

USANA HEALTH SCIENCES INC
Form 10-Q
November 07, 2012
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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 September 29, 2012

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: 0-21116

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)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares outstanding of the registrant's common stock as of November 1, 2012 was 14,425,692.

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USANA HEALTH SCIENCES, INC.

FORM 10-Q

For the Quarterly Period Ended September 29, 2012

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(in thousands)

(unaudited)

| | As of December 31, 2011 | As of September 29, 2012 |
|--|-------------------------------|--------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 50,353 | \$ 76,601 |
| Inventories | 36,968 | 33,296 |
| Prepaid expenses and other current assets | 18,738 | 28,754 |
| Total current assets | 106,059 | 138,651 |
| Property and equipment, net | 60,754 | 62,052 |
| Goodwill | 17,740 | 17,797 |
| Intangible assets, net | 42,637 | 42,022 |
| Deferred tax assets | 11,033 | 6,705 |
| Other assets | 6,273 | 7,057 |
| | \$ 244,496 | \$ 274,284 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 7,952 | \$ 6,906 |
| Other current liabilities | 51,744 | 59,881 |
| Total current liabilities | 59,696 | 66,787 |
| Deferred tax liabilities | 9,948 | 9,571 |
| Other long-term liabilities | 942 | 946 |
| Stockholders equity | 15 | 14 |

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Common stock, \$0.001 par value; Authorized 50,000 shares, issued and outstanding 14,940 as of December 31, 2011 and 14,496 as of September 29, 2012

| | | |
|--|------------|------------|
| Additional paid-in capital | 49,257 | 49,263 |
| Retained earnings | 118,799 | 141,042 |
| Accumulated other comprehensive income | 5,839 | 6,661 |
| Total stockholders' equity | 173,910 | 196,980 |
| | \$ 244,496 | \$ 274,284 |

The accompanying notes are an integral part of these statements.

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USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

| | Quarters Ended | |
|--|--------------------|-----------------------|
| | October 1, 2011 | September 29, 2012 |
| Net sales | \$ 143,501 | \$ 165,175 |
| Cost of sales | 25,202 | 30,343 |
| Gross profit | 118,299 | 134,832 |
| Operating expenses: | | |
| Associate incentives | 66,158 | 70,406 |
| Selling, general and administrative | 33,365 | 40,342 |
| Total operating expenses | 99,523 | 110,748 |
| Earnings from operations | 18,776 | 24,084 |
| Other income (expense): | | |
| Interest income | 42 | 75 |
| Interest expense | (1) | (11) |
| Other, net | 92 | 203 |
| Other income (expense), net | 133 | 267 |
| Earnings before income taxes | 18,909 | 24,351 |
| Income taxes | 6,524 | 6,861 |
| Net earnings | \$ 12,385 | \$ 17,490 |
| Earnings per common share | | |
| Basic | \$ 0.82 | \$ 1.22 |
| Diluted | \$ 0.81 | \$ 1.18 |
| Weighted average common shares outstanding | | |
| Basic | 15,043 | 14,365 |
| Diluted | 15,205 | 14,884 |
| Comprehensive income: | | |
| Net earnings | \$ 12,385 | \$ 17,490 |

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| | | | |
|--|---------|--------|-----------|
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustment | (2,309) | | 1,312 |
| Tax (expense) benefit related to foreign currency translation adjustment | 1,051 | | (402) |
| Other comprehensive income (loss), net of tax | (1,258) | | 910 |
| Comprehensive income | \$ | 11,127 | \$ 18,400 |

The accompanying notes are an integral part of these statements.

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USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share data)

(unaudited)

| | Nine Months Ended | |
|--|--------------------|-----------------------|
| | October 1, 2011 | September 29, 2012 |
| Net sales | \$ 435,992 | \$ 480,196 |
| Cost of sales | 77,072 | 85,633 |
| Gross profit | 358,920 | 394,563 |
| Operating expenses: | | |
| Associate incentives | 198,725 | 209,316 |
| Selling, general and administrative | 103,038 | 115,150 |
| Total operating expenses | 301,763 | 324,466 |
| Earnings from operations | 57,157 | 70,097 |
| Other income (expense): | | |
| Interest income | 146 | 184 |
| Interest expense | (9) | (11) |
| Other, net | 97 | 4 |
| Other income (expense), net | 234 | 177 |
| Earnings before income taxes | 57,391 | 70,274 |
| Income taxes | 19,800 | 22,288 |
| Net earnings | \$ 37,591 | \$ 47,986 |
| Earnings per common share | | |
| Basic | \$ 2.43 | \$ 3.27 |
| Diluted | \$ 2.39 | \$ 3.19 |
| Weighted average common shares outstanding | | |
| Basic | 15,495 | 14,673 |
| Diluted | 15,712 | 15,064 |
| Comprehensive income: | | |
| Net earnings | \$ 37,591 | \$ 47,986 |

