
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 1, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 001-35024

USANA HEALTH SCIENCES, INC.
(Exact name of registrant as specified in its charter)

Utah
(State or other jurisdiction
of incorporation or organization)

87-0500306
(I.R.S. Employer
Identification No.)

3838 West Parkway Blvd., Salt Lake City, Utah 84120
(Address of principal executive offices) (Zip Code)

(801) 954-7100
(Registrant's telephone number, including area code)

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	USNA	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 5, 2023, there were 19,298,150 outstanding shares of the registrant's common stock, \$0.001 par value.

Auditor Name: KPMG LLP

Auditor Location: Salt Lake City, Utah

Auditor Firm ID: 185

USANA HEALTH SCIENCES, INC.

FORM 10-Q

For the Quarterly Period Ended April 1, 2023

TABLE OF CONTENTS

	Page
Cautionary Note Regarding Forward-Looking Statements and Certain Risks	<u>1</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1	
Financial Statements (unaudited)	<u>3</u>
Condensed Consolidated Balance Sheets	<u>3</u>
Condensed Consolidated Statements of Comprehensive Income	<u>4</u>
Condensed Consolidated Statements of Stockholders' Equity	<u>5</u>
Condensed Consolidated Statements of Cash Flows	<u>6</u>
Notes to Condensed Consolidated Financial Statements	<u>7 - 15</u>
Item 2	<u>16 - 21</u>
Item 3	<u>21</u>
Item 4	<u>21</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1	<u>22</u>
Item 1A	<u>22</u>
Item 6	<u>22</u>
Signatures	<u>23</u>

Cautionary Note Regarding Forward-Looking Statements and Certain Risks

This report contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new products; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include, but are not limited to, statements regarding future financial results, long-term value creation goals, productivity, raw material prices and related costs, supply chain, asset impairment, litigation, sustainability and environmental, social and governance (“ESG”) efforts, and the impact of COVID-19, and the Russia/Ukraine conflict on our operations. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “plan,” “seek,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely unduly on forward-looking statements.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ materially from those we project or assume in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission (“SEC”). Any forward-looking statement made by us in this report is based only on information currently available to us and speaks only as of the date hereof. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments, the occurrence of unanticipated events or otherwise. Among the important factors that could cause our actual results, performance and achievements to differ materially from estimates or projections contained in our forward-looking statements in this report are the following:

- Our dependence upon the direct selling business model to distribute our products and the activities of our independent Associates;
- Extensive regulation of our business model and uncertainties relating to the interpretation and enforcement of applicable laws and regulations governing direct selling and anti-pyramiding, particularly in the United States and China;
- The operation and expansion of our business in China through our subsidiary, BabyCare Holdings, Ltd. (“BabyCare”), including risks related to (i) operating in China in general, (ii) engaging in direct selling in China, (iii) BabyCare’s business model in China, (iv) new and expanded data privacy and security laws and regulations in China, and (v) changes in the Chinese economy, marketplace or consumer environment;
- Unanticipated effects of changes to our Compensation Plan;
- Challenges associated with our planned expansion into new international markets, delays in commencement of sales or product offerings in such markets, delays in compliance with local marketing or other regulatory requirements, or changes in target markets;
- Macroeconomic conditions and other factors, including inflationary pressures, slower economic growth or recession, general conditions affecting consumer spending or discretionary income, or disruptions to our supply chain;
- The continuing effects of the COVID-19 pandemic and its impact, which are highly unpredictable and could be significant and could harm our business, operations, and financial results;

- Political events, natural disasters, pandemics, epidemics or other health crises including, and in addition to, COVID-19, or other events that may negatively affect economic conditions, consumer spending or consumer behavior;
- Changes in the legal and regulatory environment including environmental, health and safety regulations, data security and privacy, and trade policies and tariffs, the impact of customs, duties, taxation, and transfer pricing regulations, as well as regulations governing distinctions between and our responsibilities to employees and independent contractors;
- Volatile fluctuation in the value of foreign currencies against the U.S. dollar;
- Noncompliance by us or our Associates with any data privacy or security laws or any security breach by us or a third party involving the misappropriation, loss, destruction or other unauthorized use or disclosure of confidential information;
- Shortages of raw materials, disruptions in the business of our contract manufacturers, significant price increases of key raw materials, and other disruptions to our supply chain;
- Our continued compliance with debt covenants in our Credit Facility;
- Litigation, tax, and legal compliance risk and costs, especially if materially different from the amount we expect to incur or have accrued for, and any disruptions caused by the same;
- Information technology system failures, data security breaches, network disruptions, and cybersecurity attacks; and
- Acquisition, divestiture, and investment-related risks, including risks associated with past or future acquisitions;

Unless otherwise indicated or otherwise required by the context, the terms “we,” “our,” “it,” “its,” “Company,” and “USANA” refer to USANA Health Sciences, Inc. and its wholly owned subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	As of April 1, 2023 (unaudited)	As of December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 295,454	\$ 288,420
Inventories	64,490	67,089
Prepaid expenses and other current assets	35,934	28,873
Total current assets	395,878	384,382
Property and equipment, net	96,798	97,773
Goodwill	17,411	17,368
Intangible assets, net	31,971	32,432
Deferred tax assets	7,868	9,799
Other assets	55,607	54,795
	<u>\$ 605,533</u>	<u>\$ 596,549</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 10,511	\$ 11,049
Other current liabilities	119,711	132,784
Total current liabilities	130,222	143,833
Deferred tax liabilities	5,575	4,071
Other long-term liabilities	14,382	14,173
Stockholders' equity		
Common stock, \$0.001 par value; Authorized -- 50,000 shares, issued and outstanding 19,294 as of April 1, 2023 and 19,206 as of December 31, 2022	19	19
Additional paid-in capital	56,351	55,604
Retained earnings	410,019	391,636
Accumulated other comprehensive income (loss)	(11,035)	(12,787)
Total stockholders' equity	455,354	434,472
	<u>\$ 605,533</u>	<u>\$ 596,549</u>

