

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):
October 25, 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 October 25, 2022, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the third quarter ended October 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

Exhibit No.	Description
99.1	Press release issued by USANA Health Sciences, Inc. dated October 25, 2022 (furnished herewith).
99.2	Management Commentary provided by USANA Health Sciences, Inc. dated October 25, 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: October 25, 2022

Exhibit Index

Exhibit No.	Description
<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated October 25, 2022 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary provided by USANA Health Sciences, Inc. dated October 25, 2022 (furnished herewith).</u>

USANA Health Sciences Reports Third Quarter Results

SALT LAKE CITY--(BUSINESS WIRE)--October 25, 2022--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal third quarter ended October 1, 2022.

Key Financial & Operating Results

- Third quarter net sales were \$233 million as compared with \$274 million during the third quarter of the prior year.
- Third quarter diluted EPS totaled \$0.78 versus \$1.36 during the third quarter of 2021.
- Company revises fiscal 2022 net sales and diluted EPS outlook to \$955 million to \$975 million and \$3.15 to \$3.40, respectively.

Q3 2022 Financial Performance

Consolidated Results		
Net Sales	\$233 million	<ul style="list-style-type: none"> • -15% vs. prior-year quarter • -9% constant currency vs. prior-year quarter • -\$15 million YOY FX impact, or -6% • -9% sequentially in constant currency
Diluted EPS	\$0.78	<ul style="list-style-type: none"> • -43% vs. prior-year quarter • -22% sequentially • Diluted shares of 19.3 million, -4% year-over-year
Active Customers	474,000	<ul style="list-style-type: none"> • -18% vs. prior-year quarter • -15% sequentially

“The challenging operating environment in Asia Pacific and the strengthening U.S. dollar negatively affected our operating results in the third quarter,” said Kevin Guest, Chief Executive Officer and Chairman of the Board. “COVID-related disruptions and challenging economic conditions resulting from those disruptions negatively impacted our results in several key Asia Pacific markets where city-wide lockdowns and other COVID restrictions persisted. This difficult operating environment has impacted our entire industry.”

Guest continued, “While we remain committed to our long-term business strategy, our team is evaluating and executing several short-term initiatives to regain momentum in our business. These initiatives include new and modified incentives in various markets and regions to make our overall incentive offering more rewarding and attractive to our sales force. They also include more targeted, relevant in-person communications amongst our management team and Associate leaders, as well as accelerating our return to live sales force meetings and events in markets where that is possible. In that regard, in August we held a successful 30th Anniversary Global Convention in Salt Lake City. The four-day event attracted 4,000 in-person and more than 50,000 virtual attendees. In-person gatherings of this nature, as well as smaller more targeted gatherings, have been, and will continue to be, invaluable in generating momentum for our business. Finally, we continued to make progress on our digital strategy during the quarter by improving our consumer online shopping experience and will continue to execute our digital strategy going forward.”

Q3 2022 Regional Results:

Asia Pacific Region		
Net Sales	\$183 million	<ul style="list-style-type: none"> • -17% vs. prior-year quarter • -11% constant currency vs. prior-year quarter • -13% constant currency sequentially • 78% of consolidated net sales
Active Customers	362,000	<ul style="list-style-type: none"> • -18% vs. prior-year quarter • -17% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$110 million	<ul style="list-style-type: none"> • -11% vs. prior-year quarter • -6% constant currency vs. prior-year quarter
Active Customers	213,000	<ul style="list-style-type: none"> • -13% vs. prior-year quarter • -23% sequentially
North Asia		
Net Sales	\$26 million	<ul style="list-style-type: none"> • -22% vs. prior-year quarter • -10% constant currency vs. prior-year quarter
Active Customers	54,000	<ul style="list-style-type: none"> • -14% vs. prior-year quarter • -5% sequentially
Southeast Asia Pacific		
Net Sales	\$47 million	<ul style="list-style-type: none"> • -27% vs. prior-year quarter • -21% constant currency vs. prior-year quarter
Active Customers	95,000	<ul style="list-style-type: none"> • -29% vs. prior-year quarter • -8% sequentially

Americas and Europe Region		
Net Sales	\$51 million	<ul style="list-style-type: none"> • -5% vs. prior-year quarter • -4% constant currency vs. prior-year quarter • +9% constant currency sequentially • 22% of consolidated net sales • Includes \$2.3 million of Q3 2022 sales contribution from recent acquisitions
Active Customers	112,000	<ul style="list-style-type: none"> • -16% vs. prior-year quarter • -7 % sequentially

Balance Sheet and Share Repurchase Activity

The Company generated \$29 million in operating cash flow during the third quarter and ended the quarter with \$247 million in cash and cash equivalents, and debt-free. We did not repurchase shares during the quarter and, as of October 1, 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	\$955 - \$975 million	\$1,015 - \$1,065 million
Diluted EPS	\$3.15 - \$3.40	\$3.85 - \$4.45

“Third quarter top line results reflected the negative impact that macro- and local-economic factors had on our Active Customer counts in several of our key markets,” said Doug Hekking, Chief Financial Officer. “Additionally, we experienced greater than expected downward pressure from the stronger U.S. dollar both on net sales and operating margins.

“We are adjusting our fiscal 2022 outlook to reflect the lower Active Customer base at the end of the third quarter, along with continued expectations of COVID-related, inflationary and economic challenges in many of our markets. The revised guidance also incorporates our expectations that margins will continue to be pressured in the short- to mid-term.

“Despite the near-term disruptions, we remain committed to achieving our long-term strategic initiatives. We believe these initiatives will position USANA to deliver sustainable net sales and EPS growth over the long-term. Over the short-term, we are actively evaluating and implementing actions to minimize the impact of the macro-operating environment on our financial performance. Our balance sheet remains debt-free and we expect to generate operating cash flow of approximately \$80 million in fiscal 2022.”

Management Commentary Document and Conference Call

For further information on the USANA’s operating results, please see the Management Commentary document, which has been posted on the Company’s website (<http://ir.usana.com>) under the Investor Relations section. USANA’s management team will hold a conference call and webcast to discuss today’s announcement with investors on Wednesday, October 26, 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, 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.

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

	Quarter Ended		Nine Months Ended	
	1-Oct-22	2-Oct-21	1-Oct-22	2-Oct-21
Net sales	\$233,300	\$274,352	\$ 770,641	\$ 919,165
Cost of sales	46,560	50,715	147,460	165,380
Gross profit	186,740	223,637	623,181	753,785
Operating expenses:				
Associate incentives	98,090	116,222	336,914	404,580
Selling, general and administrative	66,020	66,645	201,204	210,518
Earnings from operations	22,630	40,770	85,063	138,687
Other income (expense), net	594	(420)	756	309
Earnings before income taxes	23,224	40,350	85,819	138,996
Income taxes	8,295	13,020	29,264	42,811
NET EARNINGS	\$ 14,929	\$ 27,330	\$ 56,555	\$ 96,185
Earnings per share - diluted	\$ 0.78	\$ 1.36	\$ 2.93	\$ 4.68
Weighted average shares outstanding - diluted	19,252	20,156	19,325	20,566

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

	As of	As of
	1-Oct-22	1-Jan-22
ASSETS		
Current Assets		
Cash and cash equivalents	\$246,879	\$239,832
Inventories	67,278	98,318
Prepaid expenses and other current assets	26,997	26,967
Total current assets	341,154	365,117
Property and equipment, net	95,228	101,780
Goodwill	17,104	17,668
Intangible assets, net	32,158	30,442
Deferred tax assets	13,019	4,839
Other assets	57,400	57,894
Total assets	\$556,063	\$577,740
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 10,362	\$ 13,508
Other current liabilities	115,484	147,282
Total current liabilities	125,846	160,790
Deferred tax liabilities	4,801	7,497
Other long-term liabilities	14,317	14,329
Stockholders' equity	411,099	395,124
Total liabilities and stockholders' equity	\$556,063	\$577,740

USANA Health Sciences, Inc.
Sales by Region
(In thousands)
(Unaudited)

	<u>Quarter Ended</u>							
	<u>October 1, 2022</u>		<u>October 2, 2021</u>		<u>Change from prior year</u>		<u>% change Currency excluding impact on currency sales impact</u>	
Asia Pacific								
Greater China	\$109,682	47.0%	\$123,235	44.9%	\$ (13,553)	(11.0%)	\$ (6,199)	(6.0%)
Southeast Asia Pacific	47,308	20.3%	64,570	23.5%	(17,262)	(26.7%)	(3,969)	(20.6%)
North Asia	25,667	11.0%	33,068	12.1%	(7,401)	(22.4%)	(4,006)	(10.3%)
Asia Pacific Total	182,657	78.3%	220,873	80.5%	(38,216)	(17.3%)	(14,174)	(10.9%)
Americas and Europe	50,643	21.7%	53,479	19.5%	(2,836)	(5.3%)	(875)	(3.7%)
	<u>\$233,300</u>	<u>100.0%</u>	<u>\$274,352</u>	<u>100.0%</u>	<u>\$ (41,052)</u>	<u>(15.0%)</u>	<u>\$ (15,049)</u>	<u>(9.5%)</u>

Active Associates by Region⁽¹⁾

(Unaudited)

