrying value.



Nutrition Parent, LLC
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

(in thousands of dollars)

Upon indication that the carrying value may not be recoverable, amortizable intangible assets are reviewed for recoverability by comparing an asset group's carrying amount to the future undiscounted cash flows the asset group is expected to generate. If an asset group is not recoverable, it is then tested for impairment. The asset group is impaired if the carrying value of the asset group exceeds the fair value of the asset group. The excess is recorded as an impairment charge.

Deferred Financing Fees

The Company deferred certain debt issuance costs, including bank, legal and other fees, related to the establishment of its term loans and revolving credit facilities (Note 10). These costs are being amortized using the effective interest method for the term loans and using the straight-line method for the revolving credit facilities. On the balance sheets, unamortized deferred financing fees for the term loans are included net of the term loan debt and for the revolving credit facilities are included in other noncurrent assets.

Foreign Currency Translation

The functional currency of each of the Company's foreign subsidiaries and branches is the local currency. All assets and liabilities of foreign subsidiaries and branches are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at exchange rates prevailing during the year. The resulting translation adjustments, net of income taxes, are recorded in accumulated other comprehensive loss, which is a component of member's equity.

Revenue Recognition

In May 2014, the FASB issued ASC 606, "Revenue from Contracts with Customers." ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under the new standard and its related amendments, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. Enhanced disclosures are required regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted the standard as of October 1, 2019 using the modified retrospective approach and determined there is no impact to retained earnings upon adoption.

The core principle of ASC 606 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is measured based on consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of goods and services to a customer. ASC 606 also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers and significant judgments. The Company enters into contracts with its customers for the sale of goods in the ordinary course of business. A contract with commercial substance exists at the time the Company receives and accepts a purchase order under a master sales contract with a customer. The Company recognizes revenue when performance obligations under the terms of a contract with its customer are satisfied, which occurs with the transfer of the product(s) to the customer. The Company does not recognize revenue in situations where collectability from the customer is not probable, and defers the recognition of revenue until collection is probable or payment is received and performance obligations are satisfied.



Nutrition Parent, LLC
Notes to Consolidated Financial Statements
September 30, 2020 and 2019

(in thousands of dollars)

The Company evaluates whether an enforceable contract exists with a customer. An enforceable contract states the contractual terms, including the parties' rights and the payment terms related to the goods and services to be transferred; and there is the ability and intention to pay the Company for the contracted product. The Company also evaluates if a contract has multiple promises and if each promise should be accounted for as separate performance obligations or as a single performance obligation. Multiple promises in a contract are typically separated if they are distinct, both individually and in the context of the contract. The Company's contracts generally contain multiple promises that are distinct individually and in the context of the contract.

Disaggregation of Revenue

The Company generated revenue through the sale of products to customers through two primary revenue streams, Wholesale and Direct to Consumer. Wholesale revenue is earned from the sale of products to health and natural food stores, distributors, mass retailers, third-party e-commerce marketplaces, professionals, supermarkets, and international distributors. The majority of the Company's revenue is generated within the wholesale revenue stream and disaggregated into channels as shown below. Direct to Consumer revenue is earned from the sale of products to individual online consumers through a variety of forms including the Company's operated e-commerce sites and third-party platforms. The sales are generated primarily through the Amazon storefront, as well as Walmart, and eBay. The following is a disaggregation of revenue by channel, which the Company believes best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

Health Food Stores ("HFS"): This channel consists of retailers including independent health and natural food stores, health and natural food stores affiliated with local, regional and national health and natural food chains.

Marketplaces-Reseller: This channel consists of third-party marketplaces such as Amazon and other resellers authorized by the Company.

Web B2B: This channel consists of third-party e-commerce retailers that primarily focus on selling natural products and supplements on their own websites.

International: Au Naturel, a subsidiary of the Company, was formed for the purpose of marketing and selling branded products internationally. This channel consists of international sales that are sold directly to retailers and distributors.

Distributor: This channel consists of large independent distributors.

Food, Drug, Mass ("FDM"): This channel consists of primarily mass market retailers such as supermarkets, drugstores, and warehouse clubs that typically offer a limited selection of natural products and natural supplements.

Private Label & Raw Materials: Monarch Nutraceuticals, a subsidiary of Nutraceutical, markets branded bulk products and custom blends primarily to manufacturers and distributors.

Professional: This channel consists of sales to health practitioners that provide professional-grade supplements and natural products to patients.