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| | | | | |
|--|----|--------|----|--------|
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustment | | 272 | | 1,156 |
| Tax (expense) benefit related to foreign currency translation adjustment | | 491 | | (334) |
| Other comprehensive income (loss), net of tax | | 763 | | 822 |
| Comprehensive income | \$ | 38,354 | \$ | 48,808 |

The accompanying notes are an integral part of these statements.

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USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Nine Months Ended October 1, 2011 and September 29, 2012

(in thousands)

(unaudited)

| | Common Stock Shares | Value | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|--|------------------------|-------|----------------------------------|----------------------|---|------------|
| For the Nine Months Ended October 1, 2011 | | | | | | |
| Balance at January 1, 2011 | 15,985 | \$ 16 | \$ 51,222 | \$ 90,207 | \$ 5,357 | \$ 146,802 |
| Net earnings | | | | 37,591 | | 37,591 |
| Other comprehensive income, net of tax | | | | | 763 | 763 |
| Equity-based compensation expense | | | 7,739 | | | 7,739 |
| Common stock repurchased and retired | (1,095) | (1) | (11,072) | (21,628) | | (32,701) |
| Common stock issued under equity award plans, including tax expense of \$309 | 64 | | (270) | | | (270) |
| Tax impact of canceled vested equity awards | | | (785) | | | (785) |
| Balance at October 1, 2011 | 14,954 | \$ 15 | \$ 46,834 | \$ 106,170 | \$ 6,120 | \$ 159,139 |
| For the Nine Months Ended September 29, 2012 | | | | | | |
| Balance at December 31, 2011 | 14,940 | \$ 15 | \$ 49,257 | \$ 118,799 | \$ 5,839 | \$ 173,910 |
| Net earnings | | | | 47,986 | | 47,986 |
| Other comprehensive income, net of tax | | | | | 822 | 822 |
| Equity-based compensation expense | | | 8,184 | | | 8,184 |
| Common stock repurchased and retired | (877) | (1) | (9,757) | (25,743) | | (35,501) |
| Common stock awarded to Associates | 2 | | 100 | | | 100 |
| Common stock issued under equity award plans, including tax benefit of \$1,517 | 431 | | 1,826 | | | 1,826 |
| Tax impact of canceled vested equity awards | | | (347) | | | (347) |
| Balance at September 29, 2012 | 14,496 | \$ 14 | \$ 49,263 | \$ 141,042 | \$ 6,661 | \$ 196,980 |

The accompanying notes are an integral part of these statements.

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USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

| | Nine Months Ended | |
|--|--------------------|-----------------------|
| | October 1, 2011 | September 29, 2012 |
| Cash flows from operating activities | | |
| Net earnings | \$ 37,591 | \$ 47,986 |
| Adjustments to reconcile net earnings to net cash provided by operating activities | | |
| Depreciation and amortization | 6,361 | 6,608 |
| (Gain) loss on sale of property and equipment | 44 | (106) |
| Equity-based compensation expense | 7,739 | 8,184 |
| Excess tax benefits from equity-based payment arrangements | (48) | (2,779) |
| Common stock awarded to Associates | | 100 |
| Deferred income taxes | (1,473) | 2,255 |
| Changes in operating assets and liabilities: | | |
| Inventories, net | (2,664) | 4,462 |
| Prepaid expenses and other assets | 6,063 | (9,223) |
| Accounts payable | 2,614 | (1,063) |
| Other liabilities | (2,759) | 7,199 |
| Total adjustments | 15,877 | 15,637 |
| Net cash provided by operating activities | 53,468 | 63,623 |
| Cash flows from investing activities | | |
| Proceeds from sale of property and equipment | 1 | 148 |
| Purchases of property and equipment | (8,558) | (6,811) |
| Net cash used in investing activities | (8,557) | (6,663) |
| Cash flows from financing activities | | |
| Proceeds from equity awards exercised | 39 | 309 |
| Excess tax benefits from equity-based payment arrangements | 48 | 2,779 |
| Repurchase of common stock | (32,701) | (35,501) |
| Borrowings on line of credit | | 1,842 |
| Payments on line of credit | | (599) |
| Net cash used in financing activities | (32,614) | (31,170) |
| Effect of exchange rate changes on cash and cash equivalents | (202) | 458 |
| Net increase in cash and cash equivalents | 12,095 | 26,248 |
| Cash and cash equivalents, beginning of period | 24,222 | 50,353 |

