



Company Name: ChromaDex Corporation (CDXC)

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<<Rob Fried, Chief Executive Officer>>

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There is an orphan disease called Cockayne Syndrome, where children age so rapidly that they die of the diseases associated with old age by the time they're 12-years-old. The children afflicted with Cockayne Syndrome, who appear like children who are dramatically aged by the time they reach eight, 10-years-old, it turns out have no measurable levels of a coenzyme called nicotinamide adenine dinucleotide, NAD. And it seems by elevating NAD levels in these kids, we can provide a treatment. We are all aging, some quicker than others. And as it turns out, we are all also losing NAD as we age. And there is a great deal, and a growing body, of science that suggests that if we elevate NAD levels, we can improve the way we age.

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My Name is Rob Fried, I'm the CEO of ChromaDex. And ChromaDex has a product called TRU NIAGEN, which is clinically proven to safely and efficiently elevate NAD levels in humans. There are a number of companies, and a growing number of companies, that are trying to solve this problem of growing old. Some of them are public and already receiving some support, but there's only one company that has a product on the market today that works and that company is ChromaDex.

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The key to ChromaDex and its product TRU NIAGEN is nicotinamide adenine dinucleotide, NAD. It's a coenzyme that we've known about for decades that's an important metabolite involved in virtually every important metabolic processes in the body. Most notably energy metabolism and cell repair. There are organelles in cells called mitochondria. Mitochondria are responsible for creating something called ATP, adenosine triphosphate, energy as we know it. We have a recently published clinical study from University of Colorado that shows if you take NIAGEN or TRU NIAGEN, it does not only elevate NAD levels, but also elevates ATP levels.

If in fact you take TRU NIAGEN, you will have more actual energy, actual ATP. But NAD is more important than that. NAD is also vital to cell repair. There are cell repair enzymes in our body, PARP, sirtuin genes. All of these cell repair enzymes are NAD dependent. If you elevate NAD you improve the effectiveness of these cell repair enzymes and we have a growing body of evidence that suggests that problems like oxidative stress, DNA mutations, even inflammation can be benefited by elevating NAD levels.



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ChromaDex was founded by my friend and colleague here, Frank Jaksch, 20 years ago as an analytics testing service. Frank, today is our Chairman. He eventually added an ingredient business. Their work in analytical testing exposed them to some of the great researchers and scientists around the world and they felt that they had exposure as to what the trends in ingredients were. And they built a portfolio of really interesting ingredients, one of which could be the most important ingredient that we've seen. And that ingredient is nicotinamide riboside.

I joined the company as a Board member in 2015. I became the President of the company in 2017 in March. And my mandate at that time was to help focus the company's energy and resources towards this incredible ingredient, nicotinamide riboside, we call it NIAGEN. We launched a consumer product TRU NIAGEN at that time in March of 2017. And we have focused all of our efforts since then in trying to create a global brand around TRU NIAGEN.

Shortly after I joined the company, we did a round of financing with Horizons Ventures. This is an excellent venture capital fund run by Solina Chau, owned by Li Ka Shing in Hong Kong with a series of investments of great innovative consumer facing companies like Facebook, Spotify, Siri, on and on, a growing wonderful list. Shortly thereafter we did another round of financing led by Iconiq Capital, Mark Zuckerberg's personal funds. And then after that we did a deal with Watsons, a company in which Horizons has an investment that has 14,000 stores worldwide in mostly Asia and in Europe.

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Watsons is carrying TRU NIAGEN, they've been carrying it in Hong Kong for the last year. Today it is the number one selling dietary supplement in Hong Kong. They are also distributing it in Singapore and we'll soon be distributing it in Taiwan. Watsons has expressed interest in distributing TRU NIAGEN in their entire platform across the globe. That's 14,000 stores, right now, we're only in about 300, 350.

The opportunity to develop our business with Watsons as a partner is tremendous. The challenge we have is that this is a new ingredient, nicotinamide riboside, and each country requires regulatory approval as an ingredient. In many cases, they also require approval as a product and then once you have those approvals, you also need approvals to make marketing claims. So it is a process that will take time, also approval in Europe could take a couple of years. China could take a couple of years, Australia could take a couple of years, some countries will take less. We recently received approval in Canada. We have approval, as I say, in Hong Kong and Singapore, also now in New Zealand. We have partial approval in Turkey. We intend to grow with Watsons as a partner as we receive regulatory approval.