Direct to Consumer: This channel consists of sales to individual online consumers through a variety of forms including the Company's operated e-commerce sites and third-party platforms such as the Amazon storefront, Walmart, Shopify and eBay.



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Generally, contracts within the wholesale revenue stream include several distinct products that represent separate performance obligations satisfied at a point-in-time. The transaction price can be variable due to volume-based rebates and discounts. Stand-alone selling prices are directly observable for each product sold.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Sales contracts (purchase orders) typically contain several performance obligations, as customers generally contract for multiple products within a single contract, and each product is capable of being distinct. Performance obligations are satisfied at the point in time in which the customer takes control of the product, upon shipment or delivery, depending on the terms of the underlying contract. For the majority of the Company's products, control is transferred and revenue is recognized when the product is shipped from the Company's distribution facility. If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on the relative stand-alone selling price of the respective promised good or service.

Determining the Transaction Price

Revenue is recognized based on the transaction price, which is measured as the amount of consideration the Company expects to receive in exchange for transferring control of a product to a customer. When determining the transaction price, the Company estimates variable consideration to the extent that it is probable that a significant amount of cumulative revenue will not be reduced in the future. The primary sources of variable consideration for the Company are volume-based rebate programs, discounts, and product returns. Generally, these discounts and incentives are recorded as a reduction to revenue at the time of the initial sale. The Company estimates variable consideration using the expected value method which is based on sales terms with customers, historical experience, volume purchases, and known changes in relevant trends. There are no material instances where variable consideration is constrained and not recorded at the initial time of sale.

Returns, Refunds, and Warranties

In the normal course of business, the Company provides assurance-type warranties for products with agreed-upon specifications and are free from material defects. For a limited duration following initial sale, the Company offers its customers the right to return defective products for a full refund, or for a replacement of defective products. Returns are recorded as a reduction to revenue based on anticipated sales returns estimated from sales terms, historical experience, and trend analysis. The Company records obligations for returns within accounts receivable on the Consolidated Balance Sheet. The refund liability is remeasured for changes in the estimate at each reporting date with a corresponding adjustment to net sales and cost of sales within the Consolidated Statements of Comprehensive Loss.

Principal vs. Agent Considerations

U.S. GAAP requires the Company to evaluate a promise to transfer services to the customer (as the principal) or to arrange for services to be provided by another party (as the agent) using a control model. Based on evaluation of the control model, the Company determined that it acts as the agent



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within our revenue arrangements with resellers. Therefore, revenue is reported net of reseller fees within the Consolidated Statements of Comprehensive Loss.

Shipping and Handling

Freight and shipping costs billed to customers concurrent with revenue producing activities is included within revenue and the cost for inbound freight is recognized as an expense within cost of sales when control has transferred to the customer. The Company has elected to treat shipping and handling associated with outbound freight that occurs after control of the related good transfers to the customer as a fulfillment cost instead of as a separate performance obligation. The Company recognizes the cost for shipping and handling (i.e. outbound freight costs) when incurred as an expense in selling, general and administrative expenses.

Contract costs

Applying the practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. These costs are included in selling, general, and administrative expenses.

Shipping and Handling Costs

The Company incurs shipping and handling costs related to third party freight charges, as well as internal warehousing and order fulfillment costs. These costs are classified as selling, general and administrative expenses and totaled \$31,629 and \$30,339 for the years ended September 30, 2020 and 2019, respectively.

Research and Development

The Company expenses research and development costs as incurred. For the years ended September 30, 2020 and 2019, the Company incurred \$6,182 and \$5,929, respectively, in research and development expenditures primarily related to product development.

Advertising

The Company expenses advertising costs as incurred. These costs are included in selling, general and administrative expenses. For the years ended September 30, 2020 and 2019, the Company incurred \$18,109 and \$14,442, respectively, in advertising expenses.

Income Taxes

The Company accounts for income taxes using the asset and liability method which requires the Company to record deferred tax assets and liabilities for the differences between the financial statement and tax bases of assets and liabilities using the expected applicable future tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be ultimately realized.

The Company accounts for uncertainty in income taxes using a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination by the tax authority. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit or loss to recognize in the financial statements (Note 12).



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Concentrations of Credit Risk

In the normal course of business, the Company provides credit terms to its customers; however, collateral is not required. Accordingly, the Company performs credit evaluations of its customers and maintains allowances for possible losses which, when realized, are within the range of management's expectations. From time to time, a higher concentration of credit risk exists on outstanding accounts receivable for a select number of customers due to individual buying patterns.

