

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):
October 24, 2017

USANA HEALTH SCIENCES, INC.

(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction of incorporation)

001-35024
(Commission File No.)

87-0500306
(IRS Employer Identification)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).
- If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act
-

Item 2.02 Results of Operations and Financial Condition.

On October 24, 2017, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the third quarter and nine months ended September 30, 2017. The release also announced that the Company will post a document titled “Management Commentary, Results and Outlook” on the Company’s website and that executives of the company would hold a conference call with investors, to be broadcast over the World Wide Web and by telephone and provided access information, date and time for the conference call. The Company noted that the call will consist of brief remarks by the Company’s management team, before moving directly into questions and answers. A copy of the press release, and the Management Commentary, Results and Outlook, are furnished herewith as Exhibits to this Current Report on Form 8-K and are incorporated herein by reference. These documents will be posted on the Company’s corporate website, www.usana.com.

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

Item 7.01 Regulation FD Disclosure.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by USANA Health Sciences, Inc. dated October 24, 2017 (furnished herewith).
99.2	Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated October 24, 2017 (furnished herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

USANA HEALTH SCIENCES, INC.

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

Date: October 24, 2017

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated October 24, 2017 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated October 24, 2017 (furnished herewith).</u>

USANA Health Sciences Reports Third Quarter Financial Results

- *Record third quarter net sales of \$261.8 million, an increase of 3.0% year-over-year*
- *Number of active Customers¹ at quarter end increased 2.4% to 563,000*
- *Third quarter EPS of \$0.97, or \$1.02 excluding incremental expense related to China and the Company's previously disclosed internal investigation*
- *Company updates 2017 outlook*

SALT LAKE CITY--(BUSINESS WIRE)--October 24, 2017--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal third quarter ended September 30, 2017.

Financial Performance

For the third quarter of 2017, net sales were \$261.8 million compared with \$254.2 million in the prior-year period, or a 3.0% increase year-over-year. There was no meaningful year-over-year impact from changes in currency exchange rates on quarterly net sales. The Company's total number of active Customers increased by 2.4% year-over-year to 563,000.

Net earnings for the third quarter were \$23.8 million compared with \$30.1 million during the prior-year period, a decrease of 21.0%. Higher SG&A expense and a higher effective tax rate reduced net earnings during the quarter as they have throughout 2017.

Earnings per diluted share for the third quarter were \$0.97 compared with \$1.20 in the prior year period, a decrease of 19.2%. The expense related to China and the Company's internal investigation into its China operations, which was disclosed in February 2017, negatively impacted the third quarter by approximately \$1.9 million and earnings per diluted share by \$0.05. Weighted average diluted shares outstanding were 24.6 million for the third quarter of 2017, compared with 25.1 million in the prior-year period. The Company repurchased 865 thousand shares during the quarter for a total investment of \$50.0 million. The Company ended the quarter with \$191.7 million in cash and cash equivalents and no debt. As of September 30, 2017, there was \$50.0 million remaining under the current share repurchase authorization.

“The third quarter was significant for USANA, not only for delivering record quarterly sales, but because of the accomplishments and announcements we made during the quarter,” said Kevin Guest, Chief Executive Officer. “In particular, we celebrated our 25th anniversary at our annual International Convention, where we introduced a new skincare line, Celavive®, and announced our plans to expand into four additional European countries. Celavive® is formulated with our cell-signaling technology, InCelligence. Both the launch of Celavive® and the rollout of our European expansion will take place throughout 2018. These announcements were well received by thousands of our Associates at our convention and demonstrate our commitment to improving the health of more individuals and families around the world.”

Regional Results

Net sales in the Asia Pacific region increased by 4.7% to \$199.3 million. Within Asia Pacific, net sales:

- Increased 5.5% in Greater China;
- Increased 35.9% in North Asia; and
- Decreased 3.8% in the Southeast Asia Pacific region.

Sales growth in Greater China was primarily driven by 8.7% active Customer growth in Mainland China, while sales growth in North Asia resulted from 39.1% active Customer growth in South Korea. The total number of active Customers in the Asia Pacific region increased by 6.5% year-over-year.

Net sales in the Americas and Europe region decreased by 2.1% to \$62.5 million, largely due to an 8.6% decrease in active Customers.

“For the first time in nearly three years, the overall revenue impact from changes in currency exchange rates was neutral,” continued Mr. Guest. “Our Asia Pacific region continues to be the driver of our sales growth. While we continue to face a challenging trend in the Americas and Europe region, we will continue to offer short-term promotions leading up to the launch of Celavive and the opening of our new European markets next year.

