

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):
July 23, 2024

USANA HEALTH SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of incorporation)

001-35024
(Commission File No.)

87-0500306
(IRS Employer
Identification No.)

3838 West Parkway Boulevard
Salt Lake City, Utah 84120
(Address of principal executive offices, Zip Code)
Registrant's telephone number, including area code: (801) 954-7100

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	USNA	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On July 23, 2024, USANA Health Sciences, Inc. (the "Company" or "USANA") issued a press release announcing its financial results for the second quarter ended June 29, 2024. The release also announced that the Company will post a document titled "Management Commentary" on the Company's website and that executives of the Company will hold a conference call with investors, to be broadcast over the World Wide Web and by telephone and provided access information, date and time for the conference call. The Company noted that the call will consist of brief remarks by the Company's management team, before moving directly into questions and answers. A copy of the press release, and the Management Commentary, are furnished herewith as Exhibits 99.1 and 99.2 to this Current Report on Form 8-K and are incorporated herein by reference. These documents will be posted on the Company's corporate website, www.usana.com.

The information in this Current Report is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Current Report, including the exhibits, shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended. The furnishing of the information in this Current Report is not intended to, and does not, constitute a representation that such furnishing is required by Regulation FD or that the information this Current Report contains is material investor information that is not otherwise publicly available.

Item 7.01 Regulation FD Disclosure

The information disclosed above under Item 2.02, as well as the exhibits attached under Item 9.01 below are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release issued by USANA Health Sciences, Inc. dated July 23, 2024 (furnished herewith).
99.2	Management Commentary provided by USANA Health Sciences, Inc. dated July 23, 2024 (furnished herewith).
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

USANA HEALTH SCIENCES, INC.

By: /s/ G. Douglas Hekking
G. Douglas Hekking, Chief Financial Officer

Date: July 23, 2024



USANA Health Sciences Reports Second Quarter 2024 Results

SALT LAKE CITY, July 23, 2024 (BUSINESS WIRE)—USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal second quarter ended June 29, 2024.

Key Financial & Operating Results

- Second quarter net sales were \$213 million versus \$238 million during Q2 2023.
- Second quarter diluted EPS was \$0.54 as compared with \$0.89 during Q2 2023.
- Company updates fiscal year 2024 net sales and diluted EPS outlook to \$850 million to \$880 million and \$2.40 to \$2.55 (previously \$850 million to \$920 million and \$2.40 to \$3.00).

Q2 2024 Financial Performance

Consolidated Results		
Net Sales	\$213 million	<ul style="list-style-type: none">• -11% vs. Q2 2023• -8% constant currency vs. Q2 2023• -7% sequentially• -6% constant currency sequentially• -\$5 million YOY FX impact, or -2%
Diluted EPS	\$0.54	<ul style="list-style-type: none">• -39% vs. Q2 2023• -37% sequentially
Active Customers	468,000	<ul style="list-style-type: none">• -4% vs. Q2 2023• -5% sequentially

“Second quarter operating results were below our expectations,” said Jim Brown, President and Chief Executive Officer.

“Ongoing macroeconomic pressures in several of our key markets continue to impact consumer spending. This in turn creates challenges in our ability to attract and engage new customers and

generate sales momentum. To counter these challenges, we have made several strategic changes in our business over the past few quarters, including (i) restructuring our commercial team, (ii) heightening our focus on product innovation, (iii) increasing our efforts to engage our sales leaders with an Associate-first approach, (iv) expanding into India, and (v) evaluating more business development activities.

“Next month, we will be hosting our Americas & Europe Convention in Las Vegas, Nevada along with other Associate engagement-focused events in the back half of the year. We are also planning to offer a more robust promotional calendar throughout the remainder of the year.”

