

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2026
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-36849

NATURAL HEALTH TRENDS CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

59-2705336
(I.R.S. Employer
Identification No.)

609 Deep Valley Drive
Suite 395
Rolling Hills Estates, California 90274
(Address of principal executive offices, including zip code)

Registrant’s telephone number, including area code: (310) 541-0888

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

At July 24, 2026, the number of shares outstanding of the registrant’s common stock was 8,577,848 shares.

NATURAL HEALTH TRENDS CORP.
Quarterly Report on Form 10-Q
June 30, 2026

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, in particular “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” includes “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). When used in this report, the words or phrases “will likely result,” “expect,” “intend,” “will continue,” “anticipate,” “estimate,” “project,” “believe” and similar expressions are intended to identify “forward-looking statements” within the meaning of the Exchange Act. These statements represent our expectations or beliefs concerning, among other things, future revenue, earnings, growth strategies, new products and initiatives, dividend policies, future operations and operating results, expense savings initiatives, and future business and market opportunities.

Forward-looking statements in this report speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. We caution and advise readers that these statements are based on certain assumptions that may not be realized and involve risks and uncertainties that could cause actual results to differ materially from the expectations and beliefs contained herein.

For a summary of certain risks related to our business, see “Part I, Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K, and “Part II, Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q, which include the following:

- Because our Hong Kong operations account for a substantial portion of our overall business, and substantially all of our Hong Kong business is derived from the sale of products to members in China, any material adverse change in our business relating to either Hong Kong or China would likely have a material adverse impact on our overall business;
- Hong Kong’s political and economic landscape has in recent years undergone significant change, and this upheaval or related consequences could negatively impact our business and financial performance;
- We experienced negative operating cash flows during the four years ended December 31, 2022 through 2025, and only modest positive operating cash flows during the years ended December 31, 2021 and 2020. Unless our operating cash flows improve, this negative financial performance could have a material adverse effect on our business and our stock price;
- Adverse publicity associated with our products, ingredients or network marketing program, or those of similar companies, could harm our financial condition and operating results;
- Our business and financial performance may be adversely affected by unfavorable economic and market conditions and the uncertain geopolitical environment;
- Changes in government trade and economic policies, including the imposition of tariffs and other restrictive trade policies, and ongoing political and economic disputes between the United States and other jurisdictions, particularly China, may have a negative effect on global economic conditions and our business, financial results and financial condition;
- We are subject to risks relating to product concentration and lack of revenue diversification;
- Epidemics, natural disasters, terrorist attacks or acts of war or hostility may seriously harm our business;
- The high level of competition in our industry could adversely affect our business;
- Failure of new products to gain member and market acceptance could harm our business;
- We rely on a limited number of independent third parties to manufacture and supply our products on a timely basis;
- Growth may be impeded by the political and economic risks of entering and operating in foreign markets;
- Failure to maintain effective internal controls in accordance with the Sarbanes-Oxley Act of 2002 could negatively impact our business and the market price of our common stock;
- We could be adversely affected by management changes or an inability to attract and retain key management, directors and consultants;
- Our continuing loss of a significant number of members is adversely affecting our business, and if we cannot stabilize or increase the number of members our business could be further negatively impacted;
- Although virtually all of our members are independent contractors, improper member actions that violate laws or regulations could harm our business;
- An increase in the amount of compensation paid to members would reduce profitability;
- We may be held responsible for certain taxes or assessments relating to the activities of our members and service providers, which could harm our financial condition and operating results;
- Our business in China is subject to compliance with a myriad of applicable laws and regulations, and any actual or alleged violations of those laws or government actions otherwise directed at us could have a material adverse impact on our business and the value of our company;
- Direct-selling laws and regulations may prohibit or severely restrict our direct sales efforts and cause our revenue and profitability to decline, and regulators could adopt new regulations that harm our business;
- Our business is subject to a variety of laws, regulations and other obligations regarding privacy, data protection and information security. Any actual or perceived failure by us or our third-party vendors to comply with such laws, regulations or other obligations could materially adversely affect our business;
- Challenges by third parties to the legality of our business operations could harm our business;
- We have in the past been involved in, and may in the future face, lawsuits, claims, and governmental proceedings and inquiries that could harm our business;
- Currency exchange rate fluctuations could lower our revenue and profitability;
- Changes in tax or duty laws, and unanticipated tax or duty liabilities, could adversely affect our net income;
- Transfer pricing regulations affect our business and results of operations;
- Our products and related activities are subject to extensive government regulation, which could delay, limit or prevent the sale of some of our products in some markets;
- New regulations governing the marketing and sale of nutritional supplements could harm our business;
- Regulations governing the production and marketing of our personal care products could harm our business;
- If we are found not to be in compliance with good manufacturing practices our operations could be harmed;
- Failure to comply with domestic and foreign laws and regulations governing product claims and advertising could harm our business;
- We are subject to anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;
- We do not have a comprehensive product liability insurance program and product liability claims could hurt our business;
- We may be unable to protect or use our intellectual property rights;
- We rely on and are subject to risks associated with our reliance upon information technology systems;
- System disruptions or failures, cybersecurity risks, and compromises of data, or the failure to comply with related laws and regulations, could harm our business;
- Our systems, software and data reside on third-party servers, exposing us to risks that disruption or intrusion of those servers could temporarily or permanently interrupt our access and damage our business;
- Our common stock is particularly subject to volatility because of the industry and markets in which we operate; and
- Our common stock continues to experience wide fluctuations in trading volumes and prices. This may make it more difficult for holders of our common stock to sell shares when they want and at prices they find attractive.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this report, including under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in our financial statements and the related notes.

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

NATURAL HEALTH TRENDS CORP. CONSOLIDATED BALANCE SHEETS (In Thousands, Except Share Data)

	June 30, 2026 (Unaudited)	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,501	\$ 6,813
Marketable securities	9,121	22,060
Inventories	2,049	2,047
Other current assets	3,033	3,274
Total current assets	23,704	34,194
Property and equipment, net	570	153
Operating lease right-of-use assets	2,589	1,869
Deferred tax asset	288	289
Other assets	2,059	1,923
Total assets	\$ 29,210	\$ 38,428
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 964	\$ 555
Accrued commissions	1,741	1,958
Other accrued expenses	1,222	1,438
Deferred revenue	4,205	5,574
Amounts held in eWallets	2,606	2,838
Operating lease liabilities	860	869
Other current liabilities	341	456
Total current liabilities	11,939	13,688
Deferred tax liability	179	180
Operating lease liabilities	1,890	1,131
Total liabilities	14,008	14,999
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.001 par value; 50,000,000 shares authorized; 12,979,414 shares issued at June 30, 2026 and December 31, 2025	13	13
Additional paid-in capital	85,033	85,033
Accumulated deficit	(38,757)	(36,436)
Accumulated other comprehensive loss	(728)	(784)
Treasury stock, at cost; 4,401,566 and 1,466,339 shares at June 30, 2026 and December 31, 2025, respectively	(30,359)	(24,397)
Total stockholders' equity	15,202	23,429
Total liabilities and stockholders' equity	\$ 29,210	\$ 38,428

See accompanying notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net sales	\$ 7,603	\$ 9,813	\$ 16,809	\$ 20,550
Cost of sales	1,882	2,558	4,185	5,390
Gross profit	5,721	7,255	12,624	15,160
Operating expenses:				
Commissions expense	3,111	4,012	6,964	8,500
Selling, general and administrative expenses	3,253	3,576	6,777	7,338
Total operating expenses	6,364	7,588	13,741	15,838
Loss from operations	(643)	(333)	(1,117)	(678)
Other income, net	190	348	485	813
Income (loss) before income taxes	(453)	15	(632)	135
Income tax benefit	(2)	—	(27)	(2)
Net income (loss)	\$ (451)	\$ 15	\$ (605)	\$ 137
Net income (loss) per common share:				
Basic	\$ (0.05)	\$ 0.00	\$ (0.06)	\$ 0.01
Diluted	\$ (0.05)	\$ 0.00	\$ (0.06)	\$ 0.01
Weighted average common shares outstanding:				
Basic	8,578	11,493	9,356	11,489
Diluted	8,578	11,497	9,356	11,496

See accompanying notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income (loss)	\$ (451)	\$ 15	\$ (605)	\$ 137
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	39	229	55	377
Unrealized gains (losses) on available-for-sale securities	8	(1)	1	8
Comprehensive income (loss)	<u>\$ (404)</u>	<u>\$ 243</u>	<u>\$ (549)</u>	<u>\$ 522</u>

See accompanying notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In Thousands, Except Share Data)

Six months ended June 30, 2026

	Preferred Stock		Common Stock		Additional	Accumulated	Accumulated	Other	Treasury Stock		Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Comprehensive	Loss	Shares	Amount	
BALANCE, December 31, 2025	—	\$ —	12,979,414	\$ 13	\$ 85,033	\$ (36,436)	\$ —	(784)	(1,466,339)	\$ (24,397)	\$ 23,429
Net loss	—	—	—	—	—	(154)	—	—	—	—	(154)
Repurchase of common stock	—	—	—	—	—	—	—	—	(2,935,227)	(5,962)	(5,962)
Dividends declared, \$0.10/share	—	—	—	—	—	(858)	—	—	—	—	(858)
Foreign currency translation adjustments	—	—	—	—	—	—	—	16	—	—	16
Unrealized losses on available-for-sale securities	—	—	—	—	—	—	—	(7)	—	—	(7)
BALANCE, March 31, 2026	—	—	12,979,414	13	85,033	(37,448)	—	(775)	(4,401,566)	(30,359)	16,464
Net loss	—	—	—	—	—	(451)	—	—	—	—	(451)
Dividends declared, \$0.10/share	—	—	—	—	—	(858)	—	—	—	—	(858)
Foreign currency translation adjustments	—	—	—	—	—	—	—	39	—	—	39
Unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	8	—	—	8
BALANCE, June 30, 2026	—	\$ —	12,979,414	\$ 13	\$ 85,033	\$ (38,757)	\$ —	(728)	(4,401,566)	\$ (30,359)	\$ 15,202

