

**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 23, 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  
Number)

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 23, 2018, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the third quarter ended September 29, 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

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 99.1               | Press release issued by USANA Health Sciences, Inc. dated October 23, 2018 (furnished herewith).                                |
| 99.2               | Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated October 23, 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: October 23, 2018

---

## Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u>   |
|--------------------|--|
| <u>99.1</u>        | <u>Press release issued by USANA Health Sciences, Inc. dated October 23, 2018 (furnished herewith).</u>                                |
| <u>99.2</u>        | <u>Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated October 23, 2018 (furnished herewith).</u> |

## **USANA Health Sciences Reports Results for Third Quarter 2018; Updates 2018 Outlook; Board Increases Share Repurchase Authorization**

- *Third quarter net sales of \$296.8 million, an increase of 13.4% year-over-year*
- *Third quarter diluted earnings per share increased 27.8% year-over-year to \$1.24*
- *Total Active Customers increased 9.2% year-over-year to 615,000*
- *Board increases share repurchase authorization*

SALT LAKE CITY--(BUSINESS WIRE)--October 23, 2018--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal third quarter ended September 29, 2018.

### **Financial Performance**

For the third quarter of 2018, net sales were \$296.8 million, compared with \$261.8 million in the prior-year period, a 13.4% increase year-over-year. Unfavorable currency exchange rates negatively impacted net sales by \$6.2 million for the quarter as compared to the prior year. The Company's skin and personal care product category contributed approximately \$9.5 million in incremental sales for the quarter. The Company's total number of active Customers increased 9.2% year-over-year to 615,000.

---

Net earnings for the third quarter increased 30.6% to \$31.0 million, compared with net earnings of \$23.8 million reported in the prior-year period. Earnings per diluted share increased to \$1.24, an increase of 27.8% 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. Weighted average diluted shares outstanding were 25.0 million for the third quarter of 2018, compared with diluted shares of 24.6 million in the prior-year period.

“We continue to see strong momentum in most of our regions, which is reflected in our double-digit third quarter growth,” said Kevin Guest, Chief Executive Officer. “Our growth strategies and investments into the business are producing results and our team remains committed to providing the best overall customer experience at USANA.”

During the quarter, the Company repurchased 177,724 shares of common stock for an investment of \$22.6 million. The Company ended the quarter with no debt, \$239.8 million in cash and cash equivalents, and an additional \$81.7 million invested in short-term securities. As of September 29, 2018, there was \$24.4 million remaining under the current share repurchase authorization.

### **Regional Results**

Net sales in the Asia Pacific region increased by 20.2% to \$239.6 million for the third quarter of 2018. The total number of active Customers in the Asia Pacific region increased by 13.9% year-over-year. Within Asia Pacific, net sales increased:

- 22.6% in Greater China;
- 26.7% in North Asia; and
- 12.3% in the Southeast Asia Pacific region.

Sales growth in Greater China was primarily driven by a 16.7% increase in Active Customers in Mainland China, while sales growth in North Asia resulted primarily from 15.6% Active Customer growth in South Korea. Sales growth in Southeast Asia Pacific was driven by 24.0% Active Customer growth in Malaysia, and 8.6% growth in the Philippines.

---

Net sales in the Americas and Europe region for the third quarter of 2018 decreased by 8.5% to \$57.2 million, and active Customers in this region declined 5.1%. The Company's new European markets, which opened during the second quarter of 2018, contributed positively to the region's third quarter performance.

"During the quarter, we hosted thousands of Associates here in Salt Lake City for our annual International Convention," continued Mr. Guest. "In China, we launched our new skincare line, Celavive, which accounted for \$4.1 million in incremental sales of the \$28.5 million year-over-year growth in this market. We are now turning our attention to our China national sales meeting to be held in Macau in late November where, for the first time, we will offer products for sale at the event."

#### **Tariffs and Trade Policies**

While the Company continues to evaluate the evolving tariffs and trade policies between the United States and other countries, the Company does not currently expect these tariffs and trade policies, as they currently exist, to have a material impact on its future operating results. Additional changes in tariffs and trade policies may have a negative impact on currency exchange rates and economic conditions generally, which could negatively affect the Company's results of operations.

#### **Outlook**

Chief Financial Officer, Doug Hekking, commented, "Our business generated strong third quarter net sales, despite pressure from a strengthening U.S. dollar on both a sequential quarter and year-over-year basis. Although favorable currency exchange rates benefited our operating results in the first half of 2018, the U.S. dollar strengthened more than expected in the third quarter and we anticipate a similar pattern in the fourth quarter. Consequently, we have again reduced the estimated benefit to net sales from currency for the full year. This considered, and with only one quarter remaining in fiscal 2018, we have tightened our revenue outlook. Our operating results continue to be strong and, accordingly, we have tightened our range for diluted earnings per share and increased the top-end of our outlook."

---

The Company is updating its outlook for 2018 as follows:

- Consolidated net sales between \$1.185 and \$1.20 billion, previously between \$1.17 and \$1.20 billion; and
- Earnings per share between \$5.00 and \$5.15, previously between \$4.75 and \$5.05.

The Company's full-year outlook reflects:

- A year-over-year benefit to net sales of approximately \$16 million from favorable currency exchange rates, which was previously estimated at \$29 million;
- An estimated operating margin between 15.7% and 15.9%;
- An effective tax rate of approximately 34%; and
- An annualized diluted share count of approximately 24.8 million.

#### **Increased Share Repurchase Authorization**

The Board of Directors has authorized up to \$150 million in funding for share repurchases by the Company of its outstanding common stock. This authorization is inclusive of the \$24.4 million that was remaining under the prior authorization as of the end of the second quarter. Repurchases may be made from time to time, in the open market, through block trades or otherwise. The number of shares to be purchased and the timing of purchases will be based on market conditions, the level of cash balances, general business opportunities, and other factors. Additional share repurchases would represent upside to the revised EPS outlook the Company issued today.

#### **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, October 24, 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](http://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)

|   | <b>Quarter Ended</b> |                  | <b>Nine Months Ended</b> |                  |
|---|----------------------|------------------|--------------------------|------------------|
|   | <b>30-Sep-17</b>     | <b>29-Sep-18</b> | <b>30-Sep-17</b>         | <b>29-Sep-18</b> |
| Net sales                                     | \$ 261,765           | \$ 296,767       | \$ 774,151               | \$ 890,225       |
| Cost of sales                                 | 47,135               | 51,877           | 133,691                  | 151,243          |
| <b>Gross profit</b>                           | <u>214,630</u>       | <u>244,890</u>   | <u>640,460</u>           | <u>738,982</u>   |
| Operating expenses                            |                      |                  |                          |                  |
| Associate incentives                          | 116,010              | 130,264          | 350,195                  | 392,416          |
| Selling, general and administrative           | 67,263               | 69,112           | 193,653                  | 206,781          |
| <b>Earnings from operations</b>               | <u>31,357</u>        | <u>45,514</u>    | <u>96,612</u>            | <u>139,785</u>   |
| Other income (expense)                        | 690                  | 1,012            | 1,632                    | 2,262            |
| <b>Earnings before income taxes</b>           | <u>32,047</u>        | <u>46,526</u>    | <u>98,244</u>            | <u>142,047</u>   |
| Income taxes                                  | 8,278                | 15,486           | 29,858                   | 48,154           |
| <b>NET EARNINGS</b>                           | <u>\$ 23,769</u>     | <u>\$ 31,040</u> | <u>\$ 68,386</u>         | <u>\$ 93,893</u> |
| Earnings per share - diluted                  | \$ 0.97              | \$ 1.24          | \$ 2.75                  | \$ 3.80          |
| Weighted average shares outstanding - diluted | 24,588               | 25,001           | 24,871                   | 24,705           |

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

|   | <b>As of<br/>30-Dec-17</b> | <b>As of<br/>29-Sep-18</b> |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                                     |                            |                            |
| Current Assets                                    |                            |                            |
| Cash and cash equivalents                         | \$ 247,131                 | \$ 239,751                 |
| Securities held-to-maturity, net                  | -                          | 81,673                     |
| Inventories                                       | 62,918                     | 81,110                     |
| Prepaid expenses and other current assets         | 30,110                     | 32,228                     |
| <b>Total current assets</b>                       | 340,159                    | 434,762                    |
| Property and equipment, net                       | 102,847                    | 93,555                     |
| Goodwill  | 17,417                     | 16,829                     |
| Intangible assets, net                            | 35,154                     | 32,217                     |
| Deferred income taxes                             | 2,859                      | 3,771                      |
| Other assets                                      | 20,833                     | 18,247                     |
| <b>Total assets</b>                               | \$ 519,269                 | \$ 599,381                 |
| <br><b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                            |                            |
| Current Liabilities                               |                            |                            |
| Accounts payable                                  | \$ 11,787                  | \$ 14,467                  |
| Other current liabilities                         | 129,396                    | 138,419                    |
| <b>Total current liabilities</b>                  | 141,183                    | 152,886                    |
| Deferred income taxes                             | 13,730                     | 9,848                      |
| Other long-term liabilities                       | 1,146                      | 1,058                      |
| Stockholders' equity                              | 363,210                    | 435,589                    |
| <b>Total liabilities and stockholders' equity</b> | \$ 519,269                 | \$ 599,381                 |

---

**USANA Health Sciences, Inc.**

**Sales by Region**

(unaudited)

(in thousands)

**Quarter Ended**

|                        | <b>30-Sep-17</b> |        | <b>29-Sep-18</b> |        | <b>Change from prior year</b> | <b>Currency impact on sales</b> | <b>% change excluding currency impact</b> |        |
|------------------------|------------------|--------|------------------|--------|-------------------------------|---------------------------------|---|--------|
| Asia Pacific           |                  |        |                  |        |                               |                                 |   |        |
| Greater China          | \$ 131,273       | 50.1%  | \$ 160,932       | 54.2%  | \$ 29,659                     | 22.6%                           | \$ (3,221)                                | 25.0%  |
| Southeast Asia Pacific | 52,310           | 20.0%  | 58,770           | 19.8%  | 6,460                         | 12.3%                           | (1,942)                                   | 16.1%  |
| North Asia             | 15,708           | 6.0%   | 19,899           | 6.7%   | 4,191                         | 26.7%                           | 182                                       | 25.5%  |
| Asia Pacific Total     | 199,291          | 76.1%  | 239,601          | 80.7%  | 40,310                        | 20.2%                           | (4,981)                                   | 22.7%  |
| Americas and Europe    | 62,474           | 23.9%  | 57,166           | 19.3%  | (5,308)                       | (8.5%)                          | (1,236)                                   | (6.5%) |
|                        | \$ 261,765       | 100.0% | \$ 296,767       | 100.0% | \$ 35,002                     | 13.4%                           | \$ (6,217)                                | 15.7%  |

**Active Associates by Region <sup>(1)</sup>**

(unaudited)

**As of**

|                        | <b>30-Sep-17</b> |        | <b>29-Sep-18</b> |        |
|------------------------|------------------|--------|------------------|--------|
| Asia Pacific           |                  |        |                  |        |
| Greater China          | 104,000          | 36.4%  | 111,000          | 36.8%  |
| Southeast Asia Pacific | 90,000           | 31.5%  | 95,000           | 31.4%  |
| North Asia             | 23,000           | 8.0%   | 28,000           | 9.3%   |
| Asia Pacific Total     | 217,000          | 75.9%  | 234,000          | 77.5%  |
| Americas and Europe    | 69,000           | 24.1%  | 68,000           | 22.5%  |
|                        | 286,000          | 100.0% | 302,000          | 100.0% |

**Active Preferred Customers by Region <sup>(2)</sup>**

(unaudited)

**As of**

|                        | <b>30-Sep-17</b> |        | <b>29-Sep-18</b> |        |
|------------------------|------------------|--------|------------------|--------|
| Asia Pacific           |                  |        |                  |        |
| Greater China          | 181,000          | 65.3%  | 219,000          | 70.0%  |
| Southeast Asia Pacific | 16,000           | 5.8%   | 20,000           | 6.4%   |
| North Asia             | 11,000           | 4.0%   | 11,000           | 3.5%   |
| Asia Pacific Total     | 208,000          | 75.1%  | 250,000          | 79.9%  |
| Americas and Europe    | 69,000           | 24.9%  | 63,000           | 20.1%  |
|                        | 277,000          | 100.0% | 313,000          | 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

Investor Relations

(801) 954-7961

[investor.relations@us.usana.com](mailto:investor.relations@us.usana.com)

or

Media contact:

Dan Macuga

Public Relations

(801) 954-7280

## USANA Health Sciences, Inc.

*Q3 2018 Management Commentary, Results and Outlook*

October 23, 2018

## Overview

- *Third quarter net sales of \$296.8 million, an increase of 13.4% year-over-year*
- *Third quarter diluted earnings per share increased 27.8% year-over-year to \$1.24*
- *Total Active Customers increased 9.2% year-over-year to 615,000*
- *Company updates 2018 growth outlook*
- *Board increases share repurchase authorization*

USANA generated 9.2% Active Customers growth and excellent third quarter financial results, notwithstanding pressure from a strengthening U.S. dollar. Our strong sales and customer growth during the quarter reflect the continued momentum we are seeing in most of our markets around the world. Five of our markets grew by more than 20% in local currency sales, while an additional five markets grew by more than 10%. Excluding the impact of changes in exchange rates, net sales increased 15.7% on a year-over-year basis, and 2.6% sequentially. Notably, we did not offer any meaningful, short-term market specific incentives during the quarter. The following are notable accomplishments during the quarter.

We launched Celavive® in China during the final two weeks of the third quarter. As anticipated, Celavive was well received by our Chinese customers and incremental sales from this launch contributed an estimated \$4.1 million to the quarter. With a full quarter of sales in China during the fourth quarter and the normalization of sales in other markets, we believe that our skin and personal care product category will reach a run rate of approximately 10% of net sales by the end of 2018.

During the quarter, we continued to advance our information technology strategy and made our new WeChat platform available to our China customers. Because many of our customers around the world are Chinese, we expect this new platform to benefit more than just our Mainland China customers and plan to make it available to the rest of our markets. This initial phase of our WeChat platform also represents part of our customer experience initiative - our ongoing effort to improve our customers' overall experience when doing business with USANA around the world. We have focused on customer experience throughout 2018 and it will continue to be one of our key initiatives going forward.

---

We also hosted our 26th annual International Convention in August, here in Salt Lake City. This event is an excellent platform to introduce new science and technology, as well as celebrate, train, and motivate our Associate base.

Finally, we completed our first full quarter of operations in our four new European markets: Germany, Spain, Italy, and Romania. The operating results from these markets are in line with our expectations and they made a positive contribution to the Americas and Europe region during the quarter. Although these markets, and Europe as a whole, represent a small portion of total sales, we are encouraged by the opportunity to reach more customers in these markets and the excitement we are seeing in these markets at this early stage.

### **Q3 2018 Results**

We reported third quarter net sales of \$296.8 million, an increase of 13.4% when compared to the \$261.8 million reported in the prior-year period. Unfavorable currency exchange rates negatively impacted net sales by \$6.2 million for the quarter as compared to the prior-year. Celavive contributed an estimated \$9.5 million in incremental sales for the quarter. Our total number of active Customers increased 9.2% year-over-year to 615,000.

We reported net earnings for the third quarter of \$31.0 million, an increase of 30.6% compared with net earnings of \$23.8 million reported in the prior-year period. Earnings per diluted share increased to \$1.24, an increase of 27.8% 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. Weighted average diluted shares outstanding were 25.0 million for the third quarter of 2018, compared with diluted shares of 24.6 million in the prior-year period.

During the quarter, we repurchased 177,724 shares of common stock for \$22.6 million. We ended the quarter with no debt, \$239.8 million in cash and cash equivalents, and an additional \$81.7 million invested in short-term securities. As of September 29, 2018, there was \$24.4 million remaining under the current share repurchase authorization.

## Increased Share Repurchase Authorization

The Board of Directors has authorized up to \$150 million in funding for share repurchases by the Company of its outstanding common stock. This authorization is inclusive of the \$24.4 million that was remaining under the prior authorization as of the end of the second quarter. Repurchases may be made from time to time, in the open market, through block trades or otherwise. The number of shares to be purchased, and the timing of purchases, will be based on market conditions, the level of cash balances, general business opportunities, and other factors. Additional share repurchases would represent upside to the revised EPS outlook the Company issued today.

## Quarterly Financial Statement Discussion

Gross margins improved 50 basis points from the prior year to 82.5% of net sales. The increase can be attributed primarily to favorable changes in sales mix by market, lower relative freight costs, and leverage on fixed period costs with higher sales. The increase was offset, in part, by higher amounts reserved for inventory obsolescence and the sales of Celavive, which carry a higher relative cost of goods sold than other products including our previous skincare line.

Associate incentives decreased 40 basis points from the prior year to 43.9% of net sales during the quarter. The decrease in Associate Incentives can be primarily attributed to lower incentive payout on sales from our new Celavive product line and lower promotional incentives associated with the Company's celebration of its 25<sup>th</sup> anniversary in the prior year period.

Relative selling, general and administrative expense decreased 240 basis points from the prior year to 23.3% of net sales. This year-over-year improvement in selling, general and administrative expense can be attributed to higher relative spending in the prior year quarter associated with (i) incremental expenses related to our 25th anniversary celebration at our annual International Convention; (ii) China and the Company's internal investigation into its China operations; (iii) recognition of an impairment on a note receivable from a former supplier; and (iv) continued investments in our information technology infrastructure.

The effective tax rate increased to 33.3% compared to 25.8% in the prior year quarter. The higher effective tax rate for the third quarter of 2018 compared with the same period of the prior-year can be primarily attributed to higher excess tax benefits from equity award exercises recognized during the prior year quarter. Our effective tax rate, on a year-over-year basis, is not, and will not be, comparable during 2018 due to U.S. tax reform.

Inventory. The increase in inventories is mostly due to higher balances of Celavive inventory to minimize potential disruption with our customers and sales force during the launch phase. Inventory levels should begin to normalize in 2019.

## **Regional Financial Results**

### Asia Pacific Region: Q3 2018 Net sales of \$239.6 million; 80.7% of Consolidated Net Sales

Net Sales in the Asia Pacific region increased 20.2% year-over-year. The number of active Customers in the region increased by 13.9% year-over-year.

Greater China: Net sales in Greater China increased 22.6% year-over-year. The number of active Customers in the Greater China region increased 15.8% year-over-year. In mainland China, local currency sales increased 27.0% while the number of active Customers increased 16.7%.

Southeast Asia Pacific: Net sales in the Southeast Asia Pacific region increased 12.3% year-over-year. The number of active Customers in the Southeast Asia Pacific region increased 8.5% compared to the prior-year period. Sales growth in Southeast Asia Pacific was driven by 24.0% Active Customer growth in Malaysia, and 8.6% growth in the Philippines.

North Asia: Net sales in North Asia increased 26.7% year-over-year. This growth was driven by 15.6% active Customer growth in South Korea, where local currency net sales increased by 25.6% year-over-year.

### Americas and Europe Region: Q3 2018 Net Sales of \$57.2 million, 19.3% of Consolidated Net Sales

In the Americas and Europe region, net sales decreased 8.5%, and active Customers in this region declined 5.1%. This decrease was due largely to sales and customer declines in the U.S. and Mexico.

## Tariffs and Trade Policies

While we continue to evaluate the evolving tariffs and trade policies between the United States and other countries, we do not currently expect these tariffs and trade policies, as they currently exist, to have a material impact on our future operating results. 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 the Company's results of operations.

## Outlook

With only one quarter remaining in fiscal 2018, we have tightened our revenue outlook and increased the top-end of our diluted earnings per share outlook. We are updating our outlook for fiscal 2018 as follows:

- Consolidated net sales between \$1.185 and \$1.20 billion, previously between \$1.17 and \$1.20 billion; and
- Earnings per share of between \$5.00 and \$5.15, previously between \$4.75 and \$5.05.

Our full-year outlook reflects:

- A year-over-year benefit to net sales of approximately \$16 million from favorable currency exchange rates, which was previously estimated at \$29 million;
- An estimated operating margin between 15.7% and 15.9%;
- An effective tax rate of approximately 34%; and
- An annualized diluted share count of approximately 24.8 million.

Although favorable currency exchange rates benefited net sales in the first half of 2018, a strengthening U.S. dollar negatively impacted third quarter net sales and we anticipate additional currency pressure in the fourth quarter. Consequently, we have reduced the estimated benefit to net sales from currency for the full year by an additional \$13 million.

Looking to the fourth quarter, in November we will host our annual China National Sales Meeting in Macau. This event is always very well attended and 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 this event. Accordingly, we are anticipating incremental sales between \$8 and \$12 million from this event during the fourth quarter, which are reflected in our outlook for 2018.

We expect the fourth quarter to be a strong finish to fiscal 2018, which will be another record year for USANA. Looking forward to 2019, our main objective will continue to be growing our worldwide customer base as we remain focused on improving the health and lives of individuals and families around the world.

**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 our China 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](mailto:investor.relations@us.usana.com)

Media contact:

Dan Macuga  
Public Relations  
801-954-7280