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| | | | | |
|---|----|--------|----|--------|
| Cash and cash equivalents, end of period | \$ | 36,317 | \$ | 76,601 |
| Supplemental disclosures of cash flow information | | | | |
| Cash paid during the period for: | | | | |
| Interest | \$ | 10 | \$ | 11 |
| Income taxes | | 19,281 | | 25,008 |

The accompanying notes are an integral part of these statements.

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USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share data)

(unaudited)

NOTE A ORGANIZATION, CONSOLIDATION, AND BASIS OF PRESENTATION

USANA Health Sciences, Inc. develops and manufactures high-quality nutritional and personal care products that are sold internationally through a global network marketing system, which is a form of direct selling. The Consolidated Financial Statements include the accounts and operations of USANA Health Sciences, Inc. and its wholly-owned subsidiaries (collectively, the Company or USANA) in two geographic regions: North America/Europe and Asia Pacific, which is further divided into three sub-regions; Southeast Asia/Pacific, Greater China, and North Asia. North America/Europe includes the United States (including direct sales from the United States to the United Kingdom and the Netherlands), Canada, Mexico, France, and Belgium. Southeast Asia/Pacific includes Australia, New Zealand, Singapore, Malaysia, the Philippines, and Thailand; Greater China includes Hong Kong, Taiwan and China; and North Asia includes Japan and South Korea. All significant intercompany accounts and transactions have been eliminated in this consolidation.

The condensed balance sheet as of December 31, 2011, derived from audited financial statements, and the unaudited interim consolidated financial information of the Company have been prepared in accordance with Article 10 of Regulation S-X promulgated by the Securities and Exchange Commission. Certain information and footnote disclosures that are normally included in financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the accompanying interim consolidated financial information contains all adjustments, consisting of normal recurring adjustments that are necessary to present fairly the Company's financial position as of September 29, 2012 and results of operations for quarters and nine months ended October 1, 2011 and September 29, 2012. These 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, 2011. The results of operations for the quarter and nine months ended September 29, 2012, may not be indicative of the results that may be expected for the fiscal year 2012 ending December 29, 2012.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2012-02, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment (ASU 2012-02). ASU 2012-02 was issued with the intent of reducing the cost and complexity of performing impairment tests for indefinite-lived intangible assets by providing an entity with the option to first make a qualitative assessment about the likelihood that an indefinite-lived intangible asset is impaired to determine whether it is necessary to perform a quantitative impairment test. The amendments in this update also enhance the consistency of impairment testing guidance among long-lived asset categories by permitting the qualitative assessment, which is similar to the previously updated guidance for goodwill impairment testing provided in ASU 2011-08.

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ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity's financial statements for the most recent annual or interim period have not yet been issued. The Company does not expect adoption of this standard to have a material impact on its consolidated financial statements.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)

(in thousands, except per share data)

(unaudited)

NOTE B INVENTORIES

Inventories consist of the following:

| | December 31, 2011 | September 29, 2012 |
|------------------|----------------------|-----------------------|
| Raw materials | \$ 9,670 | \$ 8,713 |
| Work in progress | 6,917 | 7,353 |
| Finished goods | 20,381 | 17,230 |
| | \$ 36,968 | \$ 33,296 |

NOTE C COMMON STOCK AND EARNINGS PER SHARE

Basic earnings per share are 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 earnings per share. Diluted earnings per common share are based on shares that are outstanding (computed under basic EPS) and on potentially dilutive shares. Shares that are included in the diluted earnings per share calculations under the treasury stock method include equity awards that are in-the-money but have not yet been exercised.

| | October 1, 2011 | Quarter Ended September 29, 2012 |
|--|--------------------|--|
| Net earnings available to common shareholders | \$ 12,385 | \$ 17,490 |
| Basic EPS | | |
| Shares | | |
| Common shares outstanding entire period | 15,985 | 14,940 |
| Weighted average common shares: | | |
| Issued during period | 39 | 229 |
| Repurchased and retired during period | (981) | (804) |
| Weighted average common shares outstanding during period | 15,043 | 14,365 |

