

February 9, 2016



# USANA Health Sciences Reports Fourth Quarter and Full-Year Financial Results

- *Fourth quarter net sales increased by 2.1% to \$232.6 million, but increased by 17.7% excluding the impact of a stronger U.S. dollar and a shorter 13-week reporting period*
- *Fourth quarter EPS increased by 10.9% to \$1.83*
- *Number of active Associates increased by 20.6% to 421,000*
- *For the year, net sales increased by 16.2% to a record \$918.5 million and EPS increased by 28.2% to a record \$7.18*
- *Initial 2016 net sales and earnings outlook provided*

SALT LAKE CITY--(BUSINESS WIRE)-- USANA Health Sciences, Inc. (NYSE: USNA) today announced financial results for its fiscal fourth quarter and year ended January 2, 2016. The Company also provided initial net sales and earnings guidance for 2016.

## Financial Performance

For the fourth quarter of 2015, net sales increased to \$232.6 million, up 2.1%, compared with \$227.9 million in the prior-year period. A stronger U.S. dollar negatively impacted net sales by \$16.5 million for the current year quarter. Additionally, the fourth quarter of 2015 was a 13-week quarter, compared to a 14-week quarter in the prior year period. The Company estimates that the extra week in 2014 contributed approximately \$16 million to sales for that quarter. Excluding the impact of currency and the extra week of sales in the prior year period, net sales would have increased by 17.7% for the fourth quarter of 2015. Net sales growth was driven by 20.6% growth in the number of active Associates and nearly 10% growth in the number of Preferred Customers.

Net earnings for the fourth quarter increased by 12.5% to \$24.0 million, compared with \$21.3 million during the prior-year period. Although net earnings increased meaningfully year-over-year, they were below the Company's expectations, due to higher than anticipated selling, general and administrative expenses and Associate Incentives expenses. Selling, general and administrative expenses were higher than anticipated largely as a result of higher equity compensation expense, while Associate incentives expenses were higher as a result of a greater number of Associates qualifying for incentive trips and contests.

Earnings per diluted share for the fourth quarter increased by 10.9% to \$1.83, compared with \$1.65 in the prior year period. This increase in earnings per share is the result of higher net earnings. Weighted average diluted shares outstanding were 13.1 million as of the end of the fourth quarter of 2015, compared with 12.9 million in the prior-year period. During the fourth quarter of 2015, the Company repurchased 456,790 shares of common stock for a total investment of \$61.2 million.

The Company ended the year with \$143.2 million in cash and cash equivalents and no debt. As of February 5, 2016, the Company has invested an additional \$44.8 million to repurchase

approximately 366,134 shares pursuant to a Rule 10b5-1 plan. As of February 5, 2016, there was \$55.2 million remaining under the current share repurchase authorization and a balance of \$32 million on the company's line of credit.

"We finished the year strong and achieved our goal for net sales, despite the significant negative impact from a stronger U.S. dollar and a tough prior year comparable that included an extra week of sales," said Dave Wentz, USANA's Co-CEO. "We also generated double-digit customer, earnings, and earnings per share growth in 2015 and in the fourth quarter, despite our decision to invest more aggressively in our strategies for long-term growth."

## **Regional Results**

Net sales in the Asia Pacific region increased by 5.4% to \$172.1 million, despite a negative \$11.2 million impact from the strengthening U.S. dollar, and an extra week of sales in the prior year quarter. Within Asia Pacific, net sales:

- Increased by 10.9% in Greater China (15.1% on a constant currency basis);
- Increased by 13.5% in the North Asia region (20.7% on a constant currency basis); and
- Decreased by 7.5% in the Southeast Asia Pacific region (increased by 4.8% on a constant currency basis).

Sales growth in Greater China was driven by 46.6% Associate growth in Mainland China, while sales growth in North Asia resulted from 33.3% Associate growth in South Korea. Finally, customer growth in Southeast Asia Pacific was primarily due to 30.8% Associate growth in Malaysia. The total number of active Associates in the Asia Pacific region increased by 26.1% year-over-year and 5.4% sequentially.

Net sales in the Americas/Europe region decreased by 6.3% to \$60.5 million. This decrease was due largely to the negative impact of \$5.3 million from the strengthening U.S. dollar and an extra week of sales in the prior year quarter. On a constant currency basis, net sales in this region increased by 1.9% year-over-year. Canada and Mexico generated local currency sales growth of 8.4% and 13.3%, respectively. Both of these markets also reported strong year-over-year customer growth.

"Our growth continues to be driven by momentum in our Asia Pacific region, particularly in Mainland China," continued Mr. Wentz. "During the quarter, we held our annual China National Meeting in Qingdao, where a record number of Associates were recognized for their achievements. In addition, we officially launched our 20<sup>th</sup> market in Indonesia during the quarter. We are optimistic about this market for the future. We're also encouraged by the Associate growth that we are experiencing worldwide, and we expect this to continue during 2016."