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In the last year since we've pivoted to being a consumer facing company around TRU NIAGEN, we've made some excellent additions to our management team. Kevin Farr, who you'll hear from in a minute, was the CFO at Mattel for 17 years. We also added Mark Friedman, who was the General Counsel at Herbalife. Lisa Bratkovich was the Senior VP of Marketing at Guthy-Renker, which is a company you may or may not have heard of, but you've certainly seen their ads on television. One of the largest direct response television companies in the world. We also added Matthew Roberts as our new Chief Scientific Officer, who came from Nestle and from Abbott Nutrition.

We've put together an extraordinary team. Those people in turn have put together extraordinary people all in the course of a year. This is a company that's been through transition and is succeeding nonetheless. We are preparing ourselves for what we expect to be a very dramatic opportunity. The opportunity to sell this supplement, this ingredient, to people around the world, we think it will make them significantly healthier as they age.

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We also beefed up our Scientific Advisory Board, Roger Kornberg at Stanford, he's a Nobel Prize winner. We added John Walker, a Nobel Prize winner from University of Cambridge. We also added Rudy Tanzi, the Co-Chair of the Department of Neurology at Harvard, as well as Dr. Charlie Brenner, who is the inventor at Dartmouth in 2004 of nicotinamide riboside, meaning connection with the patents. We have an extraordinary management team. We have an extraordinary SAB and we also have an extraordinary investor base to match the extraordinary science behind TRU NIAGEN.

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To give you an example of how extraordinary the science of NIAGEN is, if a company like ChromaDex, which is an ingredient company, develops an ingredient and they get a phone call from a great university to say, we heard you have an ingredient, we would like to do a study on your ingredient, to see if it's effective against treating a particular disease. And we would like to pay for that study. For an ingredient company, that's a pretty good phone call.

If you get five of those phone calls, those are five great phone calls and if you get 10 of them, you hit a home run. You found an ingredient that great universities and research institutes around the world want to do studies on, your ingredient. In the five years since we've commercialized NIAGEN, we have signed 168 of those agreements from the most prestigious universities around the world. I mean the best ones, the best researchers who recognize that elevating NAD may actually be a way to treat the diseases that we associate with aging.



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And, of course, those 168 agreements have led to now nearly a 100 published studies on preclinical research on virtually every indication you could think of associated with aging. And that has now led to, we have 28 studies listed, just 24 there have been even already a few more added on clinicaltrials.gov and we're starting to see outcomes. So a handful of those human clinical studies have been published. Proving that TRU NIAGEN safely and efficiently elevates NAD levels as well as other clinical health outcomes and health indications.

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The studies in these clinical studies are pursuing a lot of neurological and cardiovascular things that we might think of in association with oxidative stress and perhaps inflammation, these types of things. And thus far we're seeing great data and great results.

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It's important to understand that ChromaDex has an excellent patent portfolio around this ingredient. Frank and the team at ChromaDex have done a very, very good job of securing a good patent portfolio around it. The lead one of which of course is Dartmouth, but we are seeing people infringing on the patent already, in some cases in a very dramatic way. The company is in very aggressive litigation around that presently with one particular infringer and we intend to continue to do so. It's cost us a lot of money. It'll continue to cost us money. We understand what we have. It's a strong portfolio, we have to protect it.

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Since we launched in March of 2017, this slide the graph on the right. The distribution for TRU NIAGEN is essentially an e-commerce online platform and then Watsons internationally. The light blue on the right is how we have performed since March of 2017 in our e-commerce platform. It's been very dramatic growth. People are starting to get wind of it. They take it. The return rate is extremely high. People who take it for a period of time keep taking it, don't stop taking it. They recognize an impact on their performance, the studies keep coming out that are validating what they are experiencing. The darker blue line on the top is the Watsons purchases that they sold in their stores, which is at this point really just Hong Kong.

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Going forward, what would you do if you were us? You would try to make the world know about NAD and TRU NIAGEN, that's really what we have to do. We have got to make this a household word. Everybody in this room should be taking TRU NIAGEN and your family should be taking TRU NIAGEN and we have to make sure you get it, you understand it, you experience it and everybody



that you care about does the same. We also have to open these international markets. We have this wonderful partner with Watsons. That's a perfect partner, we need regulatory approval.

We understand this is a high priority. We have to deal with the countries, do the studies and get these approvals.

And then of course, expand the channels that we have. Right now, it's just a consumer product of a dietary supplement. But for example, we know that many professional athletes are taking TRU NIAGEN, we know that there are professional sports teams that are taking TRU NIAGEN, we have met with them personally. They would like it in perhaps a different form. So we recently experimented in conjunction with a couple of local companies, Bulletproof Coffee and Pressed Juicery. These are local L.A. companies that we think have excellent quality brands. They are now selling a powder version of TRU NIAGEN in certain of their stores and we will be experimenting with other delivery formats, perhaps focusing on the sports business, sports community and others. And we see these opportunities, we receive these phone calls, we see it as a big chance for us.

