

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 24, 2023

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 per 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 24, 2023, USANA Health Sciences, Inc. (the “Company” or “USANA”) issued a press release announcing its financial results for the third quarter ended September 30, 2023. 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 24, 2023 (furnished herewith).
99.2	Management Commentary provided by USANA Health Sciences, Inc. dated October 24, 2023 (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 24, 2023

Exhibit Index

Exhibit No.	Description
<u>99.1</u>	<u>Press release issued by USANA Health Sciences, Inc. dated October 24, 2023 (furnished herewith).</u>
<u>99.2</u>	<u>Management Commentary provided by USANA Health Sciences, Inc. dated October 24, 2023 (furnished herewith).</u>

USANA Health Sciences Reports Third Quarter 2023 Results

SALT LAKE CITY--(BUSINESS WIRE)--October 24, 2023--USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal third quarter ended September 30, 2023.

Key Financial & Operating Results

- Third quarter net sales were \$213 million versus \$233 million during Q3 2022.
- Third quarter diluted EPS was \$0.59 as compared with \$0.78 during Q3 2022.
- Company narrows fiscal year 2023 net sales and diluted EPS outlook to \$900 million to \$920 million and \$2.80 to \$3.05, respectively (previously \$900 million to \$950 million and \$2.65 to \$3.30).

Q3 2023 Financial Performance

Consolidated Results		
Net Sales	\$213 million	<ul style="list-style-type: none"> • -9% vs. Q3 2022 • -7% constant currency vs. Q3 2022 • -\$5 million YOY FX impact, or -2% • -10% sequentially • -9% constant currency sequentially
Diluted EPS	\$0.59	<ul style="list-style-type: none"> • -24% vs. Q3 2022 • -34% sequentially • Diluted shares of 19.4 million, or +1% year-over-year
Active Customers	464,000	<ul style="list-style-type: none"> • -2% vs. Q3 2022 • -5% sequentially

“Operating results for the third quarter did not meet our expectations, largely because of challenging economic conditions across many of our regions and a lower cadence of promotional activity during the quarter,” said Jim Brown, President and Chief Executive Officer. “These factors made it difficult to generate both Active Customer growth and top line momentum in our business. Notwithstanding these near-term challenges, the strength of our balance sheet and business model allowed us to continue investing in key strategic initiatives during the quarter, and we plan to continue to invest in and execute these strategies going forward. We also believe that the expanding global nutrition category, and consumers’ increased focus on health and wellness, provide a compelling opportunity for us to leverage our best-in-class health products and business opportunity. Consequently, we remain confident and optimistic that our strategies will generate long-term Active Customer and sales growth for USANA.”

Mr. Brown continued, “We made progress on several initiatives during the quarter, including the re-engagement of our Associate leaders around the world. During the quarter, we hosted a successful Americas and Europe convention in Salt Lake City. We believe that these in-person events are key to generating momentum and excitement among our Associates, and we have more events planned over the next 12 months.”

“During the quarter, we also finalized plans to commence operations in India and anticipate opening this important market prior to year-end. We continue to believe that India provides a meaningful and diverse growth opportunity for USANA, and we are excited to introduce our best-in-class nutritional products in this promising market.”

Q3 2023 Regional Results:

Asia Pacific Region		
Net Sales	\$170 million	<ul style="list-style-type: none"> • -7% vs. Q3 2022 • -4% constant currency vs. Q3 2022 • -12% sequentially • -10% constant currency sequentially • 80% of consolidated net sales
Active Customers	362,000	<ul style="list-style-type: none"> • Flat vs. Q3 2022 • -6% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$107 million	<ul style="list-style-type: none"> • -3% vs. Q3 2022 • +2% constant currency vs. Q3 2022 • -17% sequentially • -15% constant currency sequentially
Active Customers	230,000	<ul style="list-style-type: none"> • +8% vs. Q3 2022 • -8% sequentially
North Asia		
Net Sales	\$24 million	<ul style="list-style-type: none"> • -6% vs. Q3 2022 • -7% constant currency vs. Q3 2022 • -5% sequentially • -5% constant currency sequentially
Active Customers	49,000	<ul style="list-style-type: none"> • -9% vs. Q3 2022 • -4% sequentially
Southeast Asia Pacific		
Net Sales	\$39 million	<ul style="list-style-type: none"> • -17% vs. Q3 2022 • -16% constant currency vs. Q3 2022 • Flat sequentially • +1% constant currency sequentially
Active Customers	83,000	<ul style="list-style-type: none"> • -13% vs. Q3 2022 • +1% sequentially
Americas and Europe Region		
Net Sales	\$43 million	<ul style="list-style-type: none"> • -14% vs. Q3 2022 • -16% constant currency vs. Q3 2022 • -3% sequentially • -3% constant currency sequentially • 20% of consolidated net sales
Active Customers	102,000	<ul style="list-style-type: none"> • -9% vs. Q3 2022 • -1% sequentially