	<u>As of</u>			
	<u>October 1, 2022</u>		<u>October 2, 2021</u>	
Asia Pacific				
Greater China	73,000	32.5%	81,000	29.8%
Southeast Asia Pacific	68,000	30.2%	90,000	33.1%
North Asia	34,000	15.1%	39,000	14.3%
Asia Pacific Total	175,000	77.8%	210,000	77.2%
Americas and Europe	50,000	22.2%	62,000	22.8%
	<u>225,000</u>	<u>100.0%</u>	<u>272,000</u>	<u>100.0%</u>

Active Preferred Customers by Region⁽²⁾

(Unaudited)

	<u>As of</u>			
	<u>October 1, 2022</u>		<u>October 2, 2021</u>	
Asia Pacific				
Greater China	140,000	56.2%	165,000	54.3%
Southeast Asia Pacific	27,000	10.9%	44,000	14.4%
North Asia	20,000	8.0%	24,000	7.9%
Asia Pacific Total	187,000	75.1%	233,000	76.6%
Americas and Europe	62,000	24.9%	71,000	23.4%
	<u>249,000</u>	<u>100.0%</u>	<u>304,000</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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(801) 954-7280



USANA Health Sciences, Inc.

October 25, 2022

Q3 2022 Management Commentary**Key Financial & Operating Results**

- Third quarter net sales were \$233 million as compared with \$274 million during the third quarter of the prior year.
- Third quarter diluted EPS totaled \$0.78 versus \$1.36 during the third quarter of 2021.
- Company revises fiscal 2022 net sales and diluted EPS outlook to \$955 million to \$975 million and \$3.15 to \$3.40, respectively.

Overview

Third quarter operating results were primarily affected by a more challenging than anticipated operating environment in Asia Pacific. A strengthening U.S. dollar also negatively impacted net sales by roughly 6%. Despite these challenges, operating cash flow generation in the quarter was \$29 million.

COVID-related disruptions in several markets in Asia Pacific persisted throughout the quarter and negatively affected our sales momentum and Active Customer counts. Consumer sentiment in this region also became more challenging during the quarter, which we believe is attributable largely to increasing inflationary pressure on consumers in many of our markets in this region.

Operationally, material and labor costs continued to rise, which weighed on our margins and profitability during the third quarter. The stronger U.S. dollar also contributed to margin compression during the period. We are working to better align our cost structure with current and expected sales performance while continuing to invest in select strategic initiatives that we believe are essential to position USANA to return to long-term growth.

Despite a challenging environment, we continued to make progress on our digital strategy through various initiatives. We successfully launched our updated onboarding program across all markets. We also rolled out new features and updates to our China shopping app as part of our commitment to provide our customers with the best overall shopping experience.

For the remainder of fiscal 2022, the operating environment in many of our markets remains unpredictable. We entered the fourth quarter with a lower than anticipated number of Active Customers, which we expect to pressure our results for the quarter. As such, we've adjusted our fiscal 2022 net sales and earnings per share outlook accordingly.

We are evaluating and executing several short-term initiatives to regain momentum in our business, including 1) new and modified incentives in various markets and regions to make our overall incentive offering more rewarding and attractive to our sales force; 2) more targeted, relevant in-person communications amongst our management team and Associate leaders; and 3) accelerating our return to live sales force meetings and events in markets where that is possible.

Although we believe these new incentives provide an attractive opportunity to encourage engagement from our sales force, the benefit to net sales and Active Customer counts from these incentives is anticipated to build steadily over time. We plan to introduce these incentives and programs during the latter part of the fourth quarter of 2022 through the first quarter of 2023. We believe that these efforts, combined with further assessment of our promotional strategy, will begin to generate momentum in the year ahead. We remain confident in the overall health of our business and believe that successful execution on our strategic initiatives will position USANA to return to long-term growth.

Consolidated Results		
Net Sales	\$233 million	<ul style="list-style-type: none"> •-15% vs. prior-year quarter •-9% constant currency vs. prior-year quarter •-\$15 million YOY FX impact, or -6% •-9% sequentially in constant currency
Diluted EPS	\$0.78	<ul style="list-style-type: none"> •-43% vs. prior-year quarter •-22% sequentially •Diluted shares of 19.3 million, -4% year-over-year
Active Customers	474,000	<ul style="list-style-type: none"> •-18% vs. prior-year quarter •-15% sequentially

Balance Sheet and Share Repurchase Activity

We generated \$29 million in operating cash flow during the third quarter and ended the quarter with \$247 million in cash and cash equivalents, and debt-free. We did not repurchase shares during the quarter and, as of October 1, 2022, the Company had approximately \$83 million remaining under the share repurchase authorization.

Quarterly Income Statement Discussion

Gross margin decreased 150 basis points from the prior year to 80.0% of net sales. The decrease can be attributed to increased material and wage costs, 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. Favorable changes in geographic sales mix partly offset these cost pressures.

Associate Incentives decreased 40 basis points from the prior year to 42.0% of net sales. The modest decrease reflects lower incentive and promotional expenses due lower net sales in the current-year quarter.