We are a consumer product company. I like to refer to us as consumer biotech. But if a company called us and had an opportunity for us to supply NIAGEN in their consumer products, in certain situations, we would consider it. For example, I used to joke that the addressable market for a product like this is all human beings. But I realized I was understating it, because it's a big pet business too. In fact, I hate to say it. We lost a dog a couple of weeks ago. Heartbreaking but happened. It happens. But as it was, all of a sudden, it was losing weight and getting thin. It was not feeling healthy. My wife, Nancy, got all the TRU NIAGEN that she could get, started putting it in their food, maybe we can rescue, a little late. We should have started a little bit earlier.

But my point is, if a company that was a consumer product company had a product and we didn't have plans to get into that consumer space, we would entertain a supply agreement deal. It would have to be a blue chip company. The deal would have to be an excellent deal. It would have to be complimentary with what we're doing, but it's something that we might consider. And then of course continued focused investments in R&D. We understand the responsibility about having an ingredient such as this. We have to continue to prove to everybody its efficacy, how it can help us, be specific about how it benefits and helps, as well as doing R&D for the purpose of making additional health claims and marketing claims.

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I think, I've mentioned all the key accomplishments already. Rather than be redundant, I'm going to hand it over to Kevin Farr, the CFO and perhaps we'll have a chance to answer a few questions at the end.



<<Kevin Farr, Chief Financial Officer>>

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Thanks, Rob, and good afternoon, everyone. Before we review our recent financial performance, I'll talk about some of the changes we've made to the organization since I joined ChromaDex about a year ago. Over the past 20 months, ChromaDex has transformed itself from an ingredient, standards, and quality assurance company into a consumer focused, marketing driven company helping the world to age better.

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Our primary goal, and my mandate at ChromaDex, has been to bring financial discipline to a company that is experiencing significant organizational changes and rapid growth.

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Managing this transition requires financial discipline, while we invest ahead of growth. Our approach is holistic with a strong linkage between the P&L, balance sheet, and cash flow, to optimize our financial results over the near term and longer term. Our goal is to drive significant growth as well as create and implement a financial model that targets cash flow breakeven by late 2019 or early 2020.

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For each business segment, we've been scrutinizing the growth prospects, gross profit margins, operating expenses, profitability and return on investment. Our goal is to look for opportunities to grow our legacy business as well as allocate resources to our TRU NIAGEN business to continue to drive significant growth. So far, we've been successful as almost everyone across the company is spending more time and focus on building the TRU NIAGEN business.

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Beginning of March 2017, we made incremental investments in people and infrastructure to establish our new e-commerce capabilities which we launched in the U.S. Since then, our U.S. e-commerce business has delivered significant growth at a compound average growth rate of 25% month-over-month. Our e-commerce capabilities and user experiences continue to be refined



daily. From a financial perspective, we've implemented dashboards with real time tracking of key performance metrics to measure our return on investment on our marketing expenditures, in order to optimize revenue growth.

We continue to invest in data analytics to create decision support models to reduce customer acquisition cost and increase lifetime value of customers by increasing retention and maximizing average order value.

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Also, whenever there's a meaningful shift in the company's business model, in our case, establishing a new direct-to-consumer platform to sell into an entirely different channel, it creates short term process inefficiencies. These redundancies are needed to keep our business running on a legacy perspective, while new processes are implemented. Across the company, we've been addressing these redundancies by standardizing and streamlining our processes to be more efficient and effective. We've got adequate systems, but we have way too many manual processes. We're making great progress on automating many of these manual activities so we can scale up rapidly on a global basis as we achieve our growth targets.

We're making some modest incremental investments in technology to continue to improve productivity and capabilities to support continued strong growth on a global basis. On the supply chain side, we've made solid improvements in how we flow our products from our vendors to customers and reduced customer delivery times, improve our inventory requirements, and continue to tightly manage working capital. Overall, we're making investments needed to achieve our growth targets, while keeping cost under control and reducing the cash burn until we achieve profitability.

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Looking at our recent financial performance, you can see our businesses rapidly changing. In the third quarter of this year, our NIAGEN related sales were up 40% year-over-year. TRU NIAGEN roughly doubled versus the prior year and TRU NIAGEN accounted for 64% of net sales in the third quarter, which we expect to continue to grow significantly. From the second quarter to third quarter of 2018, NIAGEN related sales increased by 10% with total TRU NIAGEN sales up 40%.



