

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

November 4, 2020
Date of Report (Date of earliest event reported)

NATURAL HEALTH TRENDS CORP.

| | | |
|--|---|---|
| Delaware (State or other jurisdiction of incorporation) | (Exact name of registrant as specified in its charter) 001-36849 (Commission File Number) | 59-2705336 (IRS Employer Identification No.) |
|--|---|---|

Units 1205-07, 12F, Mira Place Tower A 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong
(Address of principal executive offices, including zip code)

+852-3107-0800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$0.001 per share | NHTC | The NASDAQ Stock Market LLC |

Item 2.02 Results of Operations and Financial Condition.

On November 4, 2020, Natural Health Trends Corp. issued an earnings release announcing its results for the quarter ended September 30, 2020. The press release is attached hereto as exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 [Press Release of Natural Health Trends Corp. dated November 4, 2020](#)
104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

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

Date: November 4, 2020

NATURAL HEALTH TRENDS CORP.

By: /s/ Timothy S. Davidson
Timothy S. Davidson
Senior Vice President and Chief Financial Officer

Natural Health Trends Reports Third Quarter 2020 Financial Results

- Maintained profitability with third quarter earnings per share improving to \$0.06
- Achieved positive third quarter sales momentum in markets outside of Hong Kong
- Strong balance sheet with ample liquidity
- Declared a quarterly cash dividend of \$0.20 per share

HONG KONG – November 4, 2020 – Natural Health Trends Corp. (NASDAQ: NHTC), a leading direct-selling and e-commerce company that markets premium quality personal care, wellness and “quality of life” products under the NHT Global brand, today announced its financial results for the third quarter ended September 30, 2020.

Third Quarter 2020 Financial Highlights

- Revenue of \$14.1 million decreased 14% compared to \$16.4 million in the second quarter of 2020 and decreased 17% compared to \$17.0 million in the third quarter of 2019.
- Operating income was \$668,000 compared to \$183,000 in the second quarter of 2020 and a loss of \$1.1 million in the third quarter of 2019.
- Net income was \$635,000, or \$0.06 per diluted share, compared to \$34,000, or break-even per diluted share, in the second quarter of 2020 and net loss of \$1.2 million, or \$0.12 per diluted share, in the third quarter of 2019.
- The number of Active Members¹ decreased 2% to 53,300 at September 30, 2020 compared to 54,370 at June 30, 2020, and decreased 22% compared to 68,150 at September 30, 2019.

¹ Natural Health Trends defines Active Members as those that have placed at least one product order with the Company during the preceding twelve-month period.

Year-to-Date 2020 Financial Highlights

- Revenue of \$45.5 million decreased 24% compared to \$59.8 million in the first nine months of 2019.
- Operating loss was \$597,000 compared to a loss of \$3.8 million in the first nine months of 2019.
- Net income was \$96,000, or \$0.01 per diluted share, compared to a net loss of \$2.8 million, or \$0.25 per diluted share, in the first nine months of 2019.

Management Commentary

“The challenging macroeconomic conditions inherent in the global economy as a result of the COVID-19 pandemic continued to weigh on our financial performance with third quarter revenue of \$14.1 million down 14% compared to the prior quarter,” commented Chris Sharnq, President of Natural Health Trends Corp. “Our total third quarter orders were relatively consistent with both the prior quarter and the first quarter of 2020 with our deferred revenue balance increasing by \$832,000 from June to September 2020. Additionally, there were a number of bright spots in certain markets with third quarter order volume exceeding that of the first two quarters of the year and revenue outside of Hong Kong increasing 10% over the prior quarter. When coupled with our proactive cost reduction efforts, we were able to maintain our profitability on reduced sales in the third quarter.”