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| | | | | |
|--|----|--------|----|--------|
| Earnings per common share from net earnings - basic | \$ | 0.82 | \$ | 1.22 |
| Diluted EPS | | | | |
| Shares | | | | |
| Weighted average common shares outstanding during period - basic | | 15,043 | | 14,365 |
| Dilutive effect of in-the-money equity awards | | 162 | | 519 |
| Weighted average common shares outstanding during period - diluted | | 15,205 | | 14,884 |
| Earnings per common share from net earnings - diluted | \$ | 0.81 | \$ | 1.18 |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)

(in thousands, except per share data)

(unaudited)

NOTE C COMMON STOCK AND EARNINGS PER SHARE CONTINUED

Equity awards for 2,880 and 522 shares of stock were not included in the computation of diluted EPS for the quarters ended October 1, 2011, and September 29, 2012, respectively, due to the fact that their effect would be anti-dilutive.

| | Nine Months Ended | |
|--|--------------------|-----------------------|
| | October 1, 2011 | September 29, 2012 |
| Net earnings available to common shareholders | \$ 37,591 | \$ 47,986 |
| Basic EPS | | |
| Shares | | |
| Common shares outstanding entire period | 15,985 | 14,940 |
| Weighted average common shares: | | |
| Issued during period | 19 | 107 |
| Repurchased and retired during period | (509) | (374) |
| Weighted average common shares outstanding during period | 15,495 | 14,673 |
| Earnings per common share from net earnings - basic | \$ 2.43 | \$ 3.27 |
| Diluted EPS | | |
| Shares | | |
| Weighted average common shares outstanding during period - basic | 15,495 | 14,673 |
| Dilutive effect of in-the-money equity awards | 217 | 391 |
| Weighted average common shares outstanding during period - diluted | 15,712 | 15,064 |
| Earnings per common share from net earnings - diluted | \$ 2.39 | \$ 3.19 |

Equity awards for 2,895 and 1,357 shares of stock were not included in the computation of diluted EPS for the nine months ended October 1, 2011, and September 29, 2012, respectively, due to the fact that their effect would be anti-dilutive.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)

(in thousands, except per share data)

(unaudited)

NOTE D SEGMENT INFORMATION

USANA operates in a single operating segment as a direct selling company that develops, manufactures, and distributes high-quality nutritional and personal care products that are sold through a global network marketing system of independent distributors (Associates). As such, management has determined that the Company operates in one reportable business segment. Performance for a region or market is primarily evaluated based on sales. The Company does not use profitability reports on a regional or market basis for making business decisions. 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 nutritional and personal care products for the periods indicated.

| | Quarters Ended | | Nine Months Ended | |
|--------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 1, 2011 | September 29, 2012 | October 1, 2011 | September 29, 2012 |
| USANA® Nutritionals | 78% | 80% | 78% | 79% |
| USANA Foods | 12% | 12% | 12% | 12% |
| Sensé beautiful science® | 7% | 6% | 7% | 7% |

Selected financial information for the Company is presented for two geographic regions: North America/Europe and Asia Pacific, with three sub-regions under Asia Pacific. Individual markets are categorized into these regions as follows:

- North America/Europe United States (including direct sales from the United States to the United Kingdom and the Netherlands), Canada, Mexico, France(1), and Belgium(1)
- Asia Pacific
- Southeast Asia/Pacific Australia, New Zealand, Singapore, Malaysia, the Philippines, and Thailand(1)
- Greater China Hong Kong, Taiwan, and China

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- North Asia Japan and South Korea

(1) The Company commenced operations in Thailand, France, and Belgium at the end of the first quarter of 2012.

Selected Financial Information

Financial information by geographic region is presented for the periods indicated below:

| | Quarters Ended | | Nine Months Ended | |
|---------------------------------|--------------------|-----------------------|--------------------|-----------------------|
| | October 1, 2011 | September 29, 2012 | October 1, 2011 | September 29, 2012 |
| Net Sales to External Customers | | | | |
| North America/Europe | \$ 59,028 | \$ 62,490 | \$ 179,316 | \$ 183,586 |
| Asia Pacific | | | | |
| Southeast Asia/Pacific | 30,117 | 35,709 | 82,036 | 102,232 |
| Greater China | 47,012 | 59,722 | 152,801 | 173,127 |
| North Asia | 7,344 | 7,254 | 21,839 | 21,251 |
| Asia Pacific Total | 84,473 | 102,685 | 256,676 | 296,610 |
| Consolidated Total | \$ 143,501 | \$ 165,175 | \$ 435,992 | \$ 480,196 |

