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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 28, 2024

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ___________ to ____________

Commission file number: 001-35024

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

Utah	**87-0500306**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3838 West Parkway Blvd., Salt Lake City, Utah 84120
(Address of principal executive offices, including zip code)

(801) 954-7100
(Registrant's telephone number, including area code)

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	USNA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of November 1, 2024, there were 19,059,572 outstanding shares of the registrant's common stock, $0.001 par value.

Auditor Name: KPMG LLP | Auditor Location: Salt Lake City, Utah | Auditor Firm ID: 185

USANA HEALTH SCIENCES, INC.

FORM 10-Q

For the Quarterly Period Ended September 28, 2024

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Cautionary Note Regarding Forward-Looking Statements and Certain Risks

This report contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include, but are not limited to, statements regarding future financial results, long-term value creation goals, productivity, raw material prices and related costs, supply chain, asset impairment, litigation, sustainability and environmental, social and governance ("ESG") efforts, compliance with current and proposed international laws and regulations, the impact of COVID-19, or other pandemics, or geopolitical tensions, conflicts, or wars on our operations. Forward-looking statements can be identified by words such as: "anticipate," "intend," "plan," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely unduly on forward-looking statements.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ materially from those we project or assume in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission ("SEC"). Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date hereof. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments, the occurrence of unanticipated events or otherwise. Among the important factors that could cause our actual results, performance and achievements to differ materially from estimates or projections contained in our forward-looking statements in this report are the following:

- Our dependence upon the direct selling business model to distribute our products and the activities of our independent Associates;
- Extensive regulation of our business model and uncertainties relating to the interpretation and enforcement of applicable laws and regulations governing direct selling and anti-pyramiding in the United States, China and other markets where we have operations;
- The operation and expansion of our business in China through our subsidiary, BabyCare Holdings, Ltd. ("BabyCare"), including risks related to (i) operating in China in general, (ii) engaging in direct selling in China, (iii) BabyCare's business model in China, (iv) new and expanded data privacy and security laws and regulations in China, and (v) changes in the Chinese economy, marketplace or consumer environment;
- Our Associate compensation plan, or changes we may make to it, may be viewed negatively by some Associates, could fail to achieve our desired objectives, and could have a negative impact on our business;
- Product liability claims, litigation or other liability associated with our products or the manufacturing of our products by us or third parties;
- Challenges associated with our planned expansion into new international markets, delays in commencement of sales or product offerings in such markets, delays in compliance with local marketing or other regulatory requirements, or changes in target markets;
- Macroeconomic conditions and other factors, including inflationary pressures, slower economic growth or recession, general conditions affecting consumer spending or discretionary income, or disruptions to our supply chain;

- Political events, natural disasters, pandemics, epidemics or other health crises including, and in addition to, COVID-19, or other events that may negatively affect economic conditions, consumer spending or consumer behavior;
- Changes in the legal and regulatory environment including environmental, health and safety regulations, data security and privacy, anti-corruption laws, trade policies and tariffs, the impact of customs, duties, taxation, and transfer pricing regulations, as well as regulations governing distinctions between and our responsibilities to employees and independent contractors;
- Geopolitical tensions or conflicts, including impacts from the conflicts involving Russia and Ukraine, and Israel and Palestine, deterioration in foreign relations, as well as disputes or tensions among other countries around the world in general or among the United States, China, and other countries;
- Volatile fluctuation in the value of foreign currencies against the U.S. dollar;
- Noncompliance by us or our Associates with any data privacy or security laws or any security breach by us or a third party involving the misappropriation, loss, destruction or other unauthorized use or disclosure of confidential information;
- Shortages of raw materials, disruptions in the business of our contract manufacturers, significant price increases of key raw materials, and other disruptions to our supply chain;
- Our continued compliance with debt covenants in our Credit Facility;
- Litigation, tax, and legal compliance risk and costs, especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same;
- Information technology system failures, data security breaches, data security and privacy compliance, network disruptions, and cybersecurity attacks;
- Acquisition, divestiture, and investment-related risks, including risks associated with past or future acquisitions; and
- Human capital risks associated with our business, including if we are unable to attract or retain Associate leaders to sell our products or if we lose key management personnel or employees in our business.

Unless otherwise indicated or otherwise required by the context, the terms “we,” “our,” “it,” “its,” “Company,” and “USANA” refer to USANA Health Sciences, Inc. and its wholly owned subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	As of September 28, 2024	As of December 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 364,889	$ 330,420
Inventories	63,984	61,454
Prepaid expenses and other current assets	22,318	25,872
Total current assets	451,191	417,746
Property and equipment, net	98,033	99,814
Goodwill	17,196	17,102
Intangible assets, net	29,237	29,919
Deferred tax assets	16,823	13,284
Other assets	58,828	54,892
	$ 671,308	$ 632,757
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 7,041	$ 10,070
Line of credit - short term	—	786
Other current liabilities	107,738	107,989
Total current liabilities	114,779	118,845
Deferred tax liabilities	4,727	4,552
Other long-term liabilities	18,715	12,158
Stockholders' equity		
Common stock, $0.001 par value; Authorized -- 50,000 shares, issued and outstanding 19,056 as of September 28, 2024 and 19,130 as of December 30, 2023	19	19
Additional paid-in capital	72,277	65,661
Retained earnings	474,490	445,217
Accumulated other comprehensive income (loss)	(13,699)	(13,695)
Total stockholders' equity	533,087	497,202
	$ 671,308	$ 632,757

The accompanying notes are an integral part of these statements.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales	$ 200,221	$ 213,365	$ 640,890	$ 699,927
Cost of sales	39,257	42,529	122,659	134,374
Gross profit	160,964	170,836	518,231	565,553
Operating expenses:				
Associate incentives	84,068	89,926	270,197	298,376
Selling, general and administrative	61,295	63,303	189,920	198,325
Total operating expenses	145,363	153,229	460,117	496,701
Earnings from operations	15,601	17,607	58,114	68,852
Other income (expense):				
Interest income	3,142	2,733	8,581	6,732
Interest expense	(49)	(43)	(152)	(117)
Other, net	(86)	234	(621)	375
Other income (expense), net	3,007	2,924	7,808	6,990
Earnings before income taxes	18,608	20,531	65,922	75,842
Income taxes	8,001	9,184	28,346	28,820
Net earnings	$ 10,607	$ 11,347	$ 37,576	$ 47,022
Earnings per common share				
Basic	$ 0.56	$ 0.59	$ 1.97	$ 2.44
Diluted	$ 0.56	$ 0.59	$ 1.96	$ 2.43
Weighted average common shares outstanding				
Basic	19,078	19,245	19,108	19,283
Diluted	19,083	19,372	19,181	19,376
Comprehensive income:				
Net earnings	$ 10,607	$ 11,347	$ 37,576	$ 47,022
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	7,654	(1,933)	706	(8,236)
Tax benefit (expense) related to foreign currency translation adjustment	(845)	185	(710)	799
Other comprehensive income (loss), net of tax	6,809	(1,748)	(4)	(7,437)
Comprehensive income	$ 17,416	$ 9,599	$ 37,572	$ 39,585

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

For the nine months ended September 30, 2023

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at December 31, 2022	19,206	$ 19	$ 55,604	$ 391,636	$ (12,787)	$ 434,472
Net earnings				47,022		47,022
Other comprehensive income (loss), net of tax					(7,437)	(7,437)
Equity-based compensation expense			10,952			10,952
Common stock repurchased and retired	(180)	—	(1,446)	(10,211)		(11,657)
Common stock issued under equity award plans	96	—				—
Tax withholding for net-share settled equity awards			(2,958)			(2,958)
Balance at September 30, 2023	19,122	$ 19	$ 62,152	$ 428,447	$ (20,224)	$ 470,394

For the nine months ended September 28, 2024

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at December 30, 2023	19,130	$ 19	$ 65,661	$ 445,217	$ (13,695)	$ 497,202
Net earnings				37,576		37,576
Other comprehensive income (loss), net of tax					(4)	(4)
Equity-based compensation expense			10,945			10,945
Common stock repurchased and retired	(194)	—	(1,180)	(8,303)		(9,483)
Common stock issued under equity award plans	120	—				—
Tax withholding for net-share settled equity awards			(3,149)			(3,149)
Balance at September 28, 2024	19,056	$ 19	$ 72,277	$ 474,490	$ (13,699)	$ 533,087

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

For the three months ended September 30, 2023

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at July 1, 2023	19,298	$ 19	$ 59,970	$ 427,311	$ (18,476)	$ 468,824
Net earnings				11,347		11,347
Other comprehensive income (loss), net of tax					(1,748)	(1,748)
Equity-based compensation expense			3,670			3,670
Common stock repurchased and retired	(180)	—	(1,446)	(10,211)		(11,657)
Common stock issued under equity award plans	4	—				—
Tax withholding for net-share settled equity awards			(42)			(42)
Balance at September 30, 2023	19,122	$ 19	$ 62,152	$ 428,447	$ (20,224)	$ 470,394