## **2015 Results**

For the year ended January 2, 2016, net sales increased by 16.2% to \$918.5 million, compared with \$790.5 million in the prior year. This increase in net sales was driven largely by sales and Associate growth in the Company's Asia Pacific region. Net sales for the full-year 2015 were negatively impacted by \$53.6 million due to a strengthening U.S. dollar and an extra week of sales in the prior year. Excluding the impact of currency and the extra week

of sales in the prior year, net sales would have increased by 25.6% for the year.

Net earnings for 2015 increased by 23.5% to \$94.7 million, compared with \$76.6 million in the prior year. This increase resulted primarily from higher net sales. Earnings per share for the year increased by 28.2% to \$7.18, compared with \$5.60 in the prior year. This increase in earnings per share was attributable to higher net earnings and a lower number of diluted shares outstanding due to the Company's share repurchases during 2015. Weighted average diluted shares outstanding were 13.2 million for fiscal 2015, compared with 13.7 million for fiscal 2014.

"This was another outstanding year for USANA," said Kevin Guest, USANA's Co-CEO. "We generated our 13<sup>th</sup> consecutive year of record sales and reported our highest net earnings in the history of the company. Importantly, we also reported a record number of active Associates. We believe 2016 will be another outstanding year for USANA as we continue to execute our personalization strategy. In this regard, we have several new product and technology launches planned during the year, which will take USANA's world-class products to a new level. During the year, we will also make several key investments in our business to support the needs of our growing customer base and create the foundation for future growth."

## **Outlook**

The Company provided the following consolidated net sales and earnings per share outlook for 2016:

- Consolidated net sales between \$1.02 billion and \$1.05 billion
- Earnings per share between \$7.60 and \$8.15

Our outlook reflects:

- A continued negative impact from currency fluctuations, which we estimate will reduce sales by approximately \$54 million for the full year;
- Relative gross margin and Associate incentives expense in-line with 2015 operating results;
- An operating margin between 14% and 14.5% as a result of strategic investments in the business; and
- A reduced share count as a result of the company's active share repurchase program.

Chief Financial Officer Paul Jones, commented, "Our outlook for the top-line projects another year of double-digit sales growth, despite the anticipated negative impact from currency. Our EPS outlook also reflects several strategic investments during the year, including (i) increased research and development investment to drive future product and technology innovation, (ii) investment in information technology systems and infrastructure to support our growing customer base and to further improve the experience of doing business with USANA around the world, and (iii) continued investment in Mainland China. We believe that these investments are essential to support USANA's recent growth and to achieve both current and longer-term growth objectives."

## **Conference Call**

The Company has posted the “Management Commentary, Results and Outlook” document on the Company’s website ([www.usanahealthsciences.com](http://www.usanahealthsciences.com)) under the “Investor Relations” section of the site. USANA will hold a conference call and webcast to discuss today’s announcement with investors on Wednesday, February 10, 2016, at 11:00 a.m. Eastern Time. **Investors may listen to the call by accessing USANA’s website at <http://www.usanahealthsciences.com>.** The call will consist of brief opening remarks by the Company’s management team, before moving directly into questions and answers.

## **About USANA**

USANA develops and manufactures high-quality nutritional supplements, healthy 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 and Indonesia. More information on USANA can be found at <http://www.usanahealthsciences.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 global economic conditions generally, reliance upon our network of independent Associates, the governmental regulation of our products, manufacturing and marketing risks, adverse publicity risks, and risks associated with our international expansion. 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.

**USANA Health Sciences, Inc.**

**Consolidated Statements of Earnings**

(In thousands, except per share data)

(Unaudited)

|                                               | <b>Quarter Ended</b> |                 | <b>Year Ended</b> |                 |
|-----------------------------------------------|----------------------|-----------------|-------------------|-----------------|
|                                               | <b>3-Jan-15</b>      | <b>2-Jan-16</b> | <b>3-Jan-15</b>   | <b>2-Jan-16</b> |
| Net sales                                     | \$ 227,870           | \$ 232,585      | \$ 790,471        | \$ 918,499      |
| Cost of sales                                 | 37,516               | 40,181          | 140,794           | 159,682         |
| <b>Gross profit</b>                           | 190,354              | 192,404         | 649,677           | 758,817         |
| Operating expenses                            |                      |                 |                   |                 |
| Associate incentives                          | 106,467              | 103,409         | 349,044           | 408,160         |
| Selling, general and administrative           | 51,249               | 53,858          | 184,531           | 208,995         |
| <b>Earnings from operations</b>               | 32,638               | 35,137          | 116,102           | 141,662         |
| Other income (expense)                        | (574 )               | 404             | (449 )            | 927             |
| <b>Earnings before income taxes</b>           | 32,064               | 35,541          | 115,653           | 142,589         |
| Income taxes                                  | 10,764               | 11,574          | 39,017            | 47,917          |
| <b>NET EARNINGS</b>                           | \$ 21,300            | \$ 23,967       | \$ 76,636         | \$ 94,672       |
|                                               |                      |                 |                   |                 |
| Earnings per share - diluted                  | \$ 1.65              | \$ 1.83         | \$ 5.60           | \$ 7.18         |
| Weighted average shares outstanding - diluted | 12,920               | 13,082          | 13,689            | 13,177          |