Q2 2024 Regional Results:

Asia Pacific Region		
Net Sales	\$171 million	<ul style="list-style-type: none"> -12% vs. Q2 2023 -9% constant currency vs. Q2 2023 -8% sequentially 80% of consolidated net sales
Active Customers	369,000	<ul style="list-style-type: none"> -4% vs. Q2 2023 -7% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$116 million	<ul style="list-style-type: none"> -10% vs. Q2 2023 -8% constant currency vs. Q2 2023 -9% sequentially
Active Customers	250,000	<ul style="list-style-type: none"> Flat vs. Q2 2023 -9% sequentially
North Asia		
Net Sales	\$20 million	<ul style="list-style-type: none"> -23% vs. Q2 2023 -19% constant currency vs. Q2 2023 -8% sequentially
Active Customers	42,000	<ul style="list-style-type: none"> -18% vs. Q2 2023 -7% sequentially
Southeast Asia Pacific		
Net Sales	\$35 million	<ul style="list-style-type: none"> -10% vs. Q2 2023 -7% constant currency vs. Q2 2023 -2% sequentially
Active Customers	77,000	<ul style="list-style-type: none"> -6% vs. Q2 2023 +1% sequentially

Americas and Europe Region		
Net Sales	\$42 million	<ul style="list-style-type: none"> -5% vs. Q2 2023 -5% constant currency vs. Q2 2023 -1% sequentially 20% of consolidated net sales
Active Customers	99,000	<ul style="list-style-type: none"> -4% vs. Q2 2023 Flat sequentially

Balance Sheet and Share Repurchase Activity

The Company generated \$8 million in operating cash flow during second quarter and ended the quarter with \$332 million in cash and cash equivalents while remaining debt-free. The Company did not repurchase any shares during the quarter. As of June 29, 2024, the Company had approximately \$62 million remaining under the current share repurchase authorization.

Fiscal Year 2024 Outlook

The Company is updating its net sales and earnings per share outlook for fiscal year 2024, as follows:

Fiscal Year 2024 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$850 - \$880 million	\$850 - \$920 million
Diluted EPS	\$2.40 - \$2.55	\$2.40 - \$3.00

“While we anticipated lower sequential operating results following a successful promotional period in the first quarter, lower than anticipated active customer counts negatively impacted our second quarter results,” said Doug Hekking, Chief Financial Officer. “Additionally, the strengthening of the U.S. dollar created downward pressure on both net sales and operating margin during the quarter.”

Mr. Hekking continued, “We are revising our fiscal 2024 outlook to reflect year-to-date operating results, our expectation for a continued challenging operating environment across many of our markets, higher than anticipated unfavorable currency exchange rate impact on operating results, and an increased effective tax rate. We recognize the need to continue investing in strategic initiatives while also aligning costs with sales performance. Our balance

sheet remains strong with \$332 million of cash, zero debt, and we continue to generate solid cash flow.”

Management Commentary Document and Conference Call

For further information on the USANA’s operating results, please see the Management Commentary document, which has been posted on the Company’s website (<http://ir.usana.com>) under the Investor Relations section. USANA’s management team will hold a conference call and webcast to discuss today’s announcement with investors on Wednesday, July 24, 2024 at 11:00 AM Eastern Time. **Investors may listen to the call by accessing USANA’s website at <http://ir.usana.com>.** The call will consist of brief opening remarks by the Company’s management team, followed by a questions and answers session.

Non-GAAP Financial Measures

The Company prepares its financial statements using U.S. generally accepted accounting principles (“GAAP”). Constant currency net sales, earnings, EPS and other currency-related financial information (collectively, “Financial Results”) are non-GAAP financial measures that remove the impact of fluctuations in foreign-currency exchange rates (“FX”) and help facilitate period-to-period comparisons of the Company’s Financial Results that we believe provide investors an additional perspective on trends and underlying business results. Constant currency Financial Results are calculated by translating the current period's Financial Results at the same average exchange rates in effect during the applicable prior-year period and then comparing this amount to the prior-year period's Financial Results.

About USANA

USANA develops and manufactures high-quality nutritional supplements, functional foods and personal care products that are sold directly to Associates and Preferred Customers throughout the United States, Canada, Australia, New Zealand, Hong Kong, China, Japan, Taiwan, South Korea, Singapore, Mexico, Malaysia, the Philippines, the Netherlands, the United Kingdom, Thailand, France, Belgium, Colombia, Indonesia, Germany, Spain, Romania, Italy, and India. More information on USANA can be found at www.usana.com.

Safe Harbor

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Our actual results could differ materially from those projected in these forward-looking statements, which involve a number of risks and uncertainties, including: global economic conditions generally, including continued inflationary pressure around the world and negative impact on our operating costs, consumer demand and consumer behavior in general; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and direct selling business model in the United States, China and other key markets; potential negative effects of deteriorating foreign and/or trade relations between or among the United States, China and other key markets; potential negative effects from geopolitical relations and conflicts around the world, including the Russia-Ukraine conflict and the conflict in Israel; compliance with data privacy and security laws and regulations in our markets around the world; potential negative effects of material breaches of our information technology systems to the extent we experience a material breach; material failures of our information technology systems; adverse publicity risks globally; risks associated with commencing operations in India and future international expansion and operations; uncertainty relating to the fluctuation in U.S. and other international currencies; and the potential for a resurgence of COVID-19, or another pandemic, in any of our markets in the future and any related impact on consumer health, domestic and world economies, including any negative impact on discretionary spending, consumer demand, and consumer behavior in general. The contents of this release should be considered in conjunction with the risk factors, warnings, and cautionary statements that are contained in our most recent filings with the Securities and Exchange Commission. The forward-looking statements in this press release set forth our beliefs as of the date hereof. We do not undertake any obligation to update any forward-looking statement after the date hereof or to conform such statements to actual results or changes in the Company's expectations, except as required by law.

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USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Quarter Ended	
	June 29, 2024	July 1, 2023
Net sales	\$ 212,869	\$ 238,202
Cost of sales	40,333	43,326
Gross profit	172,536	194,876
Operating expenses:		
Associate incentives	90,371	102,380
Selling, general and administrative	64,325	68,096
Total operating expenses	154,696	170,476
Earnings from operations	17,840	24,400
Other income (expense):		
Interest income	2,763	2,224
Interest expense	(51)	(43)
Other, net	(349)	229
Other income (expense), net	2,363	2,410
Earnings before income taxes	20,203	26,810
Income taxes	9,771	9,518
Net earnings	<u>\$ 10,432</u>	<u>\$ 17,292</u>
Earnings per common share		
Basic	\$ 0.55	\$ 0.89
Diluted	\$ 0.54	\$ 0.89
Weighted average common shares outstanding		
Basic	19,073	19,321
Diluted	19,159	19,427

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	<u>As of June 29, 2024</u>	<u>As of December 30, 2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 332,423	\$ 330,420
Inventories	61,832	61,454
Prepaid expenses and other current assets	24,826	25,872
Total current assets	<u>419,081</u>	<u>417,746</u>
Property and equipment, net	97,686	99,814
Goodwill	16,837	17,102
Intangible assets, net	28,637	29,919
Deferred tax assets	18,190	13,284
Other assets*	50,988	54,892
Total assets	<u>\$ 631,419</u>	<u>\$ 632,757</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 6,648	\$ 10,070
Line of credit - short term	—	786
Other current liabilities	97,248	107,989
Total current liabilities	<u>103,896</u>	<u>118,845</u>
Deferred tax liabilities	4,653	4,552
Other long-term liabilities	10,662	12,158
Stockholders' equity	512,208	497,202
Total liabilities and stockholders' equity	<u>\$ 631,419</u>	<u>\$ 632,757</u>

**Other assets include noncurrent inventories of \$3,075 and \$3,128 as of 29-Jun-24 and 30-Dec-23, respectively. Total inventories were \$64,907 and \$64,582 as of 29-Jun-24 and 30-Dec-23, respectively.*

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
SALES BY REGION
(in thousands)
(unaudited)

	Quarter Ended				Change from prior year	Percent change	Currency impact on sales	% change excluding currency impact
	June 29, 2024	July 1, 2023						
Asia Pacific								
Greater China	\$ 115,513	54.3 %	\$ 128,749	54.1 %	\$ (13,236)	(10.3 %)	\$ (3,085)	(7.9 %)
Southeast Asia Pacific	35,402	16.6 %	\$ 39,337	16.5 %	(3,935)	(10.0 %)	(1,221)	(6.9 %)
North Asia	19,710	9.3 %	\$ 25,529	10.7 %	(5,819)	(22.8 %)	(870)	(19.4 %)
Asia Pacific Total	170,625	80.2 %	193,615	81.3 %	(22,990)	(11.9 %)	(5,176)	(9.2 %)
Americas and Europe	42,244	19.8 %	44,587	18.7 %	(2,343)	(5.3 %)	(94)	(5.0 %)
	\$ 212,869	100.0 %	\$ 238,202	100.0 %	\$ (25,333)	(10.6 %)	\$ (5,270)	(8.4 %)

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
ACTIVE ASSOCIATES AND ACTIVE PREFERRED CUSTOMERS BY REGION
(unaudited)

Active Associates by Region⁽¹⁾				
(unaudited)				
	As of June 29, 2024		As of July 1, 2023	
Asia Pacific:				
Greater China	68,000	35.2 %	71,000	34.1 %
Southeast Asia Pacific	52,000	27.0 %	57,000	27.4 %
North Asia	28,000	14.5 %	33,000	15.9 %
Asia Pacific Total	148,000	76.7 %	161,000	77.4 %
Americas and Europe	45,000	23.3 %	47,000	22.6 %
	193,000	100.0 %	208,000	100.0 %

Active Preferred Customers by Region⁽²⁾				
(unaudited)				
	As of June 29, 2024		As of July 1, 2023	
Asia Pacific:				
Greater China	182,000	66.2 %	180,000	64.5 %
Southeast Asia Pacific	25,000	9.1 %	25,000	9.0 %
North Asia	14,000	5.1 %	18,000	6.4 %
Asia Pacific Total	221,000	80.4 %	223,000	79.9 %
Americas and Europe	54,000	19.6 %	56,000	20.1 %
	275,000	100.0 %	279,000	100.0 %

(1) Associates are independent distributors of our products who also purchase our products for their personal use. We only count as active those Associates who have purchased from us any time during the most recent three-month period, either for personal use or resale.

(2) Preferred Customers purchase our products strictly for their personal use and are not permitted to resell or to distribute the products. We only count as active those Preferred Customers who have purchased from us any time during the most recent three-month period. China utilizes a Preferred Customer program that has been implemented specifically for that market.



USANA Health Sciences, Inc.
Q2 2024 Management Commentary

July 23, 2024

Key Financial & Operating Results

- Second quarter net sales were \$213 million versus \$238 million during Q2 2023.
- Second quarter diluted EPS was \$0.54 as compared with \$0.89 during Q2 2023.
- Company updates fiscal year 2024 net sales and diluted EPS outlook to \$850 million to \$880 million and \$2.40 to \$2.55 (previously \$850 million to \$920 million and \$2.40 to \$3.00).

Overview

Sales performance in the second quarter was below our expectations as ongoing macroeconomic pressures in several of our key markets continued to impact consumer spending. To maintain the appropriate annual cadence of promotions and incentives for our business, we also offered fewer promotions during the second quarter and experienced lower levels of spend per customer in certain markets. Combined, these factors made it difficult for our sales force to attract new customers and generate positive sales momentum during the quarter.

Notwithstanding the near-term challenges facing our business, we continue to generate solid cash flow and our balance sheet remains robust with zero debt and \$332 million of cash. This enables us the flexibility to continue to invest in strategic initiatives throughout the peaks and troughs of the business cycle, further strengthening USANA's position to drive sustainable long-term growth. We have invested in several strategic areas of our business over the past few quarters, including (i) restructuring our commercial team, (ii) heightening our focus on product innovation, (iii) increasing our efforts to engage our sales leaders with an Associate-first approach, (iv) expanding into India, and (v) continuing to pursue accretive M&A activities.

Our sales, marketing, and communications departments have been reorganized into one cohesive commercial team. This team is focused on delivering three fundamental benefits to our Associates: (1) best-in-class products, (2) an income opportunity that is simple and motivates the entrepreneur with a rewarding compensation plan, and (3) messaging that conveys product benefits and income opportunity in a simple and compelling manner. This new structure will also enable USANA to:

- Increase the value proposition of USANA to our Associates and customers by enhancing our already best-in-class products.
- Become faster and more agile in developing and releasing new products.
- Better understand specific Associate and customer needs in each of our markets to deliver a more tailored customer experience for them.
- Provide increased opportunities for Associate engagement including events, meetings, and reward trips.
- Improve USANA's compensation offering for both part and full-time entrepreneurs.

Next month, we will be hosting our Americas & Europe Convention in Las Vegas, Nevada where we plan to announce new product launches and upgrades. Strategic events going forward will continue to serve as the platform for introducing and launching our new and innovative products.

Our Associate engagement efforts during the quarter were focused on in-person events that we held throughout various markets in our Asia Pacific region. These events provide valuable educational forums for our Associates and are focused on business-building best practices. We have additional engagement-focused events in the back half of the year and plan to offer a more robust promotional calendar throughout the remainder of the year.

We will also continue to invest in building our brand and increasing our presence in India. Our brand and product offering have been embraced by customers in this new market during our first six months of operations, which has helped us attract many sales leaders, including health and business professionals, who will be instrumental to our success in India. We are encouraged by

the meaningful long-term opportunity this market offers and by the strong foundation we are building there.

Our business development team also remains highly active in evaluating potential M&A opportunities within the broader health and wellness space that would be additive to USANA's long-term growth strategy. Specifically, we are looking for opportunities that provide: 1) products and/or services centered on health and wellness; 2) vertical integration; 3) product and category expansion; 4) channel expansion; and 5) expansion of USANA's core competencies.

Q2 2024 Financial Performance

Consolidated Results		
Net Sales	\$213 million	<ul style="list-style-type: none"> -11% vs. Q2 2023 -8% constant currency vs. Q2 2023 -\$5 million YOY FX impact, or -2% -7% sequentially -6% constant currency sequentially
Diluted EPS	\$0.54	<ul style="list-style-type: none"> -39% vs. Q2 2023 -37% sequentially
Active Customers	468,000	<ul style="list-style-type: none"> -4% vs. Q2 2023 -5% sequentially

Balance Sheet and Share Repurchase Activity

We generated \$8 million in operating cash flow during the second quarter and ended the quarter with \$332 million in cash and cash equivalents while remaining debt-free.

As of June 29, 2024, inventories were \$65 million, flat compared to the year end balance in fiscal 2023. Our in-house sourcing and manufacturing capabilities provide us with better control of inventory levels and help to mitigate supply chain risks while providing a meaningful contribution to delivering the highest quality nutritional products.

We did not repurchase any shares during the quarter. As of June 29, 2024, we had approximately \$62 million remaining under the current share repurchase authorization.

Quarterly Income Statement Discussion

Gross margin decreased 70 basis points from the prior year to 81.1% of net sales. The decrease can largely be attributed to the negative impact of foreign currency exchange rates and the loss of leverage on fixed-period costs due to lower net sales.

Associate Incentives decreased 50 basis points from the prior year to 42.5% of net sales. The decrease largely reflects lower incentive and promotional expenses in the current year quarter.

Selling, General and Administrative expenses increased 160 basis points from the prior year to 30.2% as a percentage of net sales. The relative increase is primarily due to a loss of leverage on lower year-over-year net sales. On an absolute basis, SG&A expenses, decreased \$3.8 million compared to the second quarter of 2023 due, in part, to lower event and advertising-related expenses.

The year-to-date effective tax rate increased to 43.0% from the 35.5% reported in the comparable period of 2023 or 37.7% for fiscal 2023. The higher effective tax rate can be attributed primarily to: 1) China's increased relative share of USANA's sales portfolio, 2) A concentration of infrastructure costs in our corporate headquarters, and 3) generally softer operating performance, including the impact of unfavorable exchange rates in our other markets around the world. The revised effective tax rate for June 2024 year-to-date created a larger impact, or true up, resulting in a tax rate of 48.4% for the second quarter of 2024.

Q2 2024 Regional Results:

Asia Pacific Region		
Net Sales	\$171 million	<ul style="list-style-type: none">-12% vs. Q2 2023-9% constant currency vs. Q2 2023-8% sequentially80% of consolidated net sales
Active Customers	369,000	<ul style="list-style-type: none">-4% vs. Q2 2023-7% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$116 million	<ul style="list-style-type: none">-10% vs. Q2 2023-8% constant currency vs. Q2 2023

		<ul style="list-style-type: none"> -9% sequentially
Active Customers	250,000	<ul style="list-style-type: none"> Flat vs. Q2 2023 -9% sequentially
North Asia		
Net Sales	\$20 million	<ul style="list-style-type: none"> -23% vs. Q2 2023 -19% constant currency vs. Q2 2023 -8% sequentially
Active Customers	42,000	<ul style="list-style-type: none"> -18% vs. Q2 2023 -7% sequentially
Southeast Asia Pacific		
Net Sales	\$35 million	<ul style="list-style-type: none"> -10% vs. Q2 2023 -7% constant currency vs. Q2 2023 -2% sequentially
Active Customers	77,000	<ul style="list-style-type: none"> -6% vs. Q2 2023 +1% sequentially

Greater China: Net sales and local currency sales in mainland China decreased 11% and 8% year-over-year, respectively. Active Customers in this market were flat year-over-year. Sequentially, regional performance was impacted by our mainland China market, where both net sales and Active Customers decreased 9%. The primary driver of year-over-year and sequential performance is attributable to a lower level of promotional activity during the quarter.

North Asia: Net sales and local currency sales in South Korea declined 23% and 19% year-over-year, respectively, and Active Customers declined 16%. On a sequential basis, net sales and local currency sales declined 8% and 5%, respectively, while Active Customers declined 5%. Both year-over-year and sequential quarter declines reflect ongoing challenges in the local economy, which continue to negatively impacting consumer spending, thus making it difficult to attract new customers.

Southeast Asia Pacific: Net sales and local currency sales in Malaysia increased 1% and 6% year-over-year, respectively, while Active Customers declined 4% year-over-year. Sequentially, net sales and Active Customers in Malaysia increased 6% and 4%, respectively. We are encouraged to see some stabilization in our operating results in Malaysia. In the Philippines, net sales and local currency sales declined 32% and 29% year-over-year, respectively, while Active Customers were 18% lower. Sequentially, net sales and local currency sales in the Philippines

declined 9% and 6%, respectively, while Active Customers were flat. A difficult operating environment, highlighted by economic pressures, continues to negatively impact our operating results in the Philippines.

Americas and Europe Region		
Net Sales	\$42 million	<ul style="list-style-type: none"> -5% vs. Q2 2023 -5% constant currency vs. Q2 2023 -1% sequentially 20% of consolidated net sales
Active Customers	99,000	<ul style="list-style-type: none"> -4% vs. Q2 2023 Flat sequentially

Americas and Europe Region: Net sales in Canada decreased 1% from the prior year while local currency sales grew 1%. Active Customers in this market increased 3%. Net sales in the United States declined 10% and Active Customers decreased 7% on a year-over-year basis. Sequentially, net sales and local currency sales in Canada grew 2% and 3%, respectively, while Active Customers increased 3%. In the United States, net sales declined 3% sequentially while Active Customers were 2% lower. We continue to see price-sensitivity amongst consumer in these two markets, however, we are encouraged by the stabilizing trends over the past few quarters.

Fiscal Year 2024 Outlook

The Company is updating its net sales and earnings per share outlook for fiscal year 2024, as follows:

Fiscal Year 2024 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$850 - \$880 million	\$850 - \$920 million
Diluted EPS	\$2.40 - \$2.55	\$2.40 - \$3.00

Our updated outlook for the year reflects:

- An unfavorable currency exchange rate impact on net sales and operating margin, as the strengthening of the U.S. dollar continued to weigh on our reported top line

performance. We now expect that net sales will be negatively impacted by around \$20 million for fiscal 2024.

- An operating margin in the range of 8.0% to 8.8% (previously 8.0% to 9.0%), reflecting lower than previously anticipated sales levels and pressures from the strengthening of the U.S. dollar.
- An annual effective tax rate of approximately 43% to 44% (previously 38% to 40%), due to unfavorable change in the mix of taxable income by market.
- An annualized diluted share count of 19.2 million (previously 19.3 million)

We anticipate a continued challenging operating environment across many of our markets in the back half of the year. We believe the previously outlined strategic initiatives coupled with increased efforts to engage with our Associate leaders, including through events and promotional activity, will help to support our business and counter the difficult operating environment. Overall, we remain committed to investing in our strategies to create long-term value for our stakeholders, and are confident in the long-term prospects for our business.

Jim Brown

President and CEO

Douglas Hekking

CFO

Safe Harbor

This Management Commentary contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Our actual results could differ materially from those projected in these forward-looking statements, which involve a number of risks and uncertainties, including: global economic conditions generally, including continued inflationary pressure around the world and negative impact on our operating costs, consumer demand and consumer behavior in general; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and direct selling business model in the United States, China and other key markets; potential negative effects of deteriorating foreign and/or trade relations between or among the United States, China and other key markets; potential negative effects from geopolitical relations and conflicts around the world, including the Russia-Ukraine conflict and the conflict in Israel; compliance with data privacy and security laws and regulations in our markets around the world; potential negative effects of material breaches of our information technology systems to the extent we experience a material breach; material failures of our information technology systems; adverse publicity risks globally; risks associated with commencing operations in India and future international expansion and operations; uncertainty relating to the fluctuation in U.S. and other international currencies; and the potential for a resurgence of COVID-19, or another pandemic, in any of our markets in the future and any related impact on consumer health, domestic and world economies, including any negative impact on discretionary spending, consumer demand, and consumer behavior in general. The contents of this Management Commentary should be considered in conjunction with the risk factors, warnings, and cautionary statements that are contained in our most recent filings with the Securities and Exchange Commission. The forward-looking statements in this Management Commentary set forth our beliefs as of the date hereof. We do not undertake any obligation to update any forward-looking statement after the date hereof or to conform such statements to actual results or changes in the Company's expectations, except as required by law.

Non-GAAP Financial Measures

The Company prepares its financial statements using U.S. generally accepted accounting principles (“U.S. GAAP” or “GAAP”). Constant currency net sales, earnings, EPS and other currency-related financial information (collectively, “Financial Results”) are non-GAAP financial measures that remove the impact of fluctuations in foreign-currency exchange rates (“FX”) and help facilitate period-to-period comparisons of the Company’s Financial Results that we believe provide investors an additional perspective on trends and underlying business results. Constant currency Financial Results are calculated by translating the current period's Financial Results at the same average exchange rates in effect during the applicable prior-year period and then comparing this amount to the prior-year period's Financial Results.

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