Balance Sheet and Share Repurchase Activity

The Company generated \$22 million in operating cash flow during the third quarter and ended the quarter with \$307 million in cash and cash equivalents while remaining debt-free. The Company repurchased 180 thousand shares for a total of \$12 million during the quarter. As of September 30, 2023, the Company had approximately \$71 million remaining under the current share repurchase authorization.

Fiscal Year 2023 Outlook

The Company is revising its net sales and earnings per share outlook for fiscal year 2023, as follows:

Fiscal Year 2023 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$900 - \$920 million	\$900 - \$950 million
Diluted EPS	\$2.80 - \$3.05	\$2.65 - \$3.30

“Inflationary pressures, lower promotional activity, and the strengthening of the US dollar collectively resulted in lower than anticipated top line performance,” said Doug Hekking, Chief Financial Officer. “Additionally, we updated our annual effective tax rate estimate during the quarter, which negatively impacted third quarter EPS by approximately \$0.10 per share due to the relative distribution of taxable income by market.”

Mr. Hekking continued, “We are narrowing our fiscal 2023 guidance to reflect our third quarter operating results, expected fourth quarter results, and continued pressure from unfavorable foreign currency exchange rates. We remain committed to managing costs in line with expected sales performance while we continue to invest in strategic initiatives that we believe will drive sustainable long-term growth for USANA.”

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 25, 2023 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 COVID-19 pandemic (“COVID-19”) to our business, operations and financial results; 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; compliance with data privacy and security laws and regulations in our markets around the world; potential negative effects from geopolitical relations and conflicts, including the Russia-Ukraine conflict and the conflict in Israel; 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	
	30-Sep-23	1-Oct-22	30-Sep-23	1-Oct-22
Net sales	\$ 213,365	\$ 233,300	\$ 699,927	\$ 770,641
Cost of sales	42,529	46,560	134,374	147,460
Gross profit	170,836	186,740	565,553	623,181
Operating expenses:				
Associate incentives	89,926	98,090	298,376	336,914
Selling, general and administrative	63,303	66,020	198,325	201,204
Earnings from operations	17,607	22,630	68,852	85,063
Other income (expense), net	2,924	594	6,990	756
Earnings before income taxes	20,531	23,224	75,842	85,819
Income taxes	9,184	8,295	28,820	29,264
NET EARNINGS	\$ 11,347	\$ 14,929	\$ 47,022	\$ 56,555
Earnings per share - diluted	\$ 0.59	\$ 0.78	\$ 2.43	\$ 2.93
Weighted average shares outstanding - diluted	19,372	19,252	19,376	19,325

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

	As of 30-Sep-23	As of 31-Dec-22
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 307,081	\$ 288,420
Inventories	60,081	67,089
Prepaid expenses and other current assets	23,298	28,873
Total current assets	390,460	384,382
Property and equipment, net	95,159	97,773
Goodwill	16,801	17,368
Intangible assets, net	29,462	32,432
Deferred tax assets	15,135	9,799
Other assets*	54,131	54,795
Total assets	\$ 601,148	\$ 596,549
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 9,321	\$ 11,049
Other current liabilities	103,238	132,784
Total current liabilities	112,559	143,833
Deferred tax liabilities	4,747	4,071
Other long-term liabilities	13,448	14,173
Stockholders' equity	470,394	434,472
Total liabilities and stockholders' equity	\$ 601,148	\$ 596,549

*Includes noncurrent inventories of \$3,720 and \$3,479 as of 30-Sep-23 and 31-Dec-22, respectively. Total inventories were \$63,801 and \$70,568 as of 30-Sep-23 and 31-Dec-22, respectively.