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (continued)

(in thousands, except per share data)

(unaudited)

NOTE D SEGMENT INFORMATION CONTINUED

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

| | Quarters Ended | | Nine Months Ended | |
|--|--------------------|-----------------------|----------------------|-----------------------|
| | October 1, 2011 | September 29, 2012 | October 1, 2011 | September 29, 2012 |
| Net Sales to External Customers | | | | |
| Hong Kong | \$ 34,826 | \$ 44,944 | \$ 116,814 | \$ 132,298 |
| United States | 37,975 | 39,991 | 112,132 | 115,577 |
| Canada | 16,107 | 15,309 | 50,896 | 47,744 |
| | | | | |
| | | | As of | |
| | | | December 31, 2011 | September 29, 2012 |
| Long-lived Assets | | | | |
| China | | | \$ 59,806 | \$ 59,077 |
| United States | | | 46,991 | 47,434 |
| Australia | | | 15,280 | 15,229 |

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

The following discussion and analysis of USANA's financial condition and results of operations is presented in six

sections:

- Overview
- Customers
- Current Focus and Recent Developments
- Results of Operations
- Liquidity and Capital Resources
- Forward-Looking Statements and Certain Risks

This discussion and analysis should be read in conjunction with the Unaudited Consolidated Financial Statements and Notes thereto that are contained in this quarterly report, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations that are included in our Annual Report on Form 10-K for the year ended December 31, 2011, and our other filings, including Current Reports on Form 8-K, that have been filed with the Securities and Exchange Commission (SEC) through the date of this report.

Overview

We develop and manufacture high-quality, science-based nutritional and personal care products that are distributed internationally through a network marketing system, which is a form of direct selling. Our customer base is comprised of two types of customers: Associates and Preferred Customers. Associates are independent distributors of our products who also purchase our products for their personal use. Preferred Customers purchase our products only for their personal use and are not permitted to resell or to distribute the products. As of September 29, 2012, we had approximately 242,000 active Associates and approximately 64,000 active Preferred Customers worldwide. For purposes of this report, we only count as active customers those Associates and Preferred Customers who have purchased from USANA at any time during the most recent three-month period, either for personal use or for resale.

We have ongoing operations in the following markets, which are grouped and presented as follows:

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- North America/Europe United States (including direct sales from the United States to the United Kingdom and the Netherlands), Canada, Mexico, France(1), and Belgium(1)
- Asia Pacific
- Southeast Asia Pacific Australia, New Zealand, Singapore, Malaysia, the Philippines, and Thailand(1)
- Greater China Hong Kong, China, and Taiwan
- North Asia Japan and South Korea

(1) We commenced operations in Thailand, France and Belgium at the end of the first quarter of 2012.

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Our primary product lines consist of USANA® Nutritionals, USANA Foods, and Sensé beautiful science® (Sensé), which is our line of personal care products. The USANA Nutritionals product line is further categorized into two separate classifications: Essentials and Optimizers. The following tables summarize 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 indicated:

| Product Line | Nine Months Ended | |
|----------------------------|----------------------------|-------------------------------|
| | October 1, 2011 | September 29, 2012 |
| USANA® Nutritionals | | |
| Essentials | 29% | 28% |
| Optimizers | 49% | 51% |
| USANA Foods | 12% | 12% |
| Sensé beautiful science® | 7% | 7% |
| All Other | 3% | 2% |
| Key Product | | |
| USANA® Essentials | 18% | 18% |
| Proflavanol® | 12% | 12% |
| HealthPak 100 | 9% | 8% |

We believe that our ability to attract and retain Associates and Preferred Customers to sell and consume our products is positively influenced by a number of factors. Some of these factors include: the general public's heightened awareness and understanding of the connection between diet and long-term health, the aging of the worldwide population as older people generally tend to consume more nutritional supplements, and the growing desire for a secondary source of income and small business ownership.