New Accounting Standards

In February 2016, the FASB issued authoritative guidance, which is included in ASC 842, "Leases." This guidance requires lessees to recognize most leases on the balance sheet by recording a right-of-use asset and a lease liability. This guidance is effective for the Company as of October 1, 2021. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In August 2016, the FASB issued authoritative guidance, which is included in ASC 230, "Statement of Cash Flows." This guidance amends ASC 230 to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. The cash flow issues identified in the guidance are debt prepayment or debt extinguishment costs, settlement of zero-coupon bonds, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate owned life insurance policies, distributions received from the equity method investees and beneficial interest in securitization transactions. This guidance is effective for the Company as of October 1, 2020. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

In June 2016, the FASB issued authoritative guidance, which is included in ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. This guidance is effective for the Company as of October 1, 2021. The Company is currently evaluating the impact this standard will have on its consolidated financial statements.

The Company periodically reviews new accounting standards that are issued. Although some of these accounting standards may be applicable to the Company, the Company has not identified any other new standards that it believes merit further discussion, and the Company expects that none would have a significant impact on its consolidated financial statements.



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3. Acquisitions

On February 13, 2019, the Company completed the acquisition of all the issued and outstanding equity of Nu U Nutrition Limited for \$11,371, of which \$10,478 was paid in cash at the closing date with an additional \$776 paid in cash during the year ended September 30, 2020. The remaining \$117 is expected to be paid prior to the second anniversary of the acquisition. Nu U Nutrition Limited sells nutritional supplements on ecommerce websites in Europe and the United States.

This acquisition was accounted for using the acquisition method of accounting. Accordingly, the aggregate purchase price was assigned to the assets acquired based on their fair values at the date of acquisition. The excess of aggregate purchase price over the fair values of the assets acquired was classified as goodwill (Note 8). The goodwill relates to expected synergies from this acquisition. The Consolidated Statements of Comprehensive Loss and Consolidated Statements of Cash Flows presented herein include the activities of this acquired business from its date of acquisition.

The following reflects the final allocation of the aggregate purchase price for the Nu U Nutrition Limited acquisition to the aggregate assets acquired:

Net assets acquired	
Accounts receivable	\$ 381
Inventories	2,573
Goodwill	8,631
Trademarks and tradenames	1,605
Accounts payable	(1,355)
Accrued expenses	(156)
Deferred tax liabilities, net	(308)
	<hr/>
	\$ 11,371

The Nu U Nutrition Limited acquired intangibles totaling \$1,605 relate to trademarks and tradenames and are being amortized over 5 years for financial statement purposes and are expected to be deductible for tax purposes over 15 years. The estimated fair values of the trademarks and tradenames were determined using an income approach, the relief from royalty method, which estimates discounted cash flows over the estimated life of the trademarks and tradenames. Because the Company elected to adopt the private company accounting standards, separate value was not assigned to customer relationships. Goodwill totaling \$8,631 is being amortized over 10 years for financial statement purposes and over 15 years for tax purposes.



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4. Accounts Receivable

Accounts receivable, net of allowances for sales returns and doubtful accounts, consist of the following:

	2020	2019
Accounts receivable	\$ 34,386	\$ 33,891
Less allowances	(5,857)	(1,928)
	<u>\$ 28,529</u>	<u>\$ 31,963</u>

5. Inventories

Inventories are comprised of the following:

	2020	2019
Raw materials	\$ 38,868	\$ 31,280
Work-in-process	9,515	12,038
Finished goods	33,023	30,151
	<u>\$ 81,406</u>	<u>\$ 73,469</u>

6. Assets Held for Sale

In August 2018, the Company announced its intention to sell its manufacturing facilities in Tampa, Florida and Tulsa, Oklahoma and relocate these operations to its Ogden, Utah location. The Company also had properties located in Bowling Green, Florida, San Clemente, California, Shelburne, Massachusetts and Mountain Green, Utah available for sale as well as retail stores and other related retail facilities. As of September 30, 2020 the Company has sold all previously held for sale assets except for the manufacturing facility in Tulsa, Oklahoma. At September 30, 2020, the Company also held for sale an office building in Park City, Utah. The assets associated with these properties are expected to be sold within twelve months and have been classified as held for sale and presented separately in the consolidated financial statements ended September 30, 2020. For the year ended September 30, 2020, the fair market value less selling costs of the held for sale assets were less than the net carrying value of the relevant assets and accordingly an impairment charge of \$873 was recognized. No impairment charge was recorded for the year ended September 30, 2019. During the year ended September 30, 2019, the Company received proceeds of \$6,928 and recognized a pre-tax loss of \$436 from assets held for sale.