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share data)
(unaudited)

	Quarter Ended	
	April 1, 2023	April 2, 2022
Net sales	\$ 248,360	\$ 272,867
Cost of sales	48,519	51,383
Gross profit	199,841	221,484
Operating expenses:		
Associate incentives	106,070	119,620
Selling, general and administrative	66,926	68,797
Total operating expenses	172,996	188,417
Earnings from operations	26,845	33,067
Other income (expense):		
Interest income	1,775	739
Interest expense	(31)	(32)
Other, net	(88)	(487)
Other income (expense), net	1,656	220
Earnings before income taxes	28,501	33,287
Income taxes	10,118	10,818
Net earnings	\$ 18,383	\$ 22,469
Earnings per common share		
Basic	\$ 0.95	\$ 1.16
Diluted	\$ 0.95	\$ 1.15
Weighted average common shares outstanding		
Basic	19,283	19,351
Diluted	19,328	19,481
Comprehensive income:		
Net earnings	\$ 18,383	\$ 22,469
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	1,654	(691)
Tax benefit (expense) related to foreign currency translation adjustment	98	(546)
Other comprehensive income (loss), net of tax	1,752	(1,237)
Comprehensive income	\$ 20,135	\$ 21,232

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

For three months ended April 2, 2022

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at January 1, 2022	19,393	\$ 19	\$ 50,010	\$ 344,637	\$ 458	\$ 395,124
Net earnings				22,469		22,469
Other comprehensive income (loss), net of tax					(1,237)	(1,237)
Equity-based compensation expense			3,183			3,183
Common stock repurchased and retired	(288)	—	(3,031)	(22,351)		(25,382)
Common stock issued under equity award plans	80	—				—
Tax withholding for net-share settled equity awards			(4,211)			(4,211)
Balance at April 2, 2022	19,185	\$ 19	\$ 45,951	\$ 344,755	\$ (779)	\$ 389,946

For three months ended April 1, 2023

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Value				
Balance at December 31, 2022	19,206	\$ 19	\$ 55,604	\$ 391,636	\$ (12,787)	\$ 434,472
Net earnings				18,383		18,383
Other comprehensive income (loss), net of tax					1,752	1,752
Equity-based compensation expense			3,608			3,608
Common stock issued under equity award plans	88	—				—
Tax withholding for net-share settled equity awards			(2,861)			(2,861)
Balance at April 1, 2023	19,294	\$ 19	\$ 56,351	\$ 410,019	\$ (11,035)	\$ 455,354

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	April 1, 2023	April 2, 2022
Cash flows from operating activities		
Net earnings	\$ 18,383	\$ 22,469
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Depreciation and amortization	3,299	3,279
Right-of-use asset amortization	1,925	2,327
(Gain) loss on sale of property and equipment	—	(3)
Equity-based compensation expense	3,608	3,183
Deferred income taxes	3,557	3,667
Changes in operating assets and liabilities:		
Inventories	2,206	48
Prepaid expenses and other assets	(5,205)	(1,865)
Accounts payable	(246)	(2,153)
Other liabilities	(14,694)	(11,251)
Net cash provided by (used in) operating activities	12,833	19,701
Cash flows from investing activities		
Payments for net investment hedge	(1,271)	—
Proceeds from sale of property and equipment	—	3
Purchases of property and equipment	(2,107)	(1,789)
Net cash provided by (used in) investing activities	(3,378)	(1,786)
Cash flows from financing activities		
Repurchase of common stock	—	(25,382)
Borrowings on line of credit	—	10,000
Payments related to tax withholding for net-share settled equity awards	(2,861)	(4,211)
Payments for contingent consideration	(338)	—
Net cash provided by (used in) financing activities	(3,199)	(19,593)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	790	(403)
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,046	(2,081)
Cash, cash equivalents, and restricted cash at beginning of period	291,320	243,653
Cash, cash equivalents, and restricted cash at end of period	\$ 298,366	\$ 241,572
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets		
Cash and cash equivalents	\$ 295,454	\$ 237,753
Restricted cash included in other assets	2,912	3,819
Total cash, cash equivalents, and restricted cash	\$ 298,366	\$ 241,572
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$ 2	\$ 5
Income taxes	10,182	8,347
Cash received during the period for:		
Income tax refund	517	25
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for lease obligations	1,806	289
Accrued purchases of property and equipment	368	285

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE A – ORGANIZATION, CONSOLIDATION, AND BASIS OF PRESENTATION

The COVID-19 pandemic has negatively impacted economies, businesses, sales practices, supply chains, and consumer behavior around the world. The ongoing COVID-19 pandemic has created an unpredictable operating environment for us in many of our markets around the world and caused meaningful disruptions in both sales and operations for the three months ended April 1, 2023, and for fiscal 2022. At this time, the Company is unable to predict the impact that COVID-19 will have on its business, financial position, and operating results in future periods due to numerous uncertainties and is closely monitoring the impact of the pandemic on all aspects of its business. Additionally, we have been experiencing inflationary pressures across several areas of our business which has created a challenging operating environment.

