



# nova

## LIFESTYLE



Enjoy Life in Style

NASDAQ: NVFY  
April 2017

## Safe Harbor Statement

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This presentation contains "forward-looking statements" within the meaning of the "safe-harbor" provisions of the Securities Litigation Reform Act of 1995.

Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including changes from anticipated levels of sales, future national or regional economic and competitive conditions, changes in relationships with customers, access to capital, difficulties in developing and marketing new products, marketing existing products, customer acceptance of existing and new products, and other factors.

Accordingly, although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company has no obligation to update the forward-looking statements contained in this presentation.



## At a Glance – Nova LifeStyle

- Founded in 1996 as a result of a merger between Nova Furniture and Diamond Sofa
- Listed on NASDAQ in 2014
- Rapidly growing designer, manufacturer and distributor of branded modern LifeStyle furniture
- Industry innovator and niche leader in the U.S. and abroad, e-commerce presence in the U.S. and China.
- Quality OEM manufacturer, with a growing e-commerce presence in the U.S. and China.
- LifeStyle furniture brands include: Diamond Sofa, Bright Swallow, Nova Qwik and others
- Products manufactured in the U.S. and Asia and marketed worldwide

### At a Glance

<b>Ticker</b>	(NASDAQ: NVFY)
<b>Stock Price *</b>	\$1.52
<b>Shares Outstanding</b>	25.4 million
<b>Market Cap *</b>	\$38.6 million
<b>Avg. Daily Trading Volume (10 days)</b>	619,000

### Ownership

<b>Shares Outstanding</b>	25.4 million
<b>Insiders</b>	38%
<b>Institutions</b>	5.3%
<b>Top Institutional Holders**</b>	HSBC Global Asset Mgmt. The Vanguard Group, Inc. Geode Capital Management BlackRock Fund Advisors Renaissance Technologies

\* As of April 19, 2017

\*\* As of 12/31/2016 Filing Period

# Investment Highlights

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- Publicly-held home furnishing company with substantial outreach globally
- Distribution channels to fit different market needs:
  - B2B (Enterprise clients, wholesale)
  - B2C (Franchise, E-commerce platform)
- Scalable, leverage-able model with manufacturing capacity to support continued sales growth
- Aggressive in both online and “brick and mortar” retail channels
- Blockchain technology strategy that supports multi-vector customer engagement
- Experienced management team



## Key Strategic Initiatives

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- Continue product catalogue expansion driven by a sharp understanding of customer preferences
- New product pipeline underpinning e-commerce initiatives expected to deliver higher margins
- Focus on traditional showroom sales while also embracing the use of online marketing, both as a stand-alone sales tool and as an element in showroom selling
- Work to and integrate and improve Blockchain technology strategy recently acquired from [weilai178.com](http://weilai178.com)



# Global Leadership Team

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Nova LifeStyle was formed through the combination of Nova, which was founded in 1993 by Jeffrey Wong and Sammy Ho (CFO) in China, and Diamond Sofa, which was founded in 1992 by Tawny Lam (CEO) in the U.S.



## **Tawny Lam – President; Interim CEO**

25 years of experience in the furniture industry

- CEO and co-founder in 1992 of Diamond Sofa in Commerce, California
- Extensive experience in U.S. furniture product marketing
- Bachelor of Science in Business and Finance from California State University, Los Angeles



## **Mark Chapman - VP, Marketing**

- Sales Manager of Diamond Sofa since 2004
- 25 years of experience in the furniture industry. Previously Director of Purchasing for ACE TV Rentals, Central Rents and Day Page
- Graduated from Augustana College with a Bachelor of Science Degree in Business Administration Management and Marketing



## **Sammy Ho - CFO, Co-Founder and Director**

- 22 years of experience in the furniture industry
- Bachelor's degree from St. Mary's University, Halifax Canada
- MBA from The Chinese University of Hong Kong in 1990



## **Chris Steadman - Director of Internet Sales**

- Responsible for all internet sales related transactions at Diamond Sofa, with more than 23 years of sales experience
- 13 years of experience at QVC: in areas of Crafts and Leisure, Cooking and Dining, Home Improvement, Home Accents and Furnishing, Sports and Fitness
- Bachelor's degree from Temple University, Pennsylvania PA

# Nova LifeStyle Value Proposition

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- Fully integrated design-to-production business model: Customizable, Fast and Flexible
- Recurring orders from well-known customers: Nebraska Furniture Mart, a Berkshire Hathaway Company in the U.S.
- Growing customer base: Customers in U.S., Europe and Asia
- Product Variety and Design: Nova brands cover all aspects of household furniture



# Our Brands, Products & Innovations

Delivering Modern LifeStyle Solutions to Customers Across the Globe

U.S.

Europe & UAE

Asia



## Products

Upholstered furnishings

Living room seating, sofas, loveseats, recliners, sectionals and accent chairs

Urban beds and latex sleep mattresses

Coffee tables and bar stools

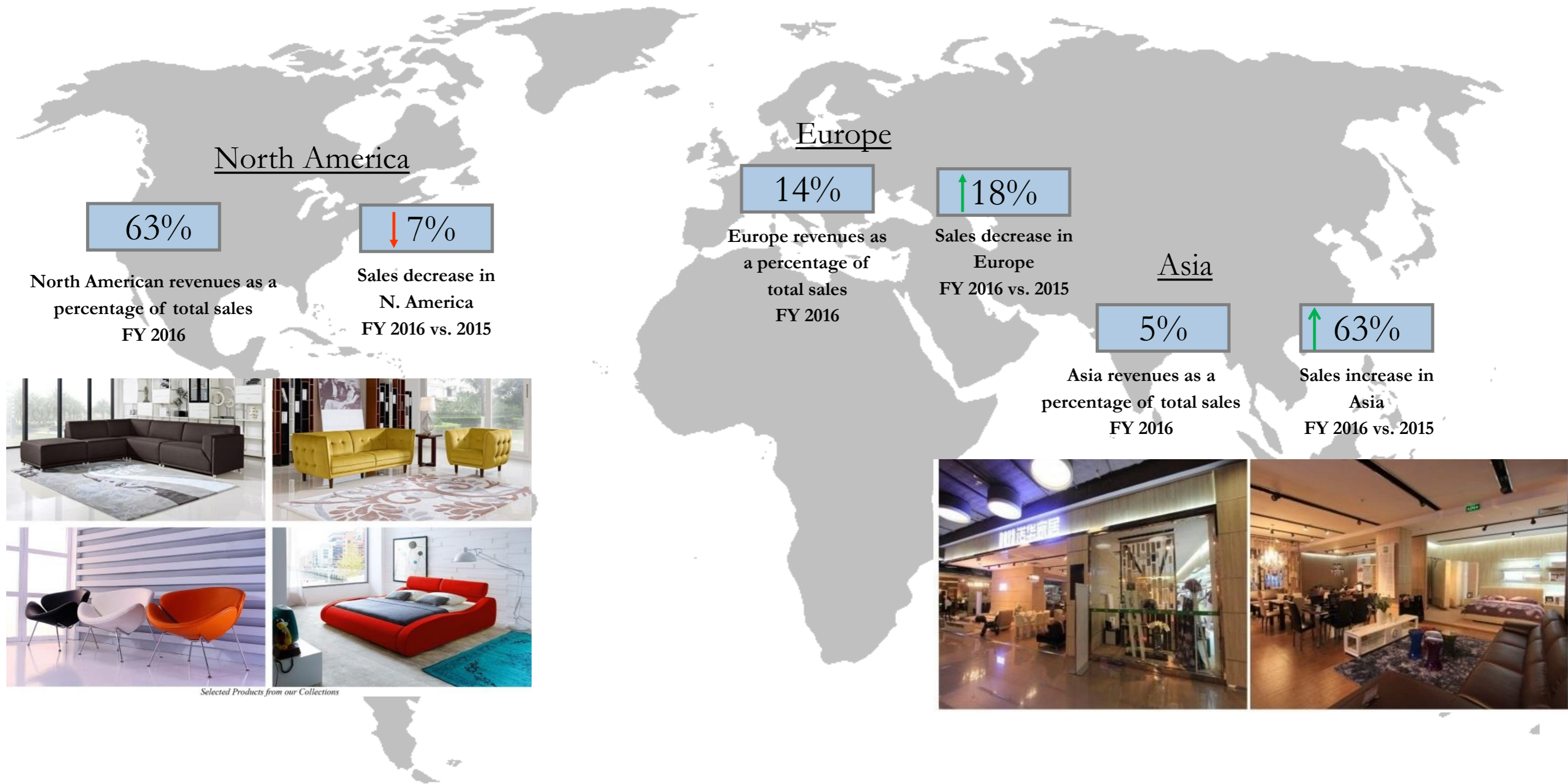
TV stands, display shelving and room dividers

Diverse bedroom and dining collections

Office furniture: desk, credenzas, cabinets, shelving and storage (*Europe, UAE & Asia only*)



# Nova LifeStyle's Annual Sales by Geography



Selected Products from our Collections



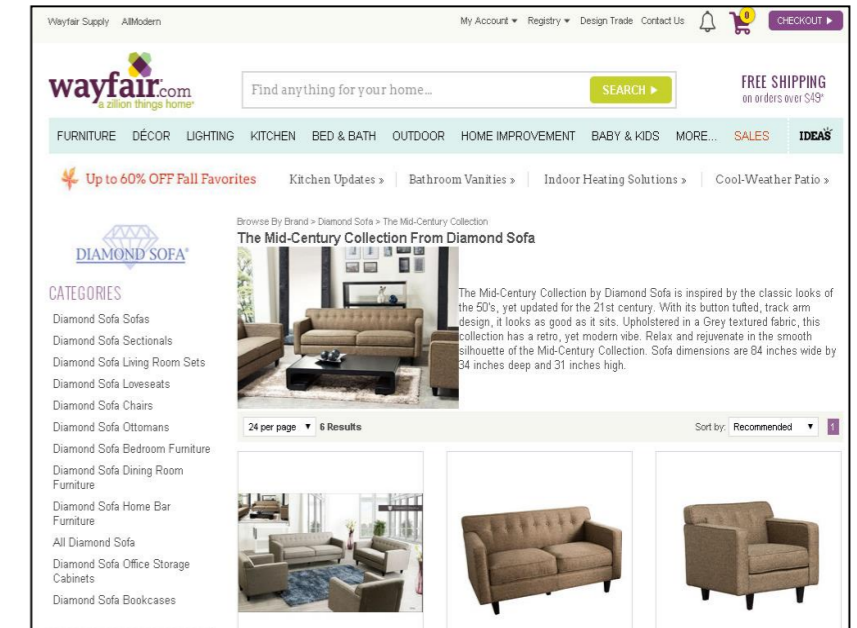
# Sales: U.S. and Canada

## Growing North American Market Need

- New Furniture orders were up 3% in 2016 versus 2015, according to the Smith Leonhard industry survey of residential furniture manufacturers and distributors.
- Aggregate industry revenue grew to a combined \$59 billion according to IBISWorld.

## Nova LifeStyle: U.S. Sales and Distribution

- Wholesale to numerous stores ranked in the Top 100 furniture companies in the U.S. with both storefronts and e-commerce sales venues
- Showrooms: Los Angeles, CA; Las Vegas, Nevada; & High Point, North Carolina
- Key North American trade shows and conventions
- Canadian distribution through *The Brick*.



# Sales: China and Other Asia Territories

## China Market

- Focus on utilizing e-commerce platforms, including those allowing consumers to redeem points for products

## Nova LifeStyle: China Sales and Distribution

- Profitable and fast-growing e-commerce initiative
- Leverage marketing efforts
- Key International Trade Shows and Conventions
- E-Commerce Websites: Inno, Future World, Tmall, JD.com, home87
- Recently partnered with weilai178 as part of blockchain integration and strategy



## Sales: Europe, U.A.E. and Other Territories

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### European Market Trends

- Products compliment consumer preferences for “Urban Contemporary”, smaller homes and apartments and trend of loft-style open look

### Nova LifeStyle: European / Other Sales and Distribution

- Strong presence in the European markets both in stores and on e-commerce websites
- Clients are primarily major retailers
- ODM / OEM capabilities
- Urban contemporary style in high demand



# Global Customer & Sales Channels



# State-of-the-Art Production Facilities

## Woodworking



German Schelling Cutting Machines



Board Sizing



Board Pressing

## Powder Coating



## UV Automation



## Upholstery

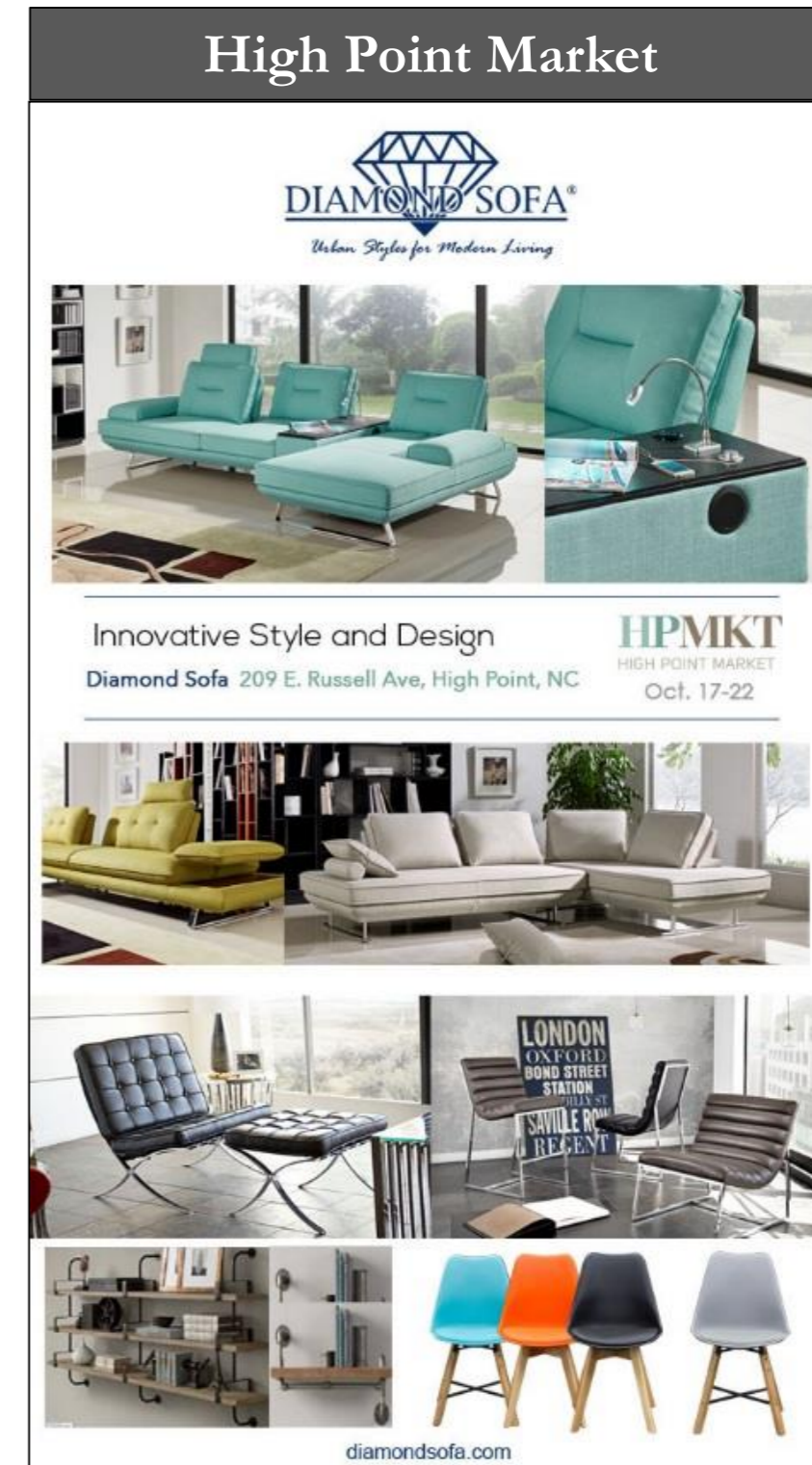


## Warehousing and Distribution

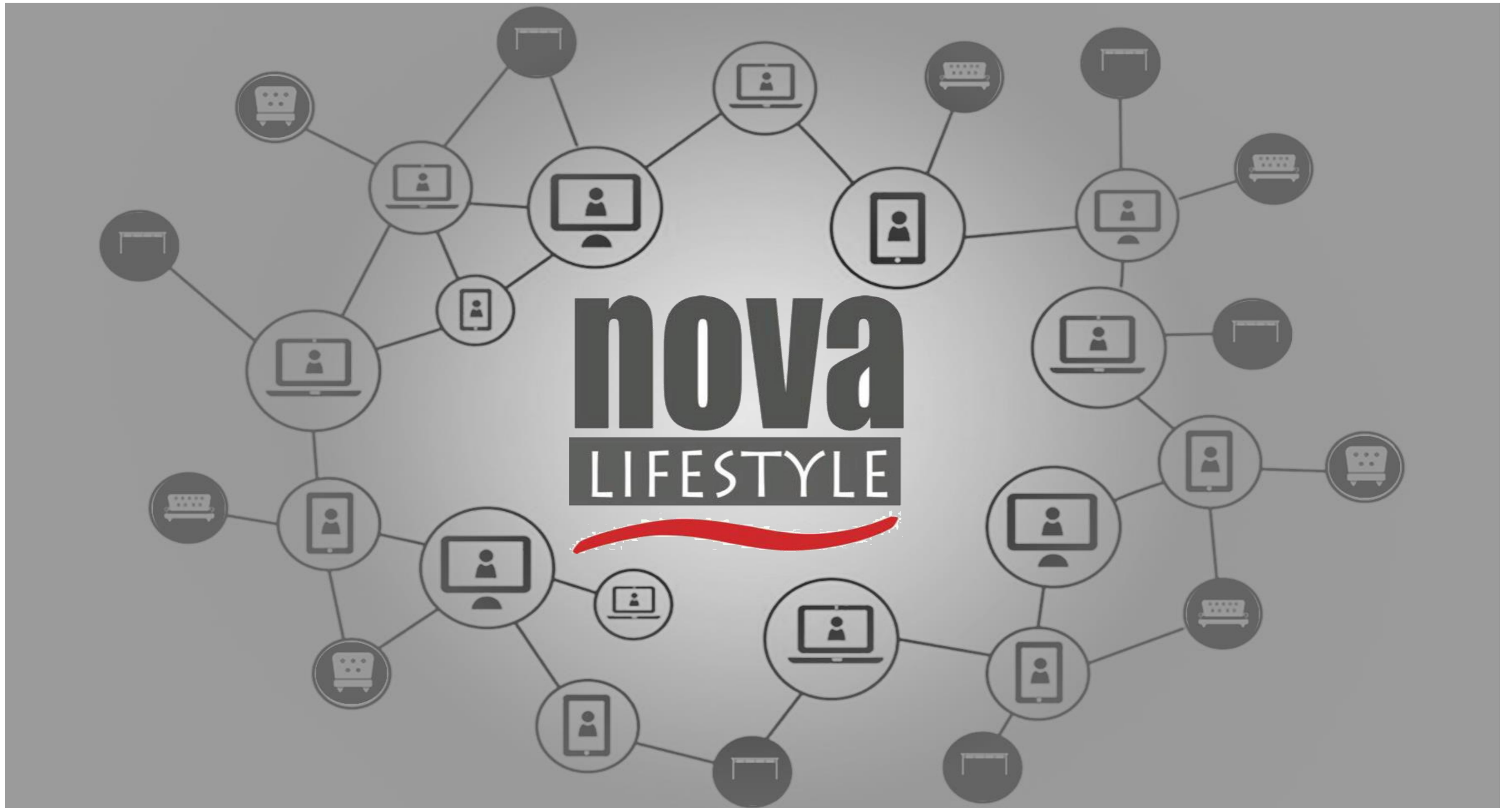


# Marketing Strategy

- All furniture offerings supported by sample display showrooms, brochures and online marketing
- Aggressively pursue partnership opportunities with leading e-commerce sites in order to broaden marketing reach
- Participate in key trade exhibitions globally
- Multiple high profile advertising options to promote modern LifeStyle furniture



# Expanding BlockChain Technology





## Blockchain Strategy

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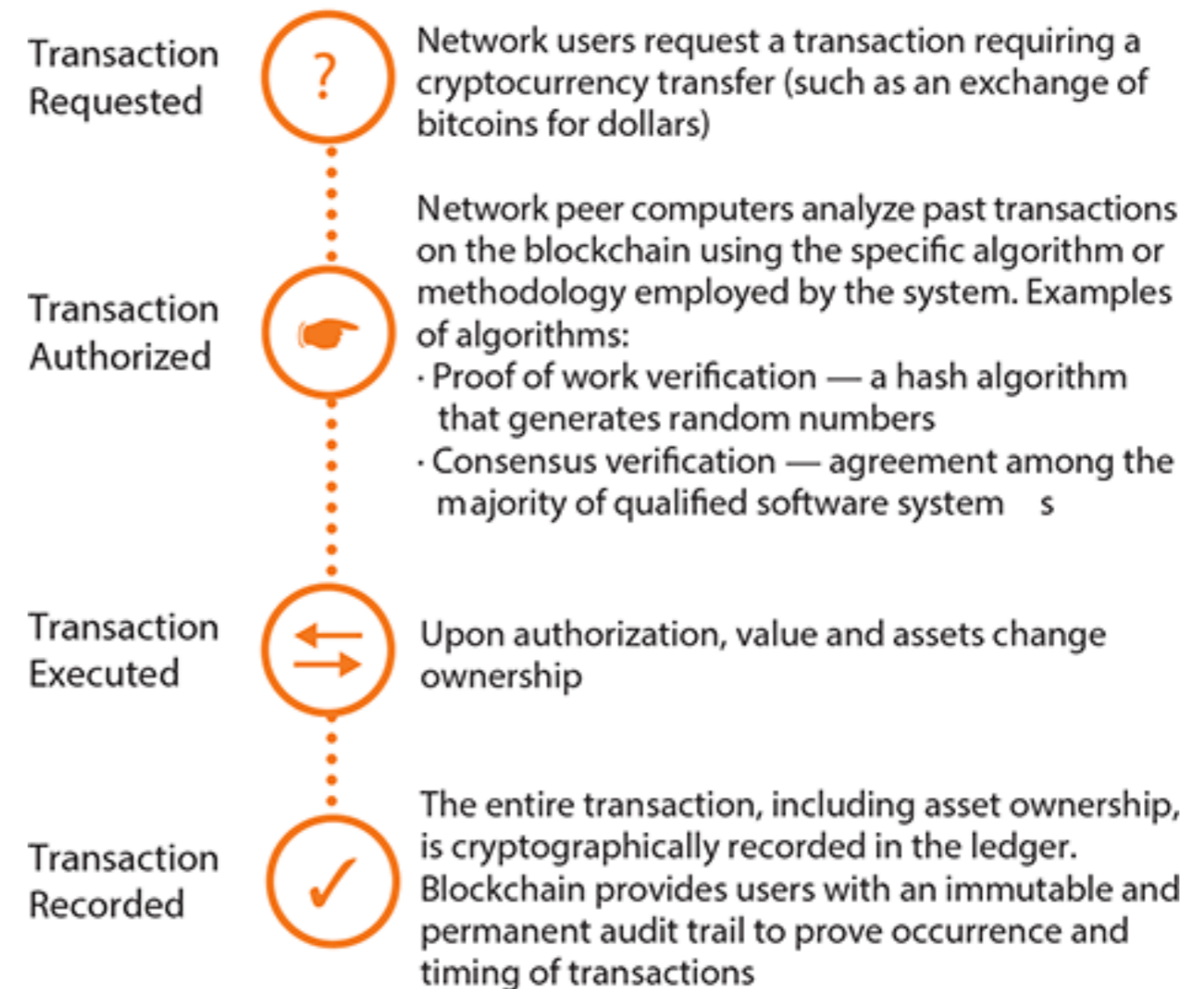
- On January 19 2017, recently announced partnership with [www.weilai178.com](http://www.weilai178.com), an online market that serves more than 2,000,000 customers
- Specifically purchased weilai178's membership data system
- Expected to further drive growth of Nova LifeStyle's e-commerce strategy for the Company's furniture lines
- On January 24 2017, announced launch of blockchain-based site [www.nova-mart.com](http://www.nova-mart.com)
- Nova LifeStyle intends to incorporate weilai178's customer base into Nova Mart
- Also intends to include its successful furniture product line as part of Nova digital market site
- Nova now has two main sources of revenue: furniture revenues and course-based revenues



# What is Blockchain?

- A self-sustaining, peer-to-peer database technology for managing and recording transactions with no central bank or clearinghouse involvement
- Designed to protect against domination of the network by a single computer or group of computers
- Uses cryptography to create transactions that are impervious to fraud and establishes a shared truth
- Value is directly linked to the number of organizations or companies that participate in them
- Nova LifeStyle and weilai178.com are the only two parties that will benefit from this relationship

## The Dynamics of a Blockchain (Distributed Ledger)

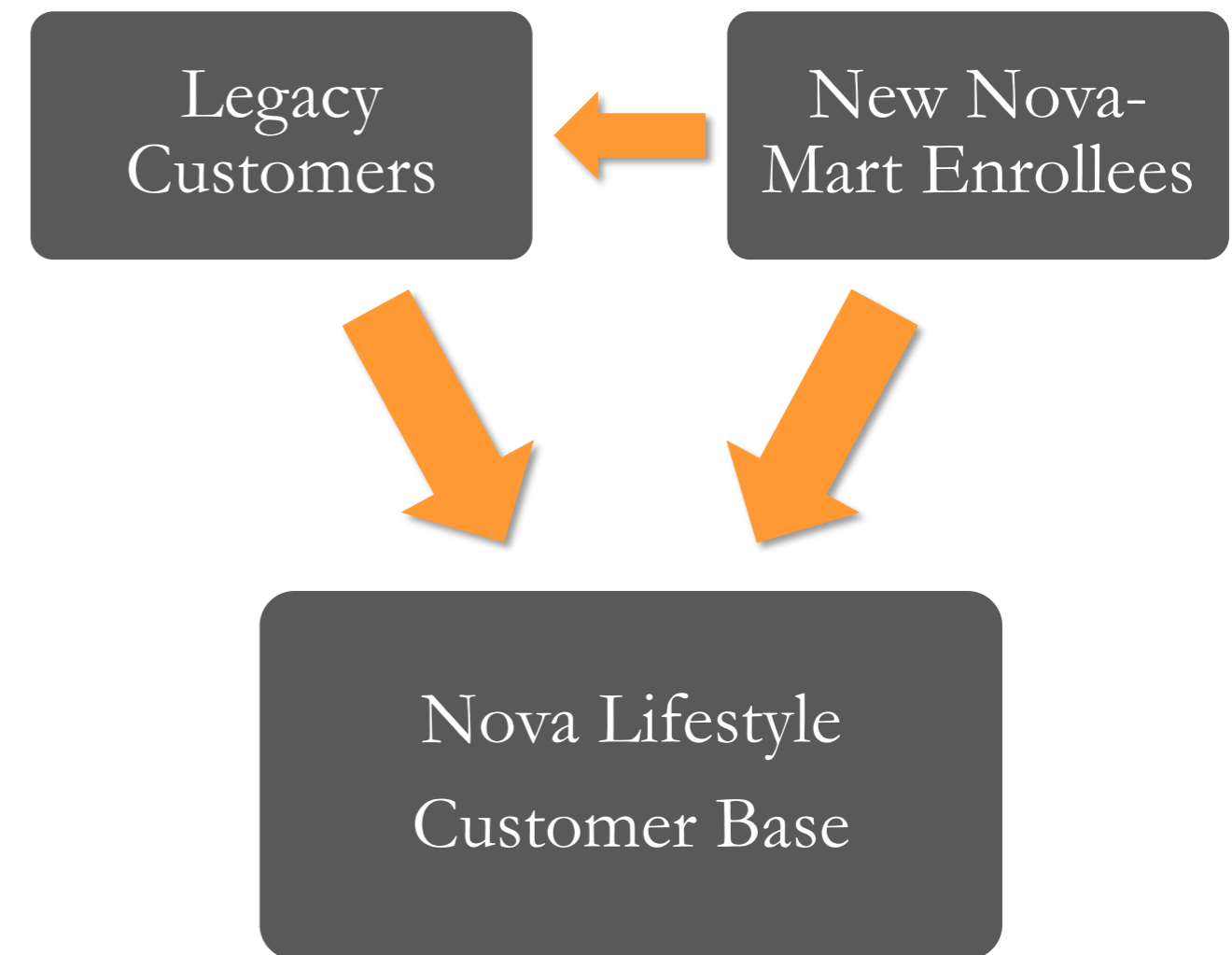


Source: Strategy&

## Blockchain Opportunity

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- Before blockchain integration, already had a strong customer base from furniture sales
- Launched blockchain-based website, nova-mart.com in January, 2017
- With the addition of blockchain subsidiary, the Company is generating revenue from an entirely new source
  - February-March 2017, recorded a combined total of 3,000 signups on nova-mart.com
  - In April 2017, announced the opening of a new facility in Hong Kong to accommodate the influx of new students
- Blockchain training centers, coupled with e-commerce investments serve to increase customer reach and engagement while also creating revenue streams