Assets held for sale are comprised of the following:

	2020	2019
Property, plant & equipment	\$ 7,481	\$ 2,613
	<u>\$ 7,481</u>	<u>\$ 2,613</u>



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7. Property, Plant and Equipment, Net

Property, plant and equipment, net of accumulated depreciation and amortization, are comprised of the following:

	Estimated Useful Life in Years	2020	2019
Land	-	\$ 3,852	\$ 5,180
Buildings	30	53,701	57,588
Leasehold improvements	1-3	2,312	1,635
Furniture, fixtures and equipment	1-10	48,352	41,095
		<u>108,217</u>	<u>105,498</u>
Less: Accumulated depreciation and amortization		(30,437)	(21,563)
		<u>\$ 77,780</u>	<u>\$ 83,935</u>

Property, plant & equipment to be disposed of are included in "Assets held for sale" on the Consolidated Balance Sheets as of September 30, 2020 and 2019, and accordingly, are not included in this table.

At September 30, 2020, the Company had equipment under capital leases totaling \$813 with accumulated depreciation and amortization of \$133. At September 30, 2019 the Company had no equipment under capital leases. Substantially all property, plant and equipment of the Company collateralized its debt obligations (Note 10).

Depreciation and amortization of property, plant and equipment totaled \$9,822 and \$10,430 for the years ended September 30, 2020 and 2019, respectively.

8. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for the years ended September 30, 2020 and 2019 were as follows:

	Goodwill	Accumulated Amortization	Net Carrying Amount
Balance as of September 30, 2018	\$ 223,151	\$ (24,655)	\$ 198,496
Fiscal 2019 goodwill amortization	-	(22,851)	(22,851)
Goodwill attributable to fiscal 2019 acquisition	8,631	-	8,631
Currency translation adjustment	(349)	-	(349)
Balance as of September 30, 2019	<u>231,433</u>	<u>(47,506)</u>	<u>183,927</u>
Fiscal 2020 goodwill amortization	-	(23,172)	(23,172)
Currency translation adjustment	364	-	364
Balance as of September 30, 2020	<u>\$ 231,797</u>	<u>\$ (70,678)</u>	<u>\$ 161,119</u>



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Amortization of goodwill totaled \$23,172 and \$22,851 for the years ended September 30, 2020 and 2019, respectively.

Estimated future amortization expense related to goodwill as of September 30, 2020 is as follows:

	Estimated Amortization Expense
Year Ending September 30,	
2021	\$ 23,142
2022	23,142
2023	23,142
2024	23,142
2025	23,142
Thereafter	45,409
	<u>\$ 161,119</u>

The carrying amounts of intangible assets at September 30, 2020 and 2019 were as follows:

	Trademarks/ Tradenames
Gross Carrying Amount as of September 30, 2019	\$ 46,973
Accumulated Amortization (1)	<u>(14,197)</u>
Net Carrying Amount as of September 30, 2019	<u>\$ 32,776</u>
Weighted Average Amortization Period (Years)	8
Gross Carrying Amount as of September 30, 2020	\$ 47,055
Accumulated Amortization (1)	<u>(21,046)</u>
Net Carrying Amount as of September 30, 2020	<u>\$ 26,009</u>
Weighted Average Amortization Period (Years)	8

(1) Amounts include the impact of foreign currency translation adjustments.

Aggregate amortization expense related to intangible assets totaled \$6,838 and \$6,851 for the years ended September 30, 2020 and 2019, respectively.



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Estimated future amortization expense related to intangible assets as of September 30, 2020 is as follows:

	Estimated Amortization Expense
Year Ending September 30,	
2021	\$ 6,245
2022	5,392
2023	4,091
2024	3,015
2025	2,830
Thereafter	4,436
	<u>\$ 26,009</u>

9. Accrued Expenses

Accrued expenses are comprised of the following:

	2020	2019
Employee payroll, taxes, benefits and other compensation	\$ 5,857	\$ 2,511
Contingent consideration	117	893
Other accrued	1,806	1,795
	<u>\$ 7,780</u>	<u>\$ 5,199</u>

10. Debt

At September 30, 2018, the Company's debt consisted of (i) a first lien senior secured term facility of \$229,425 and a \$20,000 senior secured revolving facility, and (ii) a second lien senior secured term facility for \$95,000. The first lien term loan, revolving facility and second lien term loan were scheduled to mature on August 23, 2023, 2022 and 2024, respectively.