USANA Health Sciences, Inc. is a global direct-selling, personal health and wellness company that develops and manufactures high quality, science-based nutritional and personal care products. The Condensed Consolidated Financial Statements (the “Financial Statements”) include the accounts and operations of the Company, which are grouped and presented in two geographic regions: (1) Asia Pacific, and (2) Americas and Europe. Asia Pacific is further divided into three sub-regions: (i) Greater China, (ii) Southeast Asia Pacific, and (iii) North Asia. The countries included in these regions and sub-regions are described below:

(1) Asia Pacific -

- (i) Greater China - Hong Kong, Taiwan, and China. The Company’s business in China is conducted by BabyCare Holdings, Ltd., the Company’s wholly-owned subsidiary.
- (ii) Southeast Asia Pacific – Australia, New Zealand, Singapore, Malaysia, the Philippines, Thailand, and Indonesia.
- (iii) North Asia – Japan and South Korea.

(2) Americas and Europe – United States, Canada, Mexico, Colombia, and Europe (the United Kingdom, France, Germany, Spain, Italy, Romania, Belgium, and the Netherlands).

The condensed consolidated balance sheet as of December 31, 2022, derived from audited consolidated financial statements, and the unaudited interim condensed consolidated financial information of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the SEC. Accordingly, certain information and disclosures that are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. In the opinion of the Company’s management, the accompanying interim condensed consolidated financial information contains all adjustments, consisting only of normal recurring adjustments that are necessary to state fairly the Company’s financial position as of April 1, 2023, and results of operations and cash flows for the three months ended April 1, 2023 and April 2, 2022.

The interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto that are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022. The results of operations for the three months ended April 1, 2023, are not necessarily indicative of the results that may be expected for the fiscal year ending December 30, 2023.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE A – ORGANIZATION, CONSOLIDATION, AND BASIS OF PRESENTATION - CONTINUED

Recent Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. ASU 2021-08 requires an acquirer to recognize and measure contract assets and contract liabilities (deferred revenue) acquired in a business combination in accordance with Revenue from Contracts with Customers (Topic 606). Under this approach, the acquirer applies the revenue model as if it had originated the contracts. This is a departure from the current requirement to measure contract assets and contract liabilities at fair value at the acquisition date. ASU 2021-08 is effective for annual periods beginning after December 15, 2022 and interim periods within those annual periods. ASU 2021-08 should be applied prospectively to business combinations occurring on or after the date of adoption. Evaluation of this new standard is dependent on multiple circumstances including the timing and complexity of completed business combinations. The Company adopted ASU 2021-08 during the first quarter of 2023 and the adoption of the standard did not have an impact on its condensed consolidated financial statements.

No other new accounting pronouncement issued or effective during the three months ended April 1, 2023, had, or is expected to have, a material impact on the Company's condensed consolidated financial statements.

NOTE B – FAIR VALUE MEASURES

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

- Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable and are used to measure fair value in situations where there is little, if any, market activity for the asset or liability at the measurement date.

As of April 1, 2023, and December 31, 2022, the following financial assets and liabilities were measured at fair value on a recurring basis using the type of inputs shown:

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE B – FAIR VALUE MEASURES - CONTINUED

	April 1, 2023	Fair Value Measurements Using		
		Inputs		
		Level 1	Level 2	Level 3
Money market funds included in cash equivalents	\$ 215,248	\$ 215,248	\$ —	\$ —
Foreign currency contracts included in other current liabilities	(233)	—	(233)	—
Net investment hedge included in prepaid expenses and other current assets	2,239	—	2,239	—
Deferred compensation liabilities	(2,356)	—	(2,356)	—
Contingent consideration included in other current liabilities of (\$317) and other long-term liabilities of (\$231)	(548)	—	—	(548)
	<u>\$ 214,350</u>	<u>\$ 215,248</u>	<u>\$ (350)</u>	<u>\$ (548)</u>

	December 31, 2022	Fair Value Measurements Using		
		Inputs		
		Level 1	Level 2	Level 3
Money market funds included in cash equivalents	\$ 211,539	\$ 211,539	\$ —	\$ —
Foreign currency contracts included in other current liabilities	(3,150)	—	(3,150)	—
Deferred compensation liabilities	(1,632)	—	(1,632)	—
Contingent consideration included in other current liabilities of (\$338) and other long-term liabilities of (\$548)	(886)	—	—	(886)
	<u>\$ 205,871</u>	<u>\$ 211,539</u>	<u>\$ (4,782)</u>	<u>\$ (886)</u>

There were no transfers of financial assets or liabilities between levels of the fair value hierarchy for the periods indicated.

The majority of the Company's non-financial assets, which include long-lived assets, are not required to be carried at fair value on a recurring basis. However, if an impairment charge is required, a non-financial asset would be written down to fair value. As of April 1, 2023 and December 31, 2022, there were no non-financial assets measured at fair value on a non-recurring basis.

As of April 1, 2023 and December 31, 2022, the Company's financial instruments include cash equivalents and restricted cash. The recorded values of cash equivalents and restricted cash approximate their fair values, based on their short-term nature.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE C – INVENTORIES

Inventories consist of the following:

	April 1, 2023	December 31, 2022
Raw materials	\$ 20,607	\$ 21,776
Work in progress	2,987	4,285
Finished goods	40,896	41,028
Inventories	\$ 64,490	\$ 67,089
Noncurrent inventories	\$ 3,687	\$ 3,479

As of April 1, 2023 noncurrent inventories consisted of \$1,635 of raw materials and \$2,052 of finished goods inventory. As of December 31, 2022 noncurrent inventories consisted of \$1,711 of raw materials and \$1,768 of finished goods inventory. Noncurrent inventories are included in the “Other assets” line item on the Company’s condensed consolidated balance sheets. Noncurrent inventory is anticipated to be consumed beyond our normal operating cycle, but prior to obsolescence.