Six months ended June 30, 2025

	Preferred Stock		Common Stock		Additional	Accumulated	Accumulated	Other	Treasury Stock		Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Comprehensive	Loss	Shares	Amount	
BALANCE, December 31, 2024	—	\$ —	12,979,414	\$ 13	\$ 84,901	\$ (26,344)	\$ —	(1,301)	(1,466,339)	\$ (24,397)	\$ 32,872
Net income	—	—	—	—	—	122	—	—	—	—	122
Share-based compensation	—	—	—	—	34	—	—	—	—	—	34
Dividends declared, \$0.20/share	—	—	—	—	—	(2,303)	—	—	—	—	(2,303)
Foreign currency translation adjustments	—	—	—	—	—	—	—	148	—	—	148
Unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	9	—	—	9
BALANCE, March 31, 2025	—	—	12,979,414	13	84,935	(28,525)	—	(1,144)	(1,466,339)	(24,397)	30,882
Net income	—	—	—	—	—	15	—	—	—	—	15
Share-based compensation	—	—	—	—	34	—	—	—	—	—	34
Dividends declared, \$0.20/share	—	—	—	—	—	(2,303)	—	—	—	—	(2,303)
Foreign currency translation adjustments	—	—	—	—	—	—	—	229	—	—	229
Unrealized losses on available-for-sale securities	—	—	—	—	—	—	—	(1)	—	—	(1)
BALANCE, June 30, 2025	—	\$ —	12,979,414	\$ 13	\$ 84,969	\$ (30,813)	\$ —	(916)	(1,466,339)	\$ (24,397)	\$ 28,856

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (605)	\$ 137
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	34	59
Net accretion of marketable securities	(36)	(214)
Share-based compensation	—	68
Noncash lease expense	599	573
Deferred income taxes	—	(3)
Changes in assets and liabilities:		
Inventories	(27)	525
Other current assets	358	402
Other assets	(144)	(334)
Accounts payable	376	65
Accrued commissions	(202)	(194)
Other accrued expenses	(276)	(110)
Deferred revenue	(1,330)	(311)
Amounts held in eWallets	(210)	(170)
Operating lease liabilities	(585)	(561)
Other current liabilities	(113)	(5,083)
Net cash used in operating activities	(2,161)	(5,151)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(440)	(20)
Purchases of marketable securities	(8,709)	(27,552)
Proceeds from maturities of marketable securities	21,566	34,215
Net cash provided by investing activities	12,417	6,643
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common stock	(5,870)	—
Dividends paid	(1,716)	(4,606)
Net cash used in financing activities	(7,586)	(4,606)
Effect of exchange rates on cash, cash equivalents and restricted cash	17	118
Net increase (decrease) in cash, cash equivalents and restricted cash	2,687	(2,996)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	6,820	13,567
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	\$ 9,507	\$ 10,571
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,356	\$ 112
Direct costs incurred to repurchase common stock	\$ 92	\$ —

See accompanying notes to consolidated financial statements.

NATURAL HEALTH TRENDS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Natural Health Trends Corp., a Delaware corporation (whether or not including its subsidiaries, the “Company”), is an international direct-selling and e-commerce company. Subsidiaries controlled by the Company sell personal care, wellness, and “quality of life” products under the “NHT Global” brand.

The Company’s wholly-owned subsidiaries have an active physical presence in the following markets: the Americas, which consists of the United States, Canada, Cayman Islands, Mexico, Peru and Colombia; Greater China, which consists of Hong Kong, Taiwan and China; Southeast Asia, which consists of Malaysia and Singapore; South Korea; Japan; India; and Europe. The Company also operates in Russia and Kazakhstan through an engagement with a local service provider.

Basis of Presentation

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. As a result, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company’s financial information for the interim periods presented. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the fiscal year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s 2025 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (SEC) on February 20, 2026.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassification

Certain prior year amounts in the balance sheet and the statement of cash flows have been reclassified to conform to current year presentation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less when purchased and with insignificant interest rate risk to be cash equivalents. The Company maintains substantially all of its cash balances at several institutions located in the United States, Hong Kong and China which at times may exceed insured limits. As of June 30, 2026, there were no balances in bank accounts located in the United States or Hong Kong in excess of insured limits. As of June 30, 2026, cash and cash equivalents included \$2.7 million held in bank accounts located in China subject to foreign currency controls. The Company has not experienced any losses on such accounts. See Note 4 for additional information regarding the Company’s investments in cash equivalents held in brokerage accounts.

Capitalized Software Implementation Costs

The Company is currently implementing a new global back office platform to replace its legacy internally developed system. The platform includes modules supporting member back office functionality, commission processing, e-commerce, replicated distributor websites, reporting, administrative tools and various country-specific integrations. Costs incurred during the application development stage that are directly associated with software configuration, customization and coding are capitalized in accordance with FASB ASC Topic 350-40, *Intangibles—Goodwill and Other—Internal-Use Software*. These costs are recorded within other non-current assets and will be amortized on a straight-line basis over the expected term of the associated hosting arrangement once the related modules are ready for their intended use. Capitalized software implementation costs were \$1.6 million and \$1.4 million as of June 30, 2026 and December 31, 2025, respectively (see Note 3). The project remains in the application development stage, and accordingly, no amortization expense has been recognized during the six months ended June 30, 2026 and 2025.

Net Income (Loss) Per Common Share

Diluted net income per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents. The dilutive effect of non-vested restricted stock is reflected by application of the treasury stock method. Under the treasury stock method, the amount of compensation cost for future service that the Company has not yet recognized, if any, is assumed to be used to repurchase shares. No shares of non-vested restricted common stock were outstanding during the six months ended June 30, 2026.

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The following table illustrates the computation of basic and diluted net income (loss) per common share for the periods indicated (in thousands, except per share data):

	Three Months Ended June 30,					
	2026			2025		
	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic net income (loss) per common share:						
Net income (loss) available to common stockholders	\$ (451)	8,578	\$ (0.05)	\$ 15	11,493	\$ 0.00
Effect of dilutive securities:						
Non-vested restricted stock	—	—	—	—	4	—
Diluted net income (loss) per common share:						
Net income (loss) available to common stockholders plus assumed dilution	\$ (451)	8,578	\$ (0.05)	\$ 15	11,497	\$ 0.00
	Six Months Ended June 30,					
	2026			2025		
	Loss (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic net income (loss) per common share:						
Net income (loss) available to common stockholders	\$ (605)	9,356	\$ (0.06)	\$ 137	11,489	\$ 0.01
Effect of dilutive securities:						
Non-vested restricted stock	—	—	—	—	7	—
Diluted net income (loss) per common share:						
Net income (loss) available to common stockholders plus assumed dilution	\$ (605)	9,356	\$ (0.06)	\$ 137	11,496	\$ 0.01

Recent Accounting Pronouncements

In November 2024, the FASB issued ASU 2024-03, *Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures*. ASU 2024-03 is intended to improve disclosures about a public business entity's expenses and provide more detailed information to investors about the types of expenses in commonly presented expense captions. The amendments in this ASU will be applied retrospectively and are effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of implementing this guidance.

Other recently issued accounting pronouncements did not or are not believed by management to have a material impact on the Company's present or future financial statements.

2. REVENUE

Revenue Recognition

All revenue is recognized when the performance obligations under a contract, including any product vouchers sold on a stand-alone basis in Hong Kong, are satisfied. Product sales are recognized when the products are shipped and title passes to independent members. Product sales to members are made pursuant to a member agreement that provides for transfer of both title and risk of loss upon the Company's delivery to the carrier that completes delivery to the members, which is commonly referred to as "F.O.B. Shipping Point." The Company's sales arrangements do not contain right of inspection or customer acceptance provisions other than general rights of return. These contracts are generally short-term in nature.

Actual product returns are recorded as a reduction to net sales. The Company estimates and accrues a reserve for product returns based on its return policies and historical experience. The reserve is based upon the return policy of each country, which varies from 14 days to one year, and their historical return rates, which range from 1% to 10% of sales. Sales returns were 1% of sales for each of the six months ended June 30, 2026 and 2025. No material changes in estimates have been recognized during the periods presented. See Note 3 for additional information.

The Company has elected to account for shipping and handling activities performed after title has passed to members as a fulfillment cost, and accrues for the costs of shipping and handling if revenue is recognized before the contractually obligated shipping and handling activities occurs. Shipping charges billed to members are included in net sales. Costs associated with shipments are included in cost of sales. Event and training revenue is deferred and recognized as the event or training occurs. Costs of events and member training are included within selling, general and administrative expenses.

Various taxes on the sale of products to members are collected by the Company as an agent and remitted to the respective taxing authority. These taxes are presented on a net basis and recorded as a liability until remitted to the respective taxing authority.

Deferred Revenue

The Company primarily receives payment by credit card at the time members place orders. Amounts received for unshipped product orders and unredeemed product vouchers are considered a contract liability and are recorded as deferred revenue. As of June 30, 2026 and December 31, 2025, the Company had \$2.7 million and \$4.1 million, respectively, of contract liabilities where performance obligations have not yet been satisfied. The decrease in contract liabilities from December 31, 2025 to June 30, 2026 is primarily due to \$2.2 million of cash received for unshipped product orders and unredeemed product vouchers during the six months ended June 30, 2026 offset by \$3.6 million of revenue recognized during the period that was included in contract liabilities at December 31, 2025. As of December 31, 2024, the Company had contract liabilities totaling \$4.9 million of which \$4.3 million was recognized as revenue during the six months ended June 30, 2025. The Company expects to satisfy its remaining performance obligations and recognize the revenue within the next twelve months.

Disaggregation of Revenue

The Company sells products to a member network that operates in a seamless manner from market to market, except for the Chinese market where it sells to consumers through an e-commerce retail platform and the Russia and Kazakhstan market where the Company operates through an engagement of a third-party service

provider. See Note 11 for revenue by market information.

The Company's net sales by product and service are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Product sales	\$ 7,429	\$ 9,596	\$ 16,449	\$ 20,128
Administrative fees, freight and other	210	262	485	539
Less: sales returns	(36)	(45)	(125)	(117)
Total net sales	<u>\$ 7,603</u>	<u>\$ 9,813</u>	<u>\$ 16,809</u>	<u>\$ 20,550</u>

Concentration

No single market other than Hong Kong had net sales greater than 10% of total net sales. Sales are made to the Company's members and no single customer accounted for 10% or more of net sales for the three and six months ended June 30, 2026 and 2025. However, the Company's business model can result in a concentration of sales to several different members and their network of members. Although no single member accounted for 10% or more of net sales, the loss of a key member or that member's network could have an adverse effect on the Company's net sales and financial results.

Arrangements with Multiple Performance Obligations

The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenues to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged for individual products to similar customers.

Practical Expedients

The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded in commissions expense.

The Company does not provide certain disclosures about unsatisfied performance obligations for contracts with an original expected length of one year or less.

3. BALANCE SHEET COMPONENTS

The components of certain balance sheet amounts are as follows (in thousands):

	June 30, 2026	December 31, 2025
Cash, cash equivalents and restricted cash:		
Cash	\$ 4,211	\$ 5,896
Cash equivalents	5,290	917
	9,501	6,813
Restricted cash included in other long-term assets	6	7
	<u>\$ 9,507</u>	<u>\$ 6,820</u>
Inventories:		
Finished goods	\$ 1,855	\$ 1,809
Raw materials	194	238
	<u>\$ 2,049</u>	<u>\$ 2,047</u>
Other assets:		
Capitalized software implementation costs	\$ 1,592	\$ 1,434
Refundable deposits and other	467	489
	<u>\$ 2,059</u>	<u>\$ 1,923</u>
Other accrued expenses:		
Sales returns	\$ 59	\$ 100
Employee-related expense	699	613
Warehousing, inventory-related and other	464	725
	<u>\$ 1,222</u>	<u>\$ 1,438</u>
Deferred revenue:		
Unshipped product and unredeemed product vouchers	\$ 2,729	\$ 4,063
Auto ship advances	1,476	1,511
	<u>\$ 4,205</u>	<u>\$ 5,574</u>

4. FAIR VALUE MEASUREMENTS

As of June 30, 2026, cash and cash equivalents and marketable securities include the Company's investments in money market funds, municipal debt securities and corporate debt securities. Debt securities are required to be accounted for in accordance with the FASB ASC Topic 320, *Investments - Debt and Equity Securities*. As such, the Company determined its investments in debt securities held at June 30, 2026 should be classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in stockholders' equity. The cost of debt securities is adjusted for amortization of premiums and discounts to maturity. This amortization is included in other income and expense. Realized gains and losses, as well as interest income, are also included in other income and expense. The fair values of securities are based on quoted market prices to the extent available or alternative pricing sources and models utilizing market observable inputs.

The carrying amounts of the Company's financial instruments, including cash and accounts payable, approximate fair value because of their short maturities. The carrying amount of the noncurrent restricted cash approximates fair value since, absent the restrictions, the underlying assets would be included in cash and cash equivalents.

Accounting standards permit companies, at their option, to choose to measure many financial instruments and certain other items at fair value. The Company has elected to not fair value existing eligible items.

Investments by significant category included in cash equivalents and marketable securities at the end of each period were as follows (in thousands):

		June 30, 2026			December 31, 2025		
	Fair Value Level ¹	Adjusted Cost	Gross Unrealized Losses	Fair Value	Adjusted Cost	Gross Unrealized Losses	Fair Value
Money market funds	Level 1	\$ 5,197	\$ —	\$ 5,197	\$ 581	\$ —	\$ 581
Municipal debt securities	Level 2	2,510	(1)	2,509	4,893	(1)	4,892
Corporate debt securities	Level 2	6,713	(8)	6,705	17,513	(9)	17,504
Total investments		<u>\$ 14,420</u>	<u>\$ (9)</u>	<u>\$ 14,411</u>	<u>\$ 22,987</u>	<u>\$ (10)</u>	<u>\$ 22,977</u>

¹ FASB Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that requires the use of observable market data, when available, and prioritizes the inputs to valuation techniques used to measure fair value in the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

5. LEASES

The Company leases 4,900 square feet of corporate office space in Rolling Hills Estates, California with a term expiring in September 2030. In January 2026, the Company entered into an agreement to sublease a portion of this space effective February 1, 2026 for the remainder of the lease term. The sublease is classified as an operating lease, and sublease income is recognized on a straight-line basis over the sublease term and is expected to offset a portion of future lease costs associated with the Company's corporate office space.

In August 2025, the Company entered into a binding offer to lease 5,300 square feet of office space in Hong Kong to replace its existing corporate office space in Hong Kong. The lease commenced on March 1, 2026 with a term expiring February 28, 2031. Monthly base rent is HKD 141,500 (\$18,000) for years one through three and HKD 149,500 (\$19,000) for years four and five, with base-rent-free periods from March 1, 2026 through April 30, 2026 and from August 1, 2029 through September 30, 2029. In addition, the Company will pay a monthly management fee of HKD 43,979 (\$6,000). The lease provides the Company with an early termination right upon not less than three months' prior written notice, exercisable at any time from March 1, 2029 through February 28, 2031. The related right-of-use asset and lease liability was recognized on the Company's consolidated balance sheet at the lease commencement date in accordance with FASB ASC Topic 842, *Leases*.

To help further develop the market for its products in North America, the Company leases 1,600 square feet of retail space in Richmond, British Columbia, and 2,000 square feet of retail space in Metuchen, New Jersey. The Richmond and Metuchen locations have terms expiring in February 2027 and December 2028, respectively. The Company leases six branch offices throughout China, and additional office space in Peru, Japan, Taiwan, South Korea, Malaysia, India, Colombia and the Cayman Islands. The Company contracts with third parties for fulfillment and distribution operations in all of its international markets. None of the Company's third-party logistics contracts contain a lease, as the Company does not have the right to access the warehouses or move its inventories at will.

The components of lease cost were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating leases	\$ 366	\$ 312	\$ 681	\$ 620
Short-term leases	32	35	65	68
Sublease income	(32)	—	(52)	—
Total lease cost	\$ 366	\$ 347	\$ 694	\$ 688

Cash paid for amounts included in the measurement of operating lease liabilities was \$314,000 and \$321,000 for the three months ended June 30, 2026 and 2025, respectively, and \$605,000 and \$630,000 for the six months ended June 30, 2026 and 2025, respectively.

The weighted-average remaining lease term and discount rate related to operating leases as of June 30, 2026 were as follows:

Weighted-average remaining lease term (in years)	3.9
Weighted-average discount rate	3.3%

As most of our leases do not provide an implicit rate, the Company used its incremental borrowing rate, or the rate of each of its subsidiaries if available, based on the information available at the lease commencement date to determine the present value of lease payments.

The annual scheduled lease payments of the Company's operating lease liabilities as of June 30, 2026 were as follows (in thousands):

Remainder of 2026	\$ 455
2027	772
2028	639
2029	483
2030	470
Thereafter	51
Total lease payments	2,870
Less: imputed interest	(120)
Present value of lease liabilities	\$ 2,750

For all asset classes, the Company elected not to recognize assets or liabilities at the acquisition date for leases that, at the acquisition date, have a remaining lease term of 12 months or less. Additionally, for all asset classes, the Company has chosen not to separate nonlease components from lease components and instead accounts for the combined lease and nonlease components associated with that lease component as a single lease component.

6. INCOME TAXES

The effective income tax rate for the three and six months ended June 30, 2026 includes estimates for foreign income inclusions, such as Net CFC Tested Income (“NCTI”) and Subpart F income, as well as prior year foreign return to provision true-ups and state minimum taxes. As of June 30, 2026, the Company does not have a valuation allowance against its U.S. deferred tax assets. The Company analyzed all sources of available income and determined that it is more likely than not to realize the tax benefits of their deferred assets. As of June 30, 2026, the Company has a valuation allowance against deferred tax assets in certain foreign jurisdictions with an overall net operating loss. The valuation allowance will be reduced at such time as management believes it is more likely than not that the deferred tax assets will be realized. Any reductions in the valuation allowance will reduce future income tax provision.

As of June 30, 2026, the Company has \$884,000 of U.S. federal net operating loss carryforwards. The Company has post-apportioned U.S. state net operating loss carryforwards of \$467,000 that begin expiring in 2038. At June 30, 2026, the Company has foreign net operating loss carryforwards of approximately \$3.2 million in various jurisdictions with various expirations.

In April 2025, the Company paid the final installment of \$5.1 million for the repatriation tax on the deemed repatriation of deferred foreign income required by the U.S. Tax Cuts and Jobs Act (the “Tax Act”), enacted in 2017 by the U.S. government.

As a result of capital return activities, the Company determined that a portion of its current undistributed foreign earnings is no longer deemed reinvested indefinitely by its non-U.S. subsidiaries. For state income tax purposes, the Company will continue to periodically reassess the needs of its foreign subsidiaries and update its indefinite reinvestment assertion as necessary. To the extent that additional foreign earnings are not deemed permanently reinvested, the Company expects to recognize additional income tax provision at the applicable state corporate income tax rate(s). As of June 30, 2026, the Company has not recorded a state deferred tax liability for earnings that the Company plans to repatriate out of accumulated earnings in future periods because all earnings as of June 30, 2026 have already been repatriated. Due to the Tax Act, repatriation from foreign subsidiaries will be offset with a dividends received deduction, resulting in little to no impact on federal tax expense. All undistributed earnings in excess of 50% of current earnings on an annual basis are intended to be reinvested indefinitely as of June 30, 2026.

The Company and its subsidiaries file tax returns in the United States, California, New Jersey, Texas and various foreign jurisdictions. The Company is no longer subject to state income tax examinations for years prior to 2020. The Company is not aware of any jurisdiction that is currently examining any of its income tax returns.

7. COMMITMENTS AND CONTINGENCIES

The Company has employment agreements with certain members of its management team that can be terminated by either the employee or the Company upon four weeks’ notice. The employment agreements entered into with the management team contain provisions that guarantee the payment of specified amounts in the event of a change in control (together with a termination without cause), as defined, or if the employee is otherwise terminated without cause, as defined, or terminates employment for good reason, as defined.

8. STOCK-BASED INCENTIVE PLANS

Restricted Stock

On May 7, 2026, the Company's stockholders approved the Natural Health Trends Corp. 2026 Equity Incentive Plan (the "2026 Plan") to replace its 2016 Equity Incentive Plan, which terminated on April 7, 2026 in accordance with its provisions. The 2026 Plan allows for the grant of various equity awards including incentive stock options, non-statutory options, stock, stock units, stock appreciation rights and other similar equity-based awards to the Company's employees, officers, non-employee directors, contractors, consultants and advisors of the Company. Up to 1,100,000 shares of the Company's common stock (subject to adjustment under certain circumstances) may be issued pursuant to awards granted. At June 30, 2026, all shares remained available for issuance under the 2026 Plan.

No shares of unvested restricted common stock were outstanding during the six months ended June 30, 2026. Share-based compensation expense of \$34,000 and \$68,000 was recognized during the three and six months ended June 30, 2025, respectively.

Phantom Equity

In 2021, the Company's Board of Directors approved and adopted a Phantom Equity Plan (the "Phantom Plan"). Under the terms of the Phantom Plan, the Board of Directors' Compensation Committee may grant to the Company's employees, officers, directors, contractors, consultants, or advisors awards of phantom shares entitling grantees the right to receive a cash payment equal to the fair market value of an equal number of shares of the Company's common stock upon the close of a vesting period, subject to any maximum payment value that the Compensation Committee may set. The vesting of phantom shares is subject to such vesting conditions as the Compensation Committee may specify in a grantee's award agreement. Grantees of phantom shares do not by virtue of their receipt of phantom shares have any ownership rights in shares of the Company's common stock. The Phantom Plan shall continue for a period of ten years, after which no further phantom shares may be awarded (although any phantom shares awarded prior to the expiration of such 10-year period shall be unaffected by the termination of the Phantom Plan).

On April 1, 2025, awards for 223,307 phantom shares were granted to the Company's employees and its non-employee directors. Each award has a vesting period of two years, with 12.5% of the award eligible to vest in each of the eight calendar quarters during the vesting period, beginning with the second quarter of 2025, subject to satisfaction of the conditions outlined below. For awards to vest as to a particular quarter, the employee or director must be continuously employed by (or in the case of directors, providing services to) the Company for the entire quarter. The awards are subject to a maximum payment value of \$12.00 per phantom share, and the grantees are not entitled to any dividend or dividend equivalent payments with respect to the awards. As a condition to the grant of the awards to each employee grantee, the grantee agreed not to sell or otherwise transfer any shares of the Company's common stock held by him until all phantom shares subject to the award are vested or forfeited.

One-half of the award eligible to vest in each calendar quarter (the "Financial Results-Based Award", representing 6.25% of the aggregate award amount) will vest if the service condition is met for the quarter and if the Company attains positive operating profit for the quarter of at least \$150,000. If these conditions are not met, the Financial Results-Based Award for the quarter will be forfeited. The other half of the award eligible to vest in each calendar quarter (the "Stock Appreciation-Based Award", or 6.25% of the aggregate award amount) will vest if the service condition is met for the quarter and if two additional conditions are satisfied: (a) a stock appreciation condition, which will be satisfied if the average closing price of the Company's common stock over the last month of the applicable quarter exceeds the average closing price of the Company's common stock over the last month of the previous calendar year; and (b) an additional financial performance condition, which will be satisfied if the Company attains positive operating profit for the quarter of at least \$300,000. If the stock appreciation condition is not met for the applicable quarter, the Stock Appreciation-Based Award for the quarter will be forfeited. If the stock appreciation condition is met for this portion of the award but the additional financial performance condition is not met for the quarter, the Stock Appreciation-Based Award for the quarter will not be forfeited but will be carried forward to a future quarter during the two-year vesting period of the award. Any portion of an award carried forward may vest at the end of a subsequent quarter during the two-year vesting period if the Company's operating profit for that quarter exceeds by \$150,000 the sum of (a) the amount necessary to satisfy the Financial Results-Based Award for the quarter (i.e. \$150,000), (b) the additional amount, if any, used to satisfy the additional financial performance condition for a Stock Appreciation-Based Award that vests for the quarter (i.e., \$150,000 if the current quarter's Stock Appreciation-Based Award vests, or \$0 if it does not vest) and (c) the additional amount, if any used to satisfy the vesting conditions of any other carried-forward awards to which this test is previously applied. Of the phantom shares awarded in 2025, 147,345 phantom shares were forfeited and 75,962 shares remain unvested as of June 30, 2026.

The phantom share awards are accounted for as liabilities in accordance with FASB ASC Topic 718, *Compensation – Stock Compensation* since they require cash settlement. Compensation expense is recognized over the requisite service period if it is probable that the performance vesting condition will be achieved. The fair value of the liability incurred is remeasured at the end of each reporting period with any changes in fair value recognized as compensation expense over the requisite service period. No compensation expense was recognized related to the cash settlement of such shares during the six months ended June 30, 2026 or 2025.

9. STOCKHOLDERS' EQUITY

Dividends

The Company declared and paid cash dividends of \$0.10 per common share during each of the first two quarters of 2026, totaling \$1.7 million, and \$0.20 per common share during each of the first two quarters of 2025, totaling \$4.6 million. Declaration and payment of any future dividends on shares of common stock will be at the sole discretion of the Company's Board of Directors.

Stock Repurchases

In 2016, the Board of Directors authorized an increase to the Company's stock repurchase program first approved in 2015 from \$15.0 million to \$70.0 million. Any repurchases will be made in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Exchange Act. For all or a portion of the authorized repurchase amount, the Company may enter into one or more plans that are compliant with Rule 10b5-1 of the Exchange Act that are designed to facilitate these purchases. The stock repurchase program does not require the Company to acquire a specific number of shares, and may be suspended from time to time or discontinued.

On February 17, 2026, the Company entered into a share repurchase agreement to repurchase 2,935,227 shares of its common stock, representing approximately 25.5% of the Company's outstanding shares, from the George K. Broady 2012 Irrevocable Trust and the Eleanor Jane Broady 2012 Irrevocable Trust at a purchase price of \$2.00 per share, for aggregate consideration of approximately \$5.9 million. In addition, the Company incurred \$92,000 in fees and the excise tax on stock repurchases in connection with the transaction, which are recorded as direct costs of the share repurchase and recognized as a reduction of equity. As of June 30, 2026, \$15.9 million of the \$70.0 million stock repurchase program remained available for future purchases, inclusive of estimated tax.

Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss by component for the first six months of 2026 were as follows (in thousands):

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Available- For-Sale Investments	Total
Balance, December 31, 2025	\$ (774)	\$ (10)	\$ (784)
Other comprehensive income (loss)	16	(7)	9
Balance, March 31, 2026	(758)	(17)	(775)
Other comprehensive income	39	8	47
Balance, June 30, 2026	<u>\$ (719)</u>	<u>\$ (9)</u>	<u>\$ (728)</u>

10. RELATED PARTY TRANSACTIONS

The Company is a party to a Royalty Agreement and License with Broady Health Sciences, L.L.C., a Texas limited liability company, ("BHS") regarding the manufacture and sale of a product called ReStor™. George K. Broady, a former director of the Company and previously a beneficial owner of more than 5% of its outstanding common stock, is an indirect owner of BHS. Lucy Nduati, a director of the Company until May 7, 2026, has since 2013 served a number of companies controlled by George K. Broady and other Broady family members in a variety of roles focused on administration, accounting, finance, tax strategy and office management. Under this agreement (as amended), the Company agreed to pay BHS a royalty based on a price per unit in return for the right to manufacture (or have manufactured), market, import, export and sell this product worldwide by or through multi-level marketing or network marketing. The Company recognized royalties of \$8,000 and \$9,000 during the three months ended June 30, 2026 and 2025, respectively, and \$17,000 and \$18,000 during the six months ended June 30, 2026 and 2025, respectively, under this agreement. The Company is not required to purchase any product under the agreement, and the agreement may be terminated under certain circumstances with no notice. The agreement was originally set to terminate on March 31, 2025, but renews automatically for additional one-year periods unless either party provides 90-days' advance notice.

11. SEGMENT INFORMATION

The Company sells products to a member network that operates in a seamless manner from market to market, except for the China market where it sells to some consumers through an e-commerce retail platform, and the Russia and Kazakhstan market where the Company's engagement of a third-party service provider results in a different economic structure than its other markets. The Company believes that all of its other operating segments have similar economic characteristics and are similar in the nature of the products sold, the product acquisition process, the types of customers products are sold to, the methods used to distribute the products, and the nature of the regulatory environment. Therefore, the Company aggregates its other operating segments (including its Hong Kong operating segment) into a single reporting segment (the "Primary Reporting Unit").

The Company's CODM is its President, who reviews financial information presented on a geographic basis. The CODM primarily uses net sales, gross profit and operating profit in assessing segment performance and determining the allocation of resources. The CODM also uses gross profit for evaluating pricing strategy. The CODM is the primary individual in control of resource allocation, and the allocation determinations are generally made in consultation with senior management, which the CODM is a member. Segment operating income is adjusted for certain direct costs and commission allocations. The CODM also regularly reviews inventory information by operating segment in assessing segment performance and determining the allocation of resources.

The Company's financial information by segment is as follows (in thousands):

	Three Months Ended June 30, 2026				Three Months Ended June 30, 2025			
	Primary Reporting Unit	China	Russia and Kazakhstan	Total	Primary Reporting Unit	China	Russia and Kazakhstan	Total
Net sales	\$ 7,386	\$ 139	\$ 78	\$ 7,603	\$ 9,493	\$ 219	\$ 101	\$ 9,813
Cost of sales	1,814	29	39	1,882	2,447	53	58	2,558
Gross profit	5,572	110	39	5,721	7,046	166	43	7,255
Less:								
Commissions expense ¹	3,083	—	28	3,111	3,973	—	39	4,012
Employee-related costs	887	213	15	1,115	1,026	220	14	1,260
Facility costs	341	34	3	378	294	36	3	333
Other segment items ²	362	54	10	426	414	81	12	507
Segment income (loss) from operations	\$ 899	\$ (191)	\$ (17)	691	\$ 1,339	\$ (171)	\$ (25)	1,143
Reconciliation of income (loss) before income taxes:								
Unallocated corporate expenses				(1,334)				(1,476)
Other income, net				190				348
Income (loss) before income taxes				\$ (453)				\$ 15

	Six Months Ended June 30, 2026				Six Months Ended June 30, 2025			
	Primary Reporting Unit	China	Russia and Kazakhstan	Total	Primary Reporting Unit	China	Russia and Kazakhstan	Total
Net sales	\$ 16,216	\$ 437	\$ 156	\$ 16,809	\$ 19,899	\$ 453	\$ 198	\$ 20,550
Cost of sales	4,013	93	79	4,185	5,172	102	116	5,390
Gross profit	12,203	344	77	12,624	14,727	351	82	15,160
Less:								
Commissions expense ¹	6,909	—	55	6,964	8,408	—	92	8,500
Employee-related costs	1,762	446	30	2,238	1,985	453	26	2,464
Facility costs	634	71	6	711	579	71	6	656
Other segment items ²	774	107	20	901	937	145	24	1,106
Segment income (loss) from operations	\$ 2,124	\$ (280)	\$ (34)	1,810	\$ 2,818	\$ (318)	\$ (66)	2,434
Reconciliation of income (loss) before income taxes:								
Unallocated corporate expenses				(2,927)				(3,112)
Other income, net				485				813
Income (loss) before income taxes				\$ (632)				\$ 135

¹ Our China subsidiary maintains an e-commerce retail platform and does not pay commissions.

² Other segment items include credit card fees and assessments, marketing-related costs, professional fees and other business expenses.

The Company's segment assets are as follows (in thousands):

	June 30, 2026				December 31, 2025			
	Primary Reporting Unit	China	Russia and Kazakhstan	Total	Primary Reporting Unit	China	Russia and Kazakhstan	Total
Inventories	\$ 1,581	\$ 153	\$ 46	\$ 1,780	\$ 1,496	\$ 142	\$ 39	\$ 1,677
Other inventories and inventory- related deposits ¹				417				444
Other assets ²				27,013				36,307
Total assets				<u>\$ 29,210</u>				<u>\$ 38,428</u>

¹ Other inventories and inventory-related deposits pertain to the Company's trading company and are not specific to any of the Company's operating segments.

² Other assets primarily include cash, cash equivalents and marketable securities, but also includes all other current and noncurrent assets.

The Company's net sales by geographic area are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net sales from external customers:				
United States	\$ 175	\$ 299	\$ 454	\$ 585
Canada	71	130	161	231
Peru and Colombia	281	320	591	569
Hong Kong ¹	6,298	8,004	13,900	17,127
China	139	219	437	453
Taiwan	348	396	612	718
Japan	30	82	78	146
Malaysia and Singapore	37	82	88	132
Russia and Kazakhstan	78	101	156	198
Europe	110	120	252	270
Other foreign countries	36	60	80	121
Total net sales	<u>\$ 7,603</u>	<u>\$ 9,813</u>	<u>\$ 16,809</u>	<u>\$ 20,550</u>

¹ Substantially all of the Company's Hong Kong revenues are derived from the sale of products that are delivered to members in China. See "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

General

We are an international direct-selling and e-commerce company. Subsidiaries controlled by us sell personal care, wellness, and “quality of life” products under the “NHT Global” brand. Our wholly-owned subsidiaries have an active physical presence in the following markets: the Americas, which consists of the United States, Canada, Cayman Islands, Mexico, Peru and Colombia; Greater China, which consists of Hong Kong, Taiwan and China; Southeast Asia, which consists of Malaysia and Singapore; South Korea; Japan; India; and Europe. We also operate in Russia and Kazakhstan through our engagement with a local service provider.

As of June 30, 2026, we were conducting business through 26,000 active members, compared to 26,650 at December 31, 2025 and 29,260 at June 30, 2025. We consider a member “active” if they have placed at least one product order with us during the preceding year. Our priority is to focus our resources in our most promising markets, which we consider to be Greater China and countries where our existing members have the connections to recruit prospects and sell our products, such as Southeast Asia, India, South America and Europe.

We generate approximately 93% of our net sales from subsidiaries located outside the Americas. Because of the size of our foreign operations, operating results can be impacted negatively or positively by factors such as foreign currency fluctuations, trade policy, inflation rates, and economic, political and business conditions around the world. In addition, our business is subject to various laws and regulations, in particular, regulations related to direct selling activities that create uncertain risks for our business, including improper claims or activities by our members and our potential inability to obtain necessary product registrations. We continually evaluate our business for compliance with applicable laws and regulations, and this process can and has resulted in the identification of certain matters of potential noncompliance, which we work to satisfactorily address. For further information regarding some of the risks associated with the conduct of our business in China and Hong Kong, see “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2025, as supplemented by “Part II, Item 1A, Risk Factors” in this Quarterly Report on Form 10-Q, and more specifically under the captions “Because our Hong Kong operations account for a substantial portion of our overall business...”, “Hong Kong’s political and economic landscape has in recent years undergone significant change...”, and “Our business in China is subject to compliance with a myriad of applicable laws and regulations...”.

China has been and continues to be our most important business development project. We operate an e-commerce direct selling platform in Hong Kong that in the first six months of 2026 generated approximately 83% of our revenue, substantially all of which was derived from the sale of products that are delivered to members in China. Through a separate Chinese entity, we also operate an e-commerce retail platform in China. We believe that neither of these activities require a direct selling license in China, which we do not currently hold. We previously submitted a preliminary application for a direct selling license in China, but withdrew our application in 2019 upon the recommendation of a Chinese governmental authority. We expect to reapply for a direct selling license in China when we believe that circumstances are again ripe for doing so. If we are ultimately able to obtain a direct selling license in China, we believe that the incentives inherent in the direct selling model in China would incrementally benefit our existing business. We do not expect that any increased sales in China derived from obtaining a direct selling license would initially be material and, in any event may be partially offset by the higher fixed costs associated with the establishment and maintenance of required service centers, branch offices, manufacturing facilities, certification programs and other legal requirements. We are unable to predict whether and when we will be successful in obtaining a direct selling license to operate in China, and if we are successful, when we will be permitted to conduct direct selling operations and whether such operations would be profitable.

The Chinese government conducted a campaign in 2019 focusing on companies involved in the sale of food, equipment, daily necessities, small home electrical appliances and services that are claimed to promote health. The Chinese government ministries in charge of this campaign indicated that they were targeting illegal practices in the industry, particularly the manufacture and sale of counterfeit and substandard products, and false advertising and misleading claims as to the health benefits of products and services. It is understood that the campaign was specifically focused on the business practices of direct selling companies. Although it was initially announced as a 100-day campaign, we are not aware of any information indicating that the campaign has ever been formally concluded. In any case, the business environment in China for health product companies can be challenging and can change quickly, which has from time to time been exacerbated by negative social media sentiment expressed for these types of companies.

In addition to the fact that our Hong Kong subsidiary generates a substantial portion of our overall business, a significant number of our employees are based in Hong Kong. The political and economic landscape in Hong Kong has in recent years undergone significant change, largely due to the increasing influence of the Chinese government. This development, along with the impact of the COVID-19 pandemic, led us to cease conducting member meetings and events in Hong Kong for a period of time. We have since been able to substantially resume normal operations in Hong Kong, but Hong Kong's economy is now increasingly integrated with that of China. We relocated our corporate headquarters from Hong Kong to California in February 2025. It is unclear how changed circumstances in Hong Kong will in the future affect our business, but it is possible that the upheaval in Hong Kong's political and economic affairs or related consequences could adversely affect our future business, results of operations and financial condition. See "Item 1A. Risk Factors - Hong Kong's political and economic landscape has in recent years undergone significant change..." in our most recent Annual Report on Form 10-K.

Beginning in the first quarter of 2025, the U.S. engaged in a series of escalating tariff actions with a wide range of countries, particularly China. On April 2, 2025, for example, the U.S. imposed by executive order a 34% reciprocal tariff on Chinese-origin goods. This was followed by an amended executive order April 8, 2025, raising tariffs to 84% and an April 9, 2025 executive order raising tariffs to 125%. In response, China raised its duties on imported U.S. goods to a similar level. Following negotiations, the U.S. announced a temporary 90-day reduction in its reciprocal tariff rates from 125% to 10% beginning in May 2025, and China agreed to suspend its retaliatory tariffs during the same period. The pre-existing 20% U.S. tariff imposed on all Chinese goods remained in place, along with certain other sector-specific tariffs. In October 2025, the U.S. administration announced an additional 100% tariff on all products imported from China in response to certain restrictions imposed by China on rare earth minerals, before announcing an agreement that would, among other things, reduce the general tariff rate on Chinese goods to 47%. The state of trade discussions between the U.S. and China (and between the U.S. and other nations) remains dynamic and unpredictable.

The Company's recent financial results, particularly beginning in the second quarter of fiscal 2025, have been negatively affected by negative consumer sentiment and economic uncertainty in the Company's largest market. If substantial tariffs remain in place, or new tariffs are implemented, the Company may see the effect of higher duties on restocking in 2026. The likely short-term impact of the tariffs is difficult to predict with any certainty, however. We may need to impose a surcharge on products sold into China, and the imposition of such a surcharge may have a further negative effect on sales volumes into China. In the longer term, the Company has taken steps to transition production of certain of its products currently manufactured in the United States to other jurisdictions, including in Asia, in order to mitigate the effect of U.S. and reciprocal tariffs. If successfully implemented, this transition may result in savings in logistics, freight and manufacturing cost, but may also carry certain short-term expenses, including the cost of reregistration of products in certain jurisdictions. The Company is actively evaluating its options and the impact of trade policy changes on future quarters remains uncertain. In addition, it is difficult to predict the further effect of general consumer sentiment in China toward the Company's products as a result of the trade policies adopted by the United States and China, which has already impacted the Company's financial results. See Part II, "Item 1A. Risk Factors" in Part II of this Quarterly Report on Form 10-Q.

Recent Developments

Reorganization Initiative. During 2025, in response to continued challenging near-term economic conditions in our largest market and continued pressure on consumer sentiment, management implemented a restructuring plan designed to better align our operating cost structure with current business conditions. The restructuring plan included actions to optimize our workforce, relocate certain product manufacturing activities to Asia, and downsize several offices. We recognized \$283,000 of restructuring-related charges during the fourth quarter of 2025. As of December 31, 2025, the major restructuring initiatives were substantially complete. We expect these actions to generate approximately \$1.5 million in annualized cost savings, though not all of these savings are expected to be realized during 2026 due to the timing of certain facility-related actions. The amount and timing of savings may differ from our current expectations.

Chinese regulatory uncertainty. On May 29, 2026, China's State Administration for Market Regulation (SAMR) released for public comment a draft revision to China's Regulations on Prohibition of Pyramid Selling. The draft appears designed to strengthen China's anti-pyramid-selling enforcement framework, particularly with respect to online pyramid-selling activity, interagency coordination, fund monitoring, internet platform responsibilities, increased penalties, and personal liability for responsible individuals. While relevant to the regulatory environment for direct selling and distributor-related business models in China, the action does not by itself indicate that China has reopened new direct-selling license approvals or materially liberalized direct-selling regulation. However, the draft revision signals a level of increased scrutiny by Chinese regulators that may be applied to our direct selling platform in Hong Kong, through which products are delivered to members in China, or to our e-commerce retail platform in China. The increased uncertainty created by the draft revision has negatively impacted our sales in the second quarter, and may lead to a need to restructure our activities further in the region, to apply for a direct selling license, or to take other steps to address any resulting requirements or regulatory risks.

Independent Member Activities. During the second quarter of 2026, certain independent members, including certain sales leaders, engaged in conduct that violated our policies, procedures and professional code of conduct. This conduct disrupted portions of our independent member network and adversely affected net sales and operating performance during the quarter. We have taken disciplinary action and implemented other measures to protect our business and independent member network. We continue to monitor the matter and take appropriate action. We are currently unable to predict the extent to which this matter may affect our business or results of operations in future periods.

Statement of Operations Presentation

We mainly derive revenue from sales of products. Substantially all of our product sales are to independent members at published wholesale prices. Product sales are recognized when the products are shipped and title passes to independent members, which generally is upon our delivery to the carrier that completes delivery to the members. We estimate and accrue a reserve for product returns based on our return policies and historical experience. We bill members for shipping charges and recognize the freight revenue in net sales. We have elected to account for shipping and handling activities performed after title has passed to members as a fulfillment cost, and accrue for the costs of shipping and handling if revenue is recognized before the contractually obligated shipping and handling activities occurs. Event and training revenue is deferred and recognized as the event or training occurs.

Cost of sales consists primarily of products purchased from third-party manufacturers, freight cost for transporting products to our foreign subsidiaries and shipping products to members, import duties, packing materials, product royalties, costs of promotional materials sold to our members at or near cost, and provisions for slow moving or obsolete inventories. Cost of sales also includes purchasing costs, receiving costs, inspection costs and warehousing costs.

Member commissions are our most significant expense and are classified as an operating expense. Under our compensation plan, members are paid weekly commissions by our subsidiary in which they are enrolled, generally in their home country currency, for product purchases by their down-line member network across all geographic markets. Our China subsidiary maintains an e-commerce retail platform and does not pay commissions, although our Chinese members may participate in our compensation plan through our other subsidiaries. This “seamless” compensation plan enables a member located in one country to enroll other members located in other countries where we are authorized to conduct our business. Currently, there are basically two ways in which our members can earn income:

- through commissions paid on the accumulated bonus volume from product purchases made by their down-line members and customers; and
- through retail profits on sales of products purchased by members at wholesale prices and resold at retail prices (for purchasers in some of our smaller markets and purchasers from our China subsidiary, sales are for personal consumption only and income may not be earned through retail profits).

Each of our products is designated a specified number of bonus volume points. Commissions are based on total personal and group bonus volume points per weekly sales period. Bonus volume points are essentially a percentage of a product’s wholesale price. As the member’s business expands from successfully enrolling other members who in turn expand their own businesses by selling product to other members, the member receives higher commissions from purchases made by an expanding down-line network. In some of our markets, to be eligible to receive commissions, a member may be required to make nominal monthly or other periodic purchases of our products. Certain of our subsidiaries do not require these nominal purchases for a member to be eligible to receive commissions. In determining commissions, the number of levels of down-line members included within the member’s commissionable group increases as the number of memberships directly below the member increases.

Under our current compensation plan, certain of our commission payouts may be limited to a hard cap dollar amount per week or a specific percentage of total product sales. In some markets, commissions may be further limited. In some markets, we also pay certain bonuses on purchases by up to three generations of personally sponsored members, as well as bonuses on commissions earned by up to seven generations of personally sponsored members. Members can also earn additional income, trips and other prizes in specific time-limited promotions and contests we hold from time to time. Member commissions are dependent on the sales mix and, for the first six months of each of 2026 and 2025, represented 41% of net sales. Occasionally, we make modifications and enhancements to our compensation plan to help motivate members, which can have an impact on member commissions. We may also enter into performance-based agreements for business or market development, which can result in additional compensation to specific members.

Selling, general and administrative expenses consist of administrative compensation and benefits, travel, credit card fees and assessments, professional fees, certain occupancy costs, and other corporate administrative expenses (including stock-based compensation). In addition, this category includes selling, marketing, and promotion expenses (including the costs of member training events and conventions that are designed to increase both product awareness and member recruitment). Because our various member conventions are not always held at the same time each year, interim period comparisons will be impacted accordingly.

The functional currency of our international subsidiaries is generally their local currency. Local currency assets and liabilities are translated at the rates of exchange on the balance sheet date, and local currency revenues and expenses are translated at average rates of exchange during the period. Equity accounts are translated at historical rates. The resulting translation adjustments are recorded directly into stockholders' equity.

Sales by our foreign subsidiaries are generally transacted in the respective local currencies and are translated into U.S. dollars using average rates of exchange for each monthly accounting period to which they relate. Most of our product purchases from third-party manufacturers are transacted in U.S. dollars. Consequently, our sales and net earnings are affected by changes in currency exchange rates, with sales and earnings generally increasing with a weakening U.S. dollar and decreasing with a strengthening U.S. dollar.