On December 28, 2018, the Company amended its first lien credit agreement to provide an incremental term loan in the principal amount of \$19,000, the proceeds of which were used by the Company to finance the acquisition of all the issued and outstanding equity interest of Nu U Nutrition Limited. This amendment was an increase to the term loans outstanding under the first lien credit agreement. No changes were made to the maturity date under this amendment. The Company paid financing fees of \$483 related to amendment of which \$184 are being expensed over the term of amendment using the effective interest method and \$299 was expensed and is included in interest expense for the period ended September 30, 2019.

On September 30, 2020, the Company refinanced its debt by entering into a new credit agreement (the "New Credit Agreement"). The New Credit Agreement consists of (i) a \$347,500 senior secured term loan, (ii) a \$52,500 senior secured delayed draw term loan and (iii) a \$25,000 senior secured revolving facility. The maturity date on the term loan and the delayed draw term loan is



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September 30, 2026 The maturity date on the revolving facility is September 30, 2025. The term loan on the New Credit Agreement was used to fully repay the prior first lien term loan and the second lien term loan. As part of this refinance, deferred financing fees of \$6,108 related to the prior debt were expensed and are included in interest expense for the year ended September 30, 2020. The Company paid financing fees of \$11,059 related to the New Credit Agreement of which \$7,728 are being expensed over the term of New Credit Agreement using the effective interest method for the term loan and using the straight-line method for the revolving facility and \$3,331 was expensed and is included in interest expense for the year ended September 30, 2020.

Debt is comprised of the following as of September 30, 2020:

	Principal Outstanding	Unamortized Deferred Financing Fees	Net Balance Outstanding
Term Loan	\$ 347,500	\$ (7,269)	\$ 340,231
Less Current Portion of Term Loan	(6,516)	-	(6,516)
Long-term Term Loan Balance	<u>\$ 340,984</u>	<u>\$ (7,269)</u>	<u>\$ 333,715</u>
Revolving Credit Facility	<u>\$ -</u>		

The following summarizes future minimum principal payments required under the Company's Credit Agreements as of September 30, 2020:

	Term Loan	Revolving Credit Facility
2021	\$ 6,516	\$ -
2022	8,688	-
2023	8,688	-
2024	8,688	-
2025	8,688	-
Thereafter	<u>306,232</u>	-
	<u>\$ 347,500</u>	<u>\$ -</u>

Borrowings under the New Credit Agreement are collateralized by substantially all assets of the Company. Beginning March 31, 2021, the Company is required to make quarterly principal payments of \$2,172 under the New Credit Agreement. Beginning with the year ending September 30, 2021 and for each fiscal year ending thereafter, the Company may be required to make additional mandatory payments of the term loan with certain excess cash flow amounts (as set forth in the New Credit Agreement), with customary exceptions. At the Company's election, borrowings bear interest at the applicable Eurodollar Rate plus a variable margin or at a Base Rate plus a variable margin. At September 30, 2020, the variable margin rate under the New Credit Agreement was 8.00%. The Company is also required to pay a quarterly fee on the unused balance of the revolving facility of 0.50% and a quarterly fee on the undrawn balance on the delayed draw term loan of 1.00%. Accrued interest was \$79 as of September 30, 2020 and is payable based on elected intervals of one, two or three months.



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The New Credit Agreement contains restrictive covenants, including restrictions on incurring other indebtedness and requirements that the Company maintain certain financial ratios. As of September 30, 2020, the Company was in compliance with the restrictive covenants. Upon the occurrence of a default, the lender has various remedies or rights, which may include proceeding against the collateral or requiring the Company to repay all amounts outstanding under the New Credit Agreement.

On October 28, 2020, the Company borrowed the \$52,500 available under the delayed draw term loan. These funds were used to pay the liability associated with the dissenting stockholders from the August 23, 2017 merger (Note 13). The \$52,500 delayed draw term loan will be combined together with the \$347,500 term loan for a total term loan of \$400,000. With this additional borrowing, the Company's required quarterly principal payments under the New Credit Agreement will be \$2,500 beginning March 31, 2021.

11. Lease Commitments and Obligations

The Company leases office, storage and warehouse space as well as apartments, vehicles, and other equipment under noncancelable operating leases, the last of which expires during fiscal year 2028; however, the Company has negotiated extension options in many cases. These operating leases require the Company to pay all taxes, insurance and maintenance.