We believe that our high-quality products and our financially rewarding Associate Compensation Plan are the key components to attracting and retaining Associates. We strive to ensure that our products are up-to-date with the latest science in nutrition research and to keep our product lines relatively compact, which we believe simplifies the selling and buying process for our Associates and Preferred Customers. We also periodically make changes to our Compensation Plan in an effort to ensure that our plan is among the most rewarding in the industry, to encourage behavior that we believe leads to a more successful business for our Associates, and to ensure that our plan provides us with leverage to grow sales and earnings. For example, during the second quarter of 2012 we modified the Matching Bonus component of our Compensation Plan, changing it from a short-term incentive to a long-term incentive. We now refer to this bonus as our Lifetime Matching Bonus. We believe that the Lifetime Matching Bonus will be a more attractive incentive to our Associates and will help facilitate long-term growth for both our Associates and the Company.

To further support our Associates in building their businesses, we sponsor meetings and events throughout the year, which offer information about our products and our network marketing system. These meetings are designed to assist Associates in their business development and to provide a forum for interaction with our Associate leaders and members of our management team. We also provide low cost sales tools, including online sales, business management, and training tools, which we believe are an integral part of building and maintaining a successful home-based business for our Associates. Although we provide training and sales tools, we ultimately rely on our Associates to sell our products, attract new customers to purchase our products, and educate and train new Associates.

Because 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, net sales and gross profit are affected positively by a weakening of the U.S. dollar and negatively by a strengthening of the U.S. dollar. Currency fluctuations, however, have

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the opposite effect on our Associate incentives and selling, general and administrative expenses. During the nine months ended September 29, 2012, net sales outside of the United States represented approximately 76% 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.

Table of Contents**Customers**

Because we utilize a direct selling model for the distribution of our products, the success and growth of our business is primarily based on our ability to attract new Associates and retain existing Associates to sell and consume our products. Notably, sales to Associates account for the majority of our product sales, representing 90% of product sales during the nine months ended September 29, 2012. Additionally, it is important to attract and retain Preferred Customers as consumers of our products. Increases or decreases in product sales are typically the result of variations in product sales volumes relating to fluctuations in the number of active Associates and Preferred Customers purchasing our products. The number of active Associates and Preferred Customers is, therefore, used by management as a key non-financial measure.

The tables below summarize the changes in our active customer base by geographic region. These numbers have been rounded to the nearest thousand as of the dates indicated.

| | Active Associates By Region | | | | Change from Prior Year | Percent Change |
|------------------------|-----------------------------|--------|-----------------------------|--------|---------------------------|-------------------|
| | As of October 1, 2011 | | As of September 29, 2012 | | | |
| North America/Europe | 80,000 | 37.4% | 79,000 | 32.6% | (1,000) | (1.3)% |
| Asia Pacific: | | | | | | |
| Southeast Asia Pacific | 47,000 | 22.0% | 58,000 | 24.0% | 11,000 | 23.4% |
| Greater China | 78,000 | 36.4% | 97,000 | 40.1% | 19,000 | 24.4% |
| North Asia | 9,000 | 4.2% | 8,000 | 3.3% | (1,000) | (11.1)% |
| Asia Pacific Total | 134,000 | 62.6% | 163,000 | 67.4% | 29,000 | 21.6% |
| | 214,000 | 100.0% | 242,000 | 100.0% | 28,000 | 13.1% |

| | Active Preferred Customers By Region | | | | Change from Prior Year | Percent Change |
|------------------------|--------------------------------------|--------|-----------------------------|--------|---------------------------|-------------------|
| | As of October 1, 2011 | | As of September 29, 2012 | | | |
| North America/Europe | 51,000 | 77.3% | 52,000 | 81.3% | 1,000 | 2.0% |
| Asia Pacific: | | | | | | |
| Southeast Asia Pacific | 7,000 | 10.6% | 6,000 | 9.4% | (1,000) | (14.3)% |
| Greater China | 7,000 | 10.6% | 5,000 | 7.8% | (2,000) | (28.6)% |
| North Asia | 1,000 | 1.5% | 1,000 | 1.6% | | 0.0% |
| Asia Pacific Total | 15,000 | 22.7% | 12,000 | 18.8% | (3,000) | (20.0)% |
| | 66,000 | 100.0% | 64,000 | 100.0% | (2,000) | (3.0)% |

Current Focus and Recent Developments

During the third quarter of 2012, we held our annual International Convention in Salt Lake City, Utah and officially introduced our global marketing strategy and new corporate branding to thousands of Associates. This strategy focuses on personalizing USANA's product and incentive offerings to its customer base around the world, which is symbolized in our new corporate branding. As an example, we are preparing

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for the launch of our MyHealthPak product in our Asia Pacific markets. MyHealthPak is a fully customized supplement regimen and can include virtually any of our Essentials and Optimizers. This product is currently only available to our customers in the United States and Canada. Additionally, we have developed two proprietary online health assessment applications for our Associates and Preferred Customers called True Health Assessment and True Health Companion. These applications are designed for use on iPads and other platforms through the web and are meant to provide users with a customized lifestyle plan and personalized nutrition program, as well as a way to monitor progress on their programs.