Results of Operations

The following table sets forth our operating results as a percentage of net sales for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	24.8	26.1	24.9	26.2
Gross profit	75.2	73.9	75.1	73.8
Operating expenses:				
Commissions expense	40.9	40.9	41.4	41.4
Selling, general and administrative expenses	42.7	36.4	40.3	35.7
Total operating expenses	83.6	77.3	81.7	77.1
Loss from operations	(8.4)	(3.4)	(6.6)	(3.3)
Other income, net	2.5	3.5	2.9	4.0
Income (loss) before income taxes	(5.9)	0.1	(3.7)	0.7
Income tax benefit	(0.0)	—	(0.1)	(0.0)
Net income (loss)	(5.9)%	0.1%	(3.6)%	0.7%

Net Sales

The following table sets forth revenue by market for the periods indicated (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,							
	2026		2025		2026		2025					
Americas ¹	\$	527	6.9%	\$	749	7.6%	\$	1,206	7.2%	\$	1,385	6.7%
Hong Kong ²		6,298	82.8		8,004	81.6		13,900	82.7		17,127	83.3
China		139	1.8		219	2.2		437	2.6		453	2.2
Taiwan		348	4.6		396	4.0		612	3.6		718	3.5
South Korea		19	0.3		19	0.2		43	0.3		51	0.2
Japan		30	0.4		82	0.9		78	0.5		146	0.7
Malaysia and Singapore		37	0.5		82	0.9		88	0.5		132	0.7
Russia and Kazakhstan		78	1.0		101	1.0		156	0.9		198	1.0
Europe		110	1.5		120	1.2		252	1.5		270	1.3
India		17	0.2		41	0.4		37	0.2		70	0.4
Total	\$	7,603	100.0%	\$	9,813	100.0%	\$	16,809	100.0%	\$	20,550	100.0%

¹ United States, Canada, Mexico, Peru and Colombia.

² Substantially all of our Hong Kong revenues are derived from the sale of products that are delivered to members in China. See “Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K.

Net sales were \$7.6 million for the three months ended June 30, 2026 compared with \$9.8 million for the comparable period a year ago, a decrease of \$2.2 million, or 23%. Hong Kong net sales, substantially all of which were derived from the sale of products shipped to members residing in China, decreased \$1.7 million, or 21%, over the comparable period a year ago primarily due to the continued negative consumer sentiment as a result of the heightened economic uncertainty caused by the threat of reciprocal and retaliatory tariffs, as well as increased regulatory uncertainty and the disruptions that resulted from certain independent member activities that arose in China during the quarter (see “Business Overview—Recent Developments”). Outside of our Hong Kong business, net sales decreased \$504,000, or 28%, over the comparable three-month period a year ago, primarily due to the decreased quarter-over-quarter net sales in the United States and Canada, as well as our Chinese e-commerce retail business.

Net sales were \$16.8 million for the six months ended June 30, 2026 compared with \$20.6 million for the comparable period a year ago, a decrease of \$3.7 million, or 18%. Hong Kong net sales, substantially all of which were derived from the sale of products shipped to members residing in China, decreased \$3.2 million, or 19%, over the comparable period a year ago primarily due to the continued negative consumer sentiment as a result of the heightened economic uncertainty caused by the threat of reciprocal and retaliatory tariffs, as well as increased regulatory uncertainty and the disruptions that resulted from certain independent member activities that arose in China during the second quarter of 2026 (see “Business Overview—Recent Developments”). Outside of our Hong Kong business, net sales decreased \$514,000, or 15%, over the comparable six-month period a year ago, primarily due to reduction in the United States and Canada, as well as our Chinese e-commerce retail business during the second quarter of 2026. As of June 30, 2026, deferred revenue was \$4.2 million, which primarily consisted of \$2.7 million pertaining to unshipped product orders and unredeemed product vouchers, as well as \$1.5 million in auto ship advances.

Gross Profit

Gross profit was 75.2% of net sales for the three months ended June 30, 2026 compared with 73.9% of net sales for the three months ended June 30, 2025. Gross profit was 75.1% of net sales for the six months ended June 30, 2026 compared with 73.8% of net sales for the six months ended June 30, 2025. The improvement in gross profit margin for both the three- and six-month periods ended June 30, 2026 was primarily due to the transition of our product manufacturing from the United States to East Asia, closer to our main markets, in an effort to reduce tariff uncertainty and streamline logistics.

Commissions Expense

Commissions were 40.9% of net sales for each of the three months ended June 30, 2026 and 2025. Commissions were 41.4% of net sales for each of the six months ended June 30, 2026 and 2025. Despite lower weekly commissions earned by our members during the first six months of 2026 as compared to the comparable period last year, commissions as a percentage of net sales were on par with last year due to higher supplemental incentive costs during the first two quarters this year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses declined by \$323,000 to \$3.3 million for the three months ended June 30, 2026 as compared with \$3.6 million for the three months ended June 30, 2025. The decrease was primarily due to lower employee-related expenses, professional fees, and credit card fees and assessments during the current year period. Selling, general and administrative expenses as a percentage of net sales increased from 36.4% to 42.7% for the three month period ended June 30, 2026 compared with the same quarter last year due to the net sales decline in Hong Kong.

Selling, general and administrative expenses declined by \$561,000 to \$6.8 million for the six months ended June 30, 2026 as compared with \$7.3 million for the six months ended June 30, 2025. The decrease was primarily due to lower employee-related expenses, professional fees, event costs, and credit card fees and assessments during the current year period. Selling, general and administrative expenses as a percentage of net sales increased from 35.7% to 40.3% for the six month period ended June 30, 2026 compared with the same period last year due to the net sales decline in Hong Kong.

Other Income, Net

Other income was \$190,000 for the three months ended June 30, 2026 compared with \$348,000 in the same period a year ago. Other income was \$485,000 for the six months ended June 30, 2026 compared with \$813,000 in the same period a year ago. The decrease was primarily due to less interest income earned during the current year periods.

Income Taxes

An income tax benefit of \$2,000 was recognized during the three months ended June 30, 2026. No tax provision or benefit was recognized during the three months ended June 30, 2025. An income tax benefit of \$27,000 and \$2,000 was recognized during the six months ended June 30, 2026 and 2025, respectively. The tax benefit during the three- and six-month periods ended June 30, 2026 and 2025 primarily resulted from estimates for foreign income inclusions, such as Net CFC Tested Income ("NCTI") and Subpart F income, and our year-to-date consolidated income (loss) through June 30, 2026 and 2025, respectively, as well as prior year foreign return to provision true-ups.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted in the United States. The OBBBA includes significant tax law changes, including the permanent extension of certain provisions from the U.S. Tax Cuts and Jobs Act, modifications to the international tax framework, and the reinstatement of favorable business tax provisions. These include 100% bonus depreciation, immediate expensing of Section 174 domestic research and experimental expenditures, and revised limitations under Section 163(j) on the deductibility of business interest expense. The legislation has multiple effective dates, with certain provisions effective beginning in 2025, and others implemented through 2027. We evaluated the impact of the OBBBA and determined its provisions do not have a material impact on our overall tax liability.

Liquidity and Capital Resources

At June 30, 2026, our cash, cash equivalents and marketable securities totaled \$18.6 million. Total cash, cash equivalents and marketable securities decreased by \$10.3 million from December 31, 2025 to June 30, 2026 primarily due to the repurchase of shares of our common stock and dividends paid during the first six months of 2026. We consider all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. As of June 30, 2026, we had \$14.4 million in available-for-sale investments classified as either cash equivalents or marketable securities. In addition, cash and cash equivalents included \$2.7 million held in banks located within China subject to foreign currency controls.

As of June 30, 2026, the ratio of current assets to current liabilities was 2.0 to 1.0 and we had \$11.8 million of working capital. Working capital as of June 30, 2026 decreased \$8.7 million compared to our working capital as of December 31, 2025.

Cash used in operations was \$2.2 million for the first six months of 2026 compared with \$5.2 million for the first six months of 2025. Income tax paid during April 2025 for the repatriation tax on the deemed repatriation of deferred foreign income was \$5.1 million. Disregarding this payment, cash used in operations was \$97,000 during the first six months of 2025. The decline in operating cash flows for the first six months of 2026 is primarily due to the net sales decline in Hong Kong compared with the same period last year.

Cash flows provided by investing activities totaled \$12.4 million during the first six months of 2026 compared with \$6.6 million during the first six months a year ago. During the first six months of 2026, we purchased \$8.7 million in marketable securities with original maturities greater than three months, and as such, reflect these purchases as an investing activity. These purchases of marketable securities were offset by \$21.6 million of proceeds received from maturities of marketable securities.

Cash flows used in financing activities totaled \$7.6 million during the first six months of 2026 compared with \$4.6 million during the first six months a year ago. On February 17, 2026, we entered into a share repurchase agreement to repurchase 2,935,227 shares of common stock, representing approximately 25.5% of our outstanding shares, from the George K. Broady 2012 Irrevocable Trust and the Eleanor Jane Broady 2012 Irrevocable Trust at a price of \$2.00 per share, for aggregate consideration of approximately \$5.9 million. Additionally, we declared and paid cash dividends of \$0.10 per common share, or \$1.7 million, in 2026 and \$0.20 per common share, or \$4.6 million, in 2025. Any future cash dividends will be at the sole discretion of the Company's Board of Directors, and will depend on our financial condition, results of operations, capital requirements and other factors considered relevant by the Board of Directors.

In 2016, the Board of Directors authorized an increase to the Company's stock repurchase program first approved in 2015 from \$15.0 million to \$70.0 million. Any repurchases will be made in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Exchange Act. For all or a portion of the authorized repurchase amount, the Company may enter into one or more plans that are compliant with Rule 10b5-1 of the Exchange Act that are designed to facilitate these purchases. The stock repurchase program does not require the Company to acquire a specific number of shares, and may be suspended from time to time or discontinued. The repurchase of our shares on February 17, 2026 was effected pursuant to our previously authorized \$70.0 million share repurchase program. As of June 30, 2026, \$15.9 million of the \$70.0 million stock repurchase program remained available for future purchases, inclusive of estimated tax.