NOTE D – INVESTMENT IN EQUITY SECURITIES

As of April 1, 2023 and December 31, 2022, the carrying amount of equity securities without readily determinable fair values was \$20,000 and is included in the “Other assets” line item on the Company’s condensed consolidated balance sheets.

During the three months ended April 1, 2023, and the fiscal year ended December 31, 2022, no observable price changes occurred, and no impairment of securities was recorded.

NOTE E – REVENUE AND CONTRACT LIABILITIES

Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. A majority of the Company’s sales are for products sold at a point in time and shipped to customers, for which control is transferred as goods are delivered to the third-party carrier for shipment. The Company receives payment, primarily via credit card, for the sale of products at the time customers place orders and payment is required prior to shipment. Contract liabilities, which are recorded within the “Other current liabilities” line item in the condensed consolidated balance sheets, primarily relate to deferred revenue for product sales for customer payments received in advance of shipment, for outstanding material rights under the initial order program, and for services where control is transferred over time as services are delivered.

Other revenue includes fees, which are paid by the customer at the beginning of the service period, for access to online customer service applications and annual account renewal fees for Associates, for which control is transferred over time as services are delivered and are recognized as revenue on a straight-line basis over the term of the respective contracts.

The following table presents Other Revenue for the periods indicated:

	Quarter Ended	
	April 1, 2023	April 2, 2022
Other Revenue	\$ 726	\$ 899

Disaggregation of revenue by geographic region and major product line is included in Segment Information in Note J.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE E – REVENUE AND CONTRACT LIABILITIES - CONTINUED

The following table provides information about contract liabilities from contracts with customers, including significant changes in the contract liabilities balances during the period:

	April 1, 2023	December 31, 2022
Contract liabilities at beginning of period	\$ 20,875	\$ 19,635
Increase due to deferral of revenue at end of period	15,778	20,875
Decrease due to beginning contract liabilities recognized as revenue	(17,195)	(19,635)
Contract liabilities at end of period	<u>\$ 19,458</u>	<u>\$ 20,875</u>

NOTE F – LINE OF CREDIT

On August 25, 2020, the Company as borrower, and certain of its material subsidiaries as guarantors, entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement") with Bank of America, N.A. ("Bank of America") as Administrative Agent, Swingline Lender and Letter of Credit Issuer, and the other lenders party thereto. On August 10, 2022, the Company entered into the Second Amendment to the Second Amended and Restated Credit Agreement ("Restated Credit Agreement"), which replaces the Eurodollar Rate, and LIBOR terms and provisions with the Bloomberg Short-Term Bank Yield Index rate ("BSBY").

The Credit Agreement provides for a revolving credit limit for loans to the Company up to \$75,000 (the "Credit Facility"). In addition, at the option of the Company, and subject to certain conditions, the Company may request to increase the aggregate commitment under the Credit Facility up to an additional \$200,000.

There was no outstanding debt balance on the Credit Facility at April 1, 2023. As of April 2, 2022, there was an outstanding balance of \$10,000. The obligations of the Company under the Credit Agreement are secured by the pledge of the capital stock of certain subsidiaries of the Company, pursuant to a Security and Pledge Agreement.

Interest on revolving borrowings under the Credit Facility is computed at BSBY, adjusted by features specified in the Credit Agreement. The Credit Agreement covenants require the Company's rolling four-quarter consolidated EBITDA (per the credit agreement) to be \$100,000 or greater and its ratio of consolidated funded debt to consolidated EBITDA to be equal to or less than 2.0 to 1.0 at the end of each quarter. The Credit Agreement does not include any restrictions on the payment of cash dividends or share repurchases by the Company. Consolidated EBITDA and consolidated funded debt are non-GAAP terms.

The Company will be required to pay any balance on this Credit Facility in full at the time of maturity in August 2025.

NOTE G – CONTINGENCIES

The Company is involved in various lawsuits, claims, and other legal matters from time to time that arise in the ordinary course of conducting business, including matters involving its products, intellectual property, supplier relationships, distributors, competitor relationships, employees and other matters. The Company records a liability when a particular contingency is probable and estimable. The Company faces contingencies that are reasonably possible to occur; however, they cannot currently be estimated. While complete assurance cannot be given as to the outcome of these proceedings, management does not currently believe that any of these matters, individually or in the aggregate, will have a material adverse effect on the Company's financial condition, liquidity or results of operations. It is reasonably possible that a change in the contingencies could result in a change in the amount recorded by the Company in the future.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE H – DERIVATIVE FINANCIAL INSTRUMENTS

The Company's risk management strategy includes the select use of derivative instruments to reduce the effects of volatility in foreign currency exchange exposure on operating results and cash flows. In accordance with the Company's risk management policies, the Company does not hold or issue derivative instruments for trading or speculative purposes. The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. When the Company becomes a party to a derivative instrument and intends to apply hedge accounting, the Company formally documents the hedge relationship and the risk management objective for undertaking the hedge, the nature of risk being hedged, and the hedged transaction, which includes designating the instrument for financial reporting purposes as a fair value hedge, a cash flow hedge, or a net investment hedge. The Company also documents how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness.