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What we see on the P&L is strong growth of TRU NIAGEN and gross margin improvement, offset by investments ahead of growth and legal spending to defend our IP.

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There are three areas driving our spending today. First, we're putting an infrastructure in place with anticipation of becoming a larger company, due to the health benefits of NAD and the related enormous market opportunity for TRU NIAGEN. This includes investments in senior leadership with strong capabilities to support rapid growth on a global basis. We expect to achieve scale on these overhead costs as we've largely built out our management team.

Second, legal spending is about \$3 million per quarter. We expect spending will go down when we prevail in these litigations. We continue to feel confident about the facts and the law in our cases against Elysium and we expect to see a return on this investment. And third, our investments in marketing are a function of the market opportunity of TRU NIAGEN. If we continue to see strong growth in revenues, we will continue to invest. If we don't, we'll moderate spending. We continue to expect marketing efficiency to improve over time, but there will be quarter-to-quarter fluctuations due to new programs and brand campaigns. As I said, we're very focused on reducing customer acquisition costs and increasing the lifetime value of customers. In 2018, these metrics have been improving through the third quarter.

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From a cash flow perspective, total cash outflows were \$5.2 million in the third quarter compared to \$7.6 million in the second quarter. The lower cash outflows this quarter primarily related to capital – working capital, which was a \$1.8 million source of cash in the third quarter versus \$0.5 million use of cash in the second quarter of 2018. For the full year, we continue to expect working capital to be a positive source of cash of about \$3 million to \$5 million.

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Concluding with our near term outlook, we expect to see significant growth in total sales led by TRU NIAGEN. As TRU NIAGEN grows as a percentage of sales, we expect gross margins to continue to improve and we'll continue to invest ahead of growth, but we expect to see improved efficiency in our TRU NIAGEN marketing, advertising and selling expenses as well as leverage of



our fixed overhead spending. Based on these drivers, we expect the company to be cash flow breakeven by the fourth quarter of 2019 or early 2020.

In summary, my priority is to bring financial and operational discipline to the company in a time of rapid growth and enormous opportunity and to put in place the tools to hold us accountable. We have already made tremendous progress in a short time period and I look forward to sharing future updates as we continue to scale our business to capture the global growth opportunity for TRU NIAGEN.

And with that we'll take a couple of questions. Rob, you want to come up and join and Frank also.

Q&A

<Q>: [Question Inaudible]

<A – Kevin Farr>: The assumption is that would cover legal expenses too. So it's on an overall cash flow basis including legal expenses.

<Q>: [Question Inaudible]

<A – Kevin Farr>: I think with regard to, it's hard to predict. We got to spend what we have to spend to protect our intellectual property. But in this assumption, it assumes that the court cases are still going on through 2019.

<Q>: [Question Inaudible]

<A – Rob Fried>: We have a partner W. R. Grace. They are located – their plant is in Oregon. And they are – we visited them recently. They are prepared to manage the growth that we're expecting.

<Q>: [Question Inaudible]

<A – Rob Fried>: Well, there are almost 100 publications already on preclinical studies that are out there. So if one does a search on nicotinamide riboside and on NIAGEN, you will get a plethora of reports already coming on virtually every indication you can think of, those are mostly animal studies. Now we have, as I say, over 20 human clinical studies and several have been published already. Several others have been completed and the data is sometimes blinded, in some cases



unblinded and we have some insights into that data. And we hope to see those studies being published in the next year.

And then the other half of those clinical studies that have been announced are ongoing studies and they could take another couple of years before they're completed and published. It's very difficult for us to know when these things are going to get published, because it gets peer reviewed by the publications. And we don't know what comments and notes they will have. But we are already hearing about many other amazing studies that have come in. We received a proposal for one from Harvard over the weekend that, I mean, we are on a weekly basis receiving more proposals for additional studies. We have over 20 now. We expect there to be many more. And one thing, I'd like to point out is we don't pay for these studies. Only one or two are our studies in which we've invested. We estimate that there's been over \$50 million of research already invested in nicotinamide riboside that we've benefited from.

<Q>: [Question Inaudible]

<A – Rob Fried>: No. Well no, because they're studying nicotinamide riboside. And nicotinamide riboside is an ingredient that we control.

<Q>: [Question Inaudible]

<<Rob Fried, Chief Executive Officer>>

Okay. Thanks. Thank you.