

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Youngevity International Inc. (OTCMKTS:YGYI)



DAVE BRISKIE is President and CFO of Youngevity International Inc. As CEO of Javalution Coffee Company, Mr. Briskie shepherded the company's development into a fully vertical coffee roasting and distribution company. Under his leadership, Javalution became the owner of the direct marketing brand JavaFit and the retail brand Cafe La Rica, as well as the category creator of functional gourmet coffee. Prior to joining Javalution in 2007, he was CEO of Drew Pearson Marketing, Inc. — DPM — a designer and manufacturer of licensed, private-label and fashion headwear whose clients were Fortune 500 companies, including Disney, Warner Bros., Anheuser-Busch and General Motors as well as the NFL, the NBA, MLB, the NHL and various major universities. In 2001, he oversaw the merger of DPM and its key manufacturer as well as the subsequent initial public offering of the merged company on the Hong Kong Stock

Exchange. Mr. Briskie is a recipient of the coveted Paul DeLorenzo scholar-athlete award, and in 1983, he graduated magna cum laude from Fordham University with a double major in marketing and finance.

SECTOR — HEALTH SERVICES

TWST: Can you give us a little bit of history on the company?

Mr. Briskie: Youngevity has been around for quite some time.

In fact, next year, we will be celebrating our 20th year in business. The Founder is a guy named Dr. Joel Wallach, and he is really a pioneer in nutraceuticals, or supplementation, if you will, actually coming at us from the animal kingdom.

So if you remember Mutual of Omaha's Wild Kingdom and Marlin Perkins, Marlin Perkins got a grant, and he called Dr. Joel Wallach down to see about saving the white rhino, believe it or not, because the white rhino was going extinct. They were trying to find out if the extinction of some of these exotic animals was related to pollution. So Dr. Joel Wallach literally was summoned down, and he would stalk rhinos; he was like the first crocodile hunter.

To make a very, very long story — and actually an interesting story — short, what he really learned was that it wasn't the environment that was impacting these rhinos as much as it was nutrition. The pollution was affecting their nutrition source. It wasn't the pollution that was doing it; it was the fact that the vitamins and minerals in the soil were being depleted by the pollution. This poor nutrition was leading to diseases because the animals could no longer fight off infections and problems.

So Dr. Wallach started looking at that in terms of humans. What he found peculiar was we eliminated 900 diseases in animals, yet the same disease still existed in humans. He found that animals, thanks to supplements, were getting better nutrition than humans were. Of course, the way many humans eat — fast food and all of this type of stuff —

contributed to the situation. But that was the founding principles of Youngevity as a nutritional company going back 20 years. Obviously, the company has evolved quite a bit from there.

In terms of the history of Youngevity, it grew primarily as a nutritional company and grew quite a bit over 20 years with lots of testimonials of people having great results. The core product is what we call 90 For Life. And that tagline is pretty simple: It's the 90 essential nutrients, vitamins and minerals everybody should take every day for the rest of their lives because you can't get them from food alone. Soil doesn't allow our food supply today to give us these nutrients.

We see supplements as one of the high-growth areas of the company because of that lack of nutrition in our food. Sadly, there are supplements that are good, and there are some that are not. So that's really the core of Youngevity and how it grows. Steve Wallach is Dr. Joel Wallach's son. He is the CEO of Youngevity.

I really grew out of a traditional business path. I was CEO of a company called Drew Pearson Marketing and grew that business from four people to 4,000 over a 19-year period, partnering with a former Dallas Cowboy, Drew Pearson. And we grew in the largest headwear supply business in the world. And that ultimately became the largest factory for building headwear in Shenzhen, China. So a long story there, but when I exited that particular business, I was looking for another challenge.

I made some investments in some private placements, and I bought into a little company that I thought had a very interesting model called Javalution Coffee Company. That company was blending supplements with coffee, right around the time vitaminwater was

happening. I said, “Well, that is a really cool idea; we see what happened with vitaminwater.” I became the CEO of Javalution Coffee Company, eventually. Some Wall Street guys came down so they could raise the money. They didn’t, but I became CEO.

I put a lot of my own money into the company, and then, first thing I did in this coffee company was to acquire a coffee roasting operations. With Wall Street not able to deliver on the finances, my decision as CEO was to change the entire distribution path of Javalution Coffee Company, which was going down on retail road but now did not have the funding to actually be successful. That’s when, and this is in 2007, we had to make a decision. There were only two ways to tell this story. It was either infomercial or direct marketing, like belly-to-belly marketing. I chose the belly-to-belly marketing path.

In 2009, I took the company, Javalution Coffee Company, public to a self-registration, self-filing with FINRA. We did it ourselves. We had enough shareholders to do it. It was a crazy experience, but we got it done, and that’s how the company became public.

So about a year into the direct-selling experience, it was doing quite well. Although the direct selling was doing well, you kind of know you are in a place where you need better people around you, and you realize this learning curve is too steep, and I’m going to make more mistakes than it’s worth, so I started looking for a strategic partner.

“And the more I got involved in the business, the more excited about the business I got because I saw there was a way to transform not just in an industry but to maybe create our own industry. If we took the best of direct selling, which is this high-touch component, and we really became committed to technology, we could excel.”

Fortunately, I met Steve Wallach of Youngevity, who was looking to get public. As small as we were, we were creating a bit of buzz in the direct-selling spaces. So that was intriguing to Steve Wallach, and he loved the coffee space. In July of 2011, we merged Youngevity and Javalution Coffee Company together. That was the reverse merger that took place, and that’s what created the public company that Youngevity International is today. We changed the symbol from JCOF — Javalution — to YGYI. So that happened all in July of 2011. From there, it’s been very interesting.

Originally, I thought I would put a year of time and get the coffee business right and then maybe go do something else. But I really got excited about the space. And more importantly, I got the idea that we can maybe transform an industry because even sometimes fresh eyes are the best eyes. I saw the power of the industry really was this high-touch component that is fading in our world today. It’s all Internet, and we are seeing more and more people making decisions based on referrals. That’s the real power of that industry. And if you can saddle that power, it gets to be very intriguing.

So we merged in July in 2011. I realized that Youngevity did not have the financial team put together, and I realized that, because of my background, it was something I could add. I became CFO. I came back to California, built a whole finance team, put the right people in place. And the more I got involved in the business, the more excited about the business I got because I saw there was a way to transform not just in an industry but to maybe create our own industry. If we took the best of direct selling, which is this high-touch component, and we really became committed to technology, we could excel.

The reality is that more and more companies are placed through the e-commerce platform. The real shift will then be able to take this face-

to-face, belly-to-belly, more intimate connective tissue and marry it with electronics or technology, if you will, that could actually start to leverage these consumer bases that we are creating. This could be something that no one else is doing. Steve was excited about it. I was excited about it. The team was excited about it. So we started to leverage the greatest assets we have, which is groups of people.

About three and a half years ago or so, we tried something that caused everybody in the industry to think we were insane. We acquired a little company called Heritage Makers. Heritage Makers was a digital scrapbooking company. So they were basically all these groups of women telling stories through scrapbooking because their whole niche was that nobody is making books anymore because our photos now are all digital. There was this kind of crusade of women that really felt strongly about finding a way to preserve those digital photos, even if you lost your phone or your computer or whatever else. Ten thousand women were in this company.

So Steve and I thought that if we could acquire this company, we could definitely prove whether the model works. If we could get these women to keep doing what they are doing, but also get them to consume all of our other products, then we could show the power of what Youngevity can be. So we made that acquisition; the industry thought we are insane.

We told these women not to change what they were doing, we told them to stay passionate about their mission, but every week they would do training on a product we have: healthy chocolate, coffee, whatever it was. Lo and behold, over three years, the scrapbooking business grew about 10%. But that direct consumption base grew 300% in terms of the volume they were creating. They were buying all sorts of stuff. And all they were doing is training on one product a week while they were scrapbooking.

Fast-forward to today, and they are one of the strongest groups in our business. 74% of their revenue is outside of scrapbooking that they generate and get paid out. So the light bulb really went on for us, and we had a consumption — or an acquisition model anyways. That really started accelerating our acquisition strategy.

It’s funny; kids today, they don’t even realize that Amazon was a bookseller. They don’t know that. But Amazon sells far more books today than they did when they sold books exclusively. Our growth was pretty good. We went from, in 2011, when we merged, we were about a \$22 million business. Coffee was about 10%. So coffee was really small. It was a tiny little \$2 million company. Fast-forward to this year, when we put our numbers, it will do about \$165 million, so that’s over four years, and coffee is still 10%. So coffee is growing at the same clip if you will, but the rest of the business is growing really well.

TWST: What happened to coffee? Is it still part of the business, or are you exclusively focused on the direct marketing?

Mr. Briskie: When we merged, we decided that we either needed to spin off the coffee portion or go big with it. We decided to go big. So the coffee business did not get left behind us. Coffee is still a huge passion of mine. We expanded our roasting operation, and it’s really this midsize roasting operation right there in Miami. We roast, package, grind

coffee, all in that one location. We can make two-ounce fractional packs, we can make retail bags of coffee, and we even produced K-Cup capsules out of this plant — so I mean, 100% every type of packaging. We have teamed that operation up with the power of Youngevity, and now we're starting to market the coffee component as a company that really offers the best coffee in the world to its distributors and customers.

One of the things that got really exciting was, as I was growing the coffee businesses, I started to really buy more and more coffee in Nicaragua, which I found was really creating this incredible robust cup of coffee. And we had an opportunity a couple of years back to buy a plantation, and we decided to do it. So Youngevity acquired 1,000 acres in the Nicaraguan rainforest of a prime coffee-growing area at the time when coffee was depressed in terms of pricing. And we were seeing farmers really struggling. There was a school on the property that had been closed, for instance. That situation really caught our attention, and we decided that if we were going to do this, we were going to do it right.

So we established the Youngevity Be The Change Foundation. My wife happens to be the Director of that foundation, the YoungevityBeTheChange.org, 501(c)(3). It is a very, very different foundation than what people are used to, and what I mean by that is we don't do fundraisers, we don't do anything like a typical nonprofit because Youngevity's vast products have grown so much that we take different products and we designate them as foundation production, and Youngevity gives 100% of the profit on the sales of those specific products back to the foundation. You don't have to be Warren Buffett to contribute to Youngevity Be The Change Foundation, you can just buy a bag of coffee every month, and we'll do the rest.

“It is a community of consumers that know there are great products here that they can consume and share. Through sharing, they can actually earn an income if they choose too. We are customer-focused, but if you want to build an income in Youngevity, there is an opportunity to do it.”

We acquired the plantation, we bought a 28-acre processing plant, and we literally tiled 10 acres for large-scale drying capacity, so we have built something that can scale in a massive way, same thing with the plantation. And so now we own one of the largest processing plants in the country of Nicaragua, and we very quietly became the third-largest exporter of coffee out of Nicaragua, and we donate from Youngevity's sales of coffee. We have this beautiful story.

So the Youngevity Be The Change Foundation, as it started to grow, the first thing we did was we opened the school back up on our plantation in Nicaragua. So we have 180 families that live there now, and we educate their children, and we pay for the teachers, and it's a really, really interesting part of Youngevity's business.

We are 100% Fair Trade Certified, Rainforest Alliance Certified, Bird Friendly certified, and it's the only plantation with all these certifications. The reason why that's important is that if you look at the price of coffee today, it is like \$1.18, \$1.20. It costs farmers \$1.12 if you are running a good operation to grow coffee. You can't possibly make it.

Coffee consumption in the world is growing bigger, bigger, bigger, yet the coffee prices are suppressed to a point where coffee output is getting smaller as the small guy can't afford to do it. And the big guys don't want it, and they just want to buy it. They just want to process it. They don't want to run a plantation, so it's odd that coffee prices are still depressed. If you have a fair-trade certification, you can't sell fair-

trade coffee less than \$1.60 a pound. It's not allowed. That means we can always be profitable and, hence, take care of our people, but most plantations don't have that certification.

In the same period of time, we bought a K-Cup manufacturing machine. We bring the coffee we grow at this amazing plantation to our facility in Miami, which has all the same certifications. Then 100% of the profits go back to the foundation, and more interesting than that is 100% of the coffee is fair trade. Not only does it benefit the foundation because the profits go there, but because it is fair-traded, it actually benefits our farmers.

I want you to understand the integration between coffee and Youngevity. The interconnection has allowed us to become the largest supplier of coffee to the cruise line industries. All of Carnival's coffee is made at CLR Roasters. Norwegian Cruise Lines coffee is from Youngevity. We have our own brand called Cafe La Rica; we have our own brand called Josie's Java House that's distributed now in 22 states.

It's a different business within the Youngevity family of businesses. CLR Roasters, our coffee component, distributes wholesale and is not part of the direct-selling component; however, CLR Roasters does produce a brand of coffee, Youngevity Be The Change Coffee, that is sold by Youngevity distributors. This is where the coffee operation vertically integrates with Youngevity's direct-selling operation.

TWST: What is the growth strategy overall for Youngevity?

Mr. Briskie: Our growth strategy is to create more and more vertical opportunities. What I mean by verticals is different business segments. When we look for acquisitions, we are looking to acquire a product: Is the product wholesome, is it good, does it have

great ingredients, etc. Youngevity has very quietly become that good-housekeeping stamp of approval in the industry. If it's a Youngevity product, it's been fully vetted, it works, it's been tested. There is a science advisory board at Youngevity that looks at acquisitions as well.

We do all of these things that you don't see in the rest of the supplement businesses. We treat it almost like a biotech company in terms of testing our product, making sure our products do what they say they are going to do. A lot of times it becomes necessary to eliminate products from consideration on an acquisition. We will eliminate products that we don't believe make any sense or that don't do what they say they do. More importantly, we look at the consumption by the consumers and bring that family of consumers over because of that kind of cross-marketing opportunity that I discussed with you through our various products. The reason we say we are our own industry is really we are acquiring and building a community of like-minded people, more than getting hung up on one particular product.

It is a community of consumers that know there are great products here that they can consume and share. Through sharing, they can actually earn an income if they choose too. We are customer-focused, but if you want to build an income in Youngevity, there is an opportunity to do it. We ask people to start with their passion, and that is where Youngevity's technology is going to come in, start to market to them when they are buying and start looking toward products that will be marketed via suggestive selling.

It is no different than what you see on Amazon. I never can check out of Amazon without buying three other products. Their analytics are so good they already know what other products the consumer wants, and that is what we are doing.

We recently announced the opening of a technology center in Aliso Viejo, which is the Southern California technology hub. It's kind of like the Silicon Valley of San Francisco. This is really where it's happening; all of the major players are there. We are building our team not only from outsourcing but internally, which could transform the technology of Youngevity.

We definitely want to rebuild the Youngevity.com website. I am not happy with it right now. I really look at Youngevity as a technology company right now. Our largest investment is going into creating great shopping experiences. We are removing the frictions from the experience, making onboarding easy, making cross-selling simpler, and a big part how the company evolves involves technology. That's where our big investment is going into.

And we are watching people's checks grow, we are watching people's consumption grow, and we really talk about it as like, "Yes, this is the Youngevity community." The people are coming to Youngevity now; it's really just in its infancy of what I believe is going to be something extremely powerful. We are building a group of consumers that love products that we can market other products to. This is the Youngevity model.

So we build this model and we build it to scale with this multiconsumption. 90% of our revenue is inside of the US. So we've actually built a foothold in the largest and most difficult market to be successful in direct selling. We believe our growth here is because of our technology strategy and the multiple-vertical strategy that will grow for a long, long time. But let's not forget about the opportunity to grow globally and become a global company. So our global strategy was launched just over a couple of years ago, we picked three regions of the world.

We picked Latin America, where we have opened now an office in Guadalajara, Mexico. We took Asia, which is the biggest opportunity, opened our office in Singapore. Why Singapore? 80% of Singaporeans speak English. That's a very good place to get started. Then, we opened our office in Eastern Europe, in Moscow.

These are good markets for us because these markets that are struggling with their health care system. Because when a health care system is really in disarray, supplementation becomes sometimes your only hope to living a healthy life, or preventative becomes your hope, and apparently, that is the case in Russia. It took us two years to get our products approved in that market. So it is a two-year commitment of especially not being able to generate sales just to get our 24 products established, approved, which we have now done. Our launch date is January 30.

In Singapore, all of our products are approved, and Singapore is open. We added 30 new distributors to Singapore just last week. Though it is a small market, the tentacles into the rest of Asia make it very, very exciting. And then, of course, we are already open in Mexico, but it was probably the easiest of those that we tackled.

The reason we have seen tremendous growth globally is we have one universal strategy, one training and one compensation program

for the world. It doesn't change, but what happens is you have got groups that are passionate and connected in these markets. Let's use Mexico as an example. We have a large Latino group. They already know the story; they already know the product. They have more contacts, let's say, in Mexico than they actually have in the United States, and they will go into the market for six months and hit the ground running. There is no learning curve as long as we set them up with a good website in Spanish and give them Spanish-speaking material. They are just doing what they have done already for the last two or three years with great success in a market they actually know better.

TWST: What do prospective investors most often ask you about Youngevity?

Mr. Briskie: The biggest thing I have to do for investors is explain to them Youngevity is not affiliated with the stigma that often comes with the industry. When they can get over that initial assumption of what we do, they open their minds, and they are excited about it. We are combining everything that is great about the industry, and we are adding our own stamp to that, and we are blazing our own trail. We aren't that direct-selling company that delivers huge inventory, and you end up storing it in your garage. I'm not shipping half a U-Haul to some distributor who is now trying to figure out how to distribute the product.

So it is very, very different. It is leveraging what's happening in our world today, and although there is still a lot of old school going on in this space, we are not running our business that way. We are leveraging the power of our community. You don't necessarily have to be a hard-nosed salesperson. You just have to do what you have been doing all along, just share. And what a great way to get paid — right? — by sharing your experience.

It's no secret that we have become a very active acquirer of these complementary companies and opportunities, and we continue to be in acquisition mode. And I've got more companies coming to us. That's the thing that's really starting to happen. These smaller direct sellers are like, "Listen, I don't know if we can make a go of it, but we love what you guys are doing. Now we want to become a part of Youngevity and integrate into your unique model."

We are a technology company. We are a platform. We are a way for communities to get together and refer products and sell products. That is what Youngevity is, and it is harnessing all these new trends and making it work.

TWST: Thank you. (LMR)

DAVE BRISKIE
President & CFO
Youngevity International Inc.
2400 Boswell Road
Chula Vista, CA 91914
(619) 934-3980
(619) 934-3205 — FAX
www.youngevity.com