

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):
July 23, 2019

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))

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

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

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On July 23, 2019, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the second quarter ended June 29, 2019. 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 will hold a conference call with investors, to be broadcast over the World Wide Web and by telephone and provided access information, date and time for the conference call. The Company noted that the call will consist of brief remarks by the Company’s management team, before moving directly into questions and answers. A copy of the press release, and the Management Commentary, 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 July 23, 2019 (furnished herewith). |
| 99.2 | Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated July 23, 2019 (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 23, 2019

Exhibit Index

Exhibit No.

Description

99.1

Press release issued by USANA Health Sciences, Inc. dated July 23, 2019 (furnished herewith).

99.2

Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated July 23, 2019 (furnished herewith).

USANA Health Sciences Reports Second Quarter 2019 Results

- *Second quarter net sales of \$256.0 million*
- *Second quarter net earnings of \$21.4 million, or \$0.91 per diluted share*
- *Company reiterates 2019 Net Sales and EPS outlook provided on July 2, 2019*
- *Conference call on July 24, 2019 at 11 a.m. ET*

SALT LAKE CITY--(BUSINESS WIRE)--July 23, 2019--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal second quarter ended June 29, 2019.

Financial Performance

Second quarter 2019 net sales were \$256.0 million, compared with \$301.5 million in the prior-year period, or a 15.1% decrease year-over-year. The Company's financial performance for the quarter was impacted, as noted in the pre-release of results on July 2, by the continuing challenging consumer environment in China. In addition, the strengthening of the U.S. dollar unfavorably impacted net sales by \$12.4 million for the quarter. The Company's total number of active customers at the end of the second quarter was 555,000, compared to 597,000 in the prior-year period.

Second quarter net earnings were \$21.4 million, or \$0.91 per diluted share, compared with \$33.9 million, or \$1.36 per share during the prior-year period.

“The continuing challenging market environment in China was the major factor that impacted our second quarter results,” said Kevin Guest, Chief Executive Officer. “During the second quarter, we offered promotions and incentives in China that have historically generated meaningful sales and customer growth. However, the contribution of these promotions was significantly lower than we anticipated, which we believe is due to the low consumer sentiment toward health products in China. We believe it could take several months for consumer sentiment and our momentum to improve in China. We remain optimistic in our long-term growth potential in this important market and our other markets around the world.”

Regional Results

Net sales in the Asia Pacific region decreased by 14.9% to \$205.5 million for the second quarter of 2019. On a constant currency-basis, net sales in the Asia Pacific region decreased 10.1% during the second quarter of 2019. The total number of active customers in the Asia Pacific region decreased by 5.7% year-over-year. Within Asia Pacific, net sales:

- Decreased 23.2% in Greater China (down 18.3% on a constant currency basis);
- Decreased 1.5% in Southeast Asia Pacific (up 1.8% on a constant currency basis); and
- Increased 18.9% in North Asia (up 28.0% on a constant currency basis).

Active customers decreased by 12.3% in Greater China. In Southeast Asia Pacific and North Asia, Active customers increased by 2.9% and 27.0%, respectively.

Net sales in the Americas and Europe region decreased by 15.6% to \$50.5 million for the second quarter of 2019, primarily due to an 11.6% decrease in active customers.

“We will continue to execute our 2019 strategy during the second half of the year, which includes introducing new products and planned promotional activity across our markets,” continued Mr. Guest. “We have tailored our plan to ensure that we have strategic offerings in the appropriate markets at the appropriate times to generate momentum in the business. Overall, we remain confident in the strategies we are pursuing for the long-term health of our business.”

Share Repurchase Program Update

During the quarter, the Company repurchased 367,800 shares of common stock for \$27.6 million and ended with weighted average diluted shares outstanding of 23.4 million. The Company continues to have a strong balance sheet with no debt and \$234.4 million in cash and short-term securities. As of June 29, 2019, there was \$122.4 million remaining under the current share repurchase authorization.

Outlook

The Company reiterated the following consolidated net sales and earnings per share outlook for fiscal year 2019:

- Consolidated net sales between \$1.02 billion and \$1.06 billion;
- Earnings per share between \$3.70 and \$4.10.

The Company's outlook for the year reflects:

- An estimated operating margin of between 11.9% and 12.7%;
- An effective tax rate of approximately 34%;
- An annualized diluted share count of approximately 22.7 million, which anticipates future share repurchase activity in 2019; and
- An unfavorable impact on net sales of approximately \$25 million related to a stronger U.S. dollar.

