

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 26, 2021

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 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 October 26, 2021, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the third quarter ended October 2, 2021. The release also announced that the Company will post a document titled “Management Commentary” 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, 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 26, 2021 (furnished herewith).
99.2	Management Commentary provided by USANA Health Sciences, Inc. dated October 26, 2021 (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 26, 2021

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated October 26, 2021 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary provided by USANA Health Sciences, Inc. dated October 26, 2021 (furnished herewith).</u>

USANA Health Sciences Reports Third Quarter Results

SALT LAKE CITY--(BUSINESS WIRE)--October 26, 2021--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal third quarter ended October 2, 2021, which were modestly ahead of the preliminary outlook the Company provided on September 16, 2021.

Key Financial & Operating Highlights

- Third quarter net sales were \$274.4 million as compared with \$298.5 million during the third quarter of the prior year.
- Third quarter diluted EPS were \$1.36 versus \$1.44 during the third quarter of 2020.
- Reiterates fiscal 2021 net sales and diluted EPS outlook, which was provided on September 16, 2021.
- Company expects to generate approximately \$130 million of free cash flow in fiscal 2021.

Q3 2021 Financial Performance

Consolidated Results		
Net Sales	\$274.4 million	<ul style="list-style-type: none"> • -8% vs. prior-year quarter • -11% constant currency vs. prior-year quarter • +\$9.9 million YOY FX impact, or +3%
Diluted EPS	\$1.36	<ul style="list-style-type: none"> • -6% vs. prior-year quarter • Diluted shares of 20.2 million, -5%
Active Customers	576,000	<ul style="list-style-type: none"> • -11% vs. prior-year quarter

“As we indicated a month ago, the operating environment remains challenging across several of our key markets due, in great part, to disruptions and lockdowns related to the COVID-19 pandemic,” said Kevin Guest, Chief Executive Officer and Chairman of the Board. “Additionally, the year-over-year comparison was difficult given the significant short-term sales program that we offered in the prior year quarter. Notwithstanding these challenges, we continue to execute our growth strategy, which is centered on generating sustainable customer growth.”

Q3 2021 Regional Results:

Asia Pacific Region		
Net Sales	\$220.9 million	<ul style="list-style-type: none"> • -9% vs. prior-year quarter • Constant currency net sales: -12% • 81% of consolidated net sales
Active Customers	443,000	<ul style="list-style-type: none"> • -12% vs. prior-year quarter • -14% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$123.2 million	<ul style="list-style-type: none"> • -9% vs. prior-year quarter • Constant currency net sales: -15%
Active Customers	246,000	<ul style="list-style-type: none"> • -13% vs. prior-year quarter • -19% sequentially
North Asia		
Net Sales	\$33.1 million	<ul style="list-style-type: none"> • +14% vs. prior-year quarter • Constant currency net sales: +12%
Active Customers	63,000	<ul style="list-style-type: none"> • +5% vs. prior-year quarter • -5% sequentially
Southeast Asia Pacific		
Net Sales	\$64.6 million	<ul style="list-style-type: none"> • -15% vs. prior-year quarter • Constant currency net sales: -15%
Active Customers	134,000	<ul style="list-style-type: none"> • -15% vs. prior-year quarter • -7% sequentially

Americas and Europe Region		
Net Sales	\$53.5 million	<ul style="list-style-type: none"> • -7% vs. prior-year quarter • Constant currency net sales: -9% • 19% of consolidated net sales
Active Customers	133,000	<ul style="list-style-type: none"> • -10% vs. prior-year quarter • -4% sequentially

Mr. Guest added, “We made progress on several strategic initiatives during the quarter. Enhancing the overall shopping experience for our customers remains a high priority, and to that end, we rolled out additional features and functionality within our China shopping app, as well as a new web-based shopping cart in China. Although our introduction of certain new products has been delayed until 2022, we are actively engaged in bringing new and innovative products to market. Overall, we remain confident that the successful execution of our strategy will deliver long-term, sustainable growth.”

Balance Sheet and Share Repurchase Activity

The Company ended the quarter with \$249 million in cash and cash equivalents and no debt after repurchasing 523,000 shares for \$50 million. Diluted shares outstanding totaled 20.2 million during the third quarter of 2021. As of October 2, 2021, the Company had approximately \$137 million remaining under the share repurchase authorization, following the Company’s increase of the repurchase authorization on September 16, 2021.

Fiscal 2021 Outlook

The Company is reiterating its net sales and earnings per share outlook for fiscal year 2021, which was provided on September 16, 2021.

Fiscal Year 2021 Outlook	
	Range
Consolidated Net Sales	\$1.18 - \$1.20 billion
Diluted EPS	\$5.80 - \$6.00

The Company maintains a 52/53-week fiscal year. Fiscal 2020 was a 53-week year and included one additional week of sales in the fourth quarter of 2020 compared to Fiscal 2021.

Doug Hekking, Chief Financial Officer, said, “We are reiterating our outlook for fiscal 2021 with third quarter results coming in just ahead of the projections we provided on September 16th. Our outlook incorporates ongoing investments required to achieve long-term growth objectives that may impact near-term operating margins.”

Management Commentary Document and Conference Call

For more information on the USANA’s operating results, please see the Management Commentary document, which has been posted on the Company’s website (<http://ir.usana.com>) under the Investor Relations section. USANA’s management team will hold a conference call and webcast to discuss today’s announcement with investors on Wednesday, October 27, 2021 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, followed by a questions and answers session.

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. Free cash flow is a non-GAAP financial measure that we believe provides investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. We believe it provides a measure of our ability to fund various discretionary business initiatives, including acquisitions and share repurchase. Free cash flow is calculated by subtracting net capital expenditures from net cash provided by operating activities.

About USANA

USANA develops and manufactures high-quality nutritional supplements, functional 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: 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 deteriorating foreign and/or trade relations between the United States and China; 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.

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

	<u>Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>2-Oct-21</u>	<u>26-Sep-20</u>	<u>2-Oct-21</u>	<u>26-Sep-20</u>
Net sales	\$274,352	\$ 298,513	\$ 919,165	\$ 824,123
Cost of sales	<u>50,715</u>	<u>56,358</u>	<u>165,380</u>	<u>150,091</u>
Gross profit	223,637	242,155	753,785	674,032
Operating expenses:				
Associate incentives	116,222	131,144	404,580	358,065
Selling, general and administrative	<u>66,645</u>	<u>65,656</u>	<u>210,518</u>	<u>192,014</u>
Earnings from operations	40,770	45,355	138,687	123,953
Other income (expense), net	<u>(420)</u>	<u>(1,080)</u>	<u>309</u>	<u>(536)</u>
Earnings before income taxes	40,350	44,275	138,996	123,417
Income taxes	<u>13,020</u>	<u>13,769</u>	<u>42,811</u>	<u>38,382</u>
NET EARNINGS	<u>\$ 27,330</u>	<u>\$ 30,506</u>	<u>\$ 96,185</u>	<u>\$ 85,035</u>
Earnings per share - diluted	\$ 1.36	\$ 1.44	\$ 4.68	\$ 4.00
Weighted average shares outstanding - diluted	20,156	21,170	20,566	21,283

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

	<u>As of</u>	<u>As of</u>
	<u>2-Oct-21</u>	<u>2-Jan-21</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 248,695	\$ 311,917
Inventories	96,316	90,224
Prepaid expenses and other current assets	23,414	23,145
Total current assets	<u>368,425</u>	<u>425,286</u>
Property and equipment, net	100,957	100,445
Goodwill	17,510	17,367
Intangible assets, net	30,312	30,796
Deferred tax assets	5,465	4,640
Other assets	56,277	62,353
Total assets	<u>\$ 578,946</u>	<u>\$ 640,887</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 13,706	\$ 18,195
Other current liabilities	144,258	149,878
Total current liabilities	<u>157,964</u>	<u>168,073</u>
Deferred tax liabilities	7,840	12,009
Other long-term liabilities	14,063	19,155
Stockholders' equity	<u>399,079</u>	<u>441,650</u>
Total liabilities and stockholders' equity	<u>\$ 578,946</u>	<u>\$ 640,887</u>

USANA Health Sciences, Inc.