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

Quarter Ended

	September 30, 2023		October 1, 2022		Change from prior year		Currency impact on sales	% change excluding currency impact
Asia Pacific								
Greater China	\$ 106,609	50.0%	\$ 109,682	47.0%	\$ (3,073)	(2.8%)	\$ (5,377)	2.1%
Southeast Asia Pacific	39,151	18.3%	47,308	20.3%	(8,157)	(17.2%)	(532)	(16.1%)
North Asia	24,244	11.4%	25,667	11.0%	(1,423)	(5.5%)	487	(7.4%)
Asia Pacific Total	170,004	79.7%	182,657	78.3%	(12,653)	(6.9%)	(5,422)	(4.0%)
Americas and Europe	43,361	20.3%	50,643	21.7%	(7,282)	(14.4%)	745	(15.9%)
	<u>\$ 213,365</u>	<u>100.0%</u>	<u>\$ 233,300</u>	<u>100.0%</u>	<u>\$ (19,935)</u>	<u>(8.5%)</u>	<u>\$ (4,677)</u>	<u>(6.5%)</u>

Active Associates by Region⁽¹⁾

(Unaudited)

	As of			
	September 30, 2023		October 1, 2022	
Asia Pacific				
Greater China	69,000	34.0 %	73,000	32.5 %
Southeast Asia Pacific	55,000	27.1 %	68,000	30.2 %
North Asia	33,000	16.2 %	34,000	15.1 %
Asia Pacific Total	157,000	77.3 %	175,000	77.8 %
Americas and Europe	46,000	22.7 %	50,000	22.2 %
	<u>203,000</u>	<u>100.0 %</u>	<u>225,000</u>	<u>100.0 %</u>

Active Preferred Customers by Region⁽²⁾

(Unaudited)

	As of			
	September 30, 2023		October 1, 2022	
Asia Pacific				
Greater China	161,000	61.7 %	140,000	56.2 %
Southeast Asia Pacific	28,000	10.7 %	27,000	10.9 %
North Asia	16,000	6.1 %	20,000	8.0 %
Asia Pacific Total	205,000	78.5 %	187,000	75.1 %
Americas and Europe	56,000	21.5 %	62,000	24.9 %
	<u>261,000</u>	<u>100.0 %</u>	<u>249,000</u>	<u>100.0 %</u>

(1) Associates are independent distributors of our products who also purchase our products for their personal use. We only count as active those Associates who have purchased from us any time during the most recent three-month period, either for personal use or resale.

(2) Preferred Customers purchase our products strictly for their personal use and are not permitted to resell or to distribute the products. We only count as active those Preferred Customers who have purchased from us any time during the most recent three-month period. China utilizes a Preferred Customer program that has been implemented specifically for that market.

Contacts

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USANA Health Sciences, Inc.

October 24, 2023

Q3 2023 Management Commentary

Key Financial & Operating Results

- Third quarter net sales were \$213 million versus \$233 million during Q3 2022.
- Third quarter diluted EPS was \$0.59 as compared with \$0.78 during Q3 2022.
- Company narrows fiscal year 2023 net sales and diluted EPS outlook to \$900 million to \$920 million and \$2.80 to \$3.05, respectively (previously \$900 million to \$950 million and \$2.65 to \$3.30).

Overview

Our third quarter operating results did not meet our expectations, largely because of challenging economic conditions across many of our regions and a lower cadence of promotional activity during the quarter when compared to both the preceding and prior-year quarters. These factors created a challenging environment to achieve desired levels of Active Customer and top-line growth in our business.

Notwithstanding these near-term challenges, the strength of our balance sheet and business model allowed us to continue investing in key strategic initiatives during the quarter. These strategies include 1) Re-engagement of our Associate leaders around the world; 2) Expansion of our business into India; 3) New incentive opportunities for our salesforce; 4) Pursuing additional acquisition opportunities and; 5) Expanding our digital commerce initiatives. We plan to continue to invest in and execute these strategies going forward. We also believe that the expanding global nutrition category, and consumers' increased focus on health and wellness, provide a compelling opportunity for us to leverage our best-in-class health products and business opportunity. Consequently, we remain confident and optimistic that our strategies will generate long-term Active Customer and sales growth for USANA.

We made progress on these initiatives during the quarter, including the re-engagement of our Associate leaders around the world. During the quarter, we hosted a successful Americas and Europe convention in Salt Lake City. We believe that these in-person events are a key part of engaging our Associate leaders and help contribute to momentum and excitement in our business. There are several more in-person events and activities planned over the next year that will be tailored to specific regions and markets in an effort to stimulate growth in the number of Active Customers around the world.

We also finalized plans to commence operations in India during the quarter and anticipate opening this important market prior to year-end. Although it will take time to build our business in this new market, we continue to believe that India provides a meaningful and diverse growth opportunity for USANA, and we are excited to introduce our best-in-class nutritional products in this promising market.

Testing and offering new incentives to our Associates and expanding our digital commerce initiatives remain areas of key strategic focus for USANA. We believe our recently launched Affiliate program in select markets is a meaningful long-term growth opportunity for USANA and provides an exciting opportunity to individuals looking for an alternative way to participate in direct selling. During the quarter, we remained actively engaged with our sales leaders and continued to incorporate their feedback as we look to expand and grow this exciting program.

During the fourth quarter, we plan to modestly increase the cadence of promotional activity across select markets to drive customer growth and offset some of the typical fourth quarter seasonality in our business. We anticipate the operating environment across our key markets will remain challenging in the foreseeable future and we've adjusted our guidance accordingly.

Q3 2023 Financial Performance

Consolidated Results		
Net Sales	\$213 million	<ul style="list-style-type: none">• -9% vs. Q3 2022• -7% constant currency vs. Q3 2022• -\$5 million YOY FX impact, or -2%• -10% sequentially• -9% constant currency sequentially
Diluted EPS	\$0.59	<ul style="list-style-type: none">• -24% vs. Q3 2022• -34% sequentially• Diluted shares of 19.4 million, or 1% year-over-year
Active Customers	464,000	<ul style="list-style-type: none">• -2% vs. Q3 2022• -5% sequentially

Balance Sheet and Share Repurchase Activity

We ended the third quarter with \$307 million in cash and cash equivalents, remained debt-free, and generated \$22 million in operating cash flow during the third quarter. We repurchased 180 thousand shares for a total investment of \$12 million during the quarter. As of September 30, 2023, we had approximately \$71 million remaining under the current share repurchase authorization.

As of September 30, 2023, inventories were \$64 million, a reduction of \$7 million (or 10%) from the year-end balance in fiscal 2022. Our in-house manufacturing capabilities provide us with better control of inventory levels and help to mitigate supply chain risks while providing a meaningful contribution to delivering the highest quality nutritional products.

Quarterly Income Statement Discussion

Gross margin increased 10 basis points from the prior year to 80.1% of net sales. The increase can be attributed to improved inventory management and modest price increases, partially offset by foreign currency exchange rates, increased material costs, and the loss of leverage on fixed-period costs due to lower net sales.

Associate Incentives increased 10 basis points from the prior year to 42.1% of net sales. The increase largely reflects the shift in market mix and the related incentive offering.

Selling, General and Administrative expenses increased 140 basis points from the prior year to 29.7% as a percentage of net sales. The relative increase is primarily due to a loss of leverage on lower year-over-year net sales. On an absolute basis, SG&A expenses decreased \$2.7 million compared to the third quarter of 2022, largely due to lower event-related costs and lower employee-related expenses.

The year-to-date effective tax rate estimate was increased to 38.0%, which resulted in a tax rate of 44.7% during the current-year quarter as compared to the 35.7% tax rate reported in the third quarter of 2022. This increase can primarily be attributed to an unfavorable change in the mix of taxable income by market.

Q3 2023 Regional Results:

Asia Pacific Region		
Net Sales	\$170 million	<ul style="list-style-type: none"> • -7% vs. Q3 2022 • -4% constant currency vs. Q3 2022 • -12% sequentially • -10% constant currency sequentially • 80% of consolidated net sales
Active Customers	362,000	<ul style="list-style-type: none"> • Flat vs. Q3 2022 • -6% sequentially
Asia Pacific Sub-Regions		
Greater China		
Net Sales	\$107 million	<ul style="list-style-type: none"> • -3% vs. Q3 2022 • +2% constant currency vs. Q3 2022 • -17% sequentially • -15% constant currency sequentially
Active Customers	230,000	<ul style="list-style-type: none"> • +8% vs. Q3 2022 • -8% sequentially
North Asia		
Net Sales	\$24 million	<ul style="list-style-type: none"> • -6% vs. Q3 2022 • -7% constant currency vs. Q3 2022 • -5% sequentially • -5% constant currency sequentially
Active Customers	49,000	<ul style="list-style-type: none"> • -9% vs. Q3 2022 • -4% sequentially
Southeast Asia Pacific		
Net Sales	\$39 million	<ul style="list-style-type: none"> • -17% vs. Q3 2022 • -16% constant currency vs. Q3 2022 • Flat sequentially • +1% constant currency sequentially
Active Customers	83,000	<ul style="list-style-type: none"> • -13% vs. Q3 2022 • +1% sequentially