Chief Financial Officer Doug Hekking commented, "Due to the lower-than-expected results in the first half of the year, we expect our operating margin for fiscal 2019 to be lower than our typical rate. While we are actively working to better align our cost structure with our sales performance, we plan to continue making the necessary investments to execute our long-term growth strategies."

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 and certain conduct and policies at BabyCare, including BabyCare's expense reimbursement policies. The Audit Committee of the Company's 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's internal investigation is substantially complete, however the Company continues to cooperate with the Securities and Exchange Commission and the United States Department of Justice. The Company cannot currently predict the duration, scope, or result of the investigation.

Non-GAAP Financial Measures

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

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 24, 2019 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: regulatory risk in China following the Chinese government's 100-day review of the health product and direct selling industries; continued negative media coverage in China following the Chinese government's 100-day review of these industries; global economic conditions generally; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and marketing activities; adverse publicity risks globally; 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. The forward-looking statements in this press release set forth our beliefs as of the date hereof. We do not undertake any obligation to update any forward-looking statement after the date hereof or to conform such statements to actual results or changes in the Company's expectations, except as required by law.

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

| | Quarter Ended | | Six Months Ended | |
|---|----------------------|------------------|-------------------------|------------------|
| | 30-Jun-18 | 29-Jun-19 | 30-Jun-18 | 29-Jun-19 |
| Net sales | \$ 301,460 | \$ 256,016 | \$ 593,458 | \$ 529,006 |
| Cost of sales | 49,991 | 46,494 | 99,366 | 92,395 |
| Gross profit | 251,469 | 209,522 | 494,092 | 436,611 |
| Operating expenses | | | | |
| Associate incentives | 132,790 | 111,511 | 262,152 | 234,041 |
| Selling, general and administrative | 67,537 | 66,854 | 137,669 | 136,409 |
| Earnings from operations | 51,142 | 31,157 | 94,271 | 66,161 |
| Other income | 388 | 1,355 | 1,250 | 2,645 |
| Earnings before income taxes | 51,530 | 32,512 | 95,521 | 68,806 |
| Income taxes | 17,623 | 11,134 | 32,668 | 23,256 |
| NET EARNINGS | <u>\$ 33,907</u> | <u>\$ 21,378</u> | <u>\$ 62,853</u> | <u>\$ 45,550</u> |
| Earnings per share - diluted | \$ 1.36 | \$ 0.91 | \$ 2.56 | \$ 1.93 |
| Weighted average shares outstanding - diluted | 24,841 | 23,370 | 24,557 | 23,648 |

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

| | As of | As of |
|---|-------------------|-------------------|
| | 29-Dec-18 | 29-Jun-19 |
| ASSETS | | |
| Current Assets | | (Unaudited) |
| Cash and cash equivalents | \$ 214,326 | \$ 231,353 |
| Securities held-to-maturity, net | 63,539 | 2,999 |
| Inventories | 81,948 | 88,127 |
| Prepaid expenses and other current assets | 32,522 | 26,304 |
| Total current assets | <u>392,335</u> | <u>348,783</u> |
| Property and equipment, net | 92,025 | 92,637 |
| Goodwill | 16,815 | 16,829 |
| Intangible assets, net | 31,811 | 31,129 |
| Deferred income taxes | 3,348 | 5,473 |
| Other assets | 18,129 | 37,550 |
| Total assets | <u>\$ 554,463</u> | <u>\$ 532,401</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 9,947 | \$ 11,694 |
| Other current liabilities | 138,739 | 117,065 |
| Total current liabilities | <u>148,686</u> | <u>128,759</u> |
| Deferred income taxes | 13,367 | 5,787 |
| Other long-term liabilities | 1,264 | 13,699 |
| Stockholders' equity | 391,146 | 384,156 |
| Total liabilities and stockholders' equity | <u>\$ 554,463</u> | <u>\$ 532,401</u> |

USANA Health Sciences, Inc.

Sales by Region

(unaudited)
(in thousands)

Quarter Ended

| | 30-Jun-18 | | 29-Jun-19 | | Change from prior year | Currency impact on sales | % change excluding currency impact |
|------------------------|-------------------|---------------|-------------------|---------------|-------------------------------|---------------------------------|---|
| Asia Pacific | | | | | | | |
| Greater China | \$ 167,841 | 55.6% | \$ 128,946 | 50.3% | \$ (38,895) | (23.2%) | \$ (8,170) (18.3%) |
| Southeast Asia Pacific | 54,771 | 18.2% | 53,960 | 21.1% | (811) | (1.5%) | (1,818) 1.8% |
| North Asia | 18,986 | 6.3% | 22,575 | 8.8% | 3,589 | 18.9% | (1,731) 28.0% |
| Asia Pacific Total | 241,598 | 80.1% | 205,481 | 80.2% | (36,117) | (14.9%) | (11,719) (10.1%) |
| Americas and Europe | 59,862 | 19.9% | 50,535 | 19.8% | (9,327) | (15.6%) | (659) (14.5%) |
| | <u>\$ 301,460</u> | <u>100.0%</u> | <u>\$ 256,016</u> | <u>100.0%</u> | <u>\$ (45,444)</u> | <u>(15.1%)</u> | <u>\$ (12,378)</u> (11.0%) |

Active Associates by Region⁽¹⁾

(unaudited)

| | As of | | | |
|------------------------|------------------|---------------|------------------|---------------|
| | 30-Jun-18 | | 29-Jun-19 | |
| Asia Pacific | | | | |
| Greater China | 111,000 | 38.0% | 102,000 | 35.8% |
| Southeast Asia Pacific | 85,000 | 29.1% | 87,000 | 30.5% |
| North Asia | 26,000 | 8.9% | 33,000 | 11.6% |
| Asia Pacific Total | 222,000 | 76.0% | 222,000 | 77.9% |
| Americas and Europe | 70,000 | 24.0% | 63,000 | 22.1% |
| | <u>292,000</u> | <u>100.0%</u> | <u>285,000</u> | <u>100.0%</u> |

Active Preferred Customers by Region⁽²⁾

(unaudited)

| | As of | | | |
|------------------------|------------------|---------------|------------------|---------------|
| | 30-Jun-18 | | 29-Jun-19 | |
| Asia Pacific | | | | |
| Greater China | 206,000 | 67.5% | 176,000 | 65.2% |
| Southeast Asia Pacific | 20,000 | 6.6% | 21,000 | 7.7% |
| North Asia | 11,000 | 3.6% | 14,000 | 5.2% |
| Asia Pacific Total | 237,000 | 77.7% | 211,000 | 78.1% |
| Americas and Europe | 68,000 | 22.3% | 59,000 | 21.9% |
| | <u>305,000</u> | <u>100.0%</u> | <u>270,000</u> | <u>100.0%</u> |

- (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.

Contacts

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**USANA Health Sciences, Inc.*****Q2 2019 Management Commentary, Results and Outlook***

- *Second quarter net sales of \$256.0 million*
- *Second quarter net earnings of \$21.4 million, or \$0.91 per diluted share*
- *Company reiterates 2019 Net Sales and EPS outlook provided on July 2, 2019*

July 23, 2019**Overview**

We continued to face a challenging market environment in China, and this was the major factor that impacted our results for the second quarter of 2019. When we reported our first quarter 2019 results, we expected to see a more typical consumer environment in China during the second quarter. At that time, we also anticipated that our planned promotional activity would generate meaningful incremental sales and customer growth in China, and help to regain our momentum in the market. During the second quarter, however, consumer sentiment towards the health products and direct selling industries remained low and did not rebound as expected. Although we offered promotions and incentives that have historically generated meaningful sales and customer growth in China, the contribution of our promotional activity was significantly lower than we anticipated. We now believe it could take several months for consumer sentiment and our momentum to improve in China.

Additionally, while we began holding distributor meetings again in several provinces and municipalities, there were some areas where we were unable to hold meetings. Although our ability to hold meetings was somewhat limited, the challenging consumer environment was the primary factor that affected our performance for the quarter.

We plan to introduce new products and offer additional incentives and promotions to our customers and Associates during the second half of the year. We have tailored our plan to ensure that we have strategic offerings in the appropriate markets at the appropriate times to generate momentum in the business. For example, in China we will offer a product-focused promotion and a separate business incentive during the third quarter. This will be followed by the introduction of new products at our China national meeting in Macau during the fourth quarter, where we will again offer product promotions.

In the U.S., we will hold our annual international convention during the third quarter, where we will also introduce new products, offer product focused promotions, and announce additional incentive activity in this market and our other markets around the world. Each of these initiatives is designed to generate excitement in the business, promote customer growth and generate momentum in the business. We remain confident in these strategies and in our long-term growth potential in China and our other markets around the world.

Q2 2019 Results

Second quarter 2019 net sales were \$256.0 million, compared with \$301.5 million in the prior-year period, or a 15.1% decrease year-over-year. The strengthening of the U.S. dollar unfavorably impacted net sales by \$12.4 million for the quarter. The total number of active customers at the end of the second quarter was 555,000, compared to 597,000 in the prior-year period.

Second quarter net earnings were \$21.4 million, or \$0.91 per diluted share, compared with \$33.9 million, or \$1.36 per share during the prior-year period.

Share Repurchase Program Update

During the quarter, the Company repurchased 367,800 shares of common stock for \$27.6 million and ended with weighted average diluted shares outstanding of 23.4 million. The Company continues to have a strong balance sheet with no debt, and \$234.4 million in cash and short-term securities. As of June 29, 2019, there was \$122.4 million remaining under the current share repurchase authorization.

Quarterly Income Statement Discussion

Gross margins decreased 160 basis points from the prior year to 81.8% of net sales. This decrease can be attributed primarily to: (i) unfavorable currency exchange rates, (ii) leverage lost on fixed period costs due to lower net sales, and (iii) lower sales in China, which has better overall gross margins compared to other markets.

Associate Incentives decreased 40 basis points from the prior year to 43.6% of net sales. The decrease in Associate Incentives can primarily be attributed to lower sales in markets where Associate incentives run at a higher rate compared to other markets.

Selling, General and Administrative Expense were up 370 basis points from the prior year to 26.1% of net sales. This increase in relative SG&A expense is largely due to lower year-over-year sales. In absolute terms, SG&A expense decreased \$1.0 million compared to the prior year.

The effective tax rate was flat at 34.2% from the prior year quarter.

Regional Financial Results

Asia Pacific Region: Q2 2019 Net sales of \$205.5 million; 80.3% of Consolidated Net Sales

Net Sales in the Asia Pacific region decreased 14.9% year-over-year (a decrease of 10.1% on a constant currency basis). The number of active Customers in the region decreased by 5.7% year-over-year.

Greater China: Net sales in Greater China decreased 23.2% year-over-year, or an 18.3% decline on a constant-currency basis. The number of active Customers in the Greater China region decreased 12.3% year-over-year. In mainland China, local currency sales decreased 20.2% while the number of active Customers decreased 13.3%.

Southeast Asia Pacific: Net sales in the Southeast Asia Pacific region decreased 1.5% year-over-year. On a constant-currency basis, this region increased 1.8% during the quarter. The number of active Customers in Southeast Asia Pacific increased 2.9% compared to the prior-year period. The increase in net sales on a constant-currency basis was driven primarily by results in Malaysia, the Philippines, and Thailand, where local currency sales increased 25.7%, 9.4%, and 16.8%, respectively.

North Asia: Net sales in North Asia increased 18.9% year-over-year, or an increase of 28.0% on a constant-currency basis. This growth was driven by 28.6% active Customer growth in South Korea, where local currency net sales increased by 30.2% year-over-year.

Americas and Europe Region: Q2 2019 Net Sales of \$50.5 million, 19.7% of Consolidated Net Sales

In the Americas and Europe region, net sales decreased 15.6%, while the number of active Customers decreased 11.6%. During the quarter, we introduced a variety of new incentives on a trial basis in the U.S. Although the initial feedback has been positive, these changes are being introduced incrementally and will take time for adoption as Associates train their teams and implement them into their business. We are introducing additional incentives in the United States at our upcoming International Convention here in Salt Lake City. These incentives are designed to generate sales and customer growth in the United States and, if successful, could be offered in other markets.

Outlook

The Company reiterated the following consolidated net sales and earnings per share outlook for fiscal year 2019:

- Consolidated net sales between \$1.02 billion and \$1.06 billion;
- Earnings per share between \$3.70 and \$4.10

The Company's outlook for the year reflects:

- An estimated operating margin of between 11.9% and 12.7%;
- An effective tax rate of approximately 34%;
- An annualized diluted share count of approximately 22.7 million, which anticipates future share repurchase activity in 2019; and
- An unfavorable impact of approximately \$25 million related to a stronger U.S. dollar.

While we are actively working to better align our cost structure with our sales performance, we plan to continue making the necessary investments to execute our long-term growth strategies. The introduction of new products and promotions as part of our 2019 strategy are indications of our commitment to generating momentum and driving long-term growth in the business across all of our markets.

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: regulatory risk in China following the Chinese government's 100-day review of the health product and direct selling industries; continued negative media coverage in China following the Chinese government's 100-day review of these industries; global economic conditions generally; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and marketing activities; adverse publicity risks globally; 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. The forward-looking statements in this press release set forth our beliefs as of the date hereof. We do not undertake any obligation to update any forward-looking statement after the date hereof or to conform such statements to actual results or changes in the Company's expectations, except as required by law.

Non-GAAP Financial Measures

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

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