

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):
February 8, 2022

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 February 8, 2022, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the fourth quarter and fiscal year ended January 1, 2022. 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 February 8, 2022 (furnished herewith).
99.2	Management Commentary provided by USANA Health Sciences, Inc. dated February 8, 2022 (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: February 8, 2022

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated February 8, 2022 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary provided by USANA Health Sciences, Inc. dated February 8, 2022 (furnished herewith).</u>

USANA Health Sciences Reports Fiscal Year and Fourth Quarter 2021 Results

SALT LAKE CITY--(BUSINESS WIRE)--February 8, 2022--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its full year and fiscal fourth quarter ended January 1, 2022.

Key Financial & Operating Highlights

- Fiscal year 2021 net sales grew 5% to \$1.186 billion.
- Reported fiscal year 2021 diluted EPS totaled \$5.73.
- Fourth quarter net sales reached \$267 million and diluted EPS were \$1.03.
- Company provides initial 2022 net sales guidance of \$1.125 to \$1.225 billion and initial diluted EPS guidance of \$5.25 to \$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.

FY 2021 Financial Performance

Consolidated Results		
Net Sales	\$1.186 billion	<ul style="list-style-type: none"> • +5% vs prior year • +\$53.6 million YOY FX impact, or +5% • FY 2020 additional week of sales contributed approximately \$18 million to prior year results
Diluted EPS	\$5.73	<ul style="list-style-type: none"> • -2% vs prior year • 20.3 million diluted shares, -4% vs prior year • FY 2020 additional week of sales contributed an estimated \$0.17 to prior year results
Active Customers	560,000	<ul style="list-style-type: none"> • -7% vs. prior year

“USANA delivered year-over-year net sales growth for 2021, despite a challenging year-over-year comparable and a global operating environment that disrupted many of our growth initiatives and planned events,” said Kevin Guest, Chief Executive Officer and Chairman of the Board. “Importantly, we made meaningful progress during the year in executing our digital transformation strategy, which is key to improving our overall customer experience and setting the stage for future net sales growth.”

Q4 2021 Financial Performance

Consolidated Results		
Net Sales	\$267.3 million	<ul style="list-style-type: none">• -14% vs. prior-year quarter• +\$1.9 million YOY FX impact, or +1%• Q4 2020 additional week of sales contributed approximately \$18 million to prior year results
Diluted EPS	\$1.03	<ul style="list-style-type: none">• -45% vs. prior-year quarter• Diluted shares of 19.7 million, -7%• Q4 2020 additional week of sales contributed an estimated \$0.17 per share to prior year results

Mr. Guest added, “Fourth quarter net sales came in below our expectations as our business was negatively impacted in several key Asia Pacific markets where COVID-19 restrictions persisted throughout the quarter. Additionally, lower gross margin and the unanticipated timing of certain marketing expenses resulted in lower-than-expected diluted earnings per share. We estimate that these collective events negatively impacted diluted earnings per share by \$0.18.”

Q4 2021 Regional Results:

Asia Pacific Region		
Net Sales	\$212.1 million	<ul style="list-style-type: none"> -15% vs. prior-year quarter 79% of consolidated net sales
Active Customers	428,000	<ul style="list-style-type: none"> -6% vs. prior-year quarter -3% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$125.8 million	<ul style="list-style-type: none"> -10% vs. prior-year quarter Constant currency net sales: -13%
Active Customers	255,000	<ul style="list-style-type: none"> +1% vs. prior-year quarter +4% sequentially
North Asia		
Net Sales	\$29.2 million	<ul style="list-style-type: none"> -11% vs. prior-year quarter Constant currency net sales: -6%
Active Customers	58,000	<ul style="list-style-type: none"> -3% vs. prior-year quarter -8% sequentially
Southeast Asia Pacific		
Net Sales	\$57.0 million	<ul style="list-style-type: none"> -26% vs. prior-year quarter No meaningful FX impact
Active Customers	115,000	<ul style="list-style-type: none"> -19% vs. prior-year quarter -14% sequentially