We believe that our existing internal liquidity, supported by cash on hand and cash flows from operations, should be adequate to fund normal business operations and address our financial commitments for the foreseeable future.

We do not have any significant unused sources of liquid assets. If necessary, we may attempt to generate more funding from the capital markets, but currently we do not believe that will be necessary.

Our priority is to focus our resources on investing in our most important markets, which we consider to be Greater China and countries where our existing members may have the connections to recruit prospects and sell our products, such as Southeast Asia, India, South America and Europe. We will continue to invest in our Mainland China entity for such purposes as establishing China-based manufacturing capabilities, increasing public awareness of our brand and our products, sourcing more Chinese-made products, building a chain of service stations, opening additional Healthy Lifestyle Centers or branch offices, adding local staffing and other requirements for a prospective China direct selling license application.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are items within our financial statements that require estimation but are not deemed critical, as defined above.

For a detailed discussion of our significant accounting policies and related judgments, see Note 1 of the Notes to Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data” in our 2025 Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (SEC) on February 20, 2026.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable under smaller reporting company disclosure rules.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, with the participation of the Company’s principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of June 30, 2026. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including the Company’s principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2026.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2025, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. There have been no material changes to our risk factors since our Annual Report on Form 10-K for the year ended December 31, 2025, except as set forth below.

Our business in China is subject to compliance with a myriad of applicable laws and regulations, and any actual or alleged violations of those laws or government actions otherwise directed at us could have a material adverse impact on our business and the value of our company.

In contrast to our operations in other parts of the world, our China subsidiary has not implemented a direct sales model in China. The Chinese government permits direct selling only by organizations that have a license and has also adopted anti-pyramid selling and multi-level marketing legislation. We operate an e-commerce direct selling platform in Hong Kong and recognize the revenue derived from sales to both Hong Kong and Chinese members as being generated in Hong Kong. Products purchased by members in China are delivered to third parties that act as the importers of record under agreements to pay applicable duties. In addition, through a Chinese entity, we sell products in China using an e-commerce retail platform. Chinese members may elect to participate in either or both of the Chinese entity and the Hong Kong entity.

We previously submitted a preliminary application for a direct selling license in China, but withdrew our application in 2019 upon the recommendation of a Chinese governmental authority. We expect to reapply for a direct selling license in China when we believe that circumstances are again ripe for doing so. We are unable to predict whether and when we will be successful in obtaining a direct selling license to operate in China, and if we are successful, when we will be permitted to conduct direct selling operations and whether such operations would be profitable.

We continually evaluate our business in China and Hong Kong for compliance with applicable laws and regulations, including seeking the input of outside professionals and certain Chinese authorities. This process can and has resulted in the identification of certain matters of potential noncompliance. We work on a continuing basis to satisfactorily address such matters, however there can be no assurance that adequate steps are taken or that applicable laws and regulations are properly interpreted.

Should the government authorities determine that our activities violate applicable laws and regulations, including China’s direct selling, pyramid selling or multi-level marketing laws and regulations, or should new laws or regulations be adopted, there could be a material adverse effect on our business, results of operations and financial condition.

The Chinese government scrutinizes the activities of direct selling companies. Our business continues to be subject to regulations and examinations by municipal and provincial level regulators. At times, actions by government regulators have impacted our members’ activities in certain locations and have resulted in a few cases of enforcement actions. In each of these cases, we helped our members with their defense of the legality of their conduct.

Our business and the value of our company can be adversely affected by Chinese government scrutiny, even if that scrutiny does not result in investigations of our business. Although we remain in regular contact with Chinese government officials and take other steps to address regulatory concerns, these government officials have significant discretion in the application and enforcement of laws and regulations. As a result, our business and the value of our company remain vulnerable to Chinese government scrutiny, whether or not initiated by third parties, which scrutiny could result in changes to our business and/or the Chinese or Hong Kong government taking action against us.

On May 29, 2026, China’s State Administration for Market Regulation (SAMR) released for public comment a draft revision to China’s Regulations on the Prohibition of Pyramid Selling (the “Draft Revision”), with the public comment period having closed on June 28, 2026. The Draft Revision appears designed to significantly strengthen China’s anti-pyramid-selling enforcement framework, with notable provisions addressing: (i) online pyramid-selling activity, including internet-based distribution models subject to heightened scrutiny; (ii) internet platform responsibilities, with online platforms potentially facing affirmative compliance obligations, monitoring duties, or direct liability exposure; (iii) enhanced interagency coordination among SAMR, public security authorities, telecommunications regulators, and other agencies; (iv) fund monitoring of payment flows associated with pyramid-selling activity; and (v) significantly increased monetary penalties and expanded personal liability for individuals determined to be responsible for pyramid-selling violations.

The Draft Revision does not indicate that China has reopened or accelerated the grant of new direct selling licenses or plans to change the regulatory framework for direct selling. We cannot provide assurance that we will be able to obtain a Chinese direct selling license in the future or that the licensing regime will be modified in a manner beneficial to our business. The Draft Revision may undergo further revision before final rules, if any, are adopted. Even in draft form, the Draft Revision signals that Chinese regulators intend to apply increasing scrutiny to online and network-based distribution models, and the proposed changes may be implemented in a manner that is ultimately adverse to businesses that operate without a Chinese direct selling license and rely on distributor or network-based sales models. Any adoption of the Draft Revision, or of regulations similar to it, could result in increased compliance costs, penalties, required cessation of certain activities, or other adverse consequences for our business, results of operations, and financial condition, and could expose our officers, directors or other personnel operating in or in relation to China to personal regulatory risk.

Various other factors could harm our business in Hong Kong and China, such as worsening economic conditions in Hong Kong or China, adverse developments relating to the industry in which we conduct our business, adverse local publicity, negative changes to our business and/or social media coverage, geopolitical or trade tensions between the United States and China or other events that may be out of our control. For example, in 2019 the Chinese government announced a 100-day campaign focusing on companies involved in the sale of food, equipment, daily necessities, small home electrical appliances and services that are claimed to promote health. The Chinese government ministries in charge of this campaign indicated that they were targeting illegal practices in the industry, particularly the manufacture and sale of counterfeit and substandard products, and false advertising and misleading claims as to the health benefits of products and services. It is understood that the campaign was specifically focused on the business practices of direct selling companies. As a result, we and some of our peers voluntarily decided to temporarily suspend our member activities, such as product roadshows, product trainings and larger company-sponsored events, in China. We did this because we learned that the campaign was announced in broad outlines by the central government, and the interpretation and enforcement of the campaign was delegated to the provincial and local governments. We consider it a top priority for our business to develop an understanding of and cooperate with all levels and jurisdictions of the government agencies and did not want to run the risk of being inadvertently entangled in the government enforcement actions as the provincial and local government formulated and implemented their interpretive guidance and rule-making. It may again in the future be necessary or advisable to suspend member activities or take similar actions, and the resulting periods of reduced activity may have a material adverse effect on our business.

Although we attempt to work closely with both national and local Chinese governmental agencies in conducting our business, our efforts to comply with national and local laws may be harmed by a rapidly evolving regulatory climate, concerns about activities resembling violations of direct selling, pyramid selling or multi-level marketing legislation, subjective interpretations of laws and regulations, and activities by individual members that may violate laws notwithstanding our policies prohibiting such activities.

The legal and regulatory environment in China applicable to direct selling, e-commerce and distributor-based business models continues to evolve rapidly and with limited public notice. Enforcement of existing regulations is uneven, and interpretations may also change without formal rulemaking. We may not become aware of regulatory changes or enforcement actions until they have already materially affected our operations. The costs of compliance with additional regulatory requirements, or the consequences of non-compliance, could be significant, and we cannot predict the timing, scope, or ultimate effect of the regulatory changes described above. Any determination that our operations or activities, or the activities of our individual members, employee sales representatives, or importers of record are not in compliance with applicable laws and regulations could result in the imposition of substantial fines, extended interruptions of business, restrictions on our future ability to obtain business licenses or expand into new locations, changes to our business model, the termination of required licenses to conduct business, or other actions, any of which could materially harm our business, results of operations and financial condition.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

During the quarter ended June 30, 2026, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

Item 6. EXHIBITS

Exhibit Number	Exhibit Description
10.1	Natural Health Trends Corp. 2026 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed May 7, 2026).
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	<i>Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document</i>
101.SCH	<i>Inline XBRL Taxonomy Extension Schema</i>
101.CAL	<i>Inline XBRL Taxonomy Extension Calculation</i>
101.DEF	<i>Inline XBRL Taxonomy Extension Definition</i>
101.LAB	<i>Inline XBRL Taxonomy Extension Labels</i>
101.PRE	<i>Inline XBRL Taxonomy Extension Presentation</i>
104	<i>Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)</i>

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 thereunto duly authorized.

NATURAL HEALTH TRENDS CORP.

Date: July 29, 2026

/s/ Timothy S. Davidson

Timothy S. Davidson
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

I, Chris T. Sharnig, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Natural Health Trends Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2026

/s/ Chris T. Sharnig
Chris T. Sharnig
President
(Principal Executive Officer)

CERTIFICATION

I, Timothy S. Davidson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Natural Health Trends Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2026

/s/ Timothy S. Davidson

Timothy S. Davidson
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Natural Health Trends Corp. (the “Company”) on Form 10-Q for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Chris T. Sharng, the Principal Executive Officer, and Timothy S. Davidson, the Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2026

/s/ Chris T. Sharng

Chris T. Sharng
President
(Principal Executive Officer)

Date: July 29, 2026

/s/ Timothy S. Davidson

Timothy S. Davidson
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

The foregoing certifications are not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), and are not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing.