

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):
July 24, 2018

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
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Item 2.02 Results of Operations and Financial Condition.

On July 24, 2018, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the second quarter ended June 30, 2018. 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

Exhibit No.	Description
99.1	Press release issued by USANA Health Sciences, Inc. dated July 24, 2018 (furnished herewith).
99.2	Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated July 24, 2018 (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: July 24, 2018

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated July 24, 2018 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated July 24, 2018 (furnished herewith).</u>

USANA Health Sciences Reports Record Results for Second Quarter 2018; Increases 2018 Outlook

- *Record second quarter net sales of \$301.5 million, an increase of 17.3% year-over-year*
- *Second quarter diluted earnings per share increased 46.2% year-over-year to \$1.36 per share*

SALT LAKE CITY--(BUSINESS WIRE)--July 24, 2018--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal second quarter ended June 30, 2018.

Financial Performance

For the second quarter of 2018, net sales were \$301.5 million, compared with \$257.1 million in the prior-year period, a 17.3% increase year-over-year. Favorable currency exchange rates positively impacted net sales by \$12.5 million for the quarter as compared to the prior-year. Celavive, the Company's new skincare line, contributed approximately \$7 million in incremental sales for the quarter. In markets where Celavive has launched, skin and personal care products accounted for 9.5% of overall sales in the second quarter of 2018, versus 5.7% a year ago. The Company's total number of active Customers increased 5.3% year-over-year to 597,000.

Net earnings for the second quarter increased 45.8% to \$33.9 million, compared with net earnings of \$23.3 million reported in the prior-year period. Earnings per diluted share increased to \$1.36 per diluted share, an increase of 46.2% on a year-over-year basis. The increase in net earnings was due primarily to higher net sales and lower relative operating expenses compared to the prior year period. Costs related to China and the Company's internal investigation into its China operations were nominal during the second quarter of 2018 as compared to approximately \$1.3 million, after tax, during the prior year period.

“Our operating results for the second quarter exceeded our expectations and reflect the momentum we are seeing in most of our regions. This momentum helped us generate the highest quarterly revenue and earnings per share in the Company’s history,” said Kevin Guest, Chief Executive Officer. “Although the strengthening of the U.S. dollar will be a challenge during the second half of the year, we are positioned to deliver additional sales growth as we host our International Convention in Salt Lake City, launch Celavive in China, and hold our Chinese national meeting in Macau.”

Weighted average diluted shares outstanding were 24.8 million for the second quarter of 2018, compared with diluted shares of 25.0 million in the prior-year period. The Company ended the quarter with \$256.3 million in cash and cash equivalents, with an additional \$42.4 million invested in short-term securities, and with no debt. As of June 30, 2018, there was \$47.1 million remaining under the current share repurchase authorization.

Regional Results

Net sales in the Asia Pacific region increased by 21.2% to \$241.6 million for the second quarter of 2018. Within Asia Pacific, net sales:

- Increased 22.8% in Greater China;
- Increased 36.1% in North Asia; and
- Increased 12.5% in the Southeast Asia Pacific region.

Sales growth in Greater China was primarily driven by an 8.9% increase in Active Customers in Mainland China, while sales growth in North Asia resulted primarily from 20.7% Active Customer growth in South Korea. Sales growth in Southeast Asia Pacific was driven by 23.8% Active Customer growth in Malaysia. The total number of active Customers in the Asia Pacific region increased by 8.8% year-over-year.

Net sales in the Americas and Europe region for the second quarter of 2018 increased by 3.7% to \$59.9 million, and active Customers in this region declined 4.8%.

“Our Asia Pacific region continues to drive our growth, as we experienced double-digit sales growth in several markets within this region for the quarter,” continued Mr. Guest. “In the Americas and Europe region, net sales increased modestly on both a year-over-year and sequential-quarter basis, although the number of active Customers declined. The highlight for this region during the quarter was the opening of four new European markets on June 20th, which generated both excitement for our customers and momentum in Europe.”