Americas and Europe Region		
Net Sales	\$55.2 million	<ul style="list-style-type: none"> -11% vs. prior-year quarter No meaningful FX impact 21% of consolidated net sales
Active Customers	132,000	<ul style="list-style-type: none"> -9% vs. prior-year quarter -1% sequentially

Balance Sheet and Share Repurchase Activity

The Company ended the year with \$240 million in cash and cash equivalents and no debt after repurchasing 296,000 shares for \$28.9 million during the fourth quarter. Diluted shares outstanding totaled 19.7 million for the fourth quarter. As of January 1, 2022, the Company had approximately \$108 million remaining under the share repurchase authorization.

Fiscal 2022 Outlook

Mr. Guest continued, “Growth in Active Customers and net sales in each of our regions around the world remain top priorities in 2022. This focus reflects our commitment to all stakeholders and to our vision of improving the health and wellness of as many people around the world as possible. Fiscal 2022 is also USANA’s 30th year anniversary, and we have several exciting events, product launches, and announcements planned to celebrate our legacy and drive growth. In connection with our anniversary, we hope to return to live events in markets where we are permitted to do so. We believe that live events are both important and additive to driving excitement and momentum within our sales force. During the year, we will continue investing in technology and digital tools to further improve our overall customer experience. We will continue to lay the foundations for expansion into new markets and pursue accretive business development opportunities. We look forward to growing the number of individuals and families using our products and to delivering growth for USANA in 2022.”

The Company is introducing net sales and earnings per share outlook for fiscal year 2022, as detailed in the table below:

Fiscal Year 2022 Outlook	
	Range
Consolidated Net Sales	\$1.125 - \$1.225 billion
Diluted EPS	\$5.25 - \$6.00

Doug Hekking, Chief Financial Officer, commented, “We are providing our initial outlook for fiscal 2022, which reflects a wider-than-normal range due to continued uncertainty surrounding the COVID-19 environment. Some of our markets continue to experience meaningful lockdown restrictions while others are operating in a more normalized environment. Our outlook anticipates that net sales will accelerate throughout the year. It also assumes a modestly unfavorable foreign currency environment, increased costs due to inflationary pressures, and increased travel and event-related costs in select markets. Additionally, we project an effective tax rate of 32.5% for the year and a diluted share count of 19.6 million.”

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, February 9, 2022 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 question and answer 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.

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)

	Quarter Ended		Twelve Months Ended	
	1-Jan-22	2-Jan-21	1-Jan-22	2-Jan-21
Net sales	\$267,299	\$310,521	\$ 1,186,464	\$ 1,134,644
Cost of sales	52,518	59,020	217,898	209,111
Gross profit	214,781	251,501	968,566	925,533
Operating expenses:				
Associate incentives	114,687	129,791	519,267	487,856
Selling, general and administrative	68,589	69,172	279,107	261,186
Earnings from operations	31,505	52,538	170,192	176,491
Other income (expense), net	141	1,993	450	1,457
Earnings before income taxes	31,646	54,531	170,642	177,948
Income taxes	11,326	14,902	54,137	53,284
NET EARNINGS	\$ 20,320	\$ 39,629	\$ 116,505	\$ 124,664
Earnings per share - diluted	\$ 1.03	\$ 1.87	\$ 5.73	\$ 5.86
Weighted average shares outstanding - diluted	19,673	21,189	20,343	21,256

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

	As of 1-Jan-22	As of 2-Jan-21
ASSETS		
Current Assets		
Cash and cash equivalents	\$239,832	\$311,917
Inventories	98,318	90,224
Prepaid expenses and other current assets	26,967	23,145
Total current assets	365,117	425,286
Property and equipment, net	101,780	100,445
Goodwill	17,668	17,367
Intangible assets, net	30,442	30,796
Deferred tax assets	4,839	4,640
Other assets	57,894	62,353
Total assets	\$577,740	\$640,887
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 13,508	\$ 18,195
Other current liabilities	147,282	149,878
Total current liabilities	160,790	168,073
Deferred tax liabilities	7,497	12,009
Other long-term liabilities	14,329	19,155
Stockholders' equity	395,124	441,650
Total liabilities and stockholders' equity	\$577,740	\$640,887

USANA Health Sciences, Inc.
Sales by Region
(unaudited)
(in thousands)

Quarter Ended

	January 1, 2022		January 2, 2021		Change from prior year		Currency impact on sales	% change excluding currency impact
Asia Pacific								
Greater China	\$ 125,840	47.1%	\$ 139,059	44.8%	\$ (13,219)	(9.5%)	\$ 4,126	(12.5%)
Southeast Asia Pacific	56,984	21.3%	76,861	24.7%	(19,877)	(25.9%)	(1,036)	(24.5%)
North Asia	29,249	10.9%	32,892	10.6%	(3,643)	(11.1%)	(1,612)	(6.2%)
Asia Pacific Total	212,073	79.3%	248,812	80.1%	(36,739)	(14.8%)	1,478	(15.4%)
Americas and Europe	55,226	20.7%	61,709	19.9%	(6,483)	(10.5%)	471	(11.3%)
	<u>\$ 267,299</u>	<u>100.0%</u>	<u>\$ 310,521</u>	<u>100.0%</u>	<u>\$ (43,222)</u>	<u>(13.9%)</u>	<u>\$ 1,949</u>	<u>(14.5%)</u>

Twelve Months Ended

	January 1, 2022		January 2, 2021		Change from prior year		Currency impact on sales	% change excluding currency impact
Asia Pacific								
Greater China	\$ 563,469	47.5%	\$ 530,505	46.7%	\$ 32,964	6.2%	\$ 34,781	(0.3%)
Southeast Asia Pacific	269,803	22.7%	269,555	23.8%	248	0.1%	8,381	(3.0%)
North Asia	129,920	11.0%	114,964	10.1%	14,956	13.0%	3,917	9.6%
Asia Pacific Total	963,192	81.2%	915,024	80.6%	48,168	5.3%	47,079	0.1%
Americas and Europe	223,272	18.8%	219,620	19.4%	3,652	1.7%	6,555	(1.3%)
	<u>\$1,186,464</u>	<u>100.0%</u>	<u>\$1,134,644</u>	<u>100.0%</u>	<u>\$ 51,820</u>	<u>4.6%</u>	<u>\$ 53,634</u>	<u>(0.2%)</u>

Active Associates by Region⁽¹⁾

(unaudited)

	As of			
	January 1, 2022		January 2, 2021	
Asia Pacific				
Greater China	81,000	31.9%	88,000	29.4%
Southeast Asia Pacific	78,000	30.7%	103,000	34.5%
North Asia	37,000	14.6%	39,000	13.0%
Asia Pacific Total	<u>196,000</u>	<u>77.2%</u>	<u>230,000</u>	<u>76.9%</u>
Americas and Europe	<u>58,000</u>	<u>22.8%</u>	<u>69,000</u>	<u>23.1%</u>
	<u>254,000</u>	<u>100.0%</u>	<u>299,000</u>	<u>100.0%</u>

Active Preferred Customers by Region⁽²⁾

(unaudited)

	As of			
	January 1, 2022		January 2, 2021	
Asia Pacific				
Greater China	174,000	56.8%	164,000	54.7%
Southeast Asia Pacific	37,000	12.1%	39,000	13.0%
North Asia	21,000	6.9%	21,000	7.0%
Asia Pacific Total	<u>232,000</u>	<u>75.8%</u>	<u>224,000</u>	<u>74.7%</u>
Americas and Europe	<u>74,000</u>	<u>24.2%</u>	<u>76,000</u>	<u>25.3%</u>
	<u>306,000</u>	<u>100.0%</u>	<u>300,000</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.