The Company periodically uses derivative instruments to hedge the foreign currency exposure of its net investment in foreign subsidiaries into U.S. dollars. Initially, the Company records derivative assets on a gross basis in its condensed consolidated balance sheets. Subsequently the fair value of derivatives is measured for each reporting period. The effective portion of gains and losses attributable to these net investment hedges is recorded to foreign currency translation adjustment ("FCTA") within accumulated other comprehensive income (loss) ("AOCI") to offset the change in the carrying value of the net investment being hedged and will subsequently be reclassified to net earnings in the period in which the investment in the subsidiary is either sold or substantially liquidated.

During the three months ended April 1, 2023, the Company entered into a European option with a notional amount of \$81,343. During the three months ended April 2, 2022, the Company entered into a forward contract with a notional amount of \$98,930. Both the European option and forward contract were designated as net investment hedges. For the three months ended April 1, 2023 and April 2, 2022, the Company had an unrealized gain of \$968 and an unrealized loss of \$470, respectively, recorded to FCTA within AOCI. The Company assessed the hedge effectiveness under the forward rate method, determining the hedging instruments were highly effective.

NOTE I – COMMON STOCK AND EARNINGS PER SHARE

Basic earnings per share ("EPS") is based on the weighted-average number of shares outstanding for each period. Shares that have been repurchased and retired during the periods specified below have been included in the calculation of the number of weighted-average shares that are outstanding for the calculation of basic EPS based on the time they were outstanding in any period. Diluted EPS is based on shares that are outstanding (computed under basic EPS) and on potentially dilutive shares. Shares that are included in the diluted EPS calculations under the treasury stock method include equity awards that are in-the-money but have not yet been exercised.

The following is a reconciliation of the numerator and denominator used to calculate basic EPS and diluted EPS for the periods indicated:

	Quarter Ended	
	April 1, 2023	April 2, 2022
Net earnings available to common shareholders	\$ 18,383	\$ 22,469
Weighted average common shares outstanding - basic	19,283	19,351
Dilutive effect of in-the-money equity awards	45	130
Weighted average common shares outstanding - diluted	19,328	19,481
Earnings per common share from net earnings - basic	\$ 0.95	\$ 1.16
Earnings per common share from net earnings - diluted	\$ 0.95	\$ 1.15

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE I – COMMON STOCK AND EARNINGS PER SHARE - CONTINUED

Equity awards for the following shares were not included in the computation of diluted EPS due to the fact that their effect would be anti-dilutive:

	Quarter Ended	
	April 1, 2023	April 2, 2022
	296	170

There were no shares repurchased during the three months ended April 1, 2023. During the three months ended April 2, 2022, the Company repurchased and retired 288 shares for \$25,382 under the Company's share repurchase plan. The excess of the repurchase price over par value is allocated between additional paid-in capital and retained earnings on a pro-rata basis. The purchase of shares under this plan reduces the number of shares outstanding in the above calculations.

As of April 1, 2023, the remaining authorized repurchase amount under the stock repurchase plan was \$82,839. There is no expiration date on the remaining approved repurchase amount and no requirement for future share repurchases.

NOTE J – SEGMENT INFORMATION

The Company primarily operates as a global direct-selling nutrition, personal health and wellness company that develops and manufactures high quality, science-based nutritional, and personal care products.

The Company's operating segments are identified according to how business activities are managed and evaluated by the chief operating decision maker ("CODM"), our CEO. The CODM manages the business, allocates resources, makes operating decisions, and evaluates performance for a geographic region or market based on net sales. The Company aggregates its direct-selling operating segments ("Direct-selling") into one reportable segment, as management believes that the Company's Direct-selling segments exhibit similar long-term financial performance and have similar economic characteristics. The CODM does not evaluate operating segments using asset information, accordingly, the Company does not report asset information by segment.

As a result of the Company's acquisitions during 2022, the Company has operating segments that are not material to the Company's net sales. These operating segments are included as a component of ("All other") and are included for purposes of reconciliation of net sales to the Company's Consolidated Statements of Comprehensive Income.

	Quarter Ended	
	April 1, 2023	April 2, 2022
Net Sales:		
Direct-selling	\$ 246,880	\$ 272,867
All other	1,480	—
Consolidated Total	\$ 248,360	\$ 272,867

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

NOTE J – SEGMENT INFORMATION - CONTINUED

No single Associate accounted for 10% or more of net sales for the periods presented. The table below summarizes the approximate percentage of total product revenue that has been contributed by the Company’s nutritionals, foods, and personal care and skincare products for the periods indicated.

	Quarter Ended	
	April 1, 2023	April 2, 2022
USANA® Nutritionals	87 %	87 %
USANA Foods(1)	7 %	7 %
Personal care and Skincare	5 %	5 %
All Other	1 %	1 %

(1) Includes the Company’s Active Nutrition line.

Selected Financial Information

Financial information, presented by geographic region is listed below:

	Quarter Ended	
	April 1, 2023	April 2, 2022
Net Sales to External Customers		
Asia Pacific		
Greater China	\$ 123,820	\$ 133,739
Southeast Asia Pacific	46,286	54,742
North Asia	29,608	29,939
Asia Pacific Total	199,714	218,420
Americas and Europe	48,646	54,447
Consolidated Total	\$ 248,360	\$ 272,867

The following table provides further information on markets representing ten percent or more of consolidated net sales and long-lived assets, respectively:

	Quarter Ended	
	April 1, 2023	April 2, 2022
Net sales:		
China	\$ 110,033	\$ 120,254
South Korea	\$ 28,886	\$ 29,187
United States	\$ 25,985	\$ 28,277

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

	As of	
	April 1, 2023	December 31, 2022
Long-lived assets:		
United States	\$ 88,168	\$ 89,150
China	\$ 82,897	\$ 83,938

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide an understanding of USANA's financial condition, results of operations and cash flows by reviewing certain key indicators and measures of performance.