Mr. Sharnq concluded, “We have continued to manage the elements of our business that are within our control to preserve our profitability and leader base which we view as critical to our success. Further, we were pleased to remain in a position to return value to our stockholders through our quarterly cash dividend, made possible by our strong balance sheet. I’d like to extend my thanks to all of our leaders, members, preferred customers and shareholders for their ongoing commitment to NHT Global. Through all of the challenges 2020 has presented, we are very grateful to continue supporting our mission of improving health and quality of life through our superior products and global opportunity.”

Balance Sheet and Cash Flow

- Net cash used in operating activities was \$1.5 million in the first nine months of 2020, compared to \$18.7 million in the first nine months of 2019.
- Total cash and cash equivalents were \$90.8 million at September 30, 2020, down slightly from \$93.2 million at June 30, 2020.
- On November 2, 2020, the Company's Board of Directors declared a quarterly cash dividend of \$0.20 on each share of common stock outstanding. The dividend will be payable on November 27, 2020 to stockholders of record as of November 17, 2020.

Third Quarter 2020 Financial Results Conference Call

Management will host a conference call to discuss the third quarter 2020 financial results today, Wednesday, November 4, 2020 at 11:30 a.m. Eastern Time. The conference call details are as follows:

Date: Wednesday, November 4, 2020
Time: 11:30 a.m. Eastern Time / 8:30 a.m. Pacific Time
Dial-in: 1-877-407-0789 (Domestic)
1-201-689-8562 (International)
Conference ID: 13711362
Webcast: <http://public.viaavid.com/index.php?id=141728>

For those unable to participate during the live broadcast, a replay of the call will also be available from 2:30 p.m. Eastern Time on November 4, 2020 through 11:59 p.m. Eastern Time on November 18, 2020 by dialing 1-844-512-2921 (domestic) and 1-412-317-6671 (international) and referencing the replay pin number: 13711362.

About Natural Health Trends Corp.

Natural Health Trends Corp. (NASDAQ: NHTC) is an international direct-selling and e-commerce company operating through its subsidiaries throughout Asia, the Americas, and Europe. The Company markets premium quality personal care products under the NHT Global brand. Additional information can be found on the Company's website at www.naturalhealthtrends.com.

Forward-Looking Statements

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 -- Forward-looking statements in this press release do not constitute guarantees of future performance. Such forward-looking statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially from those anticipated. Such risks and uncertainties include the risks and uncertainties detailed under the caption "Risk Factors" in Natural Health Trends Corp.'s Annual Report on Form 10-K filed on March 9, 2020 with the Securities and Exchange Commission (SEC), as well as in subsequent reports filed this year with the SEC. The Company assumes no obligation to update any forward-looking information contained in this press release or with respect to the announcements described herein.

CONTACTS:

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NATURAL HEALTH TRENDS CORP.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

| | September 30, 2020 (Unaudited) | December 31, 2019 |
|---|-----------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 90,789 | \$ 96,035 |
| Inventories | 4,259 | 6,404 |
| Other current assets | 4,972 | 5,936 |
| Total current assets | 100,020 | 108,375 |
| Property and equipment, net | 581 | 735 |
| Operating lease right-of-use assets | 4,200 | 3,135 |
| Restricted cash | 517 | 3,390 |
| Deferred tax asset | 1,069 | 2,039 |
| Other assets | 701 | 823 |
| Total assets | <u>\$ 107,088</u> | <u>\$ 118,497</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 887 | \$ 680 |
| Accrued commissions | 3,046 | 2,931 |
| Other accrued expenses | 1,786 | 2,387 |
| Deferred revenue | 3,477 | 4,506 |
| Amounts held in eWallets | 9,831 | 12,938 |
| Operating lease liabilities | 1,217 | 1,655 |
| Other current liabilities | 1,067 | 1,205 |
| Total current liabilities | 21,311 | 26,302 |
| Income taxes payable | 13,748 | 15,365 |
| Deferred tax liability | 203 | 202 |
| Operating lease liabilities | 3,150 | 1,564 |
| Total liabilities | 38,412 | 43,433 |
| Stockholders' equity: | | |
| Preferred stock | — | — |
| Common stock | 13 | 13 |
| Additional paid-in capital | 86,102 | 86,102 |
| Retained earnings | 9,358 | 16,117 |
| Accumulated other comprehensive loss | (893) | (1,264) |
| Treasury stock, at cost | (25,904) | (25,904) |
| Total stockholders' equity | 68,676 | 75,064 |
| Total liabilities and stockholders' equity | <u>\$ 107,088</u> | <u>\$ 118,497</u> |