February 8, 2022

Q4 2021 Management Commentary

Key Financial & Operating Highlights

- Fiscal year 2021 net sales grew 5% to \$1.186 billion.
- Reported fiscal year 2021 diluted EPS totaled \$5.73.
- Fourth quarter net sales reached \$267 million and diluted EPS were \$1.03.
- Company provides initial 2022 net sales guidance of \$1.125 to \$1.225 billion and initial diluted EPS guidance of \$5.25 to \$6.00.

Overview

USANA delivered year-over-year net sales growth for 2021, despite a challenging year-over-year comparable and a global operating environment that disrupted many of our growth initiatives and planned events. Importantly, we made meaningful progress during the year in executing our digital transformation strategy, which is key to improving our overall customer experience and setting the stage for future net sales growth. These investments also improved our ability to gather feedback from our customers and sales force, which allows us to be more responsive to the needs and wants of our target audience. Finally, our team of scientists and product specialists continue to undertake efforts to deliver on our product innovation and commercialization goals.

Although we are pleased with our overall performance in 2021, fourth quarter results were below our expectations. During the quarter, additional COVID-related lockdowns and disruptions across several of our key markets in our Asia Pacific region negatively impacted net sales.

Additionally, lower gross margin and the unanticipated timing of certain marketing expenses resulted in lower-than-expected diluted earnings per share. We estimate that these collective events negatively impacted diluted earnings per share by \$0.18.

Growth in Active Customers and net sales in each of our regions around the world remain top priorities in 2022. We have several exciting events, products launches, and announcements planned to celebrate USANA's 30th year anniversary this year. In connection with our anniversary, we are planning to host a hybrid virtual/in-person event in Q3 in Salt Lake City and are also planning to host an in-person event in China in the back half of the year.

During the year, we will continue investing in technology and digital tools to further improve our overall customer experience. We will continue to lay the foundations for expansion into new markets and pursue accretive business development opportunities. We are confident our strategies will position us to grow the number of individuals and families around the world using our products and deliver growth for USANA in 2022.

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

FY 2021 Financial Performance

Consolidated Results		
Net Sales	\$1.186 billion	<ul style="list-style-type: none"> •+5% vs prior year •+53.6 million YOY FX impact, or +5% •FY 2020 additional week of sales contributed approximately \$18 million to prior year results
Diluted EPS	\$5.73	<ul style="list-style-type: none"> •-2% vs prior year •20.3 million diluted shares, -4% vs prior year •FY 2020 additional week of sales contributed an estimated \$0.17 to prior year results
Active Customers	560,000	•-7% vs. prior year

Q4 2021 Results

Consolidated Results		
Net Sales	\$267.3 million	<ul style="list-style-type: none">•-14% vs. prior-year quarter•+\$1.9 million YOY FX impact, or +1%•Q4 2020 additional week of sales contributed approximately \$18 million to prior year results
Diluted EPS	\$1.03	<ul style="list-style-type: none">•-45% vs. prior-year quarter•Diluted shares of 19.7 million, -7%•Q4 2020 additional week of sales contributed an estimated \$0.17 per share to prior year results

Quarterly Income Statement Discussion

Gross margins decreased 60 basis points from the prior year to 80.4% of net sales. The decline was driven by unfavorable inventory variances as well as leverage lost on fixed period costs due to lower net sales.

Associate Incentives increased 110 basis points from the prior year to 42.9% of net sales. The increase was driven by costs related to trial programs being tested and evaluated in certain markets and a relatively low amount invested in travel and market incentive programs in the prior-year quarter.

Selling, General and Administrative expenses increased 340 basis points from the prior year to 25.7% of net sales. The increase can be attributed to the loss of leverage on lower reported net sales as well as the unanticipated timing of certain marketing expenses recognized in the current year quarter.

The increase in the effective tax rate is due, in great part, to the distribution of pre-tax income by market as well as the results of a tax audit in our South Korea market.