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

|                                           | As of<br>3-Jan-15 | As of<br>2-Jan-16 |
|-------------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                             |                   |                   |
| Current Assets                            |                   |                   |
| Cash and cash equivalents                 | \$ 111,126        | \$ 143,210        |
| Inventories                               | 45,248            | 66,119            |
| Prepaid expenses and other current assets | 34,553            | 34,935            |
| <b>Total current assets</b>               | <b>190,927</b>    | <b>244,264</b>    |
| Property and equipment, net               | 71,164            | 87,982            |
| Goodwill                                  | 17,941            | 17,432            |
| Intangible assets, net                    | 40,952            | 38,269            |
| Deferred income taxes                     | 5,933             | 9,844             |
| Other assets                              | 23,667            | 25,446            |
| <b>Total assets</b>                       | <b>\$ 350,584</b> | <b>\$ 423,237</b> |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

|                                                   |                   |                   |
|---------------------------------------------------|-------------------|-------------------|
| Current Liabilities                               |                   |                   |
| Accounts payable                                  | \$ 7,779          | \$ 10,043         |
| Other current liabilities                         | 100,926           | 121,369           |
| <b>Total current liabilities</b>                  | <b>108,705</b>    | <b>131,412</b>    |
| Other long-term liabilities                       | 1,114             | 1,151             |
| Deferred income taxes                             | 10,601            | 9,822             |
| Stockholders' equity                              | 230,164           | 280,852           |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 350,584</b> | <b>\$ 423,237</b> |

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

| Region                 | Quarter Ended |      |   |            |      |   | Change from   |        | Currency<br>Impact | % Change                        |   | % Change<br>Excluding<br>Currency<br>Impact |
|------------------------|---------------|------|---|------------|------|---|---------------|--------|--------------------|---------------------------------|---|---------------------------------------------|
|                        | 3-Jan-15      |      |   | 2-Jan-16   |      |   | Prior<br>Year |        |                    | Excluding<br>Currency<br>Impact |   |                                             |
| Asia Pacific           |               |      |   |            |      |   |               |        |                    |                                 |   |                                             |
| Greater China          | \$ 103,990    | 45.6 | % | \$ 115,342 | 49.6 | % | \$ 11,352     | 10.9 % | \$(4,367 )         | 15.1                            | % |                                             |
| Southeast Asia Pacific | 50,315        | 22.1 | % | 46,520     | 20.0 | % | (3,795 )      | -7.5 % | (6,207 )           | 4.8                             | % |                                             |
| North Asia             | 9,034         | 4.0  | % | 10,256     | 4.4  | % | 1,222         | 13.5 % | (650 )             | 20.7                            | % |                                             |
| Asia Pacific Total     | 163,339       | 71.7 | % | 172,118    | 74.0 | % | 8,779         | 5.4 %  | (11,224 )          | 12.2                            | % |                                             |

|                     |            |       |   |            |       |   |          |        |              |     |   |
|---------------------|------------|-------|---|------------|-------|---|----------|--------|--------------|-----|---|
| Americas and Europe | 64,531     | 28.3  | % | 60,467     | 26.0  | % | (4,064 ) | -6.3 % | (5,279 )     | 1.9 | % |
| Total               | \$ 227,870 | 100.0 | % | \$ 232,585 | 100.0 | % | \$ 4,715 | 2.1 %  | \$ (16,503 ) | 9.3 | % |

#### Active Associates by Region <sup>(1)</sup>

(Unaudited)

|                        | As of<br>3-Jan-15 |       |   | 2-Jan-16 |       |   |
|------------------------|-------------------|-------|---|----------|-------|---|
| <b>Region</b>          |                   |       |   |          |       |   |
| Asia Pacific           |                   |       |   |          |       |   |
| Greater China          | 174,000           | 49.9  | % | 234,000  | 55.6  | % |
| Southeast Asia Pacific | 79,000            | 22.6  | % | 86,000   | 20.4  | % |
| North Asia             | 11,000            | 3.1   | % | 13,000   | 3.1   | % |
| Asia Pacific Total     | 264,000           | 75.6  | % | 333,000  | 79.1  | % |
| Americas and Europe    | 85,000            | 24.4  | % | 88,000   | 20.9  | % |
| Total                  | 349,000           | 100.0 | % | 421,000  | 100.0 | % |

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

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

(Unaudited)

|                        | As of<br>3-Jan-15 |       |   | 2-Jan-16 |       |   |
|------------------------|-------------------|-------|---|----------|-------|---|
| <b>Region</b>          |                   |       |   |          |       |   |
| Asia Pacific           |                   |       |   |          |       |   |
| Greater China          | 3,000             | 3.7   | % | 4,000    | 4.5   | % |
| Southeast Asia Pacific | 12,000            | 14.8  | % | 13,000   | 14.6  | % |
| North Asia             | 6,000             | 7.4   | % | 9,000    | 10.1  | % |
| Asia Pacific Total     | 21,000            | 25.9  | % | 26,000   | 29.2  | % |
| Americas and Europe    | 60,000            | 74.1  | % | 63,000   | 70.8  | % |
| Total                  | 81,000            | 100.0 | % | 89,000   | 100.0 | % |

(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.

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