The MD&A is presented in seven sections as follows:

- Overview
- Impact of the COVID-19 Pandemic
- Products
- Customers
- Non-GAAP Financial Measures
- Results of Operations
- Liquidity and Capital Resources

This discussion and analysis from management's perspective should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and Notes thereto that are contained in this quarterly report, as well as Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on Form 10-K for the year ended December 31, 2022 ("[2022 Form 10-K](#)"), filed with the SEC on February 28, 2023, and our other filings, including the Current Reports on Form 8-K, that have been filed with the SEC through the date of this report. Forward-looking statements in Part I, Item 2 may involve risks and uncertainties that could cause results to differ materially from those projected (refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements and Certain Risks" on page 1 and the risk factors provided in Part II, Item 1A for discussion of these risks and uncertainties).

Overview

We develop and manufacture high quality, science-based nutritional and personal care and skincare products that are distributed internationally primarily through direct selling. We use this distribution method because we believe it is more conducive to meeting our vision as a company, which is to improve the overall health and nutrition of individuals and families around the world. Our customer base is primarily comprised of two types of customers: "Associates" and "Preferred Customers," referred to together as "active Customers." Our Associates also sell our products to retail customers. Associates share in our company vision by acting as independent distributors of our products in addition to purchasing our products for their personal use. Preferred Customers purchase our products strictly for personal use and are not permitted to resell or to distribute the products. We only count as active Customers those Associates and Preferred Customers who have purchased from us at any time during the most recent three-month period. As of April 1, 2023, we had approximately 491,000 active Customers worldwide.

We have operations in multiple markets, with sales and expenses being generated and incurred in multiple currencies. Our reported U.S. dollar sales and earnings can be significantly affected by fluctuations in currency exchange rates. In general, our operating results are affected positively by a weakening of the U.S. dollar and negatively by a strengthening of the U.S. dollar. During the three months ended April 1, 2023, net sales outside of the United States represented 89.5% of consolidated net sales. In our net sales discussions that follow, we approximate the impact of currency fluctuations on net sales by translating current year sales at the average exchange rates in effect during the comparable periods of the prior year.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic has negatively impacted our business in various markets around the world, created an unpredictable operating environment for us in our markets, and caused meaningful disruptions in both sales and operations. Government-imposed restrictions, health and safety mandated best practices, and public hesitance regarding in-person gatherings have reduced our ability, and the ability of our Associates to hold sales meetings, required our Associates to share and sell our products in a predominantly virtual environment, resulted in cancellations of key Company events and trips, required us to modify our workforce strategies, and required us, at times, to temporarily close our walk-in and

fulfillment locations in some markets where we have such properties. The pandemic has also affected the availability and cost of various of our raw materials, packaging material, and shipping resources to transport our product to our various markets around the world. Our supply chain and logistics have incurred some disruption and we could experience more significant disruptions or closures in the future. These factors and others related to the COVID-19 pandemic will likely continue to negatively affect our business throughout 2023 in a number of ways.

Products

The following table summarizes the approximate percentage of total product revenue that has been contributed by our major product lines and our top-selling products for the current and prior-year periods as indicated:

	Three Months Ended	
	April 1, 2023	April 2, 2022
Product Line		
USANA® Nutritionals		
Optimizers	70%	70%
Essentials/CellSentials(1)	17%	17%
USANA Foods(2)	7%	7%
Personal care and Skincare	5%	5%
All Other	1%	1%
Key Product		
USANA® Essentials/CellSentials	11%	11%
Proflavanol®	9%	10%
Probiotic	11%	13%

(1) Represents a product line consisting of multiple products, as opposed to the actual USANA® Essentials / CellSentials product.

(2) Includes our Active Nutrition line.

Customers

Because we sell our products to a customer base of independent Associates and Preferred Customers, we increase our sales by increasing the number of our active Customers, the amount they spend on average, or both. Our primary focus continues to be increasing the number of active Customers. We believe this focus is consistent with our vision of improving the overall health and nutrition of individuals and families around the world. Sales to Associates account for approximately 54.0% of product sales during the three months ended April 1, 2023, with the remainder of our sales being to Preferred Customers. Increases or decreases in product sales are typically the result of variations in the volume of product sold relating to fluctuations in the number of active Customers purchasing our products. The number of active Associates and Preferred Customers is, therefore, used by management as a key non-financial indicator to evaluate our operational performance.

The table below summarizes the changes in our active Customer base by geographic region, rounded to the nearest thousand as of the dates indicated:

	Total Active Customers by Region				Change from Prior Year	Percent Change
	As of April 1, 2023		As of April 2, 2022			
Asia Pacific:						
Greater China	242,000	49.3 %	255,000	46.2 %	(13,000)	(5.1 %)
Southeast Asia Pacific	90,000	18.3 %	110,000	19.9 %	(20,000)	(18.2 %)
North Asia	54,000	11.0 %	57,000	10.3 %	(3,000)	(5.3 %)
Asia Pacific Total	386,000	78.6 %	422,000	76.4 %	(36,000)	(8.5 %)
Americas and Europe	105,000	21.4 %	130,000	23.6 %	(25,000)	(19.2 %)
	491,000	100.0 %	552,000	100.0 %	(61,000)	(11.1 %)

Non-GAAP Financial Measures

We believe that presentation of certain non-GAAP financial information is meaningful and useful in understanding the activities and business metrics of our operations. Management believes these measures reflect an additional way of viewing aspects of our business that, when viewed with our U.S. GAAP results, provide a more complete understanding of factors and trends affecting our business. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of those measures for comparative purposes. We provide such non-GAAP financial information for informational purposes only. Readers should consider the information in addition but not instead of or superior to, our Consolidated Financial Statements prepared in accordance with U.S. GAAP, accompanying this report.

In analyzing business trends and performance, management uses “constant currency” net sales, “local currency” net sales, and other currency-related financial information terms to discuss our financial results in a way we believe is helpful in understanding the impact of fluctuations in foreign-currency exchange rates and facilitating period-to-period comparisons of results of operations and providing investors an additional perspective on trends and underlying business results. Changes in our reported revenue and profits in this report include the impacts of changes in foreign currency exchange rates. As additional information to the reader, we provide constant currency assessments in the tables and the narrative information in this MD&A to remove or quantify the impact of the fluctuation in foreign exchange rates and utilize constant currency results in our analysis of performance. Our 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.

Results of Operations

Summary of Financial Results

Net sales for the first quarter of 2023 decreased 9.0% to \$248.4 million, a decrease of \$24.5 million, compared with the prior-year quarter. The decrease in net sales was primarily the result of an 11.1% decline in active Customers compared to the prior-year quarter. Additionally, unfavorable changes in currency exchange rates negatively impacted net sales by an estimated \$13.3 million.

Net earnings for the first quarter of 2023 were \$18.4 million, a decrease of 18.2% compared with \$22.5 million during the prior-year quarter. The decrease in net earnings was primarily the result of decreased sales and higher relative operating expenses.

Quarters Ended April 1, 2023 and April 2, 2022
Net Sales

The following table summarizes the changes in net sales by geographic region for the fiscal quarters ended as of the dates indicated:

	Net Sales by Region (in thousands) Quarter Ended				Change from prior year	Percent change	Currency impact on sales	Percent change excluding currency impact
	April 1, 2023		April 2, 2022					
Asia Pacific								
Greater China	\$ 123,820	49.9 %	\$ 133,739	49.0 %	\$ (9,919)	(7.4 %)	\$ (8,821)	(0.8 %)
Southeast Asia Pacific	46,286	18.6 %	\$ 54,742	20.0 %	(8,456)	(15.4 %)	(2,125)	(11.6 %)
North Asia	29,608	11.9 %	\$ 29,939	11.0 %	(331)	(1.1 %)	(1,690)	4.5 %
Asia Pacific Total	199,714	80.4 %	218,420	80.0 %	(18,706)	(8.6 %)	(12,636)	(2.8 %)
Americas and Europe	48,646	19.6 %	54,447	20.0 %	(5,801)	(10.7 %)	(635)	(9.5 %)
	\$ 248,360	100.0 %	\$ 272,867	100.0 %	\$ (24,507)	(9.0 %)	\$ (13,271)	(4.1 %)

Asia Pacific: The decline in this region is largely the result of lower active Customer counts. The decrease in constant currency net sales in Greater China was primarily the result of a sales decline in China, where local currency net sales decreased 1.4%, due to a 5.1% decrease in active Customers. The decrease in constant currency net sales in Southeast Asia Pacific is largely the result of sales declines in the Philippines, and Australia, which had local currency net sales declines of 27.5%, and 12.9%, due to a 28.6%, and 11.1% decrease in active Customers, respectively. The increase in constant currency net sales in North Asia was primarily the result of a 4.4% increase in local currency net sales in South Korea.

Americas and Europe: The decrease in this region is largely the result of lower active Customer counts in the region. Local currency sales declined in each market in this region, most notably in the United States and Mexico, which had local currency net sales declines of 13.3%, and 15.7%, due to a 21.4%, and 21.7% decrease in active Customers, respectively.

Gross Profit

Gross profit decreased 70 basis points to 80.5% of net sales, down from 81.2% in the prior-year quarter. The decrease can be attributed to unfavorable changes in currency exchange rates, loss of leverage on lower sales, and higher material costs. These decreases were partially offset by favorable changes in market and product sales mix, and increased transportation costs in the prior-year quarter due to COVID-19 related supply chain disruptions.

Associate Incentives

Associate incentives decreased 110 basis points to 42.7% of net sales, down from 43.8% in the prior-year quarter. The relative decrease can primarily be attributed to a market-specific incentive promotion that occurred in the prior-year quarter and was not repeated in the first quarter of 2023, and decreased spend on miscellaneous associate incentives.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 170 basis points relative to net sales and decreased \$1.9 million in absolute terms. The relative increase is largely due to a loss of leverage on lower year-over-year net sales, partially offset by a decline in variable costs. The decreased expense in absolute terms can be primarily attributed to lower costs on current-year sales and operating performance.

Income Taxes

Income taxes increased to 35.5% of pre-tax earnings, up from 32.5% of pre-tax earnings in the prior-year quarter. The effective tax rate increase is due primarily to a change in the mix of pre-tax income by market.

Diluted Earnings per Share

Diluted EPS decreased 17.4% to \$0.95 as compared to \$1.15 reported in the prior-year quarter. This decrease can be attributed to lower net earnings, partially offset by lower diluted share count due to share repurchase activity in the prior-year quarter.

Liquidity and Capital Resources

We have historically met our working capital and capital expenditure requirements by using net cash flow from operations and by drawing on our line of credit. Our principal source of liquidity is our operating cash flow. Although we are required to maintain cash deposits with banks in certain of our markets, there are currently no material restrictions on our ability to transfer and remit funds among our international markets. In China, however, our compliance with Chinese accounting and tax regulations promulgated by the State Administration of Foreign Exchange (“SAFE”) results in transfer and remittance of our profits and dividends from China to the United States on a delayed basis. If SAFE or other Chinese regulators introduce new regulations or change existing regulations which allow foreign investors to remit profits and dividends earned in China to other countries, our ability to remit profits or pay dividends from China to the United States may be limited in the future.

