



# Nu Skin Enterprises (NUS)

Updated December 1<sup>st</sup>, 2023, by Yiannis Zourmpanos

## Key Metrics

<b>Current Price:</b>	\$17	<b>5 Year CAGR Estimate:</b>	11.8%	<b>Market Cap:</b>	\$853.4 M
<b>Fair Value Price:</b>	\$17	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	02/23/2024 <sup>1</sup>
<b>% Fair Value:</b>	100%	<b>5 Year Valuation Multiple Estimate:</b>	0.0%	<b>Dividend Payment Date:</b>	03/08/2024 <sup>2</sup>
<b>Dividend Yield:</b>	9.2%	<b>5 Year Price Target</b>	\$22	<b>Years Of Dividend Growth:</b>	23
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

Nu Skin Enterprises is a health and beauty direct-selling company with diverse product lines. The company has three main product divisions: anti-aging, skin, and pharmaceuticals. The latter division offers nutritional, weight-management products and food supplements. The company operates internationally in more than 50 countries across the Americas, Europe, and the Asia-Pacific. Nu Skin's anti-aging and skin-related products include peels, masks, scrubs, moisturizers, body care, hair care, men's care, oral care, sun protection, and cosmetics. Moreover, the company sells its product directly to consumers through its sales channel and has a sizable market overseas. The company's revenues are reported under seven regional segments: Mainland China, EMEA regions, Americas/Pacific, South Korea, Southeast Asia, Japan, and Hong Kong/Taiwan.

On November 1<sup>st</sup>, 2023, Nu Skin announced its third quarter results, reporting non-GAAP EPS earnings of -\$0.74, missing market estimates by \$1.38. In addition, the company reported revenues of \$498.8 million for the quarter, down 7.3% year-over-year. To combat margin pressures, aggressive strategic price increases have been implemented globally over the past few quarters, but they have had a negative impact on customer acquisition, which has resulted in sluggish sales performance, especially in developing markets like Southeast Asia Pacific, Europe and Africa, and Latin America.

The company's EPS guidance for Q4 2023 is between \$0.15 to \$0.30. For the full year 2023, the company has projected revenue of \$1.93 billion to \$1.96 billion, which takes into account an anticipated 2% to 3% unfavorable impact from foreign currency. The company expects a range of \$1.62 to \$1.77 in earnings per share.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$5.94	\$3.11	\$2.25	\$2.91	\$3.23	\$3.52	\$3.10	\$3.63	\$4.14	\$2.07	<b>\$1.70</b>	<b>\$2.17</b>
<b>DPS</b>	\$1.20	\$1.38	\$1.40	\$1.42	\$1.44	\$1.46	\$1.48	\$1.50	\$1.52	\$1.54	<b>\$1.56</b>	<b>\$1.64</b>
<b>Shares<sup>3</sup></b>	59.0	59.0	56.0	52.6	52.7	55.4	55.6	50.9	49.8	50.2	<b>50.2</b>	<b>46.1</b>

Nu Skin Enterprises has grown its EPS at a healthy rate over the past few years. However, the company faced headwinds in 2022, which caused its EPS to decline. Like other companies in the industry, the company continues to face several headwinds, including deteriorating consumer sentiment, a difficult period in China, and an increased likelihood of an imminent recessionary period.

In 2023, NUS foresees challenging macroeconomic conditions to persist, with the likelihood of gradual improvements in the second half. In line with the forward guidance provided by the company, we have downwardly revised our 2023 EPS forecast to \$1.70, the midpoint of management's guidance. However, we have maintained our EPS forecast of 5.0% annually over the next five years, leading to our estimated EPS of \$2.17 by 2028. We expect the company to follow its historical dividend payout policy and provide a dividend per share of \$1.64 by 2028.

<sup>1</sup> The ex-dividend date is estimated based on historical data.

<sup>2</sup> The dividend payment date is estimated based on historical data.

<sup>3</sup> Share count is in millions.

*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*



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## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	13.3	20.7	20.3	16.2	18.5	20.8	15.3	11.0	12.3	20.9	<b>10.0</b>	<b>10.0</b>
Avg. Yld.	1.5%	2.1%	3.1%	3.0%	2.4%	2.0%	3.1%	3.7%	3.0%	3.6%	<b>9.2%</b>	<b>7.6%</b>

Nu Skin Enterprises currently trades at a forward P/E of 10.0, well below its long-term 10-year average P/E of 16.9 and five-year average P/E of 16.1. We assume the P/E multiple will remain stable at 10.0 by 2028, implying a target price of \$22 and an upside potential of 29% from current levels.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	20%	44%	62%	49%	45%	41%	48%	41%	37%	74%	<b>92%</b>	<b>76%</b>