For the three months ended September 28, 2024

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at June 29, 2024	19,051	$ 19	$ 68,814	$ 463,883	$ (20,508)	$ 512,208
Net earnings				10,607		10,607
Other comprehensive income (loss), net of tax					6,809	6,809
Equity-based compensation expense			3,542			3,542
Common stock issued under equity award plans	5	—				—
Tax withholding for net-share settled equity awards			(79)			(79)
Balance at September 28, 2024	19,056	$ 19	$ 72,277	$ 474,490	$ (13,699)	$ 533,087

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 28, 2024	September 30, 2023
Cash flows from operating activities		
Net earnings	$ 37,576	$ 47,022
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	10,540	9,790
Right-of-use asset amortization	5,805	5,734
(Gain) loss on sale of property and equipment	1	12
Equity-based compensation expense	10,945	10,952
Deferred income taxes	(4,047)	(4,218)
Inventory write-down	1,889	3,107
Changes in operating assets and liabilities:		
Inventories	(3,794)	296
Prepaid expenses and other assets	1,247	5,116
Accounts payable	(3,044)	(2,357)
Other liabilities	(1,911)	(30,836)
Net cash provided by (used in) operating activities	55,207	44,618
Cash flows from investing activities		
Proceeds from the settlement of net investment hedges	1,125	3,775
Payments for net investment hedge	(870)	(1,271)
Proceeds from sale of property and equipment	64	13
Purchases of property and equipment	(8,271)	(7,170)
Net cash provided by (used in) investing activities	(7,952)	(4,653)
Cash flows from financing activities		
Repurchase of common stock	(9,444)	(11,599)
Borrowings on line of credit	689	750
Payments on line of credit	(1,473)	(750)
Payments related to tax withholding for net-share settled equity awards	(3,149)	(2,958)
Payments for contingent consideration	—	(338)
Net cash provided by (used in) financing activities	(13,377)	(14,895)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	617	(6,567)
Net increase (decrease) in cash, cash equivalents, and restricted cash	34,495	18,503
Cash, cash equivalents, and restricted cash at beginning of period	333,246	291,320
Cash, cash equivalents, and restricted cash at end of period	$ 367,741	$ 309,823
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	$ 364,889	$ 307,081
Restricted cash included in other assets	2,852	2,742
Total cash, cash equivalents, and restricted cash	$ 367,741	$ 309,823
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 73	$ 5
Income taxes	33,265	35,958
Cash received during the period for:		
Income tax refund	7	1,164
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for lease obligations	9,915	4,963
Accrued purchases of property and equipment	101	1,384
Accrued excise tax for repurchase of common stock	39	58

The accompanying notes are an integral part of these statements.

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

NOTE A – ORGANIZATION, CONSOLIDATION, AND BASIS OF PRESENTATION

USANA Health Sciences, Inc. is a global direct-selling, personal health and wellness company that develops and manufactures high quality, science-based nutritional and personal care products. The Condensed Consolidated Financial Statements (the "Financial Statements") include the accounts and operations of the Company, which are grouped and presented in two geographic regions: (1) Asia Pacific, and (2) Americas and Europe. Asia Pacific is further divided into three sub-regions: (i) Greater China, (ii) Southeast Asia Pacific, and (iii) North Asia. The markets included in these regions and sub-regions are described below:

(1) Asia Pacific -

(i) Greater China – Hong Kong, Taiwan, and China. The Company's business in China is conducted by BabyCare Holdings, Ltd., the Company's wholly-owned subsidiary.

(ii) Southeast Asia Pacific – Australia, New Zealand, Singapore, Malaysia, the Philippines, Thailand, Indonesia and India[(1)].

(iii) North Asia – Japan and South Korea.

(2) Americas and Europe – United States, Canada, Mexico, Colombia, and Europe (the United Kingdom, France, Germany, Spain, Italy, Romania, Belgium, and the Netherlands).

[(1)] We commenced operations in this market near the end of the fourth quarter of 2023.

The Condensed Consolidated Balance Sheet as of December 30, 2023, derived from audited consolidated financial statements, and the unaudited interim condensed consolidated financial information of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the SEC. Accordingly, certain information and disclosures that are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations. The preparation of Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. In the opinion of the Company's management, the accompanying interim condensed consolidated financial information contains all adjustments, consisting only of normal recurring adjustments, that are necessary to state fairly the Company's financial position as of September 28, 2024, and results of operations and cash flows for the three and nine months ended September 28, 2024 and September 30, 2023.

The interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto that are included in the Company's Annual Report on Form 10-K for the year ended December 30, 2023. The results of operations for the three and nine months ended September 28, 2024, are not necessarily indicative of the results that may be expected for the fiscal year ending December 28, 2024.

Certain reclassifications have been made to prior period amounts to conform to current period presentation. These reclassifications relate to the disaggregation of inventory write-downs from changes in inventories within operating activities of the Condensed Consolidated Statements of Cash Flows.

NOTE A – ORGANIZATION, CONSOLIDATION, AND BASIS OF PRESENTATION - CONTINUED

Recent Accounting Pronouncements

Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The standard is intended to provide financial statement users with more disaggregated expense information about a public entity's reportable segments. ASU 2023-07 requires incremental disclosures related to a public entity's reportable segments including allowing the disclosure of multiple measures of segment profit or loss, requiring the disclosure of significant segment expenses, and requiring the qualitative disclosure of other segment items. ASU 2023-07 is effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024, and should be adopted retrospectively unless impracticable. Early adoption is permitted. The Company is currently evaluating the impact adoption of the standard will have on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The standard is intended to benefit investors by providing more detailed income tax disclosures. ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid by jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The Company is currently evaluating the impact adoption of the standard will have on its consolidated financial statements.

No other recent accounting pronouncements had, or are expected to have, a material impact on the Company's Condensed Consolidated Financial Statements.

NOTE B – FAIR VALUE MEASURES

The Company measures, at fair value, certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable and are used to measure fair value in situations where there is little, if any, market activity for the asset or liability at the measurement date.

(in thousands, except per share data)

NOTE B – FAIR VALUE MEASURES - CONTINUED

As of September 28, 2024, and December 30, 2023, the following financial assets and liabilities were measured at fair value on a recurring basis using the type of inputs shown:

		Fair Value Measurements Using		
		Inputs		
	September 28, 2024	Level 1	Level 2	Level 3
Money market funds included in cash equivalents	$ 294,702	$ 294,702	$ —	$ —
Foreign currency contracts included in other current liabilities	(101)	—	(101)	—
Deferred compensation liabilities included in other long-term liabilities	(4,465)	—	(4,465)	—

		Fair Value Measurements Using		
		Inputs		
	December 30, 2023	Level 1	Level 2	Level 3
Money market funds included in cash equivalents	$ 258,319	$ 258,319	$ —	$ —
Foreign currency contracts included in other current liabilities	(62)	—	(62)	—
Deferred compensation liabilities included in other long-term liabilities	(3,137)	—	(3,137)	—

There were no transfers of financial assets or liabilities between levels of the fair value hierarchy for the periods indicated.

The majority of the Company’s non-financial assets, which include long-lived assets, are not required to be carried at fair value on a recurring basis. However, if an impairment charge is required, a non-financial asset would be written down to fair value. As of September 28, 2024 and December 30, 2023, none of the Company's non-financial assets were measured at fair value.

As of September 28, 2024 and December 30, 2023, the Company’s financial instruments include cash equivalents and restricted cash. The recorded values of cash equivalents and restricted cash approximate their fair values, based on their short-term nature.

NOTE C – INVENTORIES

Inventories consist of the following:

	September 28, 2024	December 30, 2023
Raw materials	$ 22,225	$ 19,848
Work in progress	3,709	4,707
Finished goods	38,050	36,899
Inventories	$ 63,984	$ 61,454
Noncurrent inventories	$ 2,938	$ 3,128

As of September 28, 2024, noncurrent inventories consisted of $2,246 of raw materials and $692 of finished goods inventory. As of December 30, 2023, noncurrent inventories consisted of $2,051 of raw materials and $1,077 of finished goods inventory. Noncurrent inventories are included in the “Other assets” line item on the Company’s Condensed Consolidated Balance Sheets. Noncurrent inventory is anticipated to be consumed beyond our normal operating cycle, but prior to obsolescence.

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

NOTE D – INVESTMENT IN EQUITY SECURITIES

As of September 28, 2024 and December 30, 2023, the carrying amount of equity securities without readily determinable fair values was $20,000 and is included in the “Other assets” line item on the Company’s Condensed Consolidated Balance Sheets.

During the three and nine months ended September 28, 2024, no observable price changes occurred and no adjustment to the carrying value of the securities was recorded. During the three months ended September 30, 2023, no observable price changes occurred. During the nine months ended September 30, 2023, the Company evaluated an observable price change related to equity securities without readily determinable fair values. No adjustment to the carrying value of the securities was necessary based on the observable price change. Additionally, no impairment of securities was recorded for the three and nine months ended September 28, 2024, and September 30, 2023.

NOTE E – REVENUE AND CONTRACT LIABILITIES

Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. A majority of the Company’s sales are for products sold at a point in time and shipped to customers, for which control is transferred as goods are delivered to the third-party carrier for shipment. The Company receives payment, primarily via credit card, for the sale of products at the time customers place orders and payment is required prior to shipment. Contract liabilities, which are recorded within the “Other current liabilities” line item in the Condensed Consolidated Balance Sheets, primarily relate to deferred revenue for product sales for customer payments received in advance of shipment, for outstanding material rights under the initial order program, and for services where control is transferred over time as services are delivered.

Other revenue includes fees, which are paid by the customer at the beginning of the service period, for access to online customer service applications and annual account renewal fees for Associates, for which control is transferred over time as services are delivered and are recognized as revenue on a straight-line basis over the term of the respective contracts.

(in thousands, except per share data)

NOTE E – REVENUE AND CONTRACT LIABILITIES - CONTINUED

The following table presents Other revenue for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Other revenue	$ 512	$ 715	$ 1,874	$ 2,196

Disaggregation of revenue by geographic region and major product line is included in Segment Information in Note K.

The following table provides information about contract liabilities from contracts with customers, including significant changes in the contract liabilities balances during the period:

	September 28, 2024	December 30, 2023
Contract liabilities at beginning of period	$ 13,910	$ 20,875
Increase due to deferral of revenue at end of period	11,188	13,910
Decrease due to beginning contract liabilities recognized as revenue	(13,009)	(20,875)
Contract liabilities at end of period	$ 12,089	$ 13,910

NOTE F - INTANGIBLE ASSETS

The Company performed its annual goodwill impairment test during the third quarter of 2024. The Company performed a qualitative assessment of each reporting unit and determined that it was not more-likely-than-not that the fair value of any reporting unit was less than its carrying amount. As a result, no impairment of goodwill was recognized.

The Company also performed its annual indefinite-lived intangible asset impairment test during the third quarter of 2024. The Company performed a qualitative assessment of the indefinite-lived intangible asset and determined that it was not more-likely-than-not that the fair value of the indefinite-lived intangible asset was less than the carrying amount. As a result, no impairment of the indefinite-lived intangible asset was recognized.

NOTE G – LINE OF CREDIT

On August 25, 2020, the Company as borrower, and certain of its material subsidiaries as guarantors, entered into the Second Amended and Restated Credit Agreement (the “Credit Agreement”) with Bank of America, N.A. (“Bank of America”) as Administrative Agent, Swingline Lender and Letter of Credit Issuer, and the other lenders party thereto. On August 28, 2024, the Company entered into the Third Amendment to the Second Amended and Restated Credit Agreement ("Restated Credit Agreement"), which replaces the Bloomberg Short-Term Bank Yield Index rate with the Secured Overnight Financing Rate ("SOFR") and amends certain other defined terms.

The Credit Agreement provides for a revolving credit limit for loans to the Company up to $75,000 (the “Credit Facility”). In addition, at the option of the Company, and subject to certain conditions, the Company may request to increase the aggregate commitment under the Credit Facility up to an additional $200,000.

There was no outstanding debt balance on the Credit Facility as of September 28, 2024 and December 30, 2023. The obligations of the Company under the Credit Agreement are secured by the pledge of the capital stock of certain subsidiaries of the Company, pursuant to a Security and Pledge Agreement.

NOTE G – LINE OF CREDIT - CONTINUED

Interest on revolving borrowings under the Credit Facility is computed at SOFR, adjusted by features specified in the Credit Agreement. The covenants require the Company's rolling four-quarter consolidated EBITDA (as defined in the Credit Agreement) to be $100,000 or greater and its ratio of consolidated funded debt to consolidated EBITDA to be equal to or less than 2.0 to 1.0 at the end of each quarter. The Credit Agreement does not include any restrictions on the payment of cash dividends or share repurchases by the Company. Consolidated EBITDA and consolidated funded debt are non-GAAP terms.

The Company will be required to pay any balance on this Credit Facility in full at the time of maturity in August 2025.

The Company maintains local lines of credit across different markets to secure sufficient working capital. As of September 28, 2024, there was no balance on the local lines of credit. As of December 30, 2023, the balance on the local lines of credit was $786.

NOTE H – CONTINGENCIES

The Company is involved in various lawsuits, claims, and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving its products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters. The Company records a liability when a particular contingency is probable and estimable. The Company faces contingencies that are reasonably possible to occur; however, they cannot currently be estimated. While complete assurance cannot be given as to the outcome of these proceedings, management does not currently believe that any of these matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, liquidity or results of operations. It is reasonably possible that a change in the contingencies could result in a change in the amount recorded by the Company in the future.

NOTE I – DERIVATIVE FINANCIAL INSTRUMENTS

The Company's risk management strategy includes the select use of derivative instruments to reduce the effects of volatility in foreign currency exchange exposure on operating results and cash flows. In accordance with the Company's risk management policies, the Company does not hold or issue derivative instruments for trading or speculative purposes. The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. When the Company becomes a party to a derivative instrument and intends to apply hedge accounting, the Company formally documents the hedge relationship and the risk management objective for undertaking the hedge, the nature of risk being hedged, and the hedged transaction, which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge. The Company also documents how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness.

The Company periodically uses derivative instruments to hedge the foreign currency exposure of its net investment in foreign subsidiaries into U.S. dollars. Initially, the Company records derivative assets on a gross basis in its Condensed Consolidated Balance Sheets. Subsequently the fair value of derivatives is measured for each reporting period. The effective portion of gains and losses attributable to these net investment hedges is recorded to foreign currency translation adjustment ("FCTA") within accumulated other comprehensive income (loss) ("AOCI") to offset the change in the carrying value of the net investment being hedged and will subsequently be reclassified to net earnings in the period in which the investment in the subsidiary is either sold or substantially liquidated.

During the nine months ended September 28, 2024 and September 30, 2023, the Company entered into and settled European options designated as net investment hedges with notional amounts of $77,345 and $81,343, respectively. For the nine months ended September 28, 2024 and September 30, 2023, the Company realized gains of $255 and $2,504, respectively, recorded to FCTA within AOCI. The Company assessed the hedge effectiveness under the forward rate method, determining the hedging instruments were highly effective.

As of September 28, 2024, there were no derivatives outstanding for which the Company has applied hedge accounting.

(in thousands, except per share data)

NOTE J – COMMON STOCK AND EARNINGS PER SHARE

Basic earnings per share (“EPS”) is based on the weighted-average number of shares outstanding for each period. Shares that have been repurchased and retired during the periods specified below have been included in the calculation of the number of weighted-average shares that are outstanding for the calculation of basic EPS based on the time they were outstanding in any period. Diluted EPS is based on shares that are outstanding (computed under basic EPS) and on potentially dilutive shares. Shares that are included in the diluted EPS calculations under the treasury stock method include equity awards that are in-the-money but have not yet been exercised.

The following is a reconciliation of the numerator and denominator used to calculate basic EPS and diluted EPS for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net earnings available to common shareholders	$ 10,607	$ 11,347	$ 37,576	$ 47,022
Weighted average common shares outstanding - basic	19,078	19,245	19,108	19,283
Dilutive effect of in-the-money equity awards	5	127	73	93
Weighted average common shares outstanding - diluted	19,083	19,372	19,181	19,376
Earnings per common share from net earnings - basic	$ 0.56	$ 0.59	$ 1.97	$ 2.44
Earnings per common share from net earnings - diluted	$ 0.56	$ 0.59	$ 1.96	$ 2.43
Equity awards excluded as the impact was anti-dilutive	628	315	570	322

There were no shares repurchased during the three months ended September 28, 2024. During the three months ended September 30, 2023, the Company repurchased and retired 180 shares for $11,657, inclusive of accrued excise tax of $58. During the nine months ended September 28, 2024 and September 30, 2023, the Company repurchased and retired 194 and 180 shares for $9,483 and $11,657, inclusive of accrued excise tax of $39 and $58 respectively, under the Company's share repurchase plan.

The excess of the repurchase price over par value is allocated between additional paid-in capital and retained earnings on a pro-rata basis. The purchase of shares under this plan reduces the number of shares outstanding in the above calculations.

As of September 28, 2024, the remaining authorized repurchase amount under the stock repurchase plan was $61,703, inclusive of accrued excise tax. There is no expiration date on the remaining approved repurchase amount and no requirement for future share repurchases.

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

NOTE K – SEGMENT INFORMATION

The Company primarily operates as a global direct-selling nutrition, personal health and wellness company that develops and manufactures high quality, science-based nutritional, and personal care products.

The Company's operating segments are identified according to how business activities are managed and evaluated by the chief operating decision maker ("CODM"), our CEO. The CODM manages the business, allocates resources, makes operating decisions, and evaluates performance for a geographic region or market based on net sales. The Company aggregates its direct-selling operating segments ("Direct-selling") into one reportable segment, as management believes that the Company's Direct-selling segments exhibit similar long-term financial performance and have similar economic characteristics. The CODM does not evaluate operating segments using asset information; accordingly, the Company does not report asset information by segment.

The Company has operating segments, resulting from acquisitions, that are not material to the Company's net sales. These operating segments are included as a component of "All other" and are included for purposes of reconciliation of net sales to the Company's Condensed Consolidated Statements of Comprehensive Income.

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales:				
Direct-selling	$ 198,467	$ 211,932	$ 635,823	$ 695,607
All other	1,754	1,433	5,067	4,320
Consolidated total	$ 200,221	$ 213,365	$ 640,890	$ 699,927

No single Associate accounted for 10% or more of net sales for the periods presented. The table below summarizes the approximate percentage of total product revenue for our Direct-selling segment that has been contributed by the Company's nutritionals, food, and personal care and skincare products for the periods indicated.

	Three Months Ended		Nine Months Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
USANA® Nutritionals	86 %	86 %	87 %	87 %
USANA Foods[(1)]	7 %	7 %	6 %	7 %
Personal care and Skincare	6 %	6 %	6 %	5 %
All other	1 %	1 %	1 %	1 %

(1) Includes the Company's Active Nutrition line.

(in thousands, except per share data)

NOTE K – SEGMENT INFORMATION - CONTINUED

Selected Financial Information

Financial information, presented by geographic region is listed below:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Net sales to external customers				
Asia Pacific				
Greater China	$ 102,261	$ 106,609	$ 345,389	$ 359,178
Southeast Asia Pacific	37,267	39,151	108,734	124,774
North Asia	20,541	24,244	61,672	79,381
Asia Pacific total	160,069	170,004	515,795	563,333
Americas and Europe	40,152	43,361	125,095	136,594
Consolidated total	$ 200,221	$ 213,365	$ 640,890	$ 699,927

The following table provides further information on markets representing ten percent or more of consolidated net sales and long-lived assets, respectively:

	Three Months Ended		Nine Months Ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Net sales:				
China	$ 91,278	$ 94,674	$ 312,147	$ 322,589
United States	21,463	22,981	65,267	72,647
South Korea	20,077	23,745	60,339	77,537

	As of	
	September 28, 2024	**December 30, 2023**
Long-lived assets:		
United States	$ 91,491	$ 93,181
China	75,388	77,767

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide an understanding of USANA's financial condition, results of operations and cash flows by reviewing certain key indicators and measures of performance.

The MD&A is presented in six sections as follows:

- Overview
- Products
- Customers
- Non-GAAP Financial Measures
- Results of Operations
- Liquidity and Capital Resources

This discussion and analysis from management's perspective should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and Notes thereto that are contained in this quarterly report, as well as Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 30, 2023 ("2023 Form 10-K"), filed with the SEC on February 27, 2024, and our other filings, including the Current Reports on Form 8-K, that have been filed with the SEC through the date of this report. Forward-looking statements in Part I, Item 2 may involve risks and uncertainties that could cause results to differ materially from those projected (refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements and Certain Risks" on page 1 and the risk factors provided in Part II, Item 1A for discussion of these risks and uncertainties).

Overview

We develop and manufacture high quality, science-based nutritional and personal care and skincare products that are distributed internationally primarily through direct selling. We use this distribution method because we believe it is more conducive to meeting our vision as a company, which is to improve the overall health and nutrition of individuals and families around the world. Our customer base is primarily comprised of two types of customers: "Associates" and "Preferred Customers," referred to together as "active Customers." Our Associates also sell our products to retail customers. Associates share in our company vision by acting as independent distributors of our products in addition to purchasing our products for their personal use. In 2023, we launched our Affiliate program in the United States, Canada, and Mexico and are evaluating introducing the program in other markets. This program offers another sales and compensation opportunity to individuals who are interested in selling USANA products. Affiliates are discussed and reported in the report as part of our Associates. Preferred Customers purchase our products strictly for personal use and are not permitted to resell or to distribute the products. We only count as active Customers those Associates and Preferred Customers who have purchased from us at any time during the most recent three-month period. As of September 28, 2024, we had approximately 452,000 active Customers worldwide.

We have operations in multiple markets, with sales and expenses being generated and incurred in multiple currencies. Our reported U.S. dollar sales and earnings can be significantly affected by fluctuations in currency exchange rates. In general, our operating results are affected positively by a weakening of the U.S. dollar and negatively by a strengthening of the U.S. dollar. During the nine months ended September 28, 2024, net sales outside of the United States represented 89.8% of consolidated net sales. In our net sales discussions that follow, we approximate the impact of currency fluctuations on net sales by translating current year sales at the average exchange rates in effect during the comparable periods of the prior year.

Products

The following table summarizes the approximate percentage of total product revenue for our Direct-selling segment that has been contributed by our major product lines and our top-selling products for the current and prior-year periods as indicated:

	Nine Months Ended	
	September 28, 2024	September 30, 2023
Product Line		
USANA® Nutritionals		
Optimizers	71%	71%
Essentials/CellSentials[1]	16%	16%
USANA Foods[2]	6%	7%
Personal care and Skincare	6%	5%
All other	1%	1%
Key Product		
USANA® Essentials/CellSentials	10%	10%
Proflavanol®	9%	10%
Probiotic	8%	10%

(1) Represents a product line consisting of multiple products, as opposed to the actual USANA® Essentials / CellSentials product.

(2) Includes our Active Nutrition line.

Customers

Because we sell our products to a customer base of independent Associates and Preferred Customers, we increase our sales by increasing the number of our active Customers, the amount they spend on average, or both. Our primary focus continues to be increasing the number of active Customers. We believe this focus is consistent with our vision of improving the overall health and nutrition of individuals and families around the world. Sales to Associates accounted for approximately 52% of Direct-selling segment sales during the nine months ended September 28, 2024, with the remainder of our sales generated from Preferred Customers. Increases or decreases in product sales are typically the result of variations in the volume of product sold relating to fluctuations in the number of active Customers purchasing our products. The number of active Associates and Preferred Customers is, therefore, used by management as a key non-financial indicator to evaluate our operational performance.

The table below summarizes the changes in our active Customer base by geographic region, rounded to the nearest thousand as of the dates indicated:

	Total Active Customers by Region					
	As of September 28, 2024		As of September 30, 2023		Change from Prior Year	Percent Change
Asia Pacific:						
Greater China	243,000	53.7 %	230,000	49.6 %	13,000	5.7 %
Southeast Asia Pacific	76,000	16.8 %	83,000	17.9 %	(7,000)	(8.4 %)
North Asia	41,000	9.1 %	49,000	10.5 %	(8,000)	(16.3 %)
Asia Pacific total	360,000	79.6 %	362,000	78.0 %	(2,000)	(0.6 %)
Americas and Europe	92,000	20.4 %	102,000	22.0 %	(10,000)	(9.8 %)
	452,000	100.0 %	464,000	100.0 %	(12,000)	(2.6 %)

Non-GAAP Financial Measures

We believe that presentation of certain non-GAAP financial information is meaningful and useful in understanding the activities and business metrics of our operations. Management believes these measures reflect an additional way of viewing aspects of our business that, when viewed with our U.S. GAAP results, provide a more complete understanding of factors and trends affecting our business. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes. We provide such non-GAAP financial information for informational purposes only. Readers should consider the information in addition but not instead of or superior to, our Consolidated Financial Statements prepared in accordance with U.S. GAAP, accompanying this report.

In analyzing business trends and performance, management uses “constant currency” net sales, “local currency” net sales, and other currency-related financial information terms to discuss our financial results in a way we believe is helpful in understanding the impact of fluctuations in foreign-currency exchange rates and facilitating period-to-period comparisons of results of operations and providing investors an additional perspective on trends and underlying business results. Changes in our reported revenue and profits in this report include the impacts of changes in foreign currency exchange rates. As additional information to the reader, we provide constant currency assessments in the tables and the narrative information in this MD&A to remove or quantify the impact of the fluctuation in foreign exchange rates and utilize constant currency results in our analysis of performance. Our 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.

Results of Operations

Summary of Financial Results

Net sales for the third quarter of 2024 decreased 6.2% to $200.2 million, a decrease of $13.1 million, compared with the prior-year quarter. The decrease in net sales was primarily the result of a decrease in active Customers and a decrease in average spend per Customer, due to a challenging economic environment in many of our key markets, which had varying degrees of impact on attracting new customers. This was partially offset by modest price increases compared to the prior-year quarter. While we've experienced an unfavorable impact from changes in currency exchange rates over the past several quarters, the impact was minimal on the current quarter.

Net earnings for the third quarter of 2024 were $10.6 million, a decrease of 6.5% compared with $11.3 million during the prior-year quarter. The decrease in net earnings was the result of decreased sales and higher relative operating expenses, partially offset by a decrease in effective tax rate during the quarter.

Three Months Ended September 28, 2024 and September 30, 2023

Net Sales

The following table summarizes the changes in net sales by geographic region for the fiscal quarters ended as of the dates indicated:

	Net Sales by Region (in thousands) Three Months Ended				Change from prior year	Percent change	Currency impact on sales	Percent change excluding currency impact
	September 28, 2024		September 30, 2023					
Asia Pacific								
Greater China	$ 102,261	51.1 %	$ 106,609	50.0 %	$ (4,348)	(4.1 %)	$ 865	(4.9 %)
Southeast Asia Pacific	37,267	18.6 %	39,151	18.3 %	(1,884)	(4.8 %)	561	(6.2 %)
North Asia	20,541	10.2 %	24,244	11.4 %	(3,703)	(15.3 %)	(721)	(12.3 %)
Asia Pacific total	160,069	79.9 %	170,004	79.7 %	(9,935)	(5.8 %)	705	(6.3 %)
Americas and Europe	40,152	20.1 %	43,361	20.3 %	(3,209)	(7.4 %)	(727)	(5.7 %)
	$ 200,221	100.0 %	$ 213,365	100.0 %	$ (13,144)	(6.2 %)	$ (22)	(6.2 %)

Asia Pacific: The constant currency decline in this region was primarily the result of lower sales per active Customer and lower active Customer counts, partially offset by modest price increases throughout the region. This decline was primarily concentrated in China, South Korea and Singapore. A local currency net sales decline of 4.7% in China was due to a decrease of 10.6% in average spend per customer, largely due to the challenging economic environment within China, partially offset by a 6.6% increase in active Customers. A local currency net sales decline of 12.5% in South Korea was primarily due to a 16.7% decrease in active Customers partially offset by a 5.0% increase in average spend per customer. A local currency net sales decline of 22.2% in Singapore was primarily due to an 11.1% decrease in active Customers and a 12.6% decrease in average spend per customer.

Americas and Europe: The decrease in this region was primarily the result of lower active Customer counts and lower average spend per customer, partially offset by modest price increases. The decrease in constant currency net sales is largely the result of a sales decline in the United States, which had a net sales decline of 8.5% due to a 9.3% decrease in active Customers partially offset by a 0.8% increase in average spend per customer, and Canada, which had a net sales decline of 4.2% due to a 6.3% decrease in active Customers partially offset by a 2.4% increase in average spend per customer.

Gross Profit

Gross profit increased 30 basis points to 80.4% of net sales, up from 80.1% in the prior-year quarter. The increase can primarily be attributed to lower material costs in China, favorable changes in market mix, price increases, and lower freight expense, which was partially offset by unfavorable changes in currency exchange rates.

Associate Incentives

Associate incentives decreased 10 basis points to 42.0% of net sales, down from 42.1% in the prior-year quarter. The relative decrease can primarily be attributed to benefits from price increases and a favorable shift in market sales mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 90 basis points relative to net sales and decreased $2.0 million in absolute terms. The relative increase is largely due to a loss of leverage on lower year-over-year net sales. The lower expense in absolute terms can be primarily attributed to a decrease in spending for employee related costs, legal costs and meeting and events.

Income Taxes

Income taxes decreased to 43.0% of pre-tax earnings from the 44.7% reported in the comparable period of 2023 or 37.7% for fiscal 2023. The higher effective tax rate in 2023 can be attributed to an increase in the year-to-date effective tax rate estimate due to an unfavorable change in the mix of taxable income by market. There was no effective tax rate increase in the third quarter of 2024.

Diluted Earnings per Share

Diluted EPS decreased 5.1% to $0.56 as compared to $0.59 reported in the prior-year quarter. This decrease can be attributed to lower net earnings.

Nine Months Ended September 28, 2024 and September 30, 2023

Net Sales

The following table summarizes the changes in net sales by geographic region for the nine months ended as of the dates indicated:

	Net Sales by Region (in thousands) Nine Months Ended							
	September 28, 2024		September 30, 2023		Change from prior year	Percent change	Currency impact on sales	Percent change excluding currency impact
Asia Pacific								
Greater China	$ 345,389	53.9 %	$ 359,178	51.3 %	$ (13,789)	(3.8 %)	$ (7,616)	(1.7 %)
Southeast Asia Pacific	108,734	17.0 %	124,774	17.8 %	(16,040)	(12.9 %)	(2,155)	(11.1 %)
North Asia	61,672	9.6 %	79,381	11.4 %	(17,709)	(22.3 %)	(2,578)	(19.1 %)
Asia Pacific total	515,795	80.5 %	563,333	80.5 %	(47,538)	(8.4 %)	(12,349)	(6.2 %)
Americas and Europe	125,095	19.5 %	136,594	19.5 %	(11,499)	(8.4 %)	(186)	(8.3 %)
	$ 640,890	100.0 %	$ 699,927	100.0 %	$ (59,037)	(8.4 %)	$ (12,535)	(6.6 %)

Asia Pacific: The constant currency decline in this region was primarily the result of a sales decline in North Asia and Southeast Asia Pacific. The decrease in constant currency net sales in North Asia was primarily concentrated in South Korea, which had a local currency sales decline of 18.9%. The decrease in local currency net sales in South Korea was primarily due to a 16.8% decrease in active Customers and a 2.5% decrease in average spend per customer. There were local currency declines in nearly all markets in the Southeast Asia Pacific sub-region, most notably in the Philippines, Singapore, and Malaysia which had local currency net sales declines of 22.1%, 14.9%, and 7.4%, respectively. The decrease in local currency net sales in the Philippines was primarily the result of a 17.9% decrease in active Customers and a 5.1% decrease in average spend per customer. The decrease in local currency net sales in Singapore was primarily due to a 13.8% decrease in active Customers and a 1.0% decrease in average spend per customer. The decrease in local currency net sales in Malaysia was primarily due to a 13.1% decrease in active Customers, partially offset by a 6.9% increase in average spend per customer.

Americas and Europe: There were local currency sales declines in most of the markets in this region. The decrease in constant currency net sales was primarily concentrated in the United States and Canada, which had local currency net sales declines of 11.9%, and 8.4%, respectively. The decrease in net sales in the United States was primarily due to a 6.9% decrease in active Customers and a 5.4% decrease in average spend per customer. The decrease in net sales in Canada was primarily due to a 4.0% decrease in active Customers and a 4.3% decrease in average spend per customer.

Gross Profit

Gross profit increased 10 basis points to 80.9% of net sales, up from 80.8% for the nine months ended September 30, 2023. The increase in gross profit margin can be attributed to favorable changes in market and product sales mix, decreased scrap charges, price increases, and lower freight expense, partially offset by unfavorable changes in currency exchange rates and loss of leverage on lower sales.

Associate Incentives

Associate incentives decreased 40 basis points to 42.2% of net sales, down from 42.6% for the nine months ended September 30, 2023. The relative decrease can primarily be attributed to benefits from price increases and decreased spending on promotional incentives. These improvements were partially offset by an unfavorable shift in market sales mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 120 basis points relative to net sales and decreased $8.4 million in absolute terms. The relative increase can be attributed to leverage lost on lower net sales. The lower expense in absolute terms can be primarily attributed to a decrease in spending for employee related costs, meetings and events, advertising, legal and other professional services.

Income Taxes

Income taxes increased to 43.0% of pre-tax earnings, up from 38.0% of pre-tax earnings for the nine months ended September 30, 2023. The higher effective tax rate can be attributed to: i) China's increased relative share of taxable income, ii) a concentration of infrastructure costs in our corporate headquarters, and iii) generally softer operating performance, including the impact of unfavorable exchange rates in our other markets around the world.

Diluted Earnings per Share

Diluted EPS decreased 19.3% to $1.96 as compared to $2.43 reported for the nine months ended September 30, 2023. This decrease can be attributed to lower net earnings.

Liquidity and Capital Resources

We have historically met our working capital and capital expenditure requirements by using net cash flow from operations and by drawing on our line of credit. Our principal source of liquidity is our operating cash flow. Although we are required to maintain cash deposits with banks in certain of our markets, there are currently no material restrictions on our ability to transfer and remit funds among our international markets. In China, however, our compliance with Chinese accounting and tax regulations promulgated by the State Administration of Foreign Exchange ("SAFE") results in transfer and remittance of our profits and dividends from China to the United States on a delayed basis. If SAFE or other Chinese regulators introduce new regulations or change existing regulations which allow foreign investors to remit profits and dividends earned in China to other countries, our ability to remit profits or pay dividends from China to the United States may be limited in the future.

Cash and Cash Equivalents

Cash and cash equivalents increased to $364.9 million as of September 28, 2024, from $330.4 million as of December 30, 2023. Cash flow provided by operating activities was $55.2 million partially offset by cash used in financing activities of $13.4 million, and cash used in investing activities of $8.0 million. Additionally, favorable changes in currency exchange rates have impacted cash and cash equivalents, and restricted cash by $0.6 million.

The table below presents concentrations of cash and cash equivalents by market for the periods indicated:

	Cash and cash equivalents (in millions)	
	As of September 28, 2024	As of December 30, 2023
United States	$ 229.7	$ 169.9
China	90.9	111.0
All other markets	44.3	49.5
Total cash and cash equivalents	$ 364.9	$ 330.4

During the nine months ended September 28, 2024, our China subsidiary remitted profits through an annual dividend of $75.8 million to the United States, inclusive of net proceeds from a dividend hedge and net of applicable taxes.

Cash Flows Provided by Operations

As discussed above, our principal source of liquidity comes from our net cash flow from operations.

Net cash flow provided by operating activities was $55.2 million for the first nine months of 2024. Net earnings combined with adjustments of non-cash items contributed positively to our net cash flow provided by operating activities, partially offset by cash used to pay accounts payable, accrued associate incentives, and the 2023 annual employee bonus and the purchase of inventories.

Net cash flow provided by operating activities was $44.6 million for the first nine months of 2023. Net earnings combined with adjustments of non-cash items contributed positively to our net cash flow provided by operating activities, partially offset by cash used to pay accrued associate incentives and the 2022 annual employee bonus.

Line of Credit

Information with respect to our line of credit may be found in Note G to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Share Repurchase

Information with respect to share repurchases may be found in Note J to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Summary

We believe our current cash balances, future cash provided by operations, and amounts available under our line of credit will be sufficient to cover our operating and capital needs in the ordinary course of business for the foreseeable future. If we experience an adverse operating environment or unanticipated and unusual capital expenditure requirements, additional financing may be required. No assurance can be given, however, that additional financing, if required, would be available to us at all or on favorable terms. We might also require or seek additional financing for the purpose of expanding into new markets, growing our existing markets, mergers and acquisitions, share repurchase, or for other reasons. Such financing may include the use of debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders.

Critical Accounting Policies

There were no changes during the quarter to our critical accounting policies as disclosed in our 2023 Form 10-K. Our significant accounting policies are disclosed in Note A to our Consolidated Financial Statements filed with our 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have no material changes to the disclosures on this matter made in our 2023 Form 10-K. For a discussion of our exposure to market risk, refer to our market risk disclosures set forth in the section entitled “Quantitative and Qualitative Disclosures About Market Risk” in the 2023 Form 10-K.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information that is required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods that are specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer), as appropriate, to allow timely decisions regarding any required disclosure. In designing and evaluating these disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a- 15(e) under the Exchange Act). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as a result of material weaknesses in internal control over financial reporting related to information technology general controls (ITGCs) as described in Part II, Item 9A of our Form 10-K for the fiscal year ended December 30, 2023 (the “2023 Form 10-K”), the disclosure controls and procedures were not effective as of September 28, 2024.

Changes in Internal Control Over Financial Reporting

Other than with respect to the remediation efforts addressed below, there were no changes in our internal control over financial reporting during the three months ended September 28, 2024, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation Efforts to Address Material Weaknesses

As previously disclosed in Part II, Item 9A of the 2023 Form 10-K, we are implementing measures designed to ensure that the control deficiencies contributing to the material weaknesses are remediated, such that the relevant controls are designed, implemented, and operating effectively. The remediation actions are ongoing and include:

- Enhancing our IT organization that is responsible for the development, monitoring, and testing of the ITGCs to ensure sufficiency of resources with the appropriate knowledge, experience, and training; and
- Developing a training program addressing ITGCs and related policies, to educate control owners on the principles and requirements of internal control activities, including maintaining adequate evidence of the controls’ operation, and ensuring timely and consistent performance of the controls as designed.

We are executing our remediation plan to address each control deficiency, including advising with a third-party consultant with expertise in ITGCs to assist with risk assessment and control design, educating and training ITGC control owners, advising on relevant IT policies, and providing guidance with regard to sufficient control documentation to support the controls’ operation. Additionally, we have reviewed and updated IT policies, analyzed current processes and control documentation, and established the appropriate level of responsibility and ownership of ITGCs. We will continue our efforts to ensure that the control deficiencies contributing to the material weaknesses are remediated. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of these material weaknesses will be completed prior to the end of fiscal year 2024.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are a party to litigation and other proceedings that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, supplier relationships, distributors, competitor relationships, employees, and other matters.

Information with respect to our legal proceedings may be found in Note H to the Condensed Consolidated Financial Statements included in Item 1 Part I of this report.

Item 1A. RISK FACTORS

Our business, results of operations, and financial condition are subject to various risks. Our material risk factors are disclosed in Part I, Item 1A of our 2023 Form 10-K. The risk factors identified in our 2023 Form 10-K have not changed in any material respect.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our share repurchase plan has been ongoing since the fourth quarter of 2000, with the Board of Directors periodically approving additional dollar amounts for share repurchases under the plan. At September 28, 2024, the authorized amount available for repurchases under the plan was $61.7 million.

Repurchases are made from time to time at management's discretion in accordance with applicable federal securities laws. Repurchases may occur through open market purchases, pursuant to a Rule 10b5-1 trading plan, or in other transactions as permitted by the rules of the SEC. There is no requirement for future share repurchases, and there is no expiration date of the repurchase plan.

Item 5. OTHER INFORMATION

During the three months ended September 28, 2024, none of our directors or officers informed us of the adoption, modification or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

Item 6. Exhibits

Exhibits marked with an asterisk (*) are filed herewith.

Exhibit Number	Description
10.23	*Third Amendment to Second Amended and Restated Credit Agreement, dated as of August 28, 2024
31.1	*Certification of Principal Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2	*Certification of Principal Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	*Certification of Principal Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	*Certification of Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data file (formatted as Inline XBRL and contained in Exhibit 101)

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 thereunto duly authorized.

Date: November 5, 2024	USANA HEALTH SCIENCES, INC.
	/s/ G. Douglas Hekking
	G. Douglas Hekking Chief Financial Officer (Principal Financial Officer)

Exhibit 10.23

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment"), dated as of August 29, 2024, is by and among USANA HEALTH SCIENCES, INC., a Utah corporation (the "Borrower"), the Guarantors party hereto, the Lenders party hereto and BANK OF AMERICA, N.A., as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H

WHEREAS, the Borrower, certain Domestic Subsidiaries of the Borrower party from time to time party thereto (the "Guarantors"), certain banks and financial institutions from time to time party thereto (the "Lenders") and the Administrative Agent are parties to that certain Second Amended and Restated Credit Agreement dated as of August 25, 2020, as amended (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Credit Agreement;

WHEREAS, the Loan Parties have requested that the Required Lenders amend certain provisions of the Credit Agreement; and

WHEREAS, the Required Lenders are willing to make such amendments to the Credit Agreement, in accordance with and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS TO CREDIT AGREEMENT

1.1 New Definitions. The following definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

"*CME*" means CME Group Benchmark Administration Limited.

"*Daily Simple SOFR Loan*" means a Revolving Loan that bears interest based on Daily Simple SOFR.

"*Term SOFR Loan*" means a Loan that bears interest at a rate based on clause (a) of the definition of Term SOFR.

"*Term SOFR Screen Rate*" means the forward-looking SOFR term rate administered by CME (or any successor administrator satisfactory to the Administrative Agent) and published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time).

"*U.S. Government Securities Business Day*" means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

1.2 **<u>Amendment to Definitions</u>.** The following definitions hereby amend and restate the definitions of the same defined terms set forth in Section 1.01 of the Credit Agreement:

"<u>Applicable Rate</u>" shall mean, for any day, a rate per annum equal to (a) in the case of Base Rate Loans, 0%, (b) in the case of Daily Simple SOFR Loans, 1.75%, (c) in the case of Term SOFR Loans, 1.75%, (d) in the case of the Letter of Credit Fee, 1.75% and (e) in the case of the Commitment Fee, 0.25%.

"*<u>Base Rate</u>*" means for any day a fluctuating rate of interest per annum equal to the highest of (a) the Federal Funds Rate *plus* 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," and (c) Term SOFR *plus* 1.00%, subject to the interest rate floors set forth therein; *provided* that if the Base Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement. The "prime rate" is a rate set by Bank of America based upon various factors including Bank of America's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Bank of America shall take effect at the opening of business on the day specified in the public announcement of such change. If the Base Rate is being used as an alternate rate of interest pursuant to <u>Section 3.03</u>, then the Base Rate shall be the greater of <u>clauses (a</u>) and (<u>b</u>) above and shall be determined without reference to <u>clause (c</u>) above.

"*<u>Business Day</u>*" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent's Office is located.

"<u>Conforming Changes</u>" means, with respect to the use, administration of or any conventions associated with SOFR or any proposed Successor Rate or Term SOFR, as applicable, any conforming changes to the definitions of "Base Rate", "SOFR", "Term SOFR" and "Interest Period", timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters (including, for the avoidance of doubt, the definitions of "Business Day" and "U.S. Government Securities Business Day", timing of borrowing requests or prepayment, conversion or continuation notices and length of lookback periods) as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption and implementation of such applicable rate(s) and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such rate exists, in such other manner of administration as the Administrative Agent determines is reasonably necessary in connection with the administration of this Agreement and any other Loan Document).

"<u>Daily Simple SOFR</u>" with respect to any applicable determination date means the SOFR published on such date on the Federal Reserve Bank of New York's website (or any successor source), *plus* the SOFR Adjustment.

"*<u>Interest Payment Date</u>*" means, (a) as to any Term SOFR Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date of the Facility under which such Loan was made; *provided*, *however*, that if any Interest Period for a Term SOFR Loan exceeds three (3) months, the respective dates that fall every three (3) months after the beginning of such Interest Period shall also be

Interest Payment Dates; and (b) as to any Base Rate Loan, Daily Simple SOFR Loan or Swingline Loan, the last Business Day of each March, June, September and December and the Maturity Date of the Facility under which such Loan was made (with Swingline Loans being deemed made under the Revolving Facility for purposes of this definition).

"*Interest Period*" means, as to each Term SOFR Loan, the period commencing on the date such Term SOFR Loan is disbursed or converted to or continued as a Term SOFR Loan and ending on the date one (1), three (3) or six (6) months thereafter (in the case, subject to availability), as selected by the Borrower in its Loan Notice; *provided* that:

ARTICLE I any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of a Term SOFR Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(a) any Interest Period pertaining to a Term SOFR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(b) no Interest Period shall extend beyond the Maturity Date of the Facility under which such Loan was made.

"*Loan Notice*" means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other, or (c) a continuation of Term SOFR Loans, pursuant to Section 2.02(a), which shall be substantially in the form of Exhibit E or such other form as may be approved by the Administrative Agent (including any form on an electronic platform or electronic transmission system as shall be approved by the Administrative Agent), appropriately completed and signed by a Responsible Officer of the Borrower.

"*Revolving Borrowing*" means a borrowing consisting of simultaneous Revolving Loans of the same Type and, in the case of Term SOFR Loans, having the same Interest Period made by each of the Revolving Lenders pursuant to Section 2.01.

"*SOFR*" means the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York (or a successor administrator).

"SOFR Adjustment" means 0.10000% (10 basis points).

"Term SOFR" means:

(a) for any Interest Period with respect to a Term SOFR Loan, the rate per annum equal to the Term SOFR Screen Rate two U.S. Government Securities Business Days prior to the commencement of such Interest Period with a term equivalent to such Interest Period; *provided* that if the rate is not published prior to 11:00 a.m. on such determination date then Term SOFR means the Term SOFR Screen Rate on the first U.S. Government Securities Business Day immediately prior thereto, in each case, plus the SOFR Adjustment for such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to the Term SOFR Screen Rate two U.S. Government Securities Business Days prior to such date with a term of one month commencing that day; *provided* that if the rate is not published prior to 11:00 a.m. on such determination date then Term SOFR means the Term SOFR Screen Rate on the first U.S. Government Securities Business Day immediately prior thereto, in each case, plus the SOFR Adjustment for such term;

provided that if the Term SOFR determined in accordance with either of the foregoing provisions (a) or (b) of this definition would otherwise be less than zero, the Term SOFR shall be deemed zero for purposes of this Agreement.

"*Type*" means, with respect to a Loan, its character as a Base Rate Loan, a Daily Simple SOFR Loan or a Term SOFR Loan.

1.3 Deletion of Definitions. The defined terms *"Bloomberg", "BSBY", "BSBY Daily Floating Rate Loan", "BSBY Fixed Rate Loan", "BSBY Rate", "BSBY Rate Loan", "BSBY Screen Rate", "Change of Control", "Pre-Adjustment Successor Rate", "Related Adjustment" and "Relevant Governmental Body"* are hereby deleted from Section 1.01 of the Credit Agreement.

1.4 Replacement of BSBY Terms. The Credit Agreement is hereby amended by replacing terms related to the BSBY with terms related to the SOFR, as follows:

(a) Each reference to "BSBY Daily Floating Rate" in the Credit Agreement is hereby deleted and replaced with "Daily Simple SOFR".

(b) Each reference to "BSBY Fixed Rate" in the Credit Agreement is hereby deleted and replaced with "Term SOFR".

(c) The words "or BSBY Rate" in Section 2.01 of the Credit Agreement are hereby deleted and replaced with ", Daily Simple SOFR Loans or Term SOFR".

(d) Each reference to "BSBY Rate" in Sections 2.02(c), 2.05(b), 2.08(a), 2.12(b)(i), 3.04(a)(iii) and 4.02 of the Credit Agreement is hereby deleted and replaced with "Term SOFR".

(e) The Section heading of Section 3.04 of the Credit Agreement is hereby deleted and replaced with "**3.04 Increased Costs**".

1.5 Amendment to Section 2.02. Section 2.02 of the Credit Agreement is hereby amended by deleting subsection (g) and replacing it as follows:

(g) With respect to SOFR or Term SOFR, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.

1.6 Amendment to Section 3.02. Section 3.02 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its Lending Office to make, maintain or fund or charge interest with respect to any Credit Extension, or to determine or charge interest rates based upon SOFR or Term SOFR, then, upon notice thereof by such Lender to the Borrower (through the Administrative Agent), (i) any obligation of such Lender to make or continue Term SOFR Loans or to convert Base Rate Loans to Term SOFR Loans shall be suspended, and (ii) if such notice asserts the illegality of such Lender making or maintaining Base Rate Loans the interest rate on which is determined by reference to the Term SOFR component of the Base Rate, the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Tern SOFR component of the Base Rate, in each case until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (A) the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Term SOFR Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Term SOFR component of the Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Term SOFR Loan to such day, or immediately, if such Lender may not lawfully continue to maintain such Term SOFR Loans and (B) if such notice asserts the illegality of such Lender determining or charging interest rates based upon SOFR, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the Term SOFR component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon SOFR. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 3.05.

1.7 Amendment to Section 3.03. Section 3.03 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

3.03 Inability to Determine Rates.

(a) If in connection with any request for a Term SOFR Loan or a conversion of Base Rate Loans to Term SOFR Loans or a continuation of any of such Loans, as applicable, (i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (A) no Successor Rate has been determined in accordance with Section 3.03(b), and the circumstances under clause (i) of Section 3.03(b) or the Scheduled Unavailability Date has occurred or (B) adequate and reasonable means do not otherwise exist for determining Term SOFR for any requested Interest Period with respect to a proposed Term SOFR Loan or in connection with an existing or proposed Base Rate Loan or (ii) the Administrative Agent or the Required Lenders determine that for any reason that Term SOFR for any requested Interest Period with respect to a proposed Term SOFR Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain Term SOFR Loans or to convert Base Rate Loans to Term SOFR Loans shall be suspended (to the extent of the affected Term SOFR Loans or Interest Periods), and (y) in the event of a determination described in the preceding sentence with respect to the Term SOFR component of the Base Rate, the utilization of the Term SOFR component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (or, in the case of a determination by the Required Lenders described in clause (ii) of this Section 3.03(a), until the Administrative Agent upon instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, (i) the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Term SOFR Loans (to the extent of the affected Term SOFR Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein and (ii) any outstanding Term SOFR Loans shall be deemed to have been converted to Base Rate Loans immediately at the end of their respective applicable Interest Period.

(b) Notwithstanding anything to the contrary in this Agreement or any other Loan Documents, but without limiting Sections 3.03(a) and (b) above, if the Administrative Agent determines (which determination shall be conclusive and binding upon all parties hereto absent manifest error), or the Borrower or Required Lenders notify the Administrative Agent (with, in the case of the Required Lenders, a copy to the Borrower) that the Borrower or Required Lenders (as applicable) have determined (which determination likewise shall be conclusive and binding upon all parties hereto absent manifest error), that:

(i) adequate and reasonable means do not exist for ascertaining one month, three month and six month interest periods of Term SOFR including, without limitation, because the Term SOFR Screen Rate is not available or published on a current basis and such circumstances are unlikely to be temporary; or

(ii) CME or any successor administrator of the Term SOFR Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent or such administrator with respect to its publication of Term SOFR, in each case acting in such capacity, has made a public statement identifying a specific date after which one month, three month and six month interest periods of Term SOFR or the Term SOFR Screen Rate shall or will no longer be representative or made available, or permitted to be used for determining the interest rate of U.S. dollar denominated syndicated loans, or shall or will otherwise cease, *provided* that, at the time of such statement, there is no successor administrator that is satisfactory to the Administrative Agent, that will continue to provide such representative interest periods of Term SOFR after such specific date (the latest date on which one month, three month and six month interest periods of Term SOFR or the Term SOFR Screen Rate are no longer representative or available permanently or indefinitely, the "Scheduled Unavailability Date");

then, on a date and time determined by the Administrative Agent (any such date, the "Term SOFR Replacement Date"), which date shall be at the end of an Interest Period or on the relevant interest payment date, as applicable, for interest calculated and, solely with respect to clause (ii) above, no later than the Scheduled Unavailability Date, Term SOFR will be replaced hereunder and under any Loan Document with Daily Simple SOFR *including* the SOFR Adjustment for any payment period for interest calculated that can be determined by the Administrative Agent, in each case, without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document (the "Successor Rate").

If the Successor Rate is Daily Simple SOFR *including* the SOFR Adjustment, all interest payments will be payable on a quarterly basis.

Notwithstanding anything to the contrary herein, (i) if the Administrative Agent determines that Daily Simple SOFR is not available on or prior to the Term SOFR Replacement Date or (ii) if the events or circumstances of the type described in Section 3.03(b)(i) or (ii) have occurred with respect to the Successor Rate then in effect, then in each case, the Administrative Agent and the Borrower may amend this Agreement solely for purpose of replacing SOFR or any then current Successor Rate in accordance with this Section 3.03 at the end of any Interest Period, relevant interest payment date or payment period for interest calculated, as applicable, with an alternative benchmark rate giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated credit facilities syndicated and agented in the United States for such alternative benchmark and, in each case, including any mathematical or other adjustments to such benchmark giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated credit facilities syndicated and agented in the United States for such benchmark. For the avoidance of doubt, any such proposed rate and adjustments, shall constitute a "Successor Rate". Any such amendment shall become effective at 5:00 p.m. on the fifth Business Day after the Administrative Agent shall have posted such proposed amendment to all Lenders and the Borrower unless, prior to such time, Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders object to such amendment.

The Administrative Agent will promptly (in one or more notices) notify the Borrower and each Lender of the implementation of any Successor Rate.

Any Successor Rate shall be applied in a manner consistent with market practice; *provided* that to the extent such market practice is not administratively feasible for the Administrative Agent, such Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.

Notwithstanding anything else herein, if at any time any Successor Rate as so determined would otherwise be less than zero%, the Successor Rate will be deemed to be zero % for the purposes of this Agreement and the other Loan Documents.

In connection with the implementation of a Successor Rate, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement; provided that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Borrower and the Lenders reasonably promptly after such amendment becomes effective.

(c) For purposes of this Section 3.03, those Lenders that either have not made, or do not have an obligation under this Agreement to make, the relevant Loans in Dollars shall be excluded from any determination of Required Lenders.

1.8 Amendment to Section 8.01. Section 8.01 of the Credit Agreement is hereby amended by deleting "; or" at the end of subsection (k) and replacing it with a period, and by deleting subsection (l) in its entirety.

1.9 Replacement of Exhibit E. Exhibit E of the Credit Agreement is hereby deleted and replaced with Exhibit E, in the form set forth in the Annex attached hereto.

ARTICLE II
CONDITIONS TO EFFECTIVENESS

2.1 Closing Conditions. This Amendment shall become effective as of the day and year set forth above (the "Amendment Effective Date") upon satisfaction of the following conditions (in each case, in form and substance reasonably acceptable to the Administrative Agent) on or prior to August , 2024:

(a) Executed Amendment. The Administrative Agent shall have received a copy of this Amendment duly executed by each of the Loan Parties, the Required Lenders and the Administrative Agent.

(b) Default. After giving effect to this Amendment, no Default or Event of Default shall exist.

(c) Miscellaneous. All other documents and legal matters in connection with the transactions contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

ARTICLE III
MISCELLANEOUS

3.1 Amended Terms. On and after the Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Credit Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

3.2 Representations and Warranties of Loan Parties. Each of the Loan Parties represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Person and constitutes such Person's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Amendment.

(d) The representations and warranties set forth in Article V of the Credit Agreement are true and correct as of the date hereof (except for those which expressly relate to an earlier date).

(e) After giving effect to this Amendment, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(f) The Obligations are not reduced or modified by this Amendment and are not subject to any offsets, defenses or counterclaims.

3.3 Reaffirmation of Obligations. Each Loan Party hereby ratifies the Credit Agreement and acknowledges and reaffirms (a) that it is bound by all terms of the Credit Agreement applicable to it and (b) that it is responsible for the observance and full performance of its respective Obligations.

3.4 Loan Document. This Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

3.5 Further Assurances. The Loan Parties agree to promptly take such action, upon the request of the Administrative Agent, as is necessary to carry out the intent of this Amendment.

3.6 Entirety. This Amendment and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

3.7 Counterparts; Telecopy. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment or any other document required to be delivered hereunder, by fax transmission or e-mail transmission (e.g. “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Agreement. Without limiting the foregoing, upon the request of any party, such fax transmission or e-mail transmission shall be promptly followed by such manually executed counterpart.

3.8 No Actions, Claims, Etc. As of the date hereof, each of the Loan Parties hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the Administrative Agent, the Lenders, or the Administrative Agent’s or the Lenders’ respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Credit Agreement on or prior to the date hereof.

3.9 GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

3.10 Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.11 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial. The jurisdiction, service of process and waiver of jury trial provisions set forth in Sections 11.14 and 11.15 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

BORROWER:

USANA HEALTH SCIENCES, INC., a Utah corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

GUARANTORS:

USANA ACQUISITION CORP., a Utah corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

USANA SENSÉ COMPANY, INC., a Utah corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

USANA HEALTH SCIENCES NEW ZEALAND, INC., a Delaware corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

USANA CANADA HOLDING, INC., a Delaware corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

FMG PRODUCTIONS, INC., a Utah corporation

By:/s/ Jim H, Brown
Name: Jim H. Brown
Title: CEO & President

INTERNATIONAL HOLDINGS, INC., a Delaware corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

USANA HEALTH SCIENCES CHINA, INC., a Delaware corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

PET LANE, INC., a Delaware corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

UHS ESSENTIAL HEALTH PHILIPPINES, INC., a Utah corporation

By:/s/ Jim H. Brown
Name: Jim H. Brown
Title: CEO & President

ADMINISTRATIVE AGENT: **BANK OF AMERICA, N.A.**, in its capacity as Administrative Agent

By:/s/ Stephanie McClure
Name: Stephanie McClure
Title: Senior Vice President

LENDERS: **BANK OF AMERICA, N.A.**, in its capacity as Lender

By:/s/ Stephanie McClure
Name: Stephanie McClure
Title: Senior Vice President

ANNEX TO THIRD AMENDMENT TO CREDIT AGREEMENT

EXHIBIT E

[Form of]
Loan Notice

TO: Bank of America, N.A., as Administrative Agent

RE: Credit Agreement, dated as of August 25, 2020, by and among USANA HEALTH SCIENCES, INC., a Utah corporation (the "Borrower"), the Guarantors, the Lenders and Bank of America, N.A., as Administrative Agent, L/C Issuer and Swingline Lender (as amended, modified, extended, restated, replaced, or supplemented from time to time, the "Credit Agreement"; capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement)

DATE: **[Date]**

EFFECTIVE DATE: **[Date[1]]**

—

The undersigned hereby requests the following[2]:

Indicate: Borrowing or Conversion or Continuation	**Indicate: Requested Amount**	**Indicate: Term SOFR Rate Loan, Base Rate Loan or Daily Simple SOFR Loan**	**For Term SOFR Rate Loans Indicate: Interest Period (*e.g*. 1, 2, 3 or 6 month interest period)**

The Revolving Borrowing requested herein complies with the proviso to the first sentence of Section 2.01 of the Credit Agreement.

The Borrower hereby represents and warrants that the conditions specified in Section 4.02 of the Credit Agreement shall be satisfied on and as of the date of the Credit Extension Date.

Delivery of an executed counterpart of a signature page of this notice by fax transmission or other electronic mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this notice.

[1] Note to Borrower. All requests submitted under a single Loan Notice must be effective on the same date. If multiple effective dates are needed, multiple Loan Notices will need to be prepared and signed.
[2] Note to Borrower. For multiple borrowings, conversions and/or continuations for a particular facility, fill out a new row for each borrowing/conversion and/or continuation.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

USANA HEALTH SCIENCES, INC.,
a Utah corporation

By:_____________
Name:_____________
Title:_____________

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Jim H. Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2024

/s/ Jim H. Brown

Jim H. Brown
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, G. Douglas Hekking, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 5, 2024

/s/ G. Douglas Hekking

G. Douglas Hekking
Chief Financial Officer
(Principal Accounting and Financial Officer)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies that the Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. for the period ended September 28, 2024 as filed November 5, 2024 with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USANA Health Sciences, Inc.

Date: November 5, 2024	/s/ Jim H. Brown
	Jim H. Brown Chief Executive Officer (Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies that the Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. for the period ended September 28, 2024 as filed November 5, 2024 with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USANA Health Sciences, Inc.

Date: November 5, 2024	/s/ G. Douglas Hekking
	G. Douglas Hekking Chief Financial Officer (Principal Accounting and Financial Officer)