

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):
April 26, 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 April 26, 2022, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the first quarter ended April 2, 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 April 26, 2022 (furnished herewith).
99.2	Management Commentary provided by USANA Health Sciences, Inc. dated April 26, 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: April 26, 2022

Exhibit Index

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<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated April 26, 2022 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary provided by USANA Health Sciences, Inc. dated April 26, 2022 (furnished herewith).</u>

USANA Health Sciences Reports First Quarter Results

SALT LAKE CITY--(BUSINESS WIRE)--April 26, 2022--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal first quarter ended April 2, 2022.

Key Financial & Operating Highlights

- First quarter net sales were \$273 million as compared with \$308 million during the first quarter of the prior year.
- First quarter diluted EPS totaled \$1.15 versus \$1.45 during the first quarter of 2021.
- Company revises fiscal 2022 net sales and diluted EPS outlook to \$1.1 billion to \$1.2 billion and \$5.00 to \$5.70, respectively.

Q1 2022 Financial Performance

Consolidated Results		
Net Sales	\$272.9 million	<ul style="list-style-type: none"> • -11% vs. prior-year quarter • -10% constant currency vs. prior-year quarter • +2% constant currency sequentially • -\$2.8 million YOY FX impact, or -1%
Diluted EPS	\$1.15	<ul style="list-style-type: none"> • -21% vs. prior-year quarter • +12% sequentially • Diluted shares of 19.5 million, -8% year-over-year
Active Customers	552,000	<ul style="list-style-type: none"> • -11% vs. prior-year quarter • -1% sequentially

“While the first quarter was a respectable start to the year for USANA, net sales were softer than anticipated, particularly around the Lunar New Year holiday in a few key Asia Pacific markets,” said Kevin Guest, Chief Executive Officer and Chairman of the Board. “That said, we made progress in executing our customer experience strategy by rolling out more Active Nutrition products in key markets and by enhancing onboarding programs and training tools.”

Mr. Guest added, “The operating environment in Asia Pacific has become more challenging, particularly in China, where the escalation of COVID-19 has resulted in mass lockdowns, restrictions, and other disruptions. As we look ahead, we are adjusting our strategy to support our teams and Associates in these markets, and we remain optimistic about delivering results in the face of these challenges. We remain focused on executing our strategic initiatives, which we believe will deliver long-term, sustainable growth for all stakeholders.”

Q1 2022 Regional Results:

Asia Pacific Region		
Net Sales	\$218.4 million	<ul style="list-style-type: none"> • -13% vs. prior-year quarter • -12% constant currency vs. prior-year quarter • +3% constant currency sequentially • 80% of consolidated net sales
Active Customers	422,000	<ul style="list-style-type: none"> • -11% vs. prior-year quarter • -1% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$133.7 million	<ul style="list-style-type: none"> • -10% vs. prior-year quarter • Constant currency net sales: -12%
Active Customers	255,000	<ul style="list-style-type: none"> • -8% vs. prior-year quarter • Flat sequentially
North Asia		
Net Sales	\$29.9 million	<ul style="list-style-type: none"> • -1% vs. prior-year quarter • Constant currency net sales: +7%
Active Customers	57,000	<ul style="list-style-type: none"> • -3% vs. prior-year quarter • -2% sequentially
Southeast Asia Pacific		
Net Sales	\$54.7 million	<ul style="list-style-type: none"> • -24% vs. prior-year quarter • Constant currency net sales: -21%
Active Customers	110,000	<ul style="list-style-type: none"> • -20% vs. prior-year quarter • -4% sequentially

Americas and Europe Region		
Net Sales	\$54.4 million	<ul style="list-style-type: none"> • -4% vs. prior-year quarter • -3% constant currency vs. prior-year quarter • -1% constant currency sequentially • 20% of consolidated net sales
Active Customers	130,000	<ul style="list-style-type: none"> • -10% vs. prior-year quarter • -2 % sequentially

Balance Sheet and Share Repurchase Activity

The Company ended the quarter with \$238 million in cash and cash equivalents after repurchasing 288,000 shares during the quarter, for a total of \$25 million. Diluted shares outstanding totaled 19.5 million during the first quarter of 2022. As of April 2, 2022, the Company had approximately \$83 million remaining under the share repurchase authorization.

Fiscal 2022 Outlook

The Company is revising its net sales and earnings per share outlook for fiscal year 2022 as follows:

Fiscal Year 2022 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$1.100 - \$1.200 billion	\$1.125 - \$1.225 billion
Diluted EPS	\$5.00 - \$5.70	\$5.25 - \$6.00

Doug Hekking, Chief Financial Officer, said, "Despite some sales softness across a few key markets and ongoing inflationary pressures, our first quarter operating results were within the range reflected in our internal forecast. We are, however, reducing our net sales and diluted EPS outlook for fiscal 2022 due to the elevated uncertainty surrounding the COVID-19 environment in China."

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, April 27, 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 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.

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 from geopolitical relations and conflicts, including the Russia-Ukraine conflict; 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	
	2-Apr- 22	3-Apr- 21
Net sales	\$ 272,867	\$ 307,976
Cost of sales	51,383	57,651
Gross profit	221,484	250,325
Operating expenses:		
Associate incentives	119,620	134,495
Selling, general and administrative	68,797	71,633
Earnings from operations	33,067	44,197
Other income (expense), net	220	139
Earnings before income taxes	33,287	44,336
Income taxes	10,818	13,715
NET EARNINGS	\$ 22,469	\$ 30,621
Earnings per share - diluted	\$ 1.15	\$ 1.45
Weighted average shares outstanding - diluted	19,481	21,096

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

	<u>As of</u>	<u>As of</u>
	<u>2-Apr-22</u>	<u>1-Jan-22</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 237,753	\$239,832
Inventories	97,581	98,318
Prepaid expenses and other current assets	28,451	26,967
Total current assets	<u>363,785</u>	<u>365,117</u>
Property and equipment, net	100,792	101,780
Goodwill	17,661	17,668
Intangible assets, net	30,124	30,442
Deferred tax assets	4,542	4,839
Other assets	56,015	57,894
Total assets	<u>\$ 572,919</u>	<u>\$577,740</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 11,248	\$ 13,508
Line of credit - short term	10,000	-
Other current liabilities	136,719	147,282
Total current liabilities	<u>157,967</u>	<u>160,790</u>
Deferred tax liabilities	11,419	7,497
Other long-term liabilities	13,587	14,329
Stockholders' equity	389,946	395,124
Total liabilities and stockholders' equity	<u>\$ 572,919</u>	<u>\$577,740</u>

USANA Health Sciences, Inc.

Sales by Region

(unaudited)

(in thousands)

	<u>Quarter Ended</u>				<u>Change from prior year</u>		<u>% change Currency excluding impact on currency sales impact</u>	
	<u>April 2, 2022</u>	<u>April 3, 2021</u>						
Asia Pacific								
Greater China	\$133,739	49.0%	\$148,978	48.4%	\$ (15,239)	(10.2%)	\$ 2,530	(11.9%)
Southeast Asia Pacific	54,742	20.0%	72,148	23.4%	(17,406)	(24.1%)	(2,596)	(20.5%)
North Asia	29,939	11.0%	30,165	9.8%	(226)	(0.7%)	(2,446)	7.4%
Asia Pacific Total	218,420	80.0%	251,291	81.6%	(32,871)	(13.1%)	(2,512)	(12.1%)
Americas and Europe	54,447	20.0%	56,685	18.4%	(2,238)	(3.9%)	(293)	(3.4%)
	<u>\$272,867</u>	<u>100.0%</u>	<u>\$307,976</u>	<u>100.0%</u>	<u>\$ (35,109)</u>	<u>(11.4%)</u>	<u>\$ (2,805)</u>	<u>(10.5%)</u>

Active Associates by Region⁽¹⁾

(unaudited)

	As of			
	April 2, 2022		April 3, 2021	
Asia Pacific				
Greater China	79,000	32.3%	88,000	30.4%
Southeast Asia Pacific	76,000	31.0%	99,000	34.1%
North Asia	36,000	14.7%	38,000	13.1%
Asia Pacific Total	191,000	78.0%	225,000	77.6%
Americas and Europe	54,000	22.0%	65,000	22.4%
	245,000	100.0%	290,000	100.0%

Active Preferred Customers by Region⁽²⁾

(unaudited)

	As of			
	April 2, 2022		April 3, 2021	
Asia Pacific				
Greater China	176,000	57.3%	188,000	57.5%
Southeast Asia Pacific	34,000	11.1%	38,000	11.6%
North Asia	21,000	6.8%	21,000	6.4%
Asia Pacific Total	231,000	75.2%	247,000	75.5%
Americas and Europe	76,000	24.8%	80,000	24.5%
	307,000	100.0%	327,000	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.

April 26, 2022

Q1 2022 Management Commentary

Key Financial & Operating Highlights

- First quarter net sales were \$273 million as compared with \$308 million during the first quarter of the prior year.
- First quarter diluted EPS totaled \$1.15 versus \$1.45 during the first quarter of 2021.
- Company revises fiscal 2022 net sales and diluted EPS outlook to \$1.1 billion to \$1.2 billion and \$5.00 to \$5.70, respectively.

Overview

Our first quarter financial performance was largely in-line with our internal expectations, although we experienced softer-than-anticipated Active Customers and net sales in several of our markets in Southeast Asia Pacific. This softness, however, was partially offset by growth in other key markets.

We typically experience slower sales during the Lunar New Year holiday in several markets and, consequently, we offer a variety of sales promotions during the holiday to help generate sales momentum. This year, the sales promotions we offered did not generate the level of sales activity to counter the holiday slowdown and fell short of sales generated from similar efforts in the prior-year quarter. This was particularly pronounced in our markets in Southeast Asia Pacific, notably in the Philippines and Malaysia. We believe the softness was largely attributable to disruption and fatigue from the COVID-19 environment. The top-line softness in the Southeast Asia Pacific sub-region, however, was somewhat offset by growth in other key markets, including the United States and South Korea.

Notwithstanding the softer sales performance, we continued to successfully execute our strategy to roll out more Active Nutrition products and enhance our onboarding programs and training tools. Our team continues to adapt in an ever-changing environment as we remain focused on executing our 2022 strategy designed to increase momentum in the business.

Inflationary pressures are being felt across key areas of our business and we continue to engage with our stakeholders to address and manage these costs accordingly. We remain steadfast and committed to strategic investments in the business to support long-term, sustainable growth.

We entered the second quarter recognizing we face a difficult financial comparison to the prior-year period, which included the short-term sales program that we offered across all markets in the second quarter of 2021. This year, we are offering similar short-term sales programs on a staggered basis throughout the year. As a result, we anticipate more balanced sales performance for the remainder of the year.

Notwithstanding the near-term challenges, particularly from the escalating COVID-19 situation in China, we remain confident in our global strategies and our long-term growth potential. We continue to evaluate and will adjust our strategy, as necessary, to support our team and Associates in our markets. We remain optimistic that we can deliver results for our stakeholders.

Q1 2022 Results

Consolidated Results		
Net Sales	\$272.9 million	<ul style="list-style-type: none"> • -11% vs. prior-year quarter • -10% constant currency vs. prior-year quarter • +2% constant currency sequentially • -\$2.8 million YOY FX impact, or -1%
Diluted EPS	\$1.15	<ul style="list-style-type: none"> • -21% vs. prior-year quarter • +12% sequentially • Diluted shares of 19.5 million, -8% vs. prior-year quarter
Active Customers	552,000	<ul style="list-style-type: none"> • -11% vs. prior-year quarter

Balance Sheet and Share Repurchase Activity

We ended the quarter with \$238 million in cash and cash equivalents after repurchasing 288,000 shares during the quarter, for a total of \$25 million. Diluted shares outstanding totaled 19.5 million during the first quarter of 2022. As of April 2, 2022, the Company had approximately \$83 million remaining under the share repurchase authorization.

Quarterly Income Statement Discussion

Gross margin decreased 10 basis points from the prior year to 81.2% of net sales. The decrease is attributed primarily to the negative impact of FX rates, inventory valuation adjustments, and increased material and labor costs. The cost pressures were offset, in part, by geographic sales mix and lower relative promotional sales during the current year quarter.

Associate Incentives increased 10 basis points from the prior year to 43.8% of net sales. The modest increase primarily reflects higher incentive and promotional expenses during the current year quarter.

Selling, General and Administrative expenses increased to 25.2%, or 210 basis points, as a percentage of net sales compared to prior year results. The increase is largely due to loss of leverage on lower year-over-year net sales. On an absolute basis, SG&A expenses decreased \$2.8 million compared to the prior year, which can be primarily attributed to lower costs on current year sales and operating performance.

The effective tax rate of 32.5% increased from the 30.9% reported in the prior-year quarter, largely due to a change in distribution of pre-tax income generated by market.

Regional Financial Results

Asia Pacific Region		
Net Sales	\$218.4 million	<ul style="list-style-type: none"> -13% vs. prior-year quarter -12% constant currency vs. prior-year quarter +3% constant currency sequentially 80% of consolidated net sales
Active Customers	422,000	<ul style="list-style-type: none"> -11% vs. prior-year quarter -1% sequentially

Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$133.7 million	<ul style="list-style-type: none"> -10% vs. prior-year quarter Constant currency net sales: -12%
Active Customers	255,000	<ul style="list-style-type: none"> -8% vs. prior-year quarter Flat sequentially
North Asia		
Net Sales	\$29.9 million	<ul style="list-style-type: none"> -1% vs. prior-year quarter Constant currency net sales: +7%
Active Customers	57,000	<ul style="list-style-type: none"> -3% vs. prior-year quarter -2% sequentially
Southeast Asia Pacific		
Net Sales	\$54.7 million	<ul style="list-style-type: none"> -24% vs. prior-year quarter Constant currency net sales: -21%
Active Customers	110,000	<ul style="list-style-type: none"> -20% vs. prior-year quarter -4% sequentially

Greater China: Net sales and local currency sales in mainland China decreased 11% and 12% year-over-year, respectively, while Active Customers in this market decreased 8%. Sequentially, net sales in mainland China increased 8% and Active Customers were flat.

The operating environment in China has become increasingly more challenging due to the recent surge in COVID-19 cases, which has resulted in strict lockdowns and restrictions in several areas within this key market. However, despite these challenges, our team remains committed to supporting our staff and Associates as they navigate the current environment.

North Asia: South Korea continued to perform well in the first quarter, as net sales and local currency sales increased 1% and 9% year-over-year, respectively. On a sequential basis, net sales and local currency sales grew 3% and 5%, respectively. Our South Korea market continues to demonstrate resilience in a difficult COVID-19 operating environment.

Southeast Asia Pacific: Local currency net sales in Malaysia declined 27%, largely due to a challenging comparable given the high cadence of promotional activity in the prior-year quarter. Active Customers in this important market declined 17% year-over-year. Sequentially, net sales and Active Customers declined 13% and 8%, respectively. The Philippines, which has historically been a very strong market, experienced a difficult operating environment and reported disappointing sales and operating performance for fiscal 2021. Accordingly, we expect a tough year-over-year comparable in the first half of fiscal 2022 and hope to build momentum as the year progresses. Although local currency net sales declined 30% year-over-year, on a sequential basis, net sales increased 4% and Active Customers were flat.

Americas and Europe Region		
Net Sales	\$54.4 million	<ul style="list-style-type: none"> • -4% vs. prior-year quarter • -3% constant currency vs. prior-year quarter • -1% constant currency sequentially • 20% of consolidated net sales
Active Customers	130,000	<ul style="list-style-type: none"> • -10% vs. prior-year quarter • -2 % sequentially

Americas and Europe Region: Net sales in the United States increased 5% year-over-year while Active Customers in this market decreased 3%. Sequentially, net sales and Active Customers declined 3% and 2%, respectively. Canada experienced a 5% decline in both net sales and local currency net sales, and a 9% decrease in Active Customers. On a sequential basis, net sales declined 4% and Active Customers were flat.

Outlook and 2022 Operating Strategy

We are revising our consolidated net sales and earnings per share outlook for fiscal year 2022.

Fiscal Year 2022 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$1.100- \$1.200 billion	\$1.125 - \$1.225 billion
Diluted EPS	\$5.00 - \$5.70	\$5.25 - \$6.00

Our revised outlook for the year reflects:

- An unfavorable currency exchange rate impact on net sales of approximately \$16 million (previously \$16 million);
- An estimated operating margin between 13.0% and 13.6% (previously 13.5% and 14.1%);
- An annual effective tax rate of 32.5% (previously 32.5%); and
- An annualized diluted share count of 19.3 million (previously 19.6 million).

Given the elevated uncertainty surrounding the COVID-19 environment in China, and the related lockdowns and operating restrictions in the China market, we are revising our fiscal 2022 outlook. We continue to anticipate year-over-year net sales growth in the back half of the year, albeit now at modestly lower levels than previously anticipated.

As previously indicated, we anticipate our operating margin will be pressured by higher-than-normal labor and supply chain costs. Therefore, our estimated operating margin is lower than historic annual levels.

Digital Strategy

During the quarter we made progress on key strategic initiatives for 2022 which are aimed at improving conversion rates, the customer onboarding process and enhancing Associate training tools. We are on track to rollout these new processes and updates in certain markets this quarter with further rollouts in additional markets planned for the back half of the year.

Product Strategy

We resumed the launch of our Active Nutrition line in the first quarter and plan to roll out new products throughout the year. This roll out is dependent on the operating environment in markets where these products will be sold, and we will adapt our introduction accordingly.

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.

In closing, we continue to operate with a long-term mindset, and we remain optimistic on the long-term growth prospects for our business.

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; geopolitical risks and conflicts such as the ongoing Russia-Ukraine conflict; 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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