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|------------|---------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net sales | \$ 14,124 | \$ 17,023 | \$ 45,476 | \$ 59,779 |
| Cost of sales | 3,635 | 4,371 | 12,966 | 15,002 |
| Gross profit | 10,489 | 12,652 | 32,510 | 44,777 |
| Operating expenses: | | | | |
| Commissions expense | 5,620 | 7,362 | 19,336 | 28,258 |
| Selling, general and administrative expenses | 4,201 | 6,354 | 13,771 | 20,296 |
| Total operating expenses | 9,821 | 13,716 | 33,107 | 48,554 |
| Income (loss) from operations | 668 | (1,064) | (597) | (3,777) |
| Other income, net | 385 | 323 | 603 | 1,128 |
| Income (loss) before income taxes | 1,053 | (741) | 6 | (2,649) |
| Income tax provision (benefit) | 418 | 502 | (90) | 120 |
| Net income (loss) | \$ 635 | \$ (1,243) | \$ 96 | \$ (2,769) |
| Net income (loss) per common share: | | | | |
| Basic | \$ 0.06 | \$ (0.12) | \$ 0.01 | \$ (0.25) |
| Diluted | \$ 0.06 | \$ (0.12) | \$ 0.01 | \$ (0.25) |
| Weighted-average common shares outstanding: | | | | |
| Basic | 10,678 | 10,623 | 10,581 | 11,010 |
| Diluted | 11,424 | 10,623 | 11,424 | 11,010 |

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

| | Nine Months Ended September 30, | |
|--|---------------------------------|-------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 96 | \$ (2,769) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation and amortization | 301 | 290 |
| Noncash lease expense | 1,199 | 1,336 |
| Deferred income taxes | 979 | (3) |
| Changes in assets and liabilities: | | |
| Inventories | 2,193 | 4,104 |
| Other current assets | 923 | (1,674) |
| Other assets | 120 | 2 |
| Accounts payable | 206 | (1,002) |
| Accrued commissions | 136 | (8,683) |
| Other accrued expenses | (598) | (1,779) |
| Deferred revenue | (1,045) | (3,485) |
| Amounts held in eWallets | (3,163) | (1,508) |
| Operating lease liabilities | (1,120) | (1,392) |
| Income taxes payable | (1,617) | (1,617) |
| Other current liabilities | (140) | (235) |
| Long-term incentive | — | (333) |
| Net cash used in operating activities | <u>(1,530)</u> | <u>(18,748)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (147) | (181) |
| Net cash used in investing activities | <u>(147)</u> | <u>(181)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repurchase of common stock | — | (9,564) |
| Dividends paid | (6,855) | (2,736) |
| Net cash used in financing activities | <u>(6,855)</u> | <u>(12,300)</u> |
| Effect of exchange rates on cash, cash equivalents and restricted cash | 413 | (428) |
| Net decrease in cash, cash equivalents and restricted cash | <u>(8,119)</u> | <u>(31,657)</u> |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period | 99,425 | 135,651 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period | <u>\$ 91,306</u> | <u>\$ 103,994</u> |
| SUPPLEMENTAL DISCLOSURES OF OTHER CASH FLOW INFORMATION: | | |
| Issuance of treasury stock for employee awards, net | \$ — | \$ 8,289 |
| Right-of-use assets obtained in exchange for operating lease liabilities | \$ 2,724 | \$ 5,058 |