We believe we have sufficient liquidity to satisfy our cash needs and expect to continue to fund our business with cash flow from operations. We continue, however, to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate during these uncertain times. Additionally, we continually evaluate opportunities to repurchase shares of our common stock and will, from time to time, consider the acquisition of, or investment in complementary businesses, products, services, and technologies, which has the potential to affect our liquidity.

Cash and Cash Equivalents

Cash and cash equivalents increased to \$295.5 million as of April 1, 2023, from \$288.4 million as of December 31, 2022. Cash flow provided by operating activities generated \$12.8 million partially offset by cash used in financing activities of \$3.2 million, and cash used in investing activities of \$3.4 million.

The table below presents concentrations of cash and cash equivalents by market for the periods indicated:

	Cash and cash equivalents (in Millions)	
	As of April 1, 2023	As of December 31, 2022
China	\$ 140.2	\$ 129.8
United States	108.1	114.1
All other markets	47.2	44.5
Total Cash and cash equivalents	<u>\$ 295.5</u>	<u>\$ 288.4</u>

Cash Flows Provided by Operations

As discussed above, our principal source of liquidity comes from our net cash flow from operations, which results from a strong operating margin. Net cash flow provided by operating activities was \$12.8 million for the first three months of 2023. Net earnings combined with adjustments of non-cash items contributed positively to our net cash flow provided by operating activities, partially offset by cash used to pay accrued associate incentives and the 2022 annual employee bonus.

Net cash flow provided by operating activities was \$19.7 million for the first three months of 2022. Net earnings combined with adjustments of non-cash items contributed positively to our net cash flows provided by operating activities, partially offset by cash used to pay the 2021 annual employee bonus, and a reduction in trade payables.

Line of Credit

Information with respect to our line of credit may be found in Note F to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Share Repurchase

Information with respect to share repurchases may be found in Note I to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this report.

Summary

We believe our current cash balances, future cash provided by operations, and amounts available under our line of credit will be sufficient to cover our operating and capital needs in the ordinary course of business for the foreseeable future. If we experience an adverse operating environment or unanticipated and unusual capital expenditure requirements, additional financing may be required. No assurance can be given, however, that additional financing, if required, would be available to us at all or on favorable terms. We might also require or seek additional financing for the purpose of expanding into new markets, growing our existing markets, mergers and acquisitions, or for other reasons. Such financing may include the use of additional debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders.

Critical Accounting Policies

There were no changes during the quarter to our critical accounting policies as disclosed in our 2022 Form 10-K. Our significant accounting policies are disclosed in Note A to our Consolidated Financial Statements filed with our 2022 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have no material changes to the disclosures on this matter made in our 2022 Form 10-K. For a discussion of our exposure to market risk, refer to our market risk disclosures set forth in the section entitled “Quantitative and Qualitative Disclosures About Market Risk” in the [2022 Form 10-K](#).

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information that is required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods that are specified in the SEC’s rules and forms and that such information is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure. In designing and evaluating these disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this report, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer) evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of April 1, 2023.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended April 1, 2023, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are a party to litigation and other proceedings that arise in the ordinary course of conducting business, including matters involving our products, intellectual property, supplier relationships, distributors, competitor relationships, employees, and other matters.

Information with respect to our legal proceedings may be found in Note G to the Condensed Consolidated Financial Statements included in Item 1 Part I of this report.

Item 1A. RISK FACTORS

Our business, results of operations, and financial condition are subject to various risks. Our material risk factors are disclosed in Part I, Item 1A of our [2022 Form 10-K](#). The risk factors identified in our 2022 Form 10-K have not changed in any material respect.

Item 6. Exhibits

Exhibits marked with an asterisk (*) are filed herewith.

Exhibit Number	Description
31.1	*Certification of Principal Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2	*Certification of Principal Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	*Certification of Principal Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	*Certification of Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data file (formatted as Inline XBRL and contained in Exhibit 101)

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 thereunto duly authorized.

Date: May 9, 2023

USANA HEALTH SCIENCES, INC.

/s/ G. Douglas Hekking

G. Douglas Hekking
Chief Financial Officer
(Principal Financial Officer)

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Kevin G. Guest, certify that:

1. I have reviewed this Annual Report on Form 10-k of USANA Health Sciences, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 9, 2023

/s/ Kevin G. Guest

Kevin G. Guest
Chief Executive Officer
(Principal Executive Officer)

CHIEF FINANCIAL OFFICER CERTIFICATION

I, G. Douglas Hekking, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 9, 2023

/s/ G. Douglas Hekking

G. Douglas Hekking
Chief Financial Officer
(Principal Accounting and Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies that the Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. for the period ended April 1, 2023 as filed May 9, 2023 with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USANA Health Sciences, Inc.

Date: May 9, 2023

/s/ Kevin G. Guest

Kevin G. Guest
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies that the Quarterly Report on Form 10-Q of USANA Health Sciences, Inc. for the period ended April 1, 2023 as filed May 9, 2023 with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of The Securities Exchange Act of 1934 (15 U.S.C. 78m) and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of USANA Health Sciences, Inc.

Date: May 9, 2023

/s/ G. Douglas Hekking

G. Douglas Hekking
Chief Financial Officer
(Principal Accounting and Financial Officer)