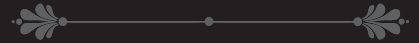




CONSUMER
GROUP



INDUSTRY UPDATE

Direct Selling

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McCOLL | PARTNERS
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INDUSTRY FOCUS

Consumer Group

BUSINESS SERVICES	CONSUMER	FINANCIAL SERVICES	FINANCIAL SPONSORS	HEALTHCARE	INDUSTRIALS & BUILDING PRODUCTS
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McColl Partners has served as an advisor to a diverse collection of companies operating in consumer industries. Representative clients include food and beverage companies, foodservice distributors, restaurant franchisors, specialty retailers, direct sales organizations, and nutritional and health products manufacturers.

McColl Partners' Consumer Group provides an unparalleled service offering to its clients by lending meaningful expertise to mergers and acquisitions, private capital raises, and financial advisory services. Led by Managing Director Lorin DeMordaunt, McColl Partners' investment banking professionals possess insight into the market dynamics that affect companies operating in consumer industries. The Consumer Group maintains strong, long-term relationships with key industry players and understands the fundamental metrics that affect valuation through extensive experience within the industry's specific sub-sectors. Through this wealth of experience, McColl Partners has consistently proven its ability to create shareholder value for clients in consumer markets.

McColl Partners continually monitors trends and factors that influence the consumer industry and related sectors.

- Demographic trends
- Economic developments
- Domestic and international market dynamics
- Performance of publicly traded comparable companies
- Notable mergers, acquisitions, and joint ventures

SUBSECTORS

APPAREL	CONSUMER PRODUCTS AND DURABLES	DIRECT SELLING AND MULTI-LEVEL MARKETING	FOOD AND BEVERAGE
HEALTH, BEAUTY, AND COSMETICS		RETAIL	WELLNESS AND NUTRITION

McCOLL PARTNERS SECTOR SPOTLIGHT

Direct Selling Demonstrates Advantages

A faltering U.S. economy has led traditional retailers to look for new ways to reach the customer. In recent years, direct selling has been identified as an increasingly powerful distribution channel for marketing a variety of products. Direct sales representatives maintain a high level of interaction with their customers, as 96% of total direct sales in the United States result from either person-to-person or group sales initiatives. The face-to-face sales methodology of direct selling creates an intimate shopping experience for the customer and has reinforced sales growth in the sector despite declining U.S. retail sales during the first half of 2008. Figure 1 presents the sales methodologies used in the direct sales industry.

Additionally, companies within the direct sales sector have seen steady sales force growth as unemployment rates have continually risen in the United States. As the number of job cuts increase in a weak economy, individuals begin to look for ways to supplement lost income. Through October, employers cut jobs in each month of 2008 and economists are expecting an additional half million jobs to be eliminated before the year end. From 1988 to 2007, the global direct sales force grew to approximately 61 million people, representing a compound annual growth rate (“CAGR”) of 10.6%. Figure 2 displays historical growth of the direct sales global sales force from 1988 through 2007.

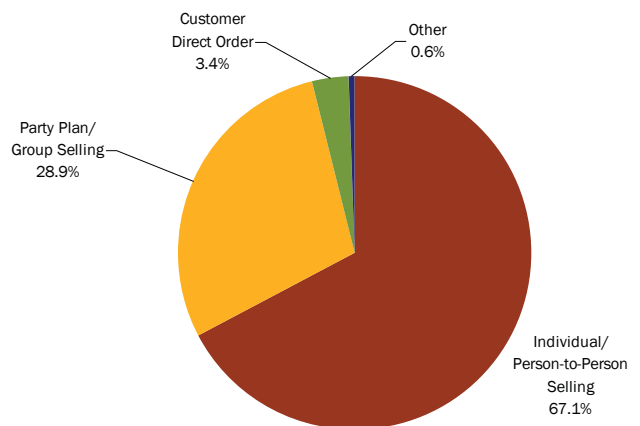
Furthermore, many direct sales companies can offset weakness in the United States with activity in stronger international markets. Asian markets have significantly fueled global growth of the direct sales industry, and China in particular is poised to become a highly lucrative new market. Industry analysts expect China to ultimately become the number three market worldwide, behind the United States and Japan, in the \$111.0 billion direct selling industry. Currently, the United States is the largest direct sales market in the world, representing approximately 28% of global sales in 2007. U.S. direct sales companies continue to lead the global marketplace with New York-based Avon Products, Inc. holding the position as the world’s largest direct sales company.

Direct Sales Global Force (Units in Millions)¹



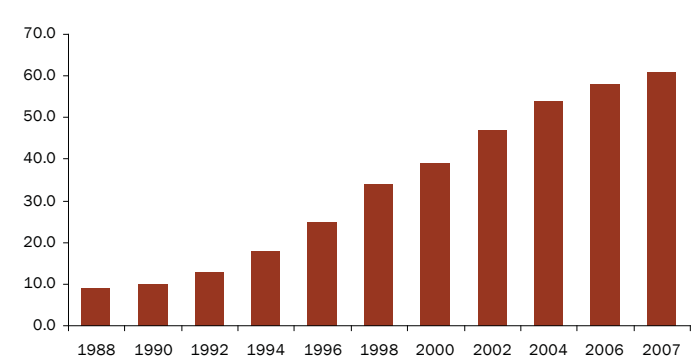
Source: U.S. Direct Selling Association.

Figure 1: Direct Sales Methodologies



Source: U.S. Direct Selling Association.

Figure 2: Direct Sales Global Force (Units in Millions)



Source: World Federation of Direct Selling Association.

(1) Direct Sales Industry index is composed of select representative companies including Avon Products, Inc. (NYSE: AVP), Tupperware Brands Corporation (NYSE: TUP), USANA Health Sciences, Inc. (NASDAQ: USNA), Nu Skin Enterprises, Ltd. (NYSE: NUS), and Herbalife, Ltd. (NYSE: HLF).

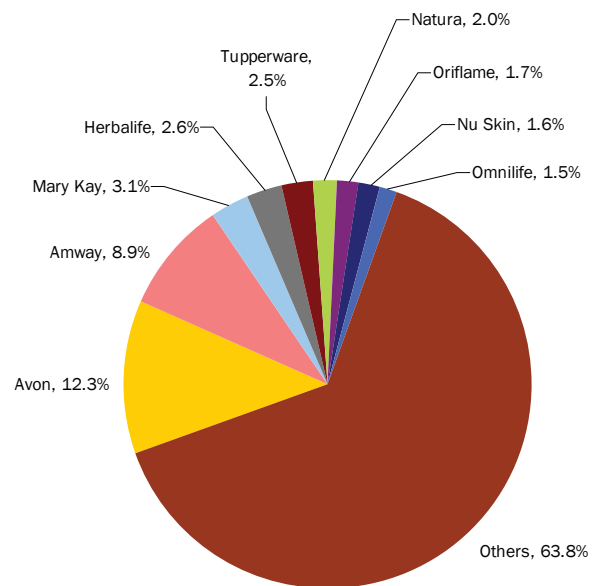
While the slowing economy has caused many industries to suffer in recent months, direct sales companies have prospered. Key industry players such as Avon Products, Inc. (NYSE: AVP), Tupperware Brands Corporation (NYSE: TUP), and Nu Skin Enterprises, Inc. (NYSE: NUS) have maintained strong performance and are expected to continue this growth in the coming months despite a tough operating environment. Collectively, these three companies represent approximately 16.4% of the global direct sales market. Figure 3 presents select direct selling companies' global market shares.

New York-based Avon Products, Inc. ("Avon") more than doubled its second quarter profits, achieving earnings of \$235.6 million as compared to \$112.7 million in the same period in 2007. Avon's July 30th earnings announcement sent shares surging 17.0%, Avon's largest gain since its turnaround effort began in October 2005. Strong international sales, specifically in the emerging markets, have served as a driving force behind Avon's profit growth. Unlike domestic markets, international markets are experiencing significant growth in economic activity. Sales jumped 27.0% and 30.0% in Latin America and Central and Western Europe, respectively, whereas North American sales only increased by 2.0%. Furthermore, Avon experienced better-than-expected revenue growth in developed markets outside of the United States, proving the resiliency of the company's business model in a tough consumer environment.

Second quarter sales for Orlando-based Tupperware Brands Corporation ("Tupperware") rose 18.0% year-over-year, making this the fifth consecutive quarter of double-digit sales growth, achieving what some consider an anomaly in today's struggling market. The 18.0% jump pushed Tupperware's profits to \$36.0 million in the second quarter. Emerging markets accounted for 49.0% of total sales and have grown 25.0% in the first six months of 2008. Tupperware's greatest sales growth was seen in Europe and Asia Pacific, increasing 25.0% and 23.0% respectively in the second quarter. Tupperware's geographic and product diversity coupled with its emerging market presence continues to serve as a natural hedge to help mitigate the challenges we are experiencing in the domestic market.

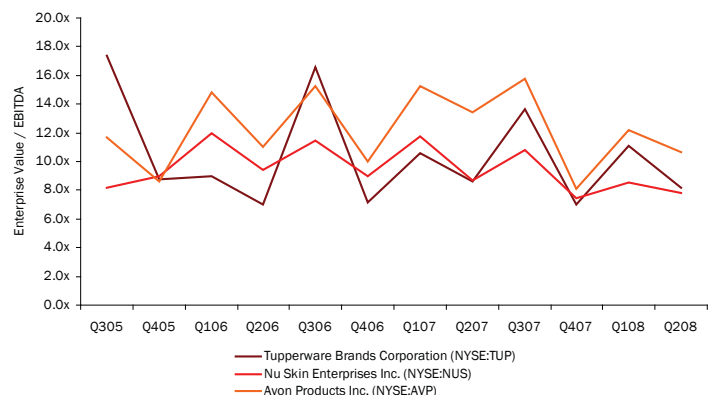
Based in Provo, Utah, Nu Skin Enterprises, Inc. ("Nu Skin") posted second quarter revenue of \$321.7 million, representing a 12.0% year-over-year increase from 2007. Unlike other direct selling companies, Nu Skin experienced significant growth in domestic market sales. U.S. sales increased 21.0% over the year-earlier period, however this growth is significantly less than the growth experienced in Latin America and Europe at rates of 88.0% and 61.0%, respectively. Nu Skin's increasing

Figure 3: U.S. Direct Sales Companies' Global Market Share



Source: U.S. Direct Selling Association.

Selected Historical Industry Multiples



Source: Capital IQ.

diversity and global revenue mix is expected to continue to strengthen the company as it capitalizes on the impressive growth in South Korea, Europe, Latin America, and the United States.

McCOLL PARTNERS INDUSTRY Q&A

Renee Johansen, Vice President of Investor Relations for Avon

As Vice President of Investor Relations for Avon, Renee Johansen counsels Avon's senior leaders on effective communication with the investment community in an effort to maximize credibility and understanding of Avon's strategy and operations.

McColl Partners: *Avon's mission is to be the company that best understands and satisfies the product, service, and self-fulfillment needs of women – globally. Specifically, what strategies and initiatives does the company take to ensure that this mission is fulfilled?*

Renee Johansen: At Avon we truly live out our mission. Every strategy or growth initiative we employ is a reflection of our mission. We invest heavily in our brand. As a leading direct seller, Avon is one of the only direct sales companies that is recognized as a true brand. Our customers are loyal to our brands, and that places us at an advantage versus smaller direct sales companies. Secondly, our investments in innovation. Avon's goal is to bring innovative products to market and support them with our advertising and marketing efforts through our key industry relationships. Furthermore, we invest in our direct representatives. Avon's RVP, Representative Value Proposition, focuses on expanding our Sales Leadership program, increasing sales campaign frequency, and improving incentives to our representatives. We want to understand our representatives and what drives them. We have conducted studies on our representatives in each market to determine whether being a representative is about her time or the money.

McColl Partners: *Recently, where have you seen the most growth for Avon?*

Renee Johansen: As a global company, 75%

of our business is outside of the U.S., primarily because the growth rates are faster. It all goes back to our mission of empowerment. We look for geographic regions where we can empower women and give them the chance for a better life. Women in these regions are just looking to provide for and take care of their families. There are two regions that we operate in that have been the fastest growing, Latin America and Central/Eastern Europe. In Europe, we have seen more growth in the eastern region, or the former Soviet Union. There has been significant growth in these regions as their economies are growing at a much faster pace than developed countries.

McColl Partners: *Considering the recent economy, how has Avon and, in your opinion, the direct sales industry as a whole been affected?*

Renee Johansen: Avon is in a different position than smaller direct selling companies, so we have not been affected the same as most companies in the industry and the market as a whole. The growth rate in beauty products is the fastest growing in the consumer products market. With that, we have seen our non-beauty products, including fashion and home, suffer like the retail markets. Our consumers are pulling back and tightening their purse strings, but they are still buying beauty. Also, direct selling is an advantage channel because it grows faster than traditional retail markets; therefore, we have not seen the same impact as the overall industry. Unlike other direct sellers, our system is not organized around party planning.

“Also, direct selling is an advantage channel because it grows faster than traditional retail markets; therefore, we have not seen the same impact as the overall industry.”

We operate as a traditional person-to-person direct sales company. We develop new offers every two to three weeks, so our representatives go back to their customers over and over, creating a recurring stream of revenue.

McColl Partners: *Today’s economy has been affecting families across the United States, what effects have you seen in Avon’s sales representatives?*

Renee Johansen: With the recent economy and rising gas prices, we have seen rapid expansion of representatives taking advantage of our e-selling opportunities. So now [the representative] saves extra money in gas because [they don’t] have to drive to sell her products, but can instead sell from home. We have also made all of the representative training available online in English and Spanish which has been a tremendous advantage for us and our representatives. Online training programs prevent sales trainees from having to drive to their division sales manager for training.

McColl Partners: *What factors have been the primary drivers behind Avon’s success?*

Renee Johansen: Avon continues to drive top-line growth through our investment in the brand and channels, in addition to continued geographic expansion. Since launching our turnaround plan in 2005, we have more than tripled our advertising spending. Lynn Smith, the President of Avon, always says, “If you water it, it will grow,” and that is exactly what we do. Avon conducts and studies surveys to determine our pricing, what strategies have proven to be the most effective, and to judge

women’s concerns. We conduct elasticity studies to see where we are able to take the price, ultimately enabling the consumer to set the price, not us. It all goes back to our mission; we look to our customers and our representatives for answers.

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McColl Partners provides investment banking services to owners and management of middle-market businesses and financial sponsors by combining experienced, dedicated professionals, unparalleled access to decision makers, and focused industry expertise.



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McColl Partners acted as financial advisor to ChemPro, Inc.


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Fairness Opinion
McColl Partners acted as financial advisor to the Special Committee of USANA, Inc.


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McColl Partners acted as financial advisor to Neways International.

McColl Partners' Consumer Group combines robust knowledge of diverse and dynamic capital markets with innovative approaches to traditional investment banking. From mergers and acquisitions to private capital raises, McColl Partners professionals work with each client to develop tailored solutions.

For more information on how McColl Partners can assist your company, please contact:

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