

**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 21, 2020

**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 No.)

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 per 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 21, 2020, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the second quarter ended June 27, 2020. 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](http://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 21, 2020 (furnished herewith).
99.2	Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated July 21, 2020 (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 21, 2020

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Exhibit Index

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<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated July 21, 2020 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary, Results and Outlook provided by USANA Health Sciences, Inc. dated July 21, 2020 (furnished herewith).</u>

## USANA Health Sciences Reports Second Quarter Results

SALT LAKE CITY--(BUSINESS WIRE)--July 21, 2020--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal second quarter ended June 27, 2020.

### Key Financial & Operating Highlights

- Continued strong demand and successful promotions combined to generate \$259.0 million in net sales and \$1.32 in diluted EPS during the quarter
- Active customers increased 7.9% vs. the prior-year quarter
- Company continued to successfully execute a virtual sales and operating strategy to deliver results
- Company raises full-year 2020 Net Sales and EPS outlook

### Q2 2020 Financial Performance

Consolidated Results		
<b>Net Sales</b>	\$259.0 million	<ul style="list-style-type: none"> <li>• +1.2% vs. prior-year quarter</li> <li>• +4.3% constant currency vs. prior-year quarter</li> <li>• -\$8.1 million fx impact, or -3.1%</li> </ul>
<b>Diluted EPS</b>	\$1.32	<ul style="list-style-type: none"> <li>• +45.1% vs. prior-year quarter</li> <li>• Diluted shares of 21.1 million, -9.6%</li> </ul>
<b>Active Customers</b>	599,000	<ul style="list-style-type: none"> <li>• +7.9% vs. prior-year quarter</li> </ul>
<b>Cash &amp; Cash Equivalents</b>	\$227.4 million	<ul style="list-style-type: none"> <li>• Ended quarter with no debt</li> </ul>

“Strong consumer demand for our high-quality, health products and successful promotions drove our second quarter performance,” said Kevin Guest, Chief Executive Officer and Chairman of the Board. “During the quarter, we generated nearly eight percent growth in active customers, due to double-digit customer growth in three-of-our-four regions, including the Americas and Europe region. We also continued to successfully execute a virtual sales and operating strategy to deliver our results. This strategy included USANA hosting its first all-virtual Asia Pacific Convention, as well as the facilitation of other technology-based tools that assisted our Associates in their sales efforts. Finally, we offered several promotions and incentives during the quarter that benefitted net sales and our overall results. The health, wellness and safety of our employees, Associates and customers around the world remain our top priorities and our operating plan will continue to reflect those priorities.”

Mr. Guest continued, “We are raising our full-year guidance to reflect a solid second quarter as well as our expectations for the back-half of the year. We recognize that we cannot anticipate all of the challenges that might arise as a result of the ongoing COVID-19 pandemic, but we believe that we are positioned to continue adapting to an evolving operating environment. Overall, we remain confident in the strength of USANA’s underlying business and the growth strategies we have in place for the remainder of 2020 and beyond.”

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**Q2 2020 Regional Results:**

<b>Asia Pacific Region</b>		
<b>Net Sales</b>	\$209.3 million	<ul style="list-style-type: none"> <li>+1.9% vs. prior-year quarter</li> <li>Constant currency net sales: +4.8%</li> <li>-\$6.1 million fx impact, or -2.9%</li> <li>80.8% of consolidated net sales</li> </ul>
<b>Active Customers</b>	463,000	<ul style="list-style-type: none"> <li>+6.9% vs. prior-year quarter</li> </ul>
<b>Asia Pacific Sub-Regions</b>		
<b>Greater China</b>		
<b>Net Sales</b>	\$124.0 million	<ul style="list-style-type: none"> <li>-3.8% vs. prior-year quarter</li> <li>Constant currency net sales: -0.8%</li> </ul>
<b>Active Customers</b>	278,000	<ul style="list-style-type: none"> <li>Flat vs. prior-year quarter</li> <li>+0.4% sequentially</li> </ul>
<b>North Asia</b>		
<b>Net Sales</b>	\$25.9 million	<ul style="list-style-type: none"> <li>+14.5% vs. prior-year quarter</li> <li>Constant currency net sales: +19.5%</li> </ul>
<b>Active Customers</b>	56,000	<ul style="list-style-type: none"> <li>+19.1% vs. prior-year quarter</li> <li>-1.8% sequentially</li> </ul>
<b>Southeast Asia Pacific</b>		
<b>Net Sales</b>	\$59.5 million	<ul style="list-style-type: none"> <li>+10.2% vs. prior-year quarter</li> <li>Constant currency net sales: +12.2%</li> </ul>
<b>Active Customers</b>	129,000	<ul style="list-style-type: none"> <li>+19.4% vs. prior-year quarter</li> <li>+12.2% sequentially</li> </ul>

<b>Americas and Europe Region</b>		
<b>Net Sales</b>	\$49.7 million	<ul style="list-style-type: none"> <li>-1.7% vs. prior-year quarter</li> <li>Constant currency net sales: +2.3%</li> <li>-\$2.0 million fx impact, or -4.0%</li> <li>19.2% of consolidated net sales</li> </ul>
<b>Active Customers</b>	136,000	<ul style="list-style-type: none"> <li>+11.5% vs. prior-year quarter</li> <li>+9.7% sequentially</li> </ul>

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## Balance Sheet

The Company ended the quarter with \$227.4 million in cash and cash equivalents and no debt. During the quarter the Company did not repurchase any shares of common stock and, as of June 27, 2020, there was approximately \$73 million remaining under the current share repurchase authorization. Beginning in the third quarter, the Company's board of directors will once again consider utilizing the Company's share repurchase authorization to return value to shareholders.

## Fiscal 2020 Outlook

The Company is updating its consolidated net sales and earnings per share outlook for fiscal year 2020.

Fiscal Year 2020 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$1.05 - \$1.10 billion	\$1.00 - \$1.08 billion
Diluted EPS	\$4.70 - \$5.25	\$4.00 - \$4.90

Doug Hekking, Chief Financial Officer, said, "We offered several successful promotions and incentives during the quarter that contributed to net sales while generating solid customer growth. We are raising our guidance to reflect our expectations for the back half of the year and plan on an increased cadence of promotions and incentives, particularly in the third quarter. The expected overall impact from currency remains relatively unchanged from the update we provided following the first quarter. Finally, our revised diluted earnings per share outlook reflects savings realized from event and travel costs due to the COVID-19 environment, as well as our success in aligning spending with sales performance. Although we are managing our cost structure to align with sales and to ensure the Company's financial flexibility, we plan to continue making investments to execute our long-term growth strategies and to generate momentum in each of our regions."

## Management Commentary Document and Conference Call

For more information on the Company's operating results, please see the "Management Commentary, Results and Outlook" document, which has been posted 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 22, 2020 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.

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## **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 (“fx”) 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.

## **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: uncertainty related to the magnitude, scope and duration of the impact of the COVID-19 pandemic (“COVID-19”) to our business, operations and financial results; the further spread of, and regulatory measures or voluntary actions that may be put in place to limit the spread of, COVID-19 in the markets where we operate, including restrictions on business operations, shelter at home, or social distancing requirements; the potential for a resurgence of COVID-19 spread in any of our markets in the future; the impact of COVID-19 on the domestic and world economies, including any negative impact on discretionary spending, consumer demand, and consumer behavior in general; regulatory risk in China in connection with the health products and direct selling business models; regulatory risk in the United States in connection with the direct selling business model; potential negative effects of material breaches of our information technology systems to the extent we experience a material breach; material failures of our information technology systems; global economic conditions generally; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and direct selling business model; adverse publicity risks globally; risks associated with our international expansion and operations; and uncertainty relating to the fluctuation in U.S. and other international currencies. 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.

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

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>27-Jun-20</u>	<u>29-Jun-19</u>	<u>27-Jun-20</u>	<u>29-Jun-19</u>
Net sales	\$ 258,991	\$ 256,016	\$ 525,610	\$ 529,006
Cost of sales	47,674	46,494	93,733	92,395
<b>Gross profit</b>	<u>211,317</u>	<u>209,522</u>	<u>431,877</u>	<u>436,611</u>
Operating expenses				
Associate incentives	110,852	111,511	226,921	234,041
Selling, general and administrative	60,879	66,854	126,358	136,409
<b>Earnings from operations</b>	<u>39,586</u>	<u>31,157</u>	<u>78,598</u>	<u>66,161</u>
Other income (expense)	393	1,355	544	2,645
<b>Earnings before income taxes</b>	<u>39,979</u>	<u>32,512</u>	<u>79,142</u>	<u>68,806</u>
Income taxes	12,002	11,134	24,613	23,256
<b>NET EARNINGS</b>	<u>\$ 27,977</u>	<u>\$ 21,378</u>	<u>\$ 54,529</u>	<u>\$ 45,550</u>
Earnings per share - diluted	\$ 1.32	\$ 0.91	\$ 2.56	\$ 1.93
Weighted average shares outstanding - diluted	21,129	23,370	21,340	23,648

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

	<u>As of</u>	<u>As of</u>
	<u>27-Jun-20</u>	<u>28-Dec-19</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 227,368	\$ 234,830
Inventories	69,279	68,905
Prepaid expenses and other current assets	28,302	25,544
<b>Total current assets</b>	<u>324,949</u>	<u>329,279</u>
Property and equipment, net	98,435	95,233
Goodwill	16,521	16,636
Intangible assets, net	29,008	29,840
Deferred income taxes	3,741	3,090
Other assets	39,497	42,856
<b>Total assets</b>	<u>\$ 512,151</u>	<u>\$ 516,934</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 10,942	\$ 12,525
Other current liabilities	128,775	123,573
<b>Total current liabilities</b>	<u>139,717</u>	<u>136,098</u>
Deferred income taxes	6,584	10,282
Other long-term liabilities	16,774	18,842
Stockholders' equity	349,076	351,712
<b>Total liabilities and stockholders' equity</b>	<u>\$ 512,151</u>	<u>\$ 516,934</u>

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**USANA Health Sciences, Inc.**

**Sales by Region**

(unaudited)

(in thousands)

	Quarter Ended				Change from prior year	Currency impact on sales	% change excluding currency impact	
	27-Jun-20	29-Jun-19	27-Jun-20	29-Jun-19				
Asia Pacific								
Greater China	\$ 124,001	47.9%	\$ 128,946	50.3%	\$ (4,945)	(3.8%)	\$ (3,874)	(0.8%)
Southeast Asia Pacific	59,459	22.9%	53,960	21.1%	5,499	10.2%	(1,096)	12.2%
North Asia	25,852	10.0%	22,575	8.8%	3,277	14.5%	(1,127)	19.5%
Asia Pacific Total	209,312	80.8%	205,481	80.2%	3,831	1.9%	(6,097)	4.8%
Americas and Europe	49,679	19.2%	50,535	19.8%	(856)	(1.7%)	(1,999)	2.3%
	\$ 258,991	100.0%	\$ 256,016	100.0%	\$ 2,975	1.2%	\$ (8,096)	4.3%

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

(unaudited)

	As of			
	27-Jun-20	29-Jun-19	27-Jun-20	29-Jun-19
Asia Pacific				
Greater China	93,000	32.3%	102,000	35.8%
Southeast Asia Pacific	94,000	32.6%	87,000	30.5%
North Asia	37,000	12.9%	33,000	11.6%
Asia Pacific Total	224,000	77.8%	222,000	77.9%
Americas and Europe	64,000	22.2%	63,000	22.1%
	288,000	100.0%	285,000	100.0%

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

(unaudited)

	As of			
	27-Jun-20	29-Jun-19	27-Jun-20	29-Jun-19
Asia Pacific				
Greater China	185,000	59.5%	176,000	65.2%
Southeast Asia Pacific	35,000	11.3%	21,000	7.7%
North Asia	19,000	6.1%	14,000	5.2%
Asia Pacific Total	239,000	76.9%	211,000	78.1%
Americas and Europe	72,000	23.1%	59,000	21.9%
	311,000	100.0%	270,000	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.

## Contacts

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

Media contact:  
Dan Macuga  
Public Relations  
(801) 954-7280



USANA Health Sciences, Inc.

July 21, 2020

***Q2 2020 Management Commentary, Results and Outlook***

- Continued strong demand and successful promotions combined to generate \$259.0 million in net sales and \$1.32 in diluted EPS during the quarter
- Active customers increase 7.9% vs. the prior-year quarter
- Company continued to successfully execute a virtual sales and operating strategy to deliver results
- Company raises full-year 2020 Net Sales and EPS outlook.

**Overview**

Throughout the quarter, we executed a plan that was adaptive to the evolving COVID-19 environment. As a result of this plan, and the hard work of our Associate sales force and employees around the world, USANA delivered strong second quarter results. Although we continue to face hurdles associated with the COVID-19 pandemic, strong consumer demand for our high-quality personal health products, successful promotional offerings, and our success in continuing to utilize a predominantly virtual sales and operating model have all contributed to the positive momentum in our worldwide business. As a result, second quarter operating results were modestly better than internal expectations, and we are raising our full year net sales and diluted earnings per share outlook.

During the quarter, we continued to provide our customers with the high-quality personal health and wellness products they've come to rely upon and trust. The modifications we made to our business operations during the first two quarters of the year allowed our sales force to continue receiving and selling products seamlessly. For example, our manufacturing facilities in the U.S. and China remain fully operational and we have not experienced any meaningful disruption to our world-wide supply chain. Additionally, we continued to operate a work-from-home plan for all non-manufacturing and non-distribution employees in each of our markets. These employees, including executives, general managers, sales employees, and information technology teams have been able to support our Associates remotely as necessary.

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While many of our Associates have transitioned over the last several years to building online sales through social media, in person selling has remained an important part of their business. The COVID-19 pandemic requires our Associates to conduct the entirety of their business virtually and, to their credit, the results have been positive. We believe these results attest to our Associates' entrepreneurial spirit, hard work and adaptability.

Notably, we generated 7.9% growth in active Customers during the quarter, as a result of double-digit customer growth in three-of-our-four regions, including the Americas and Europe region. During the quarter, we also hosted our first all-virtual Asia Pacific Convention, as well as a variety of other successful virtual communication efforts, tools and support.

Finally, we offered successful promotions and incentives during the quarter that helped generate momentum in our business. We were pleased with the performance of these promotions and expect an increased cadence of promotions and incentives in the back half of the year, in particular during the third quarter, which we believe will create additional excitement and momentum in our business.

While we are raising our full-year sales and EPS outlook, there continues to be uncertainty surrounding the COVID-19 pandemic and its potential impact on our business, industry and the citizens and economies in our various international markets. Although we have successfully modified our business operations in each of our markets to date, future efforts to reduce the spread of COVID-19 could still affect our momentum and operating results in the second half of the year. The health, wellness and safety of our employees, Associates and customers around the world remain our top priorities and our operating plan will continue to reflect those priorities. The extent of any disruption to our business in each of our markets going forward continues to be difficult to estimate and will depend on many factors, many of which are outside of our control. Our operating plan, however, remains the same and entails our efforts to safeguard against disruptions to our business, particularly through continuing to maintain and operate (i) raw material procurement; (ii) manufacturing; (iii) distribution; (iv) selling; (v) operating cash flows and liquidity; (vi) Associate engagement and activity; and (vii) employee support and engagement.

We remain confident in the overall strength of USANA's business and in our long-term growth strategies. We believe in the importance we play in our customers' health and wellness and are dedicated to offering world-class personal health products to customers across the globe. We are positioned and prepared to adapt our business to future challenges and look forward to a strong second half of 2020.

## Q2 2020 Results

Consolidated Results		
<b>Net Sales</b>	\$259.0 million	<ul style="list-style-type: none"> <li>•+1.2% vs. prior-year quarter</li> <li>•+4.3% constant currency vs. prior-year quarter</li> <li>•-\$8.1 million fx impact, or -3.1%</li> </ul>
<b>Diluted EPS</b>	\$1.32	<ul style="list-style-type: none"> <li>•45.1% vs. prior-year quarter</li> <li>•Diluted shares of 21.1 million, -9.6%</li> </ul>
<b>Active Customers</b>	599,000	<ul style="list-style-type: none"> <li>•+7.9% vs. prior-year quarter</li> </ul>
<b>Cash &amp; Equivalents</b>	\$227.4 million	<ul style="list-style-type: none"> <li>•Ended quarter with no debt</li> </ul>

## Balance Sheet

The Company ended the quarter with \$227.4 million in cash and cash equivalents and no debt. During the quarter, the Company did not repurchase any shares of common stock and, as of June 27, 2020, there was approximately \$73 million remaining under the current share repurchase authorization. Beginning in the third quarter, the Company's board of directors will once again consider utilizing the Company's share repurchase authorization to return value to shareholders.

## Quarterly Income Statement Discussion

Gross margins decreased 20 basis points from the prior year to 81.6% of net sales This decrease can primarily be attributed to: (i) increased shipping costs, (ii) higher production costs, (iii) product promotions offered during the quarter, and (iv) unfavorable changes in currency exchange rates. These increases were offset, in part, by lower inventory scrap experienced during the quarter.

Associate Incentives decreased 80 basis points from the prior year to 42.8% of net sales The decrease in Associate Incentives can primarily be attributed to lower base commissions as a result of product promotions offered during the quarter, as well as lower relative sales in markets where Associate incentives run at a higher rate compared to other markets.

Selling, General and Administrative Expense decreased \$6.0 million compared to the prior year. In relative terms, SG&A expense decreased 260 basis points from the prior year to 23.5% of net sales, due primarily to (i) lower travel costs, (ii) benefits from temporary government stimulus programs, and (ii) decreased event costs.

The effective tax rate improved to 30.0% compared to 34.2% in the prior year quarter. This improvement is due primarily to certain discrete events as well as increased earnings before income taxes in the U.S. allowing for greater foreign tax credit utilization.

Inventory increased to \$69.3 million, compared to \$68.9 million at the end of fiscal 2019 The planned increase in inventory was primarily due to a plan to increase in safety-stock related to the current COVID-19 environment.

## Regional Financial Results

Asia Pacific Region		
Net Sales	\$209.3 million	<ul style="list-style-type: none"> <li>•+1.9% vs. prior-year quarter</li> <li>•Constant currency net sales: +4.8%</li> <li>•-\$6.1 million fx impact, or -2.9%</li> <li>•80.8% of consolidated net sales</li> </ul>
Active Customers	463,000	<ul style="list-style-type: none"> <li>•+6.9% vs. prior-year quarter</li> </ul>
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$124.0 million	<ul style="list-style-type: none"> <li>•-3.8% vs. prior-year quarter</li> <li>•Constant currency net sales: -0.8%</li> </ul>
Active Customers	278,000	<ul style="list-style-type: none"> <li>•Flat vs. prior-year quarter</li> <li>•+0.4% sequentially</li> </ul>
North Asia		
Net Sales	\$25.9 million	<ul style="list-style-type: none"> <li>•+14.5% vs. prior-year quarter</li> <li>•Constant currency net sales: +19.5%</li> </ul>
Active Customers	56,000	<ul style="list-style-type: none"> <li>•+19.1% vs. prior-year quarter</li> <li>•-1.8% sequentially</li> </ul>
Southeast Asia Pacific		
Net Sales	\$59.5 million	<ul style="list-style-type: none"> <li>•+10.2% vs. prior-year quarter</li> <li>•Constant currency net sales: +12.2%</li> </ul>
Active Customers	129,000	<ul style="list-style-type: none"> <li>•+19.4% vs. prior-year quarter</li> <li>•+12.2% sequentially</li> </ul>

Greater China: In mainland China, local currency sales increased 1.8% while the number of active Customers increased modestly. Challenging market conditions in Hong Kong continue to have a negative impact on our business as local currency sales and active Customers declined by 29.4% and 11.1%, respectively.

North Asia: Growth in this region continues to be driven by South Korea, where local currency net sales increased by 20.1% and active Customers grew by 20.0% year-over-year.

Southeast Asia Pacific: The Philippines and Malaysia were the primary growth contributors with year-over-year local currency sales increasing 42.0% and 16.9%, respectively. Indonesia, although much smaller as a percent of sales, also increased 55.5% in local currency net sales.

<b>Americas and Europe Region</b>		
<b>Net Sales</b>	\$49.7 million	<ul style="list-style-type: none"> <li>•-1.7% vs. prior-year quarter</li> <li>•Constant currency net sales: +2.3%</li> <li>•-\$2.0 million fx impact, or -4.0%</li> <li>•19.2% of consolidated net sales</li> </ul>
<b>Active Customers</b>	136,000	<ul style="list-style-type: none"> <li>•+11.5% vs. prior-year quarter</li> <li>•+9.7% sequentially</li> </ul>

Americas and Europe Region:

The decrease in net sales in the Americas and Europe region is due to currency exchange rates, particularly in Mexico. Active Customers, however, increased in each of our markets in this region. Net sales in the U.S. were essentially flat year-over-year, but active Customers increased 11.8%.

**Outlook and 2020 Operating Strategy**

The Company is updating its consolidated net sales and earnings per share outlook for fiscal year 2020.

<b>Fiscal Year 2020 Outlook</b>		
	<b>Revised Range</b>	<b>Previous Range</b>
Consolidated Net Sales	\$1.05 - \$1.10 billion	\$1.00 - \$1.08 billion
Diluted EPS	\$4.70 - \$5.25	\$4.00 - \$4.90

The Company's updated outlook for the year reflects:

- A wider than typical range for top- and bottom-line performance given continued uncertainty surrounding the COVID-19 pandemic;

- An unfavorable currency exchange rate impact on net sales of approximately \$22 million from previously issued guidance;
- An estimated operating margin of between 13.9% and 14.8%;
- An annual effective tax rate of 32.0%;
- An annualized diluted share count of 21.2 million;
- Fiscal 2020 is a 53-week year and includes one additional week of sales compared to fiscal 2019. Prior to fiscal 2020, the last 53-week year was in fiscal 2014. The Company estimates this additional week will contribute about 1.8% to net sales growth.

We have performed well during these unprecedented times, and we thank our employees for their efforts and our Associates and customers for their continued support. Together, we have demonstrated the flexibility and the adaptability of our organization and business model. As we look to the second half of 2020, our priorities remain the health and safety of our employees and customers while we execute our plan, preserving financial flexibility, maintaining discipline, and serving communities where possible. We will continue to operate with a long-term mindset in order to best position ourselves for the future.

**Kevin Guest**  
CEO

**Douglas Hekking**  
CFO

## 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: uncertainty related to the magnitude, scope and duration of the impact of the COVID-19 pandemic (“COVID-19”) to our business, operations and financial results; the further spread of, and regulatory measures or voluntary actions that may be put in place to limit the spread of, COVID-19 in the markets where we operate, including restrictions on business operations, shelter at home, or social distancing requirements; the potential for a resurgence of COVID-19 spread in any of our markets in the future; the impact of COVID-19 on the domestic and world economies, including any negative impact on discretionary spending, consumer demand, and consumer behavior in general; regulatory risk in China in connection with the health products and direct selling business models; regulatory risk in the United States in connection with the direct selling business model; potential negative effects of material breaches of our information technology systems to the extent we experience a material breach; material failures of our information technology systems; global economic conditions generally; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and direct selling business model; adverse publicity risks globally; risks associated with our international expansion and operations; and uncertainty relating to the fluctuation in U.S. and other international currencies. 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.

Investors contact:

Patrique Richards  
Investor Relations  
(801) 954-7823  
[investor.relations@us.usana.com](mailto:investor.relations@us.usana.com)

Media contact:

Dan Macuga  
Public Relations  
801-954-7280