The following summarizes future minimum lease payments required under the Company's significant noncancelable operating leases as of September 30, 2020:

Years Ending September 30,	Minimum Lease Payments
2021	\$ 1,598
2022	1,144
2023	1,093
2024	1,233
2025	1,270
Thereafter	4,170
	<u>\$ 10,508</u>

Total rent expense incurred by the Company was \$1,258 and \$1,157 for the years ended September 30, 2020 and 2019, respectively.

During the year ended September 30, 2020, the Company entered into a capital lease for certain manufacturing equipment. This capital lease expires during fiscal year 2022.

The following summarizes future minimum lease payments required under the Company's capital lease as of September 30, 2020:



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Years Ending September 30,	Minimum Lease Payments
2021	\$ 226
2022	262
	<u>\$ 488</u>

Total payments for capital lease obligations paid by the Company was \$213 for the year ended September 30, 2020. The Company made no capital leases payments for the year ended September 30, 2019.

12. Income Taxes

The provision for income taxes is comprised of the following:

	2020	2019
Current		
Federal	\$ 1,648	\$ 833
State	430	202
Foreign	85	28
	<u>2,163</u>	<u>1,063</u>
Deferred		
Federal	(467)	1,440
State	175	(632)
Foreign	59	(59)
	<u>(233)</u>	<u>749</u>
	<u>\$ 1,930</u>	<u>\$ 1,812</u>

The differences between income taxes at the statutory federal income tax rate and income taxes reported in the Consolidated Statements of Comprehensive Loss are as follows:



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	2020	2019
Federal tax at statutory rate	\$ (7,860)	\$ (4,908)
State taxes, net of federal benefit	(2,097)	(1,241)
Nondeductible expenses	3,259	225
Goodwill amortization	5,025	4,969
Change in valuation allowance	3,734	3,078
Credit for increasing research activities	(249)	(297)
Other	118	(14)
	<u>\$ 1,930</u>	<u>\$ 1,812</u>

A summary of the composition of deferred income tax assets and liabilities is as follows:

	2020	2019
Deferred income tax assets (liabilities), net		
Accounts receivable reserves	\$ 1,558	\$ 491
Inventory valuation adjustments	886	697
Accrued liabilities	(52)	(51)
Goodwill and other intangible assets	1,715	429
Property, plant and equipment	(2,859)	(2,988)
Section 163(j) interest limitation carryforwards	4,788	3,078
Unrealized losses	190	113
Domestic net operating loss carryforwards	273	354
Foreign net operating loss carryforwards	1,558	2,027
Tax credit carryforwards	725	433
	<u>8,782</u>	<u>4,583</u>
Less: Valuation allowance	<u>(8,782)</u>	<u>(5,048)</u>
	<u>\$ -</u>	<u>\$ (465)</u>

As of September 30, 2020 and 2019, the Company had foreign net operating loss carryforwards of \$7,183 and \$8,547, respectively. If not used, loss carryforwards of \$1,874 will expire between 2020 and 2039 while \$5,309 do not expire. As of September 30, 2020 and 2019, valuation allowances were recorded of \$8,782 and \$5,048, respectively, as the Company believed it was not likely it would be able to utilize certain deferred tax assets. As of September 30, 2020, the Company recorded a full valuation allowance on their net deferred tax assets. As of September 30, 2020 and 2019, the Company had no federal net operating loss carryforwards.

As of September 30, 2020 and 2019, the Company had no uncertain tax positions that required recognition or disclosure in its Consolidated Statements of Comprehensive Loss.

The Company files income tax returns in the United States federal jurisdiction, various U.S. state jurisdictions and certain foreign jurisdictions. The Company is no longer subject to U.S. federal tax examinations for fiscal years before 2017. The Company is no longer subject to examination in any U.S. state jurisdiction or foreign jurisdiction for fiscal years prior to 2015.



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13. Capital Stock

Dissenting Stockholders

On August 23, 2017, Nutrition Sub, Inc., a wholly-owned subsidiary of the Company, merged with Nutraceutical pursuant to the Merger Agreement dated as of May 21, 2017. Under the terms and subject to the conditions of the Merger Agreement, holders of Nutraceutical's common stock at the effective time of the merger were entitled to receive \$41.80 per share, without interest. At the time of the merger, stockholders holding 1,271,746 shares of Nutraceutical common stock dissented from the \$41.80 per share offer price and asserted their right to demand that a court determine the value of their shares. Based on the court's review, these dissenting stockholders will be entitled to the new price, including interest. During the year ended September 30, 2018, stockholders holding 264,523 shares withdrew their assertion of appraisal rights and received a payment totaling \$11,057. As of September 30, 2019, a liability of \$48,748 was recorded to account for the remaining dissenting shares plus interest of \$3,444.