Selling, General and Administrative expenses increased 400 basis points from the prior year to 28.3% as a percentage of net sales. The relative increase is largely due to a loss of leverage on lower year-over-year net sales and costs related to our 30th Anniversary Convention where we had 4,000 in person attendees and more than 50,000 participating virtually. On an absolute basis, SG&A expenses decreased \$0.6 million compared to the prior year.

The effective tax rate increased to 35.7% from the 32.3% reported in the prior-year quarter, largely due to the mix of taxable income by market and a true up to the year-to-date effective tax rate estimates.

Regional Financial Results

Asia Pacific Region		
Net Sales	\$183 million	<ul style="list-style-type: none"> •-17% vs. prior-year quarter •-11% constant currency vs. prior-year quarter •-13% constant currency sequentially •78% of consolidated net sales
Active Customers	362,000	<ul style="list-style-type: none"> •-18% vs. prior-year quarter •-17% sequentially

Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$110 million	<ul style="list-style-type: none"> •-11% vs. prior-year quarter •-6% constant currency vs. prior-year quarter
Active Customers	213,000	<ul style="list-style-type: none"> •-13% vs. prior-year quarter •-23% sequentially
North Asia		
Net Sales	\$26 million	<ul style="list-style-type: none"> •-22% vs. prior-year quarter •-10% constant currency vs. prior-year quarter
Active Customers	54,000	<ul style="list-style-type: none"> •-14% vs. prior-year quarter •-5% sequentially
Southeast Asia Pacific		
Net Sales	\$47 million	<ul style="list-style-type: none"> •-27% vs. prior-year quarter •-21% constant currency vs. prior-year quarter
Active Customers	95,000	<ul style="list-style-type: none"> •-29% vs. prior-year quarter •-8% sequentially

Greater China: Net sales and local currency sales in mainland China decreased 11% and 6% year-over-year, respectively, while Active Customers in this market were lower by 14%. COVID-related disruptions, including area-wide lockdowns, continued to negatively impact our business during the quarter. Sequentially, net sales and local currency sales in mainland China decreased 24% and 22%, respectively, while Active Customers declined 25%, due, in part, to the absence of promotional activity compared to the second quarter of 2022. We continue to believe in the significant and attractive long-term growth opportunity China presents.

North Asia: Net sales and local currency sales in South Korea decreased 22% and 10% year-over-year, respectively. This market continued to experience COVID-related disruptions, albeit to a lesser extent than mainland China. On a sequential basis, net sales and local currency sales declined 11% and 5%, respectively, due, in part, to the absence of promotional activity compared to the second quarter of 2022.

Southeast Asia Pacific: Several markets in this sub-region remain impacted by COVID-related restrictions and lockdowns. Additionally, consumer sentiment and purchasing behavior continues to be influenced by inflationary pressures and concerns around a slowdown in local economies. Local currency sales and Active Customers in Malaysia declined 29% and 40% year-over-year, respectively. Sequentially, local currency sales decreased 3% and Active Customers declined 18%. The Philippines reported local currency sales and Active Customer declines of 23% and 27%, respectively. On a sequential basis, local currency sales grew 15% and Active Customers declined 3%.

Americas and Europe Region

Net Sales	\$51 million	<ul style="list-style-type: none"> •-5% vs. prior-year quarter •-4% constant currency vs. prior-year quarter •+9% constant currency sequentially •22% of consolidated net sales •Includes \$2.3 million of Q3 2022 sales contribution from recent acquisitions
Active Customers	112,000	<ul style="list-style-type: none"> •-16% vs. prior-year quarter •-7 % sequentially

Americas and Europe Region: Despite a 12% year-over-year decline in Active Customers in the United States, net sales were flat year-over-year and increased 10% sequentially, due to sales from our 30th Anniversary Convention. Net sales and local currency sales in Canada declined 17% and 14% year-over-year, respectively.

Outlook and 2022 Operating Strategy

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

Fiscal Year 2022 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$955 - \$975 million	\$1,015 - \$1,065 million
Diluted EPS	\$3.15 - \$3.40	\$3.85 - \$4.45

Our revised outlook for the year reflects:

- An unfavorable currency exchange rate impact on net sales of approximately \$52 million (previously \$40 million)
- An operating margin in the range of 9.8% and 10.4% (previously between 11% and 12%)
- An annual effective tax rate between 34% and 35% (previously 33.5%)
- An annualized diluted share count of 19.3 million (unchanged)

Our revised fiscal 2022 outlook reflects the lower Active Customer base at the end of the third quarter, along with continued expectations of COVID-related, inflationary and economic challenges in many of our markets. The revised guidance also incorporates our expectations that margins will continue to be pressured in the short- to mid-term.

We remain committed to our long-term 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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