## Near and Long Term Growth Initiatives

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- Expand partnerships and increase sales contracts Create Innovative Designs tailored to each market
- Growth through Mergers and Acquisition
- Increase Sales of Higher-Margin branded products
  - Grow sales of high-margin “Made in U.S.A.” furnishings
  - Grow sales of modern and stylish upholstered beds with American fabric
- Expand Global Distribution
  - Further penetration of “Top 100” furniture stores in the U.S.
- Continue to explore and pursue complimentary strategies such as recent Blockchain initiative



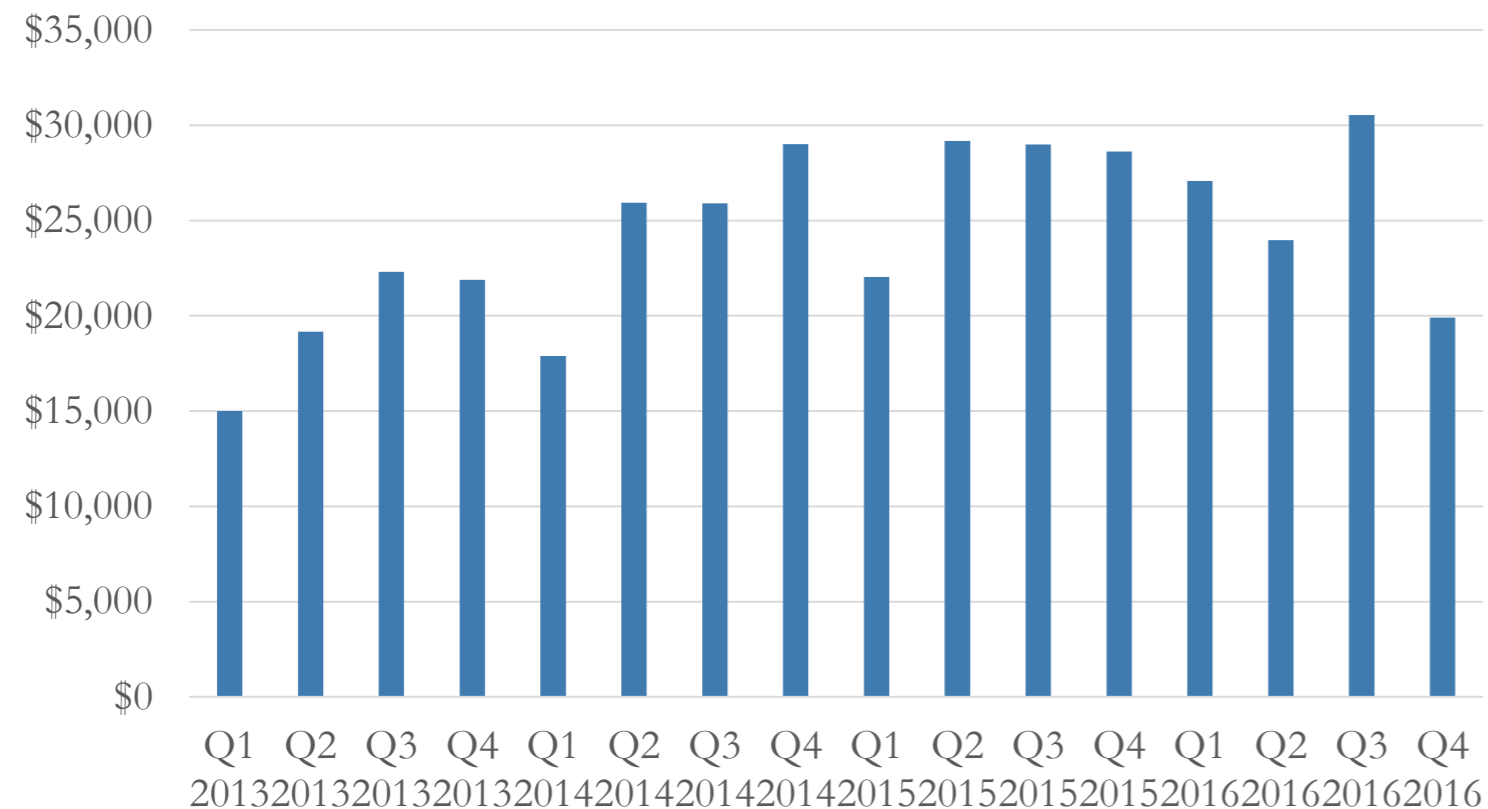
# Financial Snapshot – Income Statement

## Fourth Quarter 2016 Financial Highlights:

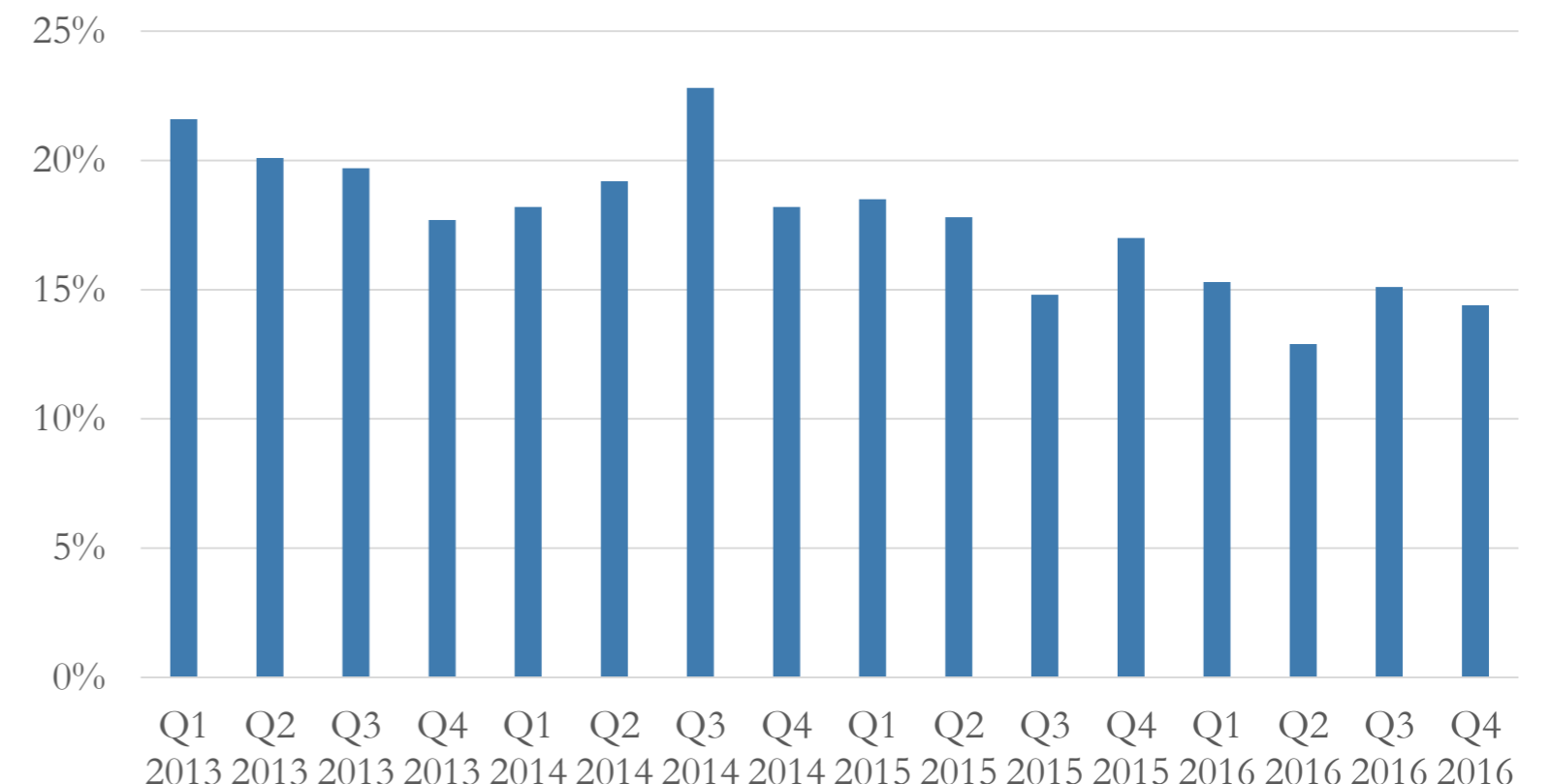
- Net sales were \$19.9 million, a decrease of 14.3% compared to the prior year period
- Gross profit was \$2.9 million, a decrease of 23.2% compared to the prior year period
- Gross margin was 14.4%, compared to 16.1% in the prior year period
- Net loss from continuing operations was \$830,947 compared to net income from continuing operations of \$684,503 for the same period of the prior year.

## Quarterly Revenue and Gross Margin Trends

Revenues (\$ in thousands)



Gross Margin



## Financial Snapshot – Balance Sheet as of December 31, 2016

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- Cash and cash equivalents was \$2.6 million
- Net working capital of \$58.4 million, an increase of \$9.8 million from net working capital of \$48.6 at December 31, 2015
- Ratio of current assets to current liabilities was 6.0 to 1
- Accounts receivable of \$42.1 million



## Investment Conclusions

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- Publicly-held home furnishing company with substantial exposure to both Asia and North American markets
- Various distribution channel to fit different market needs: B2B (Enterprise Clients, Wholesale) B2C (Franchise, e-Commerce Platform)
- Blockchain strategy provides strong opportunity to enhance the Company's strong core operations





**Nova LifeStyle Inc.  
NASDAQ: NVFY**

**Additional Information**

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