During the year ended September 30, 2020, stockholders holding 197,305 shares withdrew their assertion of appraisal rights and received a payment totaling \$10,350. On October 29, 2020, stockholders holding the remaining 809,918 shares withdrew their assertion of appraisal rights and received a payment totaling \$52,265 plus an additional \$1,000 to be paid on or before April 16, 2021. As of September 30, 2020, a liability of \$33,855 was recorded to account for the remaining dissenting shares settled on October 29, 2020 plus interest of \$8,226 and a premium of \$11,000.

Management Incentive Units

Norway TopCo, LP, an equity investor in Nutrition Parent LLC, has three classes of equity units, Class A, B and C. Each unit represents a fractional part of the limited partner interest. During the year ended September 30, 2019, Norway TopCo, LP, reserved an additional 1,507,781 Class B Units bringing the total Class B Units reserved for issuances to existing or new employees, officers, directors, consultants or other service providers of the partnership or any of its subsidiaries to 12,258,829. In July 2019, it was determined that no additional grants of Class B Units would be made. During the year ended September 30, 2020, Norway TopCo, LP reserved 20,819,940 Class C Units for issuances to existing or new employees, officers, directors, consultants or other service providers of the partnership or any of its subsidiaries.

Both Class B and Class C Units vest over 5 years with 20% vesting no later than one year after the date of grant ("Initial Vesting Date") with the remaining units vesting an additional 10% on the last day of each of the eight consecutive six-month periods following the Initial Vesting Date. Upon the occurrence of a change of control, all units that have not yet vested shall become fully vested.

The fair value of the units was estimated at the grant date using the Black-Scholes Option Pricing model. The Company enlisted a third-party valuation firm to perform the valuation of the units granted.

The following table reflects Class B Unit activity for the period:



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	Number of B Units Available to Issue	Number of B Units Outstanding	Weighted-Average Grant Price
Balance as of September 30, 2018	305,504	10,445,544	\$ 0.2529
Class B Units reserved	1,507,781	-	0.1051
Units granted	(2,579,462)	2,579,462	0.1051
Units forfeited	766,177	(766,177)	0.2529
Balance as of September 30, 2019	-	12,258,829	\$ 0.2218
Units forfeited	-	(1,906,468)	0.2162
Balance as of September 30, 2020	-	10,352,361	\$ 0.2228

The fair value of these units was determined at the respective date of grant. The fair value of the issued and outstanding units as of September 30, 2020 was \$2,307. The weighted average remaining contractual life for units outstanding as of September 30, 2020 was 2 years. The company recorded \$443 in compensation expense for the year ended September 30, 2020.

The following table lists the inputs to models used to calculate the fair value of the Class B Units for the period ended September 30, 2020:

	Black-Scholes Option Pricing Model
Fair value of Units	\$ 0.2218
Exercise price	0.2218
Expected term (years)	2
Expected volatility	67.00%
Risk-free interest rate	1.63%

The expected term coincided with the Company's estimated time of a change in control at the valuation date. Given there is no active external or internal market for the units at the date of the grant, a peer group of companies was used to calculate volatility. The risk-free interest rate was based on the rate of treasury securities with the same term at the time of the grant date.

As of September 30, 2020, the Company had \$965 of future period compensation based expense related to the units. Additionally, Class B Unit holders at the time of the minority stake transaction received \$4,231 as a distribution from Norway TopCo, LP.

The following table reflects Class C Unit activity for the period:



Nutrition Parent, LLC Notes to Consolidated Financial Statements September 30, 2020 and 2019

(in thousands of dollars)

	Number of C Units Available to Issue	Number of C Units Outstanding	Weighted-Average Grant Price
Balance as of September 30, 2019	-	-	\$ -
Class C Units reserved	20,819,940	-	0.3172
Units granted	(17,591,115)	17,591,115	0.3172
Units forfeited	1,314,259	(1,314,259)	0.3172
Balance as of September 30, 2020	<u>4,543,084</u>	<u>16,276,856</u>	<u>\$ 0.3172</u>

The fair value of these units was determined at the respective date of grant. The fair value of the issued and outstanding units as of September 30, 2020 was \$5,162. The weighted average remaining contractual life for units outstanding as of September 30, 2020 was 4 years. The company recorded \$499 in compensation expense for the year ended September 30, 2020.