Outlook

The Company is updating its consolidated net sales and earnings per share outlook for 2017 as follows:

- Consolidated net sales approaching \$1.030 billion (the top end of the company’s previously issued guidance of \$1.015 billion and \$1.030 billion); and
 - Earnings per share of approximately \$3.70 (previously \$3.50 and \$3.70).
-

The Company's outlook reflects:

- No significant impact from changes in currency exchange rates during the fourth quarter;
- An estimated operating margin of approximately 14% for the fourth quarter, which includes continued investments in the business;
- An effective tax rate of 31.2% for 2017, which excludes any prospective impact from excess tax benefits; and
- An annualized diluted share count of approximately 24.7 million.

Chief Financial Officer Doug Hekking, commented, "As we head into the final months of 2017, we are adjusting our guidance to reflect our year-to-date results and forecast for the remainder of 2017. We continue to have confidence in the Company's long-term growth trajectory and look forward to finishing 2017 strong and continuing to grow in 2018."

Internal Investigation of China Operations

As the Company first disclosed in February 2017, it is voluntarily conducting an internal investigation of its China operations, BabyCare Ltd. The investigation focuses on compliance with the Foreign Corrupt Practices Act ("FCPA") and certain conduct and policies at BabyCare, including BabyCare's expense reimbursement policies. The Audit Committee of the Board of Directors has assumed direct responsibility for reviewing these matters and has hired experienced counsel to conduct the investigation. While the Company does not believe that the subject amounts are quantitatively material or will materially affect its financial statements, it cannot currently predict the outcome of the investigation on its business, results of operations or financial condition. The Company has voluntarily contacted the Securities and Exchange Commission and the United States Department of Justice to advise both agencies that an internal investigation is underway and intends to provide additional information to both agencies as the investigation progresses. The Company cannot currently predict the duration, scope, or result of the investigation.

Non-GAAP Financial Measures

Constant currency net sales, earnings, EPS and other currency-related financial information (collectively, "Financial Results") are non-GAAP financial measures that remove the impact of fluctuations in foreign-currency exchange rates and help facilitate period-to-period comparisons of the Company's Financial Results and thus provide investors an additional perspective on trends and underlying business results. Constant currency Financial Results are calculated by translating the current period's Financial Results at the same average exchange rates in effect during the applicable prior-year period and then comparing this amount to the prior-year period's Financial Results.

Additionally, EPS results for a reporting period which exclude incremental expense related to the Company's internal investigation in China are non-GAAP financial measures that are intended to help facilitate period-to-period comparisons of the Company's Financial Results. Such EPS results are calculated by (i) calculating the total incremental expense related to the internal investigation after taxes; and (ii) dividing the expense by the total number of diluted shares outstanding for the applicable reporting period.

Conference Call

The Company has posted the "Management Commentary, Results and Outlook" document on the Company's website (<http://ir.usana.com>) under the "Investor Relations" section of the site. USANA will hold a conference call and webcast to discuss today's announcement with investors on Wednesday, October 25, 2017 at 11:00 a.m. Eastern Time. **Investors may listen to the call by accessing USANA's website at <http://ir.usana.com>.** The call will consist of brief opening remarks by the Company's management team, before moving directly into questions and answers.

About USANA

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

Safe Harbor

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Our actual results could differ materially from those projected in these forward-looking statements, which involve a number of risks and uncertainties, including global economic conditions generally, reliance upon our network of independent Associates, the governmental regulation of our products, manufacturing and marketing risks, adverse publicity risks, risks associated with our international expansion and operations, and risks associated with the internal investigation into BabyCare's operations. The contents of this release should be considered in conjunction with the risk factors, warnings, and cautionary statements that are contained in our most recent filings with the Securities and Exchange Commission.

¹ The term "active Customers" refers to the combined total of active Associates and active Preferred Customers as of September 30, 2017. During the first quarter of 2017, we initiated our Preferred Customer Invitation Plan in the United States and, pursuant to this invitation, 16,000 active Associates in the United States became Preferred Customers. To avoid confusion in reporting changes in the number of active Associates and Preferred Customers as a result of this invitation plan, we are reporting total active Customers. The tables, which are part of this release, however, will continue to separately disclose the number of active Associates and active Preferred Customers.