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Our global marketing strategy, we believe, will support our short- and long-term growth objectives, which include: (i) growing our business in Greater China, (ii) returning our North American markets to growth, and (iii) international expansion.

Our efforts in Greater China during the first nine months of 2012 have included further educating our Associates on the USANA products that we introduced in China during 2011, and on our China compensation plan. Additionally, in the first quarter of 2012 we opened a new branch office in Shenzhen, which is a key city for our business in southern China. During the fourth quarter of 2012, we will hold our Annual Customer Celebration in China, where new products and sales tools will be announced.

In North America/Europe, we continued to execute our growth strategy, which focuses on strengthening our partnership with Associates, introducing North America-specific incentives, and implementing our global marketing strategy of personalization. During the first nine months of 2012, we made progress on each component of this strategy. For example, we have held an increased number of meetings and events where members of our management team have worked closely with our Associate Leaders to grow our business. During the second quarter, we launched our new Lifetime Matching Bonus, which has been very well received by our Associates in all of our markets. We have also periodically offered a promotion specifically for our Associates in Mexico throughout the first nine months of 2012, which has helped drive results in that market and North America in general.

In terms of international expansion, we commenced operations in Thailand, France and Belgium at the end of the first quarter of 2012. In the first nine months of 2012, these markets contributed \$2.4 million to net sales. Our initial experience with these markets is that they are heavily consumer focused. As such, we believe that it will take time for our existing Associate leaders in these markets to find and develop entrepreneurs to grow each respective market. Consequently, we believe that sales growth in each of these markets will occur at a slower rate than we initially anticipated.

Results of Operations

Summary of Financial Results

Net sales for the third quarter of 2012 increased 15.1%, to \$165.2 million, compared with the third quarter of 2011. This net sales increase was driven by sales growth in each of our regions with the exception of North Asia, and also included the addition of Thailand, France, and Belgium. Price increases that were implemented earlier in the year in certain markets in the Asia Pacific region also contributed an estimated \$5.2 million to net sales during the quarter. Further discussion on these and other factors contributing to our sales results during the quarter is provided below under our regional results.

Net earnings for the third quarter of 2012 increased 41.2%, to \$17.5 million, compared with the third quarter of 2011. This increase was primarily the result of higher net sales, lower relative Associate incentives, and a lower effective tax rate, partially offset by lower gross profit margins and higher relative selling, general and administrative expenses.

Table of Contents**Quarters Ended October 1, 2011 and September 29, 2012***Net Sales*

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

| | Net Sales by Region (in thousands) Quarter Ended | | | | Change from prior year | Percent change |
|------------------------|--|--------|--------------------|--------|------------------------------|-------------------|
| | October 1, 2011 | | September 29, 2012 | | | |
| North America/Europe | \$ 59,028 | 41.1% | \$ 62,490 | 37.8% | \$ 3,462 | 5.9% |
| Asia Pacific: | | | | | | |
| Southeast Asia Pacific | 30,117 | 21.0% | 35,709 | 21.6% | 5,592 | 18.6% |
| Greater China | 47,012 | 32.8% | 59,722 | 36.2% | 12,710 | 27.0% |
| North Asia | 7,344 | 5.1% | 7,254 | 4.4% | (90) | (1.2)% |
| Asia Pacific Total | 84,473 | 58.9% | 102,685 | 62.2% | 18,212 | 21.6% |
| | \$ 143,501 | 100.0% | \$ 165,175 | 100.0% | \$ 21,674 | 15.1% |

North America/Europe: The increase in net sales in this region was primarily due to (i) increased sales volume per Associate, due mainly to a growing number of Associate leaders within our active Associate base who are actively selling our products and building sales organizations, and (ii) an increase in net sales at our annual International Convention of nearly \$0.8 million. These increases were partially offset by the impact on product sales volume from a modest decrease in the number of active Associates and by currency fluctuations, which reduced net sales by approximately \$0.7 million.

We believe that the sales increase in North America is due, in part, to our continued focus on strengthening our Associate sales force through additional events, trainings and interaction with management. Additionally, a promotion that we have periodically offered for our Associates in Mexico helped drive results in that market and North America in general during the quarter.

Asia Pacific: The increase in net sales in this region was driven by growth in Greater China and Southeast Asia Pacific, which was primarily the result of an increase in the number of active Associates and, to a lesser extent, price increases that were implemented in certain markets during the first quarter of 2012.

As with North America, we believe that our results in Greater China were driven, in part, by our efforts to strengthen our relationship with Associates in this region and, in particular, by our continued efforts to educate and train our Associates on our product offering and compensation plan in China. It is also noteworthy that our third quarter 2012 results for this region are presented against a lower-than-customary prior year comparable as a result of challenges we experienced in this region during the third quarter of 2011. We estimate that price increases added \$4.3 million to net sales in Greater China for the quarter.

Growth in Southeast Asia Pacific continues to be driven primarily by the Philippines, where net sales increased \$5.0 million, or 73.8%, year-over-year and the number of active Associates increased 73.3%. We estimate that price increases added \$0.9 million to net sales in Southeast Asia Pacific for the quarter. Net sales also benefited \$0.7 million from the inclusion of Thailand during the quarter.

Gross Profit

Gross profit margins declined 80 basis points to 81.6% when compared with the third quarter of 2011. Overall, this decrease can primarily be attributed to an increase in raw material costs and currency fluctuations. These items were partially offset by price increases that took place in several of our international markets toward the end of the first quarter of 2012 and an increasing percentage of sales from certain international markets where we have higher gross margins.

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Associate Incentives

Associate incentives decreased to 42.6% of net sales during the third quarter of 2012, compared with 46.1% for the third quarter of 2011. This decrease is due, primarily, to: (i) the price increases that were implemented earlier this year, and (ii) lower payout of Matching Bonus due to implementation of our Lifetime Matching Bonus. These improvements were partially offset by an increase in spending on contests and promotions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 110 basis points to 24.4% when compared with the third quarter of 2011.

In absolute terms, our selling, general and administrative expenses increased \$7.0 million for the third quarter of 2012, compared with the third quarter of 2011. The most significant components of this increase in absolute terms were as follows:

- An increase in spending of approximately \$2.6 million related to our annual International Convention where we celebrated our 20th Anniversary;

- An increase in wages and benefits of approximately \$1.7 million to support our growth initiatives;

- New market costs of approximately \$1.2 million; and

- An increase in credit card fees that vary with sales of approximately \$0.5 million.

Income Taxes

Our effective income tax rate during the third quarter of 2012 was 28.2%, compared with 34.5% in the third quarter of 2011. This decrease in our effective tax rate was due to a favorable adjustment in our manufacturing deduction for the 2011 and 2012 tax years, which was recognized during the current year quarter following the completion of a formal study. We expect our effective tax rate to be approximately 33.5% for the fourth quarter of 2012, and just over 32% for fiscal year 2012.

Diluted Earnings Per Share

Diluted earnings per share increased 45.7% during the current year quarter when compared with the third quarter of 2011. This increase was due to higher net earnings and a lower number of diluted shares outstanding, which was the result of share repurchases over the last twelve months.

Table of Contents**Nine Months Ended October 1, 2011 and September 29, 2012***Net Sales*

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

| | Net Sales by Region (in thousands) | | | | Change from prior year | Percent change |
|------------------------|---------------------------------------|-------------------|------------|--------------------|------------------------------|-------------------|
| | October 1, 2011 | Nine Months Ended | | September 29, 2012 | | |
| North America/Europe | \$ 179,316 | 41.1% | \$ 183,586 | 38.2% | \$ 4,270 | 2.4% |
| Asia Pacific: | | | | | | |
| Southeast Asia Pacific | 82,036 | 18.8% | 102,232 | 21.3% | 20,196 | 24.6% |
| Greater China | 152,801 | 35.1% | 173,127 | 36.1% | 20,326 | 13.3% |
| North Asia | 21,839 | 5.0% | 21,251 | 4.4% | (588) | (2.7)% |
| Asia Pacific Total | 256,676 | 58.9% | 296,610 | 61.8% | 39,934 | 15.6% |
| | \$ 435,992 | 100.0% | \$ 480,196 | 100.0% | \$ 44,204 | 10.1% |

North America/Europe: The increase in net sales in this region during the first nine months of 2012 was primarily due to (i) increased sales volume per Associate, (ii) the addition of France and Belgium to the region, which contributed \$0.9 million to net sales, