

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT**

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

Date of Report (Date of Earliest Event Reported):  
July 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.

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**Item 2.02 Results of Operations and Financial Condition.**

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

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Exhibit Index

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<u>99.2</u>	<u>Management Commentary provided by USANA Health Sciences, Inc. dated July 26, 2022 (furnished herewith).</u>

## USANA Health Sciences Reports Second Quarter Results

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

### Key Financial & Operating Results

- Second quarter net sales were \$264 million as compared with \$337 million during the second quarter of the prior year.
- Second quarter diluted EPS totaled \$1.00 versus \$1.87 during the second quarter of 2021.
- Company reiterates fiscal 2022 net sales and diluted EPS outlook of \$1.015 billion to \$1.065 billion and \$3.85 to \$4.45, respectively.

### Q2 2022 Financial Performance

Consolidated Results		
<b>Net Sales</b>	\$264 million	<ul style="list-style-type: none"> <li>• -21% vs. prior-year quarter</li> <li>• -18% constant currency vs. prior-year quarter</li> <li>• -\$10.9 million YOY FX impact, or -3%</li> <li>• Flat sequentially in constant currency</li> </ul>
<b>Diluted EPS</b>	\$1.00	<ul style="list-style-type: none"> <li>• -47% vs. prior-year quarter</li> <li>• -13% sequentially</li> <li>• Diluted shares of 19.2 million, -6% year-over-year</li> </ul>
<b>Active Customers</b>	559,000	<ul style="list-style-type: none"> <li>• -14% vs. prior-year quarter</li> <li>• +1% sequentially</li> </ul>

“As indicated in our preliminary results release on July 6th, we continue to experience COVID-related disruptions in several key markets, including mainland China. This caused participation in sales programs, Active Customer counts, and financial performance to come in lower than anticipated,” said Kevin Guest, Chief Executive Officer and Chairman of the Board. “Although many of these disruptions were outside of our control, and while we faced a tough year-over year comparable due to the timing of a successful sales program in 2021, our second quarter results were not up to our standards. Nevertheless, we remain committed to our business strategy which we believe will deliver sustained, long-term growth in customer counts, net sales, and EPS. Important elements of this strategy include (1) enhancing digital experience for our customers to improve the overall online shopping experience; (2) improving Associate onboarding and training to help drive and sustain customer growth; (3) exploring additional promotions and incentives on a market-specific basis; (4) launching experience centers in mainland China to promote growth in this key market; and (5) pursuing accretive business development opportunities.

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"During the quarter, we streamlined our Associate onboarding program and provided Associates with additional tools to help them more efficiently and effectively setup and operate their businesses. Our team also launched improvements to our China shopping app to further improve the online shopping experience in that market. Although it takes time to recapture momentum, we are confident these strategies will deliver long-term growth."

**Q2 2022 Regional Results:**

<b>Asia Pacific Region</b>		
<b>Net Sales</b>	\$217 million	<ul style="list-style-type: none"> <li>• -22% vs. prior-year quarter</li> <li>• -18% constant currency vs. prior-year quarter</li> <li>• +3% constant currency sequentially</li> <li>• 82% of consolidated net sales</li> </ul>
<b>Active Customers</b>	438,000	<ul style="list-style-type: none"> <li>• -15% vs. prior-year quarter</li> <li>• +4% sequentially</li> </ul>
<b>Asia Pacific Sub-Regions</b>		
<b>Greater China</b>		
<b>Net Sales</b>	\$141 million	<ul style="list-style-type: none"> <li>• -15% vs. prior-year quarter</li> <li>• -13% constant currency vs. prior-year quarter</li> </ul>
<b>Active Customers</b>	278,000	<ul style="list-style-type: none"> <li>• -8% vs. prior-year quarter</li> <li>• +9% sequentially</li> </ul>
<b>North Asia</b>		
<b>Net Sales</b>	\$29 million	<ul style="list-style-type: none"> <li>• -23% vs. prior-year quarter</li> <li>• -13% constant currency vs. prior-year quarter</li> </ul>
<b>Active Customers</b>	57,000	<ul style="list-style-type: none"> <li>• -14% vs. prior-year quarter</li> <li>• Flat sequentially</li> </ul>
<b>Southeast Asia Pacific</b>		
<b>Net Sales</b>	\$48 million	<ul style="list-style-type: none"> <li>• -37% vs. prior-year quarter</li> <li>• -33% constant currency vs. prior-year quarter</li> </ul>
<b>Active Customers</b>	103,000	<ul style="list-style-type: none"> <li>• -29% vs. prior-year quarter</li> <li>• -6% sequentially</li> </ul>

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Americas and Europe Region		
<b>Net Sales</b>	\$47 million	<ul style="list-style-type: none"> <li>• -19% vs. prior-year quarter</li> <li>• -17% constant currency vs. prior-year quarter</li> <li>• -13% constant currency sequentially</li> <li>• 18% of consolidated net sales</li> </ul>
<b>Active Customers</b>	121,000	<ul style="list-style-type: none"> <li>• -13% vs. prior-year quarter</li> <li>• -7 % sequentially</li> </ul>

#### Balance Sheet and Share Repurchase Activity

The Company ended the quarter with \$230 million in cash and cash equivalents and did not repurchase any shares during the quarter. As of July 2, 2022, the Company had approximately \$83 million remaining under the share repurchase authorization.

#### Fiscal 2022 Outlook

The Company is reiterating its net sales and earnings per share outlook for fiscal year 2022, which was updated on July 6, 2022.

Fiscal Year 2022 Outlook	
	Range
<b>Consolidated Net Sales</b>	\$1.015 - \$1.065 billion
<b>Diluted EPS</b>	\$3.85 - \$4.45

Doug Hekking, Chief Financial Officer, said, “While we remain optimistic that our strategies will generate future growth, we believe we will continue to face a challenging operating environment in the second half of the year. Moreover, we will do so with a lower-than-anticipated Active Customer base, which will impact our top and bottom-line results for the period. Although COVID-related disruptions and inflationary pressures remain difficult, we remain steadfast in pursuing investments to deliver on our business objectives. We will also continue to align our cost structure with sales performance. Despite a challenging operating environment, our debt-free balance sheet remains healthy, and we are on pace to generate meaningful cash flow for the year.”

#### 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, July 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.

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## **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](http://www.usana.com).

## **Safe Harbor**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Our actual results could differ materially from those projected in these forward-looking statements, which involve a number of risks and uncertainties, including: uncertainty related to the magnitude, scope and duration of the impact of the COVID-19 pandemic (“COVID-19”) to our business, operations and financial results; the further spread of, and regulatory measures or voluntary actions that may be put in place to limit the spread of, COVID-19 in the markets where we operate, including restrictions on business operations, shelter at home, or social distancing requirements; the potential for a resurgence of COVID-19 spread in any of our markets in the future; the impact of COVID-19 on the domestic and world economies, including any negative impact on discretionary spending, consumer demand, and consumer behavior in general; regulatory risk in China in connection with the health products and direct selling business models; regulatory risk in the United States in connection with the direct selling business model; potential negative effects of 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, including increasing inflationary pressure around the world and any negative impact on our operating costs, consumer demand and consumer behavior in general; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and direct selling business model; adverse publicity risks globally; risks associated with our international expansion and operations; and uncertainty relating to the fluctuation in U.S. and other international currencies. The contents of this release should be considered in conjunction with the risk factors, warnings, and cautionary statements that are contained in our most recent filings with the Securities and Exchange Commission. The forward-looking statements in this press release set forth our beliefs as of the date hereof. We do not undertake any obligation to update any forward-looking statement after the date hereof or to conform such statements to actual results or changes in the Company’s expectations, except as required by law.

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

	<u>Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>2-Jul-22</u>	<u>3-Jul-21</u>	<u>2-Jul-22</u>	<u>3-Jul-21</u>
Net sales	\$264,474	\$336,837	\$537,341	\$ 644,813
Cost of sales	49,517	57,014	100,900	114,665
<b>Gross profit</b>	<u>214,957</u>	<u>279,823</u>	<u>436,441</u>	<u>530,148</u>
Operating expenses:				
Associate incentives	119,204	153,863	238,824	288,358
Selling, general and administrative	66,387	72,240	135,184	143,873
<b>Earnings from operations</b>	<u>29,366</u>	<u>53,720</u>	<u>62,433</u>	<u>97,917</u>
Other income (expense), net	(58)	590	162	729
<b>Earnings before income taxes</b>	<u>29,308</u>	<u>54,310</u>	<u>62,595</u>	<u>98,646</u>
Income taxes	10,151	16,076	20,969	29,791
<b>NET EARNINGS</b>	<u>\$ 19,157</u>	<u>\$ 38,234</u>	<u>\$ 41,626</u>	<u>\$ 68,855</u>
Earnings per share - diluted	\$ 1.00	\$ 1.87	\$ 2.15	\$ 3.31
Weighted average shares outstanding - diluted	19,244	20,446	19,362	20,771

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

**As of    As of**  
**2-Jul-22 1-Jan-22**

**ASSETS**

Current Assets		
Cash and cash equivalents	\$230,370	\$239,832
Inventories	84,171	98,318
Prepaid expenses and other current assets	<u>27,536</u>	<u>26,967</u>
<b>Total current assets</b>	<b>342,077</b>	<b>365,117</b>
Property and equipment, net	97,827	101,780
Goodwill	17,402	17,668
Intangible assets, net	34,371	30,442
Deferred tax assets	11,265	4,839
Other assets	<u>55,017</u>	<u>57,894</u>
<b>Total assets</b>	<b><u>\$557,959</u></b>	<b><u>\$577,740</u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current Liabilities		
Accounts payable	\$ 10,175	\$ 13,508
Other current liabilities	<u>123,419</u>	<u>147,282</u>
<b>Total current liabilities</b>	<b>133,594</b>	<b>160,790</b>
Deferred tax liabilities	5,142	7,497
Other long-term liabilities	15,542	14,329
Stockholders' equity	<u>403,681</u>	<u>395,124</u>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$557,959</u></b>	<b><u>\$577,740</u></b>

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**USANA Health Sciences, Inc.**

**Sales by Region**

(In thousands)

(Unaudited)

	<b>Quarter Ended</b>				<b>Change from prior year</b>		<b>Currency impact on sales</b>	<b>% change excluding currency impact</b>
	<b>July 2, 2022</b>		<b>July 3, 2021</b>					
Asia Pacific								
Greater China	\$ 140,775	53.2%	\$ 165,416	49.1%	\$ (24,641)	(14.9%)	\$ (3,062)	(13.0%)
Southeast Asia Pacific	47,830	18.1%	76,101	22.6%	(28,271)	(37.1%)	(3,341)	(32.8%)
North Asia	28,803	10.9%	37,438	11.1%	(8,635)	(23.1%)	(3,632)	(13.4%)
Asia Pacific Total	217,408	82.2%	278,955	82.8%	(61,547)	(22.1%)	(10,035)	(18.5%)
Americas and Europe	47,066	17.8%	57,882	17.2%	(10,816)	(18.7%)	(863)	(17.2%)
	<u>\$ 264,474</u>	<u>100.0%</u>	<u>\$ 336,837</u>	<u>100.0%</u>	<u>\$ (72,363)</u>	<u>(21.5%)</u>	<u>\$ (10,898)</u>	<u>(18.2%)</u>

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

	As of			
	July 2, 2022		July 3, 2021	
Asia Pacific				
Greater China	77,000	32.9%	88,000	29.3%
Southeast Asia Pacific	69,000	29.5%	104,000	34.7%
North Asia	36,000	15.4%	42,000	14.0%
Asia Pacific Total	<u>182,000</u>	<u>77.8%</u>	<u>234,000</u>	<u>78.0%</u>
Americas and Europe	<u>52,000</u>	<u>22.2%</u>	<u>66,000</u>	<u>22.0%</u>
	<u><u>324,000</u></u>	<u><u>100.0%</u></u>	<u><u>300,000</u></u>	<u><u>100.0%</u></u>

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

	As of			
	July 2, 2022		July 3, 2021	
Asia Pacific				
Greater China	201,000	61.8%	215,000	61.1%
Southeast Asia Pacific	34,000	10.5%	40,000	11.4%
North Asia	21,000	6.5%	24,000	6.8%
Asia Pacific Total	<u>256,000</u>	<u>78.8%</u>	<u>279,000</u>	<u>79.3%</u>
Americas and Europe	<u>69,000</u>	<u>21.2%</u>	<u>73,000</u>	<u>20.7%</u>
	<u><u>325,000</u></u>	<u><u>100.0%</u></u>	<u><u>352,000</u></u>	<u><u>100.0%</u></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

**Investor contact:**

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(801) 954-7201  
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**Media contact:**

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(801) 954-7280



USANA Health Sciences, Inc.

July 26, 2022

*Q2 2022 Management Commentary*

**Key Financial & Operating Results**

- Second quarter net sales were \$264 million as compared with \$337 million during the second quarter of the prior year.
- Second quarter diluted EPS totaled \$1.00 versus \$1.87 during the second quarter of 2021.
- Company reiterates fiscal 2022 net sales and diluted EPS outlook of \$1.015 billion to \$1.065 billion and \$3.85 to \$4.45, respectively.

**Overview**

As indicated in our preliminary results release on July 6th, we continue to experience COVID-related disruptions in several key markets, including mainland China. This caused participation in sales programs, Active Customer counts, and financial performance to come in lower than anticipated. Although many of these disruptions were outside of our control, and while we faced a tough year-over year comparable due to the timing of a successful sales program in 2021, our second quarter results were not up to our standards. Additionally, unfavorable foreign currency exchange rate movement negatively impacted year-over-year net sales performance by approximately 320 basis points.

The operating environment contributed to several business decisions, including the decision to increase inventory levels over the last couple of years to mitigate potential supply chain disruptions. We also continued to experience inflationary pressure across many areas of our business that have negatively impacted our operating margin and this is expected to continue over the next several quarters. Consequently, efforts are underway to align spending with current and expected sales performance, yet will allow for prioritized investments in areas of strategic importance.

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Although we believe that we will continue to face short-term pressure on our operating performance, we remain committed to our business strategy, which we believe will position the Company to deliver sustainable long-term growth in customer counts, net sales and EPS. Our healthy balance sheet enables the flexibility to continue investing in our business to support efforts to create long-term value for our stakeholders.

During the quarter, we made progress on our digital strategy on several fronts. We introduced enhancements to our Associate onboarding program and provided Associates with additional tools to efficiently and effectively setup and operate their business. We also continued to invest in and enhance the digital experience for our customers around the world and launched improvements to our China shopping app to further improve the online shopping experience in this market.

In a few weeks, we will celebrate our 30<sup>th</sup> Anniversary at our upcoming Global Convention. This will be a hybrid event in Salt Lake City with an expected in-person attendance of approximately 4,000 Associates. We have select events and modest promotional activity planned in conjunction with this celebration to help generate excitement and momentum in the business.

#### Q2 2022 Results

Consolidated Results		
Net Sales	\$264 million	<ul style="list-style-type: none"> <li>•-21% vs. prior-year quarter</li> <li>•-18% constant currency vs. prior-year quarter</li> <li>•-\$10.9 million YOY FX impact, or -3%</li> <li>•Flat sequentially in constant currency</li> </ul>
Diluted EPS	\$1.00	<ul style="list-style-type: none"> <li>•-47% vs. prior-year quarter</li> <li>•-13% sequentially</li> <li>•Diluted shares of 19.2 million, -6% year-over-year</li> </ul>
Active Customers	559,000	<ul style="list-style-type: none"> <li>•-14% vs. prior-year quarter</li> <li>•+1% sequentially</li> </ul>

## Balance Sheet and Share Repurchase Activity

We ended the quarter with \$230 million in cash and cash equivalents and did not repurchase any shares during the quarter. As of July 2, 2022, the Company had approximately \$83 million remaining under the share repurchase authorization.

## Quarterly Income Statement Discussion

Gross margin decreased 180 basis points from the prior year to 81.3% of net sales. The decrease can be attributed to the negative impact of currency exchange rates, higher inventory valuation adjustments and the loss of leverage on fixed-period costs due to lower net sales. The ongoing inflationary pressure on the price of material and labor also impacted gross margins in the current-year quarter. These cost pressures were offset, in part, by favorable changes in geographic sales mix.

Associate Incentives decreased 60 basis points from the prior year to 45.1% of net sales. The modest decrease reflects lower incentive and promotional expenses during the current-year quarter as compared to the global sales program offered in each of our markets during the prior year's second quarter.

Selling, General and Administrative expenses increased 360 basis points from the prior year to 25.1% as a percentage of net sales. The increase is largely due to loss of leverage on lower year-over-year net sales. On an absolute basis, SG&A expenses decreased \$5.9 million compared to the prior year due, in part, to variable-based expenses.

The effective tax rate increased to 34.6% from the 29.6% reported in the prior-year quarter, largely due to a change in distribution of pre-tax income generated by market. The year-to-date effective tax rate of 33.5% is in line with expectations for the full year.

## Regional Financial Results

Asia Pacific Region		
Net Sales	\$217 million	<ul style="list-style-type: none"> <li>•-22% vs. prior-year quarter</li> <li>•-18% constant currency vs. prior-year quarter</li> <li>•+3% constant currency sequentially</li> <li>•82% of consolidated net sales</li> </ul>
Active Customers	438,000	<ul style="list-style-type: none"> <li>•-15% vs. prior-year quarter</li> <li>•+4% sequentially</li> </ul>

Asia Pacific Sub-Regions		
<b>Greater China</b>		
Net Sales	\$141 million	<ul style="list-style-type: none"> <li>•-15% vs. prior-year quarter</li> <li>•Constant currency net sales: -13%</li> </ul>
Active Customers	278,000	<ul style="list-style-type: none"> <li>•-8% vs. prior-year quarter</li> <li>•+9% sequentially</li> </ul>
<b>North Asia</b>		
Net Sales	\$29 million	<ul style="list-style-type: none"> <li>•-23% vs. prior-year quarter</li> <li>•Constant currency net sales: -13%</li> </ul>
Active Customers	57,000	<ul style="list-style-type: none"> <li>•-14% vs. prior-year quarter</li> <li>•Flat sequentially</li> </ul>
<b>Southeast Asia Pacific</b>		
Net Sales	\$48 million	<ul style="list-style-type: none"> <li>•-37% vs. prior-year quarter</li> <li>•Constant currency net sales: -33%</li> </ul>
Active Customers	103,000	<ul style="list-style-type: none"> <li>•-29% vs. prior-year quarter</li> <li>•-6% sequentially</li> </ul>

Greater China: Net sales and local currency sales in mainland China decreased 15% and 13% year-over-year, respectively, while Active Customers in this market decreased 9%. Sequentially, net sales in mainland China increased 7% and Active Customers increased 10%.

We continued to experience a challenging operating environment in China, as COVID-related lockdowns and restrictions in several areas persisted throughout the quarter, making it difficult to hold small in-person meetings. Consequently, the response to promotional activity in mainland China was meaningfully below our internal expectations. We currently have limited visibility in this key market as COVID-related disruptions continue to have a pronounced impact on our business. Despite the current difficulties, we remain committed to making strategic investments and are optimistic in the long-term growth prospects of this key market

North Asia: Net sales and local currency sales in South Korea decreased 23% and 13% year-over-year, respectively. On a sequential basis, net sales and local currency sales declined 4% and grew 1%, respectively. Weaker-than-anticipated response to promotional activity, which was partially attributable to COVID-related disruptions in South Korea was the key driver of the sales declines during the second quarter.

Southeast Asia Pacific: Key markets in this sub-region continue to be impacted by local restrictions and lockdowns. Additionally, concerns around a slowdown in local economies impacted consumer sentiment and purchasing behavior. Local currency sales and Active Customers in Malaysia declined 28% and 21% year-over-year, respectively. Sequentially, local currency sales decreased 1% and Active Customers were flat. The Philippines reported local currency sales and Active Customers declines of 48% and 42%, respectively. On a sequential basis, local currency sales and Active Customers declined 20% and 11%, respectively.

<b>Americas and Europe Region</b>		
<b>Net Sales</b>	\$47 million	<ul style="list-style-type: none"> <li>•-19% vs. prior-year quarter</li> <li>•-17% constant currency vs. prior-year quarter</li> <li>•-13% constant currency sequentially</li> <li>•18% of consolidated net sales</li> </ul>
<b>Active Customers</b>	121,000	<ul style="list-style-type: none"> <li>•-13% vs. prior-year quarter</li> <li>•-7 % sequentially</li> </ul>

Americas and Europe Region: Year-over-year net sales performance for key markets in this region reflects the difficult comparison due to the strong response to last year's global sales program. Net sales in the United States and Canada declined 10% and 26% year-over-year respectively.

## Outlook and 2022 Operating Strategy

We are reiterating our consolidated net sales and earnings per share outlook for fiscal year 2022, which was updated on July 6, 2022.

Fiscal Year 2022 Outlook	
	Range
Consolidated Net Sales	\$1.015 - \$1.065 billion
Diluted EPS	\$3.85 - \$4.45

Our revised outlook for the year reflects:

- An unfavorable currency exchange rate impact on net sales of approximately \$40 million (previously \$16 million);
- An operating margin in the range of 11% and 12% (previously 13.0% and 13.6%);
- An annual effective tax rate of 33.5% (previously 32.5%); and
- An annualized diluted share count of 19.3 million (previously 19.6 million).

We remain committed to our strategic growth objectives, including: (1) enhancing the digital experience for our customers to improve the overall online shopping experience; (2) improving Associate onboarding and training to help drive and sustain customer growth; (3) exploring additional promotional and incentive offerings on a market-specific basis; (4) driving growth in our China market, which includes launching experience centers to help facilitate our strategic growth plan for this key market and; (5) pursuing accretive business development opportunities.

**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 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, including increasing inflationary pressure around the world and any negative impact on our operating costs, consumer demand and consumer behavior in general; reliance upon our network of independent Associates; risk associated with governmental regulation of our products, manufacturing and direct selling business model; adverse publicity risks globally; risks associated with our international expansion and operations; and uncertainty relating to the fluctuation in U.S. and other international currencies. The contents of this release should be considered in conjunction with the risk factors, warnings, and cautionary statements that are contained in our most recent filings with the Securities and Exchange Commission. The forward-looking statements in this press release set forth our beliefs as of the date hereof. We do not undertake any obligation to update any forward-looking statement after the date hereof or to conform such statements to actual results or changes in the Company’s expectations, except as required by law.

## Non-GAAP Financial Measures

The Company prepares its financial statements using U.S. generally accepted accounting principles (“GAAP”). Constant currency net sales, earnings, EPS and other currency-related financial information (collectively, “Financial Results”) are non-GAAP financial measures that remove the impact of fluctuations in foreign-currency exchange rates (“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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