Sales by Region

(unaudited)
(in thousands)

	<u>Quarter Ended</u>				<u>Change from prior year</u>		<u>Currency impact on sales</u>	<u>% change excluding currency impact</u>
	<u>October 2, 2021</u>	<u>September 26, 2020</u>						
Asia Pacific								
Greater China	\$123,235	44.9%	\$ 136,013	45.5%	\$ (12,778)	(9.4%)	\$ 7,457	(14.9%)
Southeast Asia Pacific	64,570	23.5%	76,313	25.6%	(11,743)	(15.4%)	85	(15.5%)
North Asia	33,068	12.1%	28,969	9.7%	4,099	14.1%	770	11.5%
Asia Pacific Total	220,873	80.5%	241,295	80.8%	(20,422)	(8.5%)	8,312	(11.9%)
Americas and Europe	53,479	19.5%	57,218	19.2%	(3,739)	(6.5%)	1,570	(9.3%)
	<u>\$274,352</u>	<u>100.0%</u>	<u>\$ 298,513</u>	<u>100.0%</u>	<u>\$ (24,161)</u>	<u>(8.1%)</u>	<u>\$ 9,882</u>	<u>(11.4%)</u>

Active Associates by Region⁽¹⁾
(unaudited)

	As of			
	October 2, 2021		September 26, 2020	
Asia Pacific				
Greater China	81,000	29.8%	91,000	29.1%
Southeast Asia Pacific	90,000	33.1%	113,000	36.1%
North Asia	39,000	14.3%	39,000	12.4%
Asia Pacific Total	210,000	77.2%	243,000	77.6%
Americas and Europe	62,000	22.8%	70,000	22.4%
	272,000	100.0%	313,000	100.0%

Active Preferred Customers by Region⁽²⁾
(unaudited)

	As of			
	October 2, 2021		September 26, 2020	
Asia Pacific				
Greater China	165,000	54.3%	193,000	57.3%
Southeast Asia Pacific	44,000	14.4%	45,000	13.4%
North Asia	24,000	7.9%	21,000	6.2%
Asia Pacific Total	233,000	76.6%	259,000	76.9%
Americas and Europe	71,000	23.4%	78,000	23.1%
	304,000	100.0%	337,000	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

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USANA Health Sciences, Inc.

October 26, 2021

Q3 2021 Management Commentary

Key Financial & Operating Highlights

- Net sales of \$274.4 million as compared with \$298.5 million in Q3 2020.
- Diluted EPS of \$1.36 versus \$1.44 during Q3 2020.
- Reiterates fiscal 2021 net sales and diluted EPS outlook provided on September 16, 2021.
- Company expects to generate approximately \$130 million of free cash flow in fiscal 2021.

Overview

The ongoing COVID-19 pandemic has created an unpredictable operating environment for us in many of our markets around the world and caused meaningful disruptions in both sales and operations. During the quarter, several markets, including mainland China, faced additional lockdowns and restrictions on in-person meetings, which created a challenging environment for selling activity. On top of the unanticipated challenges, our year-over-year comparisons for the third quarter were already difficult given the significant short-term sales program that we offered during the comparable period last year.

Operating margins declined on both a year-over-year and sequential basis, primarily due to lower sales. We continued to experience supply chain disruptions and increasing inflationary pressures throughout the third quarter. Specifically, we have experienced continued, meaningfully higher shipping and freight costs, longer shipping and transit times, as well as increased labor costs. Our team has been resilient in responding to, and, addressing these operational challenges.

To help mitigate broader supply chain risks, we have been actively building inventory levels over the last several quarters and expect this effort to continue through year-end 2021. The operational and financial flexibility provided by our in-house manufacturing facilities, which are responsible for approximately two-thirds of volume production, are proving to be invaluable today, especially as global supply chains continue to face ongoing challenges in the current operating environment.

Looking ahead to the fourth quarter, several of our key markets continue to operate with limited visibility in terms of 1) lockdowns and re-openings and; 2) resuming more normalized in-person gatherings and events. Although we continue to face a variety of challenges, we are reiterating our fiscal 2021 net sales and earnings per share outlook that was updated on September 16, 2021.

Q3 2021 Results

Consolidated Results		
Net Sales	\$274.4 million	<ul style="list-style-type: none"> • -8% vs. prior-year quarter • -11% constant currency vs. prior-year quarter • +\$9.9 million YOY FX impact, or +3%
Diluted EPS	\$1.36	<ul style="list-style-type: none"> • -6% vs. prior-year quarter • Diluted shares of 20.2 million, -5%
Active Customers	576,000	<ul style="list-style-type: none"> • -11% vs. prior-year quarter

Balance Sheet and Share Repurchase Activity

We ended the quarter with \$249 million in cash and cash equivalents and no debt after repurchasing 523,000 shares for \$50 million. Diluted shares outstanding totaled 20.2 million during the third quarter of 2021. As of October 2, 2021, we had approximately \$137 million remaining under the share repurchase authorization, which was increased on September 16, 2021.

Quarterly Income Statement Discussion

Gross margins improved 40 basis points from the prior year to 81.5% of net sales. The increase is attributed to the positive impact of FX rates and short-term efficiencies attributable to increased production levels to build up inventory levels. This improvement was offset, in part, by leverage lost on fixed period costs due to lower net sales, unfavorable shift in market mix, higher freight and increased labor costs.

Associate Incentives decreased 150 basis points from the prior year to 42.4% of net sales. The decrease primarily reflects the presence of a significant short-term sales program offered during Q3 2020 that was not present in the current year quarter and, to a lesser extent, a favorable shift in market mix.

Selling, General and Administrative expenses increased 220 basis points from the prior year to 24.2% of net sales. The increase is largely due to lower year-over-year net sales. On an absolute basis, SG&A expense increased \$1 million compared to the prior year, reflecting higher employee costs, R&D expenses, and meeting and event costs incurred in certain markets.

The effective tax rate of 32.3% increased from the 31.1% reported in the prior year quarter, largely due to lower than expected pre-tax income. On an absolute basis, income tax expense declined \$0.7 million compared to the prior year. We now expect an effective tax rate of approximately 31% for fiscal 2021, an increase of 100 basis points from the 30% reported in fiscal 2020, due to lower consolidated profitability and lower deferred tax asset balances compared to prior expectations.

Regional Financial Results

Note that a significant short-term sales program was offered in both Q3 2020 and Q2 2021. Consequently, the third quarter of 2021 presented a difficult comparison on both a year-over-year basis as well as sequentially. Additionally, the impact of the COVID-19 pandemic varied by market.

Asia Pacific Region		
Net Sales	\$220.9 million	<ul style="list-style-type: none"> • -9% vs. prior-year quarter • Constant currency net sales: -12% • +\$8.3 million FX impact, or +3% • 81% of consolidated net sales
Active Customers	443,000	<ul style="list-style-type: none"> • -12% vs. prior-year quarter • -14% sequentially

Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$123.2 million	<ul style="list-style-type: none"> • -9% vs. prior-year quarter • Constant currency net sales: -15%
Active Customers	246,000	<ul style="list-style-type: none"> • -13% vs. prior-year quarter • -19% sequentially
North Asia		
Net Sales	\$33.1 million	<ul style="list-style-type: none"> • +14% vs. prior-year quarter • Constant currency net sales: +12%
Active Customers	63,000	<ul style="list-style-type: none"> • +5% vs. prior-year quarter • -5% sequentially
Southeast Asia Pacific		
Net Sales	\$64.6 million	<ul style="list-style-type: none"> • -15% vs. prior-year quarter • Constant currency net sales: -15%
Active Customers	134,000	<ul style="list-style-type: none"> • -15% vs. prior-year quarter • -7% sequentially

Greater China: Net sales and local currency sales in mainland China decreased 9% and 15% year-over-year, respectively, while Active Customers in this market decreased 14%. Sequentially, net sales and Active Customers in mainland China decreased 28% and 20%, respectively. In addition to the absence of the significant short-term sales program, sales activity was negatively impacted in this key market by disruptions related to the COVID-19 pandemic.

North Asia: Although at lower levels than expected, South Korea continues to perform well on a year-over-year basis, as local currency net sales grew 13% in the third quarter. Active Customers in this market grew 7% year-over-year.

Southeast Asia Pacific: Malaysia posted another quarter of solid performance as local currency net sales grew 24% year-over-year. The Philippines posted a 42% year-over-year decline in local currency net sales against a difficult comparison and a challenging operating environment as a result of the COVID-19 pandemic.

Americas and Europe Region		
Net Sales	\$53.5 million	<ul style="list-style-type: none"> • -7% vs. prior-year quarter • Constant currency net sales: -9% • +\$1.6 million FX impact, or +2% • 19% of consolidated net sales
Active Customers	133,000	<ul style="list-style-type: none"> • -10% vs. prior-year quarter • -4% sequentially

Americas and Europe Region: Both net sales and Active Customers in the United States declined 2% year-over-year, while Canada experienced an 11% decline in local currency net sales and a 9% decline in Active Customers. Decreases in net sales in the United States and Canada can primarily be attributed to the significant sales program offered in the comparable quarter of the prior year.

Outlook and 2021 Operating Strategy

We are reiterating our consolidated net sales and earnings per share outlook for fiscal year 2021, which was provided on September 16, 2021.

Fiscal Year 2021 Outlook	
	Range
Consolidated Net Sales	\$1.18 - \$1.20 billion
Diluted EPS	\$5.80 - \$6.00

We maintain a 52/53-week fiscal year. Fiscal 2020 was a 53-week year and included one additional week of sales in the fourth quarter of 2020, compared to Fiscal 2021.

Our outlook for the year reflects:

- A favorable currency exchange rate impact on net sales of approximately \$51 million (\$52 million was realized in the first nine months of 2021);
- An estimated operating margin between 14.5% and 14.8%;
- An annual effective tax rate of 31%; and
- An annualized diluted share count of 20.3 million.

We anticipate above-average labor and supply chain costs will put modest pressure on our operating margin throughout the remainder of the fiscal year. Additionally, the fourth quarter of 2021 presents a challenging year-over-year comparable with fiscal 2020, as a result of an extra week of sales in Q4 2020 due to the Company's 52-53 week fiscal year. This additional week contributed approximately \$18 million to the top-line and an estimated \$0.17 to diluted earnings per share to 2020 results.

Digital Strategy

We continue to place a high priority on our digital experience strategy. During the quarter, our China native shopping app continued to gain traction with customers and we are progressing with integrating Auto Order Management and Order History features into the app, which we believe will lead to an increase in overall usage. We also launched a new web-based shopping cart for shoppers in China. This feature is specifically designed to be more familiar for Chinese customers in that market. Together, these features enhance the shopping experience for customers in China.

Product Strategy

Although our introduction of certain new products has been delayed until 2022, we are actively engaged in bringing new and innovative products to market. In-house development and manufacturing of high-quality products remains a core focus for USANA and we are planning several new product introductions for our Active Nutrition line and other product categories in 2022.

Business Development Strategy

We continue to assess growth opportunities that would strengthen, diversify, and grow our worldwide business. Our business development efforts are focused on: (i) overall nutrition; (ii) vertical integration; (iii) product and category expansion; and (iv) geographic expansion.

We remain committed to operating the business with a long-term mindset for consistent and reliable growth, and we thank all of our stakeholders for their continued support.

Kevin Guest
CEO

Douglas Hekking
CFO

Safe Harbor

This Management Commentary 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 deteriorating foreign and/or trade relations between the United States and China; 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 Commentary 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 Commentary 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 (“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. Free cash flow is a non-GAAP financial measure that we believe provides investors an additional perspective on cash flow from operating activities in excess of amounts required for reinvestment. We believe it provides a measure of our ability to fund various discretionary business initiatives, including acquisitions and share repurchase. Free cash flow is calculated by subtracting net capital expenditures from net cash provided by operating activities.

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