The following table lists the inputs to models used to calculate the fair value of the Class C Units for the period ended September 30, 2020:

	Black-Scholes Option Pricing Model
Fair value of Units	\$ 0.3172
Exercise price	0.3172
Expected term (years)	4
Expected volatility	71.00%
Risk-free interest rate	0.24%

The expected term coincided with the Company's estimated time of a change in control at the valuation date. Given there is no active external or internal market for the units at the date of the grant, a peer group of companies was used to calculate volatility. The risk-free interest rate was based on the rate of treasury securities with the same term at the time of the grant date.

As of September 30, 2020, the Company had \$4,663 of future period compensation based expense related to the units.

Minority Stake

On July 19, 2019, Norway TopCo, LP agreed to sale a minority stake in Nutrition Parent, LLC to Snapdragon Capital Partners LLC and The Maze Group LLC. As part of the minority interest transaction, the Company provided a net distribution of \$2,788 to Norway TopCo, LP for transaction costs.



Nutrition Parent, LLC
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(in thousands of dollars)

14. Employee Benefit Plans

401(k) Plan

The Company has a 401(k) defined contribution profit sharing plan that covers substantially all employees. Under the plan, employees may contribute up to 75% of their compensation subject to certain exceptions and limitations. In addition, employees who meet certain age requirements may contribute additional amounts permitted by law under the plan. The Company makes matching contributions to the plan up to the first 4% of employee contributions and is permitted to make discretionary contributions under the plan. The amounts contributed to the plan by the Company were \$1,044 and \$944 for the years ended September 30, 2020 and 2019, respectively.

15. Supplemental Disclosure of Cash Flow Items

Cash paid by the Company for interest was \$21,854 and \$25,338 for the years ended September 30, 2020 and 2019, respectively. Cash paid by the Company for income taxes was \$1,735 and \$425 for the years ended September 30, 2020 and 2019, respectively. For the year ended September 30, 2020 and 2019, the change in purchases of property, plant and equipment included in accounts payable was \$(800) and \$825, respectively.

16. Commitments and Contingencies

The formulation, manufacturing, processing, packaging, labeling, advertising, distribution and sale of nutritional supplements (including vitamins, amino acids, minerals, herbs, other botanicals and other dietary ingredients), such as those sold by the Company, are subject to regulation by one or more federal agencies, principally the Food and Drug Administration (the "FDA") and the Federal Trade Commission and, to a lesser extent, the Consumer Product Safety Commission and the United States Department of Agriculture. These activities are also regulated by various governmental agencies for the states and localities in which the Company's products are sold, as well as by governmental agencies in certain countries in which the Company's products are sold outside the United States.

Although management believes that the Company is in material compliance with the statutes, laws, rules and regulations of every jurisdiction in which it operates, from time to time one or more government agencies have asserted or may assert that some particular aspect or facility is not in compliance with a specific provision or law. No assurance can be given that the Company's compliance with applicable statutes, laws, rules and regulations will not be challenged by governing authorities or private parties or that the Company's response to any such challenge will be successful 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, like any other retailer, distributor or manufacturer of products that are designed to be ingested, also faces inherent risk of exposure to product liability claims in the event that the use of its products results in injury. With respect to product liability claims, the Company has liability insurance; however, liability policies contain deductibles and exclusions (such as those related to specific ingredients or types of claims) and there can be no assurance that such insurance will be adequate to cover all potential liabilities. In the event that the Company does not have adequate insurance (or any insurance) or contractual indemnification from parties supplying raw materials or marketing its products, product liability related to defective products could have a material adverse effect on the Company.



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(in thousands of dollars)

The Company is involved in various legal matters arising in the normal course of business. At September 30, 2020, a liability of \$875 was recorded for individual regulatory and legal matters in which the Company is presently involved. In the opinion of management, the individual regulatory and legal matters in which the Company is presently involved are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. However, the aggregate liability of the Company arising from regulatory and legal proceedings related to future matters could have a material effect on the Company's financial position, results of operations or cash flows.

17. Subsequent Events

On October 29, 2020, dissenting stockholders from the August 23, 2017 merger who held the remaining 809,918 shares withdrew their assertion of appraisal rights and received a payment totaling \$52,265 plus an additional \$1,000 to be paid on or before April 16, 2021. To facilitate the payment of this liability, on October 28, 2020, the Company borrowed the \$52,500 available under the delayed draw term loan (Notes 10 and 13).

The Company evaluated subsequent events through November 23, 2020, the date the financial statements were available to be issued, and determined there were no additional items that required further disclosure or recognition.