USANA Health Sciences, Inc.
Consolidated Statements of Earnings
(In thousands, except per share data)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	1-Oct-16	30-Sep-17	1-Oct-16	30-Sep-17
Net sales	\$ 254,219	\$ 261,765	\$ 753,182	\$ 774,151
Cost of sales	44,979	47,135	133,869	133,691
Gross profit	<u>209,240</u>	<u>214,630</u>	<u>619,313</u>	<u>640,460</u>
Operating expenses				
Associate incentives	112,816	116,010	335,541	350,195
Selling, general and administrative	60,591	67,263	176,986	193,653
Earnings from operations	<u>35,833</u>	<u>31,357</u>	<u>106,786</u>	<u>96,612</u>
Other income (expense)	268	690	(9)	1,632
Earnings before income taxes	<u>36,101</u>	<u>32,047</u>	<u>106,777</u>	<u>98,244</u>
Income taxes	6,003	8,278	28,618	29,858
NET EARNINGS	<u>\$ 30,098</u>	<u>\$ 23,769</u>	<u>\$ 78,159</u>	<u>\$ 68,386</u>
Earnings per share - diluted	\$ 1.20	\$ 0.97	\$ 3.12	\$ 2.75
Weighted average shares outstanding - diluted	25,050	24,588	25,050	24,871

USANA Health Sciences, Inc.
Consolidated Balance Sheets
(In thousands)
(Unaudited)

	As of	As of
	31-Dec-16	30-Sep-17
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 175,774	\$ 191,745
Inventories	64,810	63,334
Prepaid expenses and other current assets	37,277	31,373
Total current assets	<u>277,861</u>	<u>286,452</u>
Property and equipment, net	101,267	102,146
Goodwill	16,715	17,167
Intangible assets, net	34,349	34,728
Deferred income taxes	18,292	28,577
Other assets	22,158	21,581
Total assets	<u>\$ 470,642</u>	<u>\$ 490,651</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 9,040	\$ 9,290
Other current liabilities	129,451	112,137
Total current liabilities	<u>138,491</u>	<u>121,427</u>
Deferred income taxes	5,499	5,249
Other long-term liabilities	1,365	1,163
Stockholders' equity	325,287	362,812
Total liabilities and stockholders' equity	<u>\$ 470,642</u>	<u>\$ 490,651</u>

USANA Health Sciences, Inc.

Sales by Region

(unaudited)

(in thousands)

Quarter Ended

	1-Oct-16		30-Sep-17		Change from prior year		Currency impact on sales	% change excluding currency impact
Asia Pacific								
Greater China	\$ 124,470	49.0%	\$ 131,273	50.1%	\$ 6,803	5.5%	\$ 201	5.3%
Southeast Asia Pacific	54,351	21.4%	52,310	20.0%	(2,041)	(3.8%)	(1,197)	(1.6%)
North Asia	11,555	4.5%	15,708	6.0%	4,153	35.9%	(243)	38.0%
Asia Pacific Total	190,376	74.9%	199,291	76.1%	8,915	4.7%	(1,239)	5.3%
Americas and Europe	63,843	25.1%	62,474	23.9%	(1,369)	(2.1%)	1,198	(4.0%)
	\$ 254,219	100.0%	\$ 261,765	100.0%	\$ 7,546	3.0%	\$ (41)	3.0%

Active Associates by Region ⁽¹⁾

(unaudited)

As of

	1-Oct-16		30-Sep-17	
Asia Pacific				
Greater China	263,000	57.7%	281,000	60.7%
Southeast Asia Pacific	91,000	20.0%	90,000	19.4%
North Asia	15,000	3.3%	23,000	5.0%
Asia Pacific Total	369,000	81.0%	394,000	85.1%
Americas and Europe	87,000	19.0%	69,000	14.9%
	456,000	100.0%	463,000	100.0%

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

Active Preferred Customers by Region ⁽²⁾

(unaudited)

As of

	1-Oct-16		30-Sep-17	
Asia Pacific				
Greater China	5,000	5.3%	4,000	4.0%
Southeast Asia Pacific	15,000	16.0%	16,000	16.0%
North Asia	10,000	10.6%	11,000	11.0%
Asia Pacific Total	30,000	31.9%	31,000	31.0%
Americas and Europe	64,000	68.1%	69,000	69.0%
	94,000	100.0%	100,000	100.0%

(2) Preferred Customers purchase our products strictly for their personal use and are not permitted to resell or to distribute the products. We only count as active those Preferred Customers who have purchased from us any time during the most recent three-month period.

CONTACT:

USANA Health Sciences, Inc.

Investors contact:

Patrique Richards, 801-954-7961

Investor Relations

investor.relations@us.usana.com

or
Media contact:
Dan Macuga, 801-954-7280
Public Relations

USANA Health Sciences, Inc.***Q3 2017 Management Commentary, Results and Outlook***

- *Record third quarter net sales of \$261.8 million, an increase of 3.0% year-over-year*
- *Number of active Customers¹ at quarter-end increased 2.4% to 563,000*
- *Third quarter EPS of \$0.97, or \$1.02 excluding incremental expense related to China and the Company's internal investigation*
- *Company updates 2017 outlook*

October 24, 2017

Overview

USANA today reported third quarter net sales of \$261.8 million, the highest sales quarter in the Company's history. Compared to \$254.2 million in the prior-year period, net sales increased by 3.0% and were unaffected by currency exchanges rates, which were neutral for the quarter.

In addition to achieving record net sales, we celebrated our 25th anniversary at our annual International Convention where we made several important announcements to thousands of Associates. These announcements included the introduction of our new skincare line, Celavive®, and the entry into four new European markets.

The highly-anticipated announcement of USANA's new Celavive® skin care line, featuring USANA's InCelligence™ technology, was made at our 2017 International Convention. Celavive® was made available for purchase exclusively to convention attendees, which allowed USANA to get this new product line into the hands of its brand advocates prior to the official launch in 2018. This pre-launch availability created an opportunity for important pre-market user experience and time for each Associate to create their Celavive® business plans leading into 2018. We will officially launch the Celavive® line in select markets in January 2018, and then systematically roll it out to other markets around the world during the remainder of 2018.

¹ The term "active Customers" refers to the combined total of active Associates and active Preferred Customers as of September 30, 2017. During the first quarter of 2017, we initiated our Preferred Customer Invitation Plan in the United States and, pursuant to this invitation, 16,000 active Associates in the United States became Preferred Customers. To avoid confusion in reporting changes in the number of active Associates and Preferred Customers as a result of this invitation plan, we are reporting total active Customers. The tables, which are part of the Company's earnings release, however, will continue to separately disclose the number of active Associates and active Preferred Customers.

In comparison to USANA's previous skin care offering, Sense, which was introduced in 2002, Celavive® is a completely new, personalized experience. Celavive® offers a more comprehensive skin care regimen benefiting multiple skin care types and ethnicities, upgraded science featuring InCelligence™ technology, and more noticeable user benefits. Considering these enhancements, we believe that Celavive® will generate incremental sales to a new customer demographic and thereby grow our skin care line from 6% of net sales to an estimated 10% of net sales by the end of 2018.

In addition to the Celavive® announcement, during the USANA International Convention, we announced the opening of four new European markets – Germany, Spain, Italy, and Romania. The opening of these new markets will occur in mid-2018. According to Direct Selling News, Germany is the fourth-largest direct selling market in the world while Italy is the 12th largest market.

To properly leverage and maximize anticipated growth in these markets, each of these four new markets will be driven by local management, while being supported by our European regional headquarters in Paris, France. To strategically maximize consumer demand and increase the velocity of market performance, USANA has already made products available for purchase to Preferred Customers on a not-for-resale basis in these markets.

As discussed last quarter, USANA's Portfolio and R&D teams are anxiously engaged in a renewal strategy for our Foods line, focused on resolving the important matters that negatively impacted Customers. Material progress has been made in restoring a high consumer satisfaction with our Foods line by the reactivation of Nutrimeal products, as well as identifying updates that will enhance consumer experience with the USANA MySmart line.

Q3 2017 Results

Net sales for the third quarter of 2017 were \$261.8 million, compared with \$254.2 million in the prior-year period, an increase of 3.0%. Changes in currency exchange rates were neutral on a year-over-year basis. The total number of Active Customers increased by 2.4% year-over-year to 563,000.

Net earnings for the third quarter were \$23.8 million, compared with \$30.1 million during the prior-year period. Lower gross margins combined with higher SG&A and a higher effective tax rate reduced net earnings during the quarter.

Earnings per diluted share for the third quarter were \$0.97, compared with \$1.20 in the prior year period. The expense related to China and the Company's internal investigation, which was disclosed in February 2017, negatively impacted earnings per diluted share by approximately \$0.05.

Weighted average diluted shares outstanding were 24.6 million as of the end of the third quarter of 2017, compared with 25.1 million in the prior-year period. The Company repurchased 865 thousand shares during the quarter for a total investment of \$50 million. The Company ended the quarter with \$191.7 million in cash and cash equivalents and no debt. As of September 30, 2017, there was \$50 million remaining under the current share repurchase authorization.

Quarterly Income Statement Discussion

Gross margins decreased 30 basis points from the prior year to 82.0% of net sales. The decline in gross margins was a result of a change in market sales mix, a higher cost of material and operating costs in China, and increased scrap costs related to our foods and skincare products that are being phased out. The lower gross margin was partially offset by modest currency improvements and by our annual price adjustments.

Associate Incentives were 44.3% of net sales during the quarter, which were essentially flat with the 44.4% reported for the third quarter of the prior year.

Selling, general and administrative expense increased 190 basis points from the prior year to 25.7% of net sales. Selling, general and administrative expense was higher primarily due to higher spending associated with (i) our 25th anniversary celebration at our annual International Convention; (ii) incremental expense related to the Company's previously disclosed internal investigation; and (iii) continued investments in our information technology infrastructure. Incremental costs associated with our 25th anniversary totaled approximately \$2.3 million. Costs associated with China and the internal investigation totaled approximately \$1.9 million for the third quarter. Additionally, the Company recognized an impairment on a note receivable from a former supplier of approximately \$1.6 million.

The effective tax rate increased 920 basis points from the prior year to 25.8% of net sales. The effective tax rate for the third quarter was higher due primarily to a decrease in excess tax benefits associated with the accounting standard update ASU 2016-09 (Topic 718) - Improvements to Employee Share-Based Payment Accounting.

Regional Financial Results

Asia Pacific Region: Q3 2017 Net sales of \$199.3 million; 76.1% of Consolidated Net Sales

Net Sales in the Asia Pacific region increased 4.7% year-over-year. The number of active Customers in the region increased by 6.5% year-over-year.

Greater China: Net sales in Greater China increased 5.5% year-over-year. The number of active Customers in the Greater China region increased 6.3% year-over-year. In mainland China, local currency sales increased 7.2% while the number of active Customers increased 8.7%.

Southeast Asia Pacific: Net sales in the Southeast Asia Pacific region decreased 3.8% year-over-year. The number of active Customers in the Southeast Asia Pacific was flat compared to the previous year period. The decrease in net sales was driven primarily by results in the Philippines, where local currency sales decreased 10.2% and the number of active Customers decreased 10.3%.

North Asia: Net sales in North Asia increased 35.9% year-over-year. This growth was driven by 39.1% active Customer growth in South Korea, where local currency net sales increased by 41.8% year-over-year.

Americas and Europe Region: Q3 2017 Net Sales of \$62.5 million, 23.9% of Consolidated Net Sales

In the Americas and Europe region, net sales decreased 2.1%, while the number of active Customers decreased 8.6%. While we continue to face a challenging trend in the Americas and Europe region, we will continue to offer short-term promotions leading up to the launch of Celavive® and the opening of our new European markets next year. Additionally, we are evaluating new strategies, including the addition of new leadership in an effort to generate long-term growth in the Americas and Europe.

Outlook

The Company is updating its consolidated net sales and earnings per share outlook for fiscal year 2017 as follows:

- Consolidated net sales approaching \$1.030 billion (the top end of the company's previously issued guidance of \$1.015 billion and \$1.030 billion); and
- Earnings per share of approximately \$3.70 (previously \$3.50 and \$3.70)

The Company's outlook reflects:

- No significant impact from changes in currency exchange rates during the fourth quarter;
- An operating margin of approximately 14% for the fourth quarter, which includes continued investments in the business;
- An effective tax rate of 31.2% for 2017, which excludes any prospective impact from excess tax benefits; and
- An annualized diluted share count of approximately 24.7 million.

Our current estimates continue to project another record revenue year for USANA. Our updated outlook anticipates incremental investments in the business that are intended to drive customer growth across our regions. Investments in the business will continue to ensure that (i) our products remain at the forefront of science; (ii) our infrastructure is sound; and (iii) our technology supports our growing customer base and enhances their overall experience with USANA. We continue to have confidence in the Company's long-term growth trajectory and look forward to finishing 2017 strong and continuing to grow in 2018.

Kevin Guest

CEO

Douglas Hekking

CFO

Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Our actual results could differ materially from those projected in these forward-looking statements, which involve a number of risks and uncertainties, including global economic conditions generally, reliance upon our network of independent Associates, the governmental regulation of our products, manufacturing and marketing risks, adverse publicity risks, risks associated with our international expansion and operations, and risks associated with the internal investigation into BabyCare’s operations. The contents of this document should be considered in conjunction with the risk factors, warnings, and cautionary statements that are contained in our most recent filings with the Securities and Exchange Commission.

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Non-GAAP Financial Measures

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

Additionally, EPS results for a reporting period which exclude incremental expense related to the Company's internal investigation in China are non-GAAP financial measures that are intended to help facilitate period-to-period comparisons of the Company's Financial Results. Such EPS results are calculated by (i) calculating the total incremental expense related to the internal investigation after taxes; and (ii) dividing the expense by the total number of diluted shares outstanding for the applicable reporting period.