Tariffs and Trade Policies

The Company does not currently expect the recently announced tariffs between the United States and other countries to have a material impact on its results of operations. Additional changes in tariffs and trade policies, however, may have a negative impact on currency exchange rates and economic conditions generally, which could negatively affect our results of operations.

Outlook

The Company is updating its outlook for 2018 as follows:

- Consolidated net sales between \$1.17 and \$1.20 billion, previously between \$1.13 and \$1.17 billion; and
- Earnings per share between \$4.75 and \$5.05, previously between \$4.25 and \$4.55.

The Company’s full-year outlook reflects:

- A year-over-year benefit to net sales of approximately \$29 million from favorable currency exchange rates, which was previously estimated at \$45 million;
- An estimated operating margin between 15.0% and 15.5%;
- An effective tax rate of approximately 34%; and
- An annualized diluted share count of approximately 24.8 million.

Chief Financial Officer, Doug Hekking, commented, “Given our results for the first six months of the year and our forecast for the remainder of the year, we are raising our outlook for fiscal 2018. Although favorable currency exchange rates benefited our operating results in the first half of 2018, we saw the U.S. dollar strengthen during the quarter and expect it to continue to strengthen during the remainder of 2018. Consequently, we have significantly reduced the estimated benefit to net sales from currency for the full year. Additionally, we plan to continue investing in our business during the second half of 2018, while also leveraging the investments we have made over the last several years.”

China Preferred Customers

The Company has had a long-standing Preferred Customer program in China but, due to certain attributes of that program, had historically reported China Preferred Customers as Associates. The Company began reporting China Preferred Customers as Preferred Customers with its results for the fourth quarter of 2017.

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.

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, July 25, 2018 at 11:00 AM Eastern Time. **Investors may listen to the call by accessing USANA’s website at <http://ir.usana.com>.** The call will consist of brief opening remarks by the Company’s management team, 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, Indonesia, Germany, Spain, Romania, and Italy. 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.

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

	Quarter Ended		Six Months Ended	
	1-Jul-17	30-Jun-18	1-Jul-17	30-Jun-18
Net sales	\$ 257,063	\$ 301,460	\$ 512,386	\$ 593,458
Cost of sales	43,902	49,991	86,556	99,366
Gross profit	213,161	251,469	425,830	494,092
Operating expenses				
Associate incentives	118,404	132,790	234,185	262,152
Selling, general and administrative	62,389	67,537	126,390	137,669
Earnings from operations	32,368	51,142	65,255	94,271
Other income (expense)	460	388	942	1,250
Earnings before income taxes	32,828	51,530	66,197	95,521
Income taxes	9,569	17,623	21,580	32,668
NET EARNINGS	\$ 23,259	\$ 33,907	\$ 44,617	\$ 62,853
Earnings per share - diluted	\$ 0.93	\$ 1.36	\$ 1.78	\$ 2.56
Weighted average shares outstanding - diluted	25,018	24,841	24,997	24,557

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

	As of	As of
	30-Dec-17	30-Jun-18
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 247,131	\$ 256,326
Securities held-to-maturity, net	-	42,433
Inventories	62,918	74,123
Prepaid expenses and other current assets	30,110	31,777
Total current assets	340,159	404,659
Property and equipment, net	102,847	96,845
Goodwill	17,417	17,224
Intangible assets, net	35,154	33,811
Deferred income taxes	2,859	3,609
Other assets	20,833	19,136
Total assets	\$ 519,269	\$ 575,284
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 11,787	\$ 12,379
Other current liabilities	129,396	124,371
Total current liabilities	141,183	136,750
Deferred income taxes	13,730	8,125
Other long-term liabilities	1,146	1,128
Stockholders' equity	363,210	429,281
Total liabilities and stockholders' equity	\$ 519,269	\$ 575,284

USANA Health Sciences, Inc.

Sales by Region

(unaudited)
(in thousands)

Quarter Ended

	1-Jul-17		30-Jun-18		Change from prior year		Currency impact on sales	% change excluding currency impact
Asia Pacific								
Greater China	\$ 136,702	53.2%	\$ 167,841	55.6%	\$ 31,139	22.8%	\$ 10,573	15.0%
Southeast Asia Pacific	48,665	18.9%	54,771	18.2%	6,106	12.5%	614	11.3%
North Asia	13,948	5.4%	18,986	6.3%	5,038	36.1%	812	30.3%
Asia Pacific Total	199,315	77.5%	241,598	80.1%	42,283	21.2%	11,999	15.2%
Americas and Europe	57,748	22.5%	59,862	19.9%	2,114	3.7%	472	2.8%
	\$ 257,063	100.0%	\$ 301,460	100.0%	\$ 44,397	17.3%	\$ 12,471	12.4%

Active Associates by Region ⁽¹⁾

(unaudited)

As of

	1-Jul-17		30-Jun-18	
Asia Pacific				
Greater China	105,000	37.5%	111,000	38.0%
Southeast Asia Pacific	83,000	29.7%	85,000	29.1%
North Asia	20,000	7.1%	26,000	8.9%
Asia Pacific Total	208,000	74.3%	222,000	76.0%
Americas and Europe	72,000	25.7%	70,000	24.0%
	280,000	100.0%	292,000	100.0%

Active Preferred Customers by Region ⁽²⁾

(unaudited)

As of

	1-Jul-17		30-Jun-18	
Asia Pacific				
Greater China	189,000	65.9%	206,000	67.5%
Southeast Asia Pacific	15,000	5.2%	20,000	6.6%
North Asia	10,000	3.5%	11,000	3.6%
Asia Pacific Total	214,000	74.6%	237,000	77.7%
Americas and Europe	73,000	25.4%	68,000	22.3%
	287,000	100.0%	305,000	100.0%

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

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

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.*****Q2 2018 Management Commentary, Results and Outlook***

- *Record quarterly net sales of \$301.5 million, an increase of 17.3% year-over-year*
- *Record quarterly net earnings of \$33.9 million, or \$1.36 per diluted share*
- *Company increases 2018 outlook*

July 24, 2018**Overview**

The second quarter of 2018 was another exceptional quarter for USANA. We reported record quarterly sales and bottom-line results. Accordingly, we are updating our 2018 outlook to reflect strong momentum in nearly all of our regions around the world. The following are notable accomplishments from the quarter.

On June 20th, we opened four new European markets; Germany, Spain, Italy, and Romania. The launch of each of these markets went very well and our initial operating results from the markets are in line with our expectations. These new markets will be supported by our European regional headquarters in Paris, France, which will allow us to leverage existing infrastructure and efficiently expand our consumer base throughout Europe. We believe that the excitement of entering these new markets will help generate momentum within the Americas and Europe region.

During the quarter, we also completed the initial phase of our WeChat platform, which will become available to our China customers during the third quarter and, subsequently, to the rest of our markets around the world. WeChat is a Chinese multi-purpose messaging and social media app that is widely thought of as China's "app for everything" because of its wide range of functionality. This new platform demonstrates our commitment to making business convenient for our Associates and customers. We will continue to update and add functionality to this platform over the coming quarters.

Q2 2018 Results

We reported second quarter net sales of \$301.5 million, which are the highest quarterly sales in the Company's history. Net sales increased 17.3% when compared to the \$257.1 million reported in the prior-year period. Celavive, our new skincare line, launched during the first quarter of 2018, and contributed approximately \$7 million in incremental sales for the quarter. In markets where Celavive has launched, skin and personal care products accounted for 9.5% of overall sales in the second quarter of 2018, versus 5.7% a year ago. Favorable currency exchange rates positively impacted net sales by \$12.5 million for the quarter as compared to the prior-year. Our total number of active Customers increased 5.3% year-over-year to 597,000.

We reported net earnings for the second quarter of \$33.9 million, or \$1.36 per share, compared with net earnings of \$23.3 million, or \$0.93 per diluted share, during the prior-year period. In addition to strong top-line growth, lower relative operating expenses contributed to the growth in net earnings and earnings per share. Costs related to China and our internal investigation into our China operations were nominal during the second quarter of 2018 as compared to approximately \$1.3 million, after tax, during the prior year period.

Weighted average basic and diluted shares outstanding were 24.8 million for the second quarter of 2018, compared with diluted shares of 25.0 million in the prior-year period. We did not repurchase shares during the quarter, and ended the quarter with \$256.3 million in cash and cash equivalents, with an additional \$42.4 million invested in short-term securities, and with no debt. As of June 30, 2018, there was \$47.1 million remaining under the current share repurchase authorization.

Quarterly Financial Statement Discussion

Gross margins improved 50 basis points from the prior year to 83.4% of net sales. A weaker U.S. dollar and lower relative freight costs positively contributed to gross margins during the quarter. Sales of Celavive, which carry a higher relative cost of goods sold than our previous skincare line, had a modest negative impact on gross margins.

Associate incentives decreased 210 basis points from the prior year to 44.0% of net sales during the quarter. The decrease in Associate Incentives can be attributed primarily to a decrease in promotion costs and lower incentive payout on sales from our new Celavive product line.

Relative selling, general and administrative expense decreased 180 basis points from the prior year to 22.4% of net sales. The improvement in relative selling, general and administrative expense can be attributed to costs associated with China and the Company's previously disclosed internal investigation in China that totaled approximately \$2.0 million in the prior-year period. As previously noted, these costs were nominal in the current year quarter.

The effective tax rate increased to 34.2% compared to 29.1% in the prior year quarter. Note that the tax rate on a year-over-year basis is not and will not be comparable during 2018, because of the significant changes related to U.S. tax reform.

Inventory. Inventory increased meaningfully in the first half of the year. The increase in inventory is a result of a decision to carry a greater amount of inventory of Celavive [we either need to trademark it everywhere or not use the trademark symbol] to minimize potential disruption with our customers and sales force due to uncertain demand and longer lead times for this product. Plans to launch Celavive [same comment] in China during the back half of 2018 will result in a higher inventory carrying balance throughout the remainder of 2018, but inventory levels should begin to normalize in 2019.

Regional Financial Results

Asia Pacific Region: Q2 2018 Net sales of \$241.6 million; 80.1% of Consolidated Net Sales

Net Sales in the Asia Pacific region increased 21.2% year-over-year. The number of active Customers in the region increased by 8.8% year-over-year.

Greater China: Net sales in Greater China increased 22.8% year-over-year. The number of active Customers in the Greater China region increased 7.8% year-over-year. In mainland China, local currency sales increased 16.5% while the number of active Customers increased 8.9%.

Southeast Asia Pacific: Net sales in the Southeast Asia Pacific region increased 12.5% year-over-year. The number of active Customers in the Southeast Asia Pacific region increased 7.1% compared to the prior-year period. The increase in net sales was driven primarily by results in Malaysia, Singapore and Australia, where local currency sales increased 22.3%, 16.6%, and 8.3%, respectively.

North Asia: Net sales in North Asia increased 36.1% year-over-year. This growth was driven by 20.7% active Customer growth in South Korea, where local currency net sales increased by 31.3% year-over-year.

Americas and Europe Region: Q2 2018 Net Sales of \$59.9 million, 19.9% of Consolidated Net Sales

In the Americas and Europe region, net sales increased 3.7%, due to favorable currency exchange rates and an increase in the average sales per active customer, which is largely attributable to Celavive. The number of active Customers decreased 4.8% year-over-year. Notably, we opened four new European markets on June 20th, which is one part of our initiatives to improve results in this important region.

Tariffs and Trade Policies

The Company does not currently expect the recently announced tariffs between the United States and other countries to have a material impact on its results of operations. Additional changes in tariffs and trade policies, however, may have a negative impact on currency exchange rates and economic conditions generally, which could negatively affect our results of operations.

Outlook

The Company is updating its outlook for 2018:

- Consolidated net sales between \$1.17 and \$1.20 billion, previously between \$1.13 and \$1.17 billion; and
- Earnings per share of between \$4.75 and \$5.05, previously between \$4.25 and \$4.55.

The Company's full-year outlook reflects:

- A year-over-year benefit to net sales of approximately \$29 million from favorable currency exchange rates, which was previously estimated at \$45 million;
- An estimated operating margin between 15.0% and 15.5%;
- An effective tax rate of approximately 34%; and
- An annualized diluted share count of approximately 24.8 million.

Although favorable currency exchange rates benefited our operating results in the first half of 2018, we saw the U.S. dollar strengthen during the quarter and expect it to continue to strengthen during the remainder of 2018. Consequently, we have significantly reduced the estimated benefit to net sales from currency for the full year. Nevertheless, given our results for the first six months of the year and our forecast for the remainder of the year, we are raising our outlook for fiscal 2018.

Looking forward, we have several initiatives that will continue to drive momentum in the second half of the year. First, we expect to launch Celavive in China by the end of the third quarter. We successfully launched this skincare line in all of our other markets around the world during the first quarter. Given the relative size of sales from Mainland China, we expect a similar level of incremental sales from the upcoming launch. With the normalization of sales in other markets, and the initial spike we anticipate during the launch in China, we continue to expect our skincare line to grow steadily throughout the year to reach a run rate of approximately 10% of net sales by the end of 2018.

Second, technology continues to be a focus for USANA. With the initial phase of our WeChat platform complete, we will launch this new technology in China during the third quarter, and subsequently to the rest of our markets around the world. Because many of our Customers around the world are Chinese, we expect this new platform to benefit more than just our Mainland China Customers. Additionally, we expect the platform to have a larger impact over time as we continue to update and add functionality in future quarters.

Third, we will host our 26th annual International Convention in August. This event, which will be held here in Salt Lake City, has proven to be an excellent way to celebrate, train and motivate our Associate base. It is also an excellent platform to introduce new science, technology and products as we update our Associates on the future direction of the Company. It was at last year's International Convention that we introduced Celavive ahead of its official launch in early 2018.

Finally, in November we will host our annual China National Sales Meeting in Macau. Similar in format to our International Convention, this event is an excellent way to celebrate, train and motivate our Chinese Associate base. Notably, this will be the first year that we offer products for sale at the China National Meeting. Accordingly, we are anticipating incremental sales between \$8 and \$12 million from this event during the fourth quarter. These incremental sales are reflected in our revised outlook for 2018.

As indicated by our financial guidance, we expect 2018 to be another record year for USANA. Our 2018 strategic initiatives continue to be (i) growing our Preferred Customer business around the world; (ii) introducing and leveraging a robust social sharing platform, (iii) pursuing additional product and technology innovation, and (iv) continuing to improve our IT infrastructure to create a better overall customer experience for our Associates and Preferred Customers. Our main objective continues to be growing our worldwide customer base as we remain focused on improving the health and lives of individuals and families around the world. We are encouraged by the current momentum and are confident that these initiatives will continue to strengthen the business as we move into the next growth phase of USANA.

Kevin Guest
CEO

Douglas Hekking
CFO

China Preferred Customers

The Company has had a long-standing Preferred Customer program in China but, due to certain attributes of that program, has historically reported China Preferred Customers as Associates. Beginning with the results for the fourth quarter of 2017, the Company is reporting China Preferred Customers as Preferred Customers.

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.

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.

Investors contact:

Patrique Richards
Investor Relations
(801) 954-7961
investor.relations@us.usana.com

Media contact:

Dan Macuga
Public Relations
801-954-7280