Greater China: Net sales in mainland China decreased 3% on a year-over-year basis while local currency sales grew 3% year-over-year. Active Customers in mainland China increased 9% year-over-year, largely due to a favorable comparison. Sequentially, net sales in mainland China declined 20% on a reported basis and 17% in local currency. The number of Active Customers decreased 9% sequentially. The sequential declines in mainland China were attributable to lower promotional cadence during the third quarter compared to the second quarter (which included a successful promotion targeted at generating sales to new customers).

North Asia: Net sales and local currency sales in South Korea declined 5% and 7% year-over-year, respectively, and Active Customers declined 8%. The year-over-year declines reflect challenges in the local economy which are resulting in lower levels of consumer spending. On a sequential basis, both net sales and local currency sales declined 5%, while Active Customers declined 2%. Lower relative levels of promotional activity was the main contributing factor to the sequential decline.

Southeast Asia Pacific: Both net sales and local currency sales in the Philippines declined 38% year-over-year, while Active Customers were 33% lower. Sequentially, both net sales and local currency sales in the Philippines declined 20%, while Active Customers declined 9%. Consumer sentiment in this market remains challenging as customers have become increasingly price-sensitive due to the challenging economic environment.

In Malaysia, net sales and local currency sales declined 5% and 2% year-over-year, respectively, while Active Customers grew 4% year-over-year. Sequentially, net sales, local currency sales and Active Customers in Malaysia increased 10%, 13% and 12%, respectively. A favorable response to a local promotion offered during the third quarter helped drive positive results in Malaysia.

Americas and Europe Region		
Net Sales	\$43 million	<ul style="list-style-type: none"> • -14% vs. Q3 2022 • -16% constant currency vs. Q3 2022 • -3% sequentially • -3% constant currency sequentially • 20% of consolidated net sales
Active Customers	102,000	<ul style="list-style-type: none"> • -9% vs. Q3 2022 • -1% sequentially

Americas and Europe Region: Net sales and local currency sales in Canada decreased 13% and 10% from the prior year, respectively, while Active Customers declined 11%. Sequentially, both net sales and local currency sales in Canada declined 3%, while the number of Active Customers was flat.

Net sales in the United States declined 21% and Active Customers decreased 14% on a year-over-year basis. The year-over-year declines largely reflect an increasingly price-sensitive consumer along with a challenging comparable period due to the occurrence of the Company's 30th Anniversary Convention in the prior-year quarter and the sales attributable to that event. In the United States, net sales and Active Customers declined 3% and 2% on a sequential basis, respectively.

Fiscal Year 2023 Outlook

The Company is narrowing its net sales and earnings per share outlook for fiscal year 2023, as follows:

Fiscal Year 2023 Outlook		
	Revised Range	Previous Range
Consolidated Net Sales	\$900 - \$920 million	\$900 - \$950 million
Diluted EPS	\$2.80 - \$3.05	\$2.65 - \$3.30

Our revised outlook for the year reflects:

- An operating margin in the range of 9.1% to 9.6% (previously between 8.5% and 10.0%)
- An annual effective tax rate of approximately 38.0% to 38.5% (previously 36%)
- An annualized diluted share count of 19.4 million (previously 19.3 million)
- An unfavorable currency exchange rate impact on net sales of approximately \$29 million (previously \$23 million)

Despite the challenging near-term operating environment across our key markets, we remain fully committed to taking the necessary steps to returning USANA to growth. We continue to believe that consumers' focus on health and wellness provides a compelling opportunity for us to leverage both our best-in-class health products and our global network of Associate leaders. Overall, we are confident that the successful execution of these strategies will drive long-term, sustainable growth, and create value for our stakeholders.

Jim Brown
President and 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 COVID-19 pandemic (“COVID-19”) to our business, operations and financial results; 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; compliance with data privacy and security laws and regulations in our markets around the world; potential negative effects from geopolitical relations and conflicts, including the Russia-Ukraine conflict and the conflict in Israel; 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 Management 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 Management 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 (“U.S. GAAP” or “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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