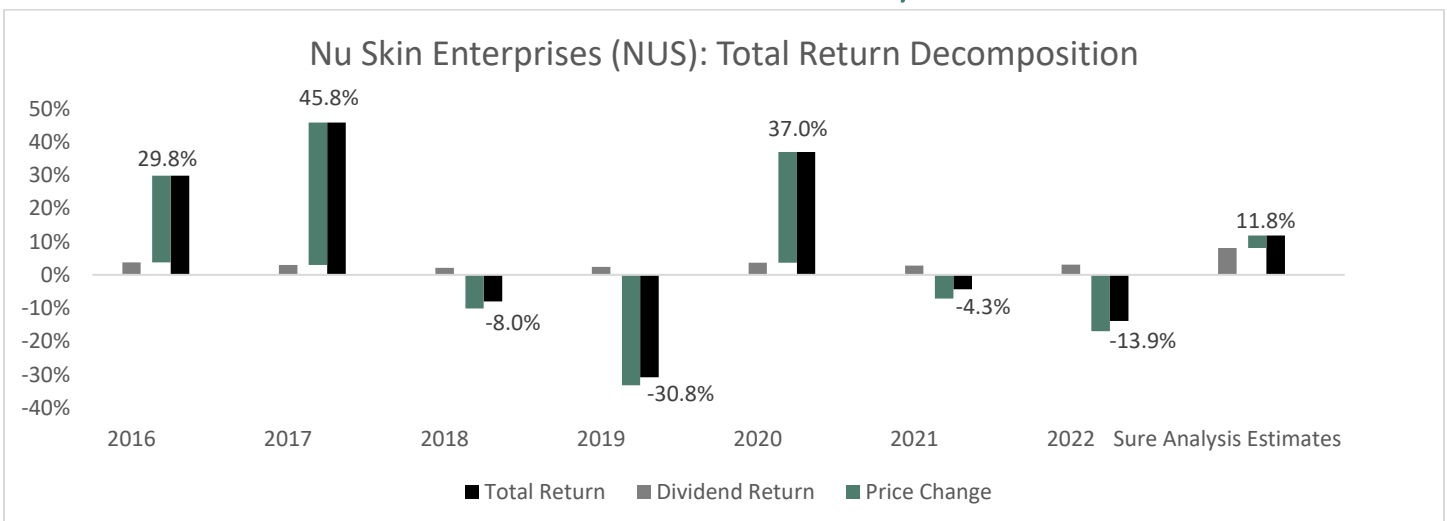
Earlier this year, the CEO announced Nu Vision 2025, to become the world's leading integrated beauty and wellness company, powered by the company's dynamic affiliate opportunity platform. The company's vision for the future reflects management's plan to keep up with global trends and to change consumer behaviors. Investments in digital infrastructure and a digital ecosystem are a core part of the company's long-term strategy. By 2025, the company aims for its affiliate-powered social commerce to represent more than 50 percent of its global business, accelerating overall top-line growth to higher levels than the current growth.

However, operating in the cosmetics and beauty segments means some risks are associated with investing in Nu Skin. The segment is marked by intense competition, and the market already has established players with longer operating histories and excellent brand recognition and resources compared to Nu Skin. Some of Nu Skin's main competitors are L'Oréal, Clinique, Estée Lauder, Nature's Way, Avon Products, and Mary Kay. Also, the industry is susceptible to changes in consumer behavior and evolving lifestyle preferences. Hence, the company's success in the future will depend on Nu Skin's ability to innovate and keep developing products that respond to the changing needs of consumers.

## Final Thoughts & Recommendation

Nu Skin has successfully run its business efficiently throughout various economic cycles, consistently paid dividends, and generated value for investors. The payout ratio averaged 46.2% during the 2013 to 2022 period. We maintain our buy rating premised upon the 11.8% annualized total return forecast for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, a dividend yield of 9.2%, and a stagnant valuation.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	3,177	2,569	2,247	2,208	2,279	2,679	2,420	2,582	2,696	2,226
Gross Profit	2,671	2,091	1,758	1,707	1,777	2,045	1,839	1,924	2,020	1,595
Gross Margin	84.1%	81.4%	78.2%	77.3%	78.0%	76.3%	76.0%	74.5%	75.0%	71.7%
SG&A Exp.	2,117	1,739	1,513	1,476	1,503	1,733	1,572	1,666	1,735	1,435
D&A Exp.	35	55	71	72	72	83	77	74	76	73
Operating Profit	554	352	245	231	274	312	267	258	286	159
Op. Margin	17.4%	13.7%	10.9%	10.5%	12.0%	11.6%	11.0%	10.0%	10.6%	7.1%
Net Profit	365	189	133	143	129	122	174	191	147	105
Net Margin	11.5%	7.4%	5.9%	6.5%	5.7%	4.5%	7.2%	7.4%	5.5%	4.7%
Free Cash Flow	345	(158)	265	225	242	132	112	315	73	49
Income Tax	192	109	79	70	136	98	82	65	85	(16)

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	1,821	1,614	1,506	1,474	1,590	1,694	1,769	1,957	1,906	1,821
Cash & Equivalents	525	288	289	357	426	387	336	403	340	265
Acc. Receivable	69	36	35	31	33	53	50	63	41	47
Inventories	340	338	265	250	253	296	276	314	400	346
Goodwill & Int.	196	188	179	179	183	287	277	293	283	273
Total Liabilities	962	672	680	810	885	913	894	1,063	994	924
Accounts Payable	83	35	29	41	50	48	39	66	50	54
Long-Term Debt	182	247	250	417	389	430	362	335	376	402
Total Equity	859	942	826	664	705	782	875	894	913	897
LTD/E Ratio	0.21	0.26	0.30	0.63	0.55	0.55	0.41	0.38	0.41	0.45

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	24.8%	11.0%	8.5%	9.6%	8.4%	7.4%	10.0%	10.3%	7.6%	5.6%
Return on Equity	50.4%	21.0%	15.1%	19.2%	18.9%	16.4%	20.9%	21.6%	16.3%	11.6%
ROIC	40.0%	17.0%	11.7%	13.3%	11.9%	10.6%	14.2%	15.5%	11.7%	8.1%
Shares Out.	59.0	59.0	56.0	52.6	52.7	55.4	55.6	50.9	49.8	50.5
Revenue/Share	51.70	42.20	38.05	39.36	41.55	47.44	43.28	48.93	52.42	44.05
FCF/Share	5.62	(2.59)	4.50	4.01	4.42	2.34	2.00	5.98	1.42	0.97

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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