Asia Pacific Region		
Net Sales	\$212.1 million	<ul style="list-style-type: none"> •-15% vs. prior-year quarter •79% of consolidated net sales
Active Customers	428,000	<ul style="list-style-type: none"> •-6% vs. prior-year quarter •-3% sequentially

Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$125.8 million	<ul style="list-style-type: none"> •-10% vs. prior-year quarter •Constant currency net sales: -13%
Active Customers	255,000	<ul style="list-style-type: none"> •+1% vs. prior-year quarter •+4% sequentially
North Asia		
Net Sales	\$29.2 million	<ul style="list-style-type: none"> •-11% vs. prior-year quarter •Constant currency net sales: -6%
Active Customers	58,000	<ul style="list-style-type: none"> •-3% vs. prior-year quarter •-8% sequentially
Southeast Asia Pacific		
Net Sales	\$57.0 million	<ul style="list-style-type: none"> •-26% vs. prior-year quarter •No meaningful FX impact
Active Customers	115,000	<ul style="list-style-type: none"> •-19% vs. prior-year quarter •-14% sequentially

Greater China: Local currency net sales in mainland China decreased 13% year-over-year while Active Customers in this market grew 2%. Sequentially, local currency net sales and Active Customers in mainland China increased 1% and 4%, respectively. Net sales in this key market were impacted by ongoing COVID-19 disruptions and lockdowns across various provinces of mainland China. This disruption resulted in the cancellation and postponement of planned activities during the quarter.

North Asia: Local currency net sales and Active Customers in South Korea declined 5% and 2% year-over-year, respectively. On a sequential basis, local currency net sales and Active Customers in this market declined 10% and 8%, respectively. Despite the modest declines in the fourth quarter, South Korea was among the Company's top performing markets in fiscal 2021 and posted double-digit top line growth.

Southeast Asia Pacific: Performance across markets varied significantly in this sub-region, with the key underlying factor relating to the relative severity of COVID-19 lockdowns and disruptions. The Philippines, a market which has historically relied on in-person commerce, has been impacted the most significantly in this region. Local currency net sales declined 52% year-over-year while Active Customers fell 44% year-over-year.

Americas and Europe Region		
Net Sales	\$55.2 million	<ul style="list-style-type: none"> •-11% vs. prior-year quarter •No meaningful FX impact •21% of consolidated net sales
Active Customers	132,000	<ul style="list-style-type: none"> •-9% vs. prior-year quarter •-1% sequentially

Americas and Europe Region: Net sales and Active Customers in the United States declined 1% and 2% year-over-year, respectively. On a sequential basis, net sales in the United States grew 9%. The collective year-over-year sales decline in the remaining markets in this region largely reflects the timing and impact of incentive and promotional activity.

Balance Sheet and Share Repurchase Activity

The Company ended the year with \$240 million in cash and cash equivalents and no debt after repurchasing 296,000 shares for \$28.9 million during the fourth quarter. Diluted shares outstanding totaled 19.7 million for the fourth quarter. As of January 1, 2022, the Company had approximately \$108 million remaining under the share repurchase authorization.

Fiscal 2022 Outlook

Our outlook for net sales and earnings per share for fiscal 2022 reflects a wider-than-normal range and is representative of our current visibility of the COVID-19 environment. Several markets continue to experience a challenging operating environment while others are operating in a more normalized environment. We are currently planning in-person events for the upcoming year, which we believe provides a value-added opportunity to engage with our sales force.

The Company is introducing net sales and earnings per share outlook for fiscal year 2022 as detailed in the table below:

Fiscal Year 2022 Outlook	
	Range
Consolidated Net Sales	\$1.125 - \$1.225 billion
Diluted EPS	\$5.25 - \$6.00

Our outlook for the year reflects:

- An unfavorable currency exchange rate impact on net sales of approximately \$16 million;
- An estimated operating margin between 13.5% and 14.1%;
- An annual effective tax rate of 32.5%; and
- An annualized diluted share count of 19.6 million.

Throughout the year, we plan to implement strategic, short-term sales programs across several of our markets. These promotions will be similar to the programs offered in Q3 2020 and Q2 2021, but held regionally and staggered throughout the year to suit the needs of individual markets. We also have select events and promotional activity planned in the third quarter when we will celebrate our 30th Anniversary.

Our outlook anticipates that net sales will accelerate throughout the year. Pressure on our operating margin, relative to historical performance, is anticipated as we thoughtfully navigate inflationary pressures on key areas of our business including wages, material prices and distribution costs. Additionally, as previously noted, we plan to make additional strategic and necessary investments in our digital infrastructure. Finally, we have planned for increased travel and event-related costs with the hope that travel and event restrictions around the world will ease throughout the year.

2022 Operating Strategy

In 2022 we plan to execute our global growth strategy which is focused on (i) ongoing digital investments; (ii) product development and further leveraging our foods manufacturing facility; (iii) driving growth in our China market; and (iv) pursuit of growth opportunities through business development activities.

Digital Investments

Expanding, enhancing and leveraging our digital capabilities to create the best overall customer experience remains a top priority. Collaboration between our sales leaders and management team, combined with assessment of customer feedback, are some of the driving forces behind our planned digital investments in 2022. Among the many projects planned for the year, we highlight the following: 1) building on shopping cart conversion rate progress made in 2021 and ; 2) enhancing onboarding programs and training tools for new Associates.

- Conversion rates: In 2021 we focused on improving the customer shopping experience and our internal data indicates that shopping cart conversion rates have improved meaningfully. This year we will focus on the next step of improving the checkout process. We plan to launch this in select markets and roll out into additional markets throughout 2022.
- Onboarding programs and training tools: We plan to rollout a new education and communication onboarding program for our new Associates in Q2 2022. This program will offer product education and utilize our key online and app-based digital tools that we introduced last year. The combination of these learning tools is intended to improve the onboarding process and experience for new Associates through additional communication, notifications and orientation, which we believe will help drive more efficient customer acquisition.

Product Development

Our foods plant in Salt Lake City, UT (USANA North), which houses the manufacturing for all of our foods-related products, is now fully operational. We believe the investments in this facility will allow us to be more agile and cost efficient in responding to both current and future opportunity.

Although the rollout of additional Active Nutrition products were delayed this past year, we have officially resumed the rollout, beginning with our Nutrimeal Free Active and Collagen Protein Bar, both of which are being manufactured in the USANA North facility. We'll also introduce additional new Active Nutrition products throughout the year, as well as several products in conjunction with USANA's 30th year anniversary.

China Strategy

We remain very optimistic about the long-term growth prospects in our China business. We made progress in 2021 in several different areas of the business:

- Our research collaboration agreement with Beijing University of Chinese Medicine is off to a great start and we have several research projects that have been approved and are underway.
- We have strengthened our leadership team in this market by adding several experienced professionals.
- Our first branch office redesign is on track to be completed this year. We believe the newly enhanced branch experience will drive increased customer activity and retention.

Looking ahead, our key initiatives in China in 2022 include:

- Continuing our digital transformation roadmap: We will continue to make several digital investments aimed at improving the overall customer experience. These investments include: (i) improving the speed and efficiency of the onboarding process through automation, (ii) enhance notifications within the shopping app which will help drive increased retention, (iii) simplify the shopping experience, (vi) adding features and functionality to existing apps that will help improve overall efficiency and stimulate growth.
- Enhancing our Associate-focused marketing content: We plan to leverage new product training videos, testimonials and business trainings from our new media studio. We believe this will help with new customer acquisition while also improving longevity.
- Build upon recent collaborations and partnerships. We recently renewed our partnership with the National Sports Training Bureau and we are looking for additional partnerships to promote our new Active Nutrition line. We also continue to work closely with Beijing University of Chinese Medicine and we hope to have meaningful results from many of these projects and hope to start commercializing products as soon as possible.

Business Development

A strong balance sheet and our willingness to invest in growth allows us to pursue a wide-range of opportunities that are additive to the long-term success of USANA. Our focus remains on opportunities that strengthen, diversify, and grow our worldwide business by focusing on: (i) overall nutrition; (ii) vertical integration; (iii) product and category expansion; and (iv) geographic expansion.

In closing, we remain confident and committed to our global growth strategy. We thank all of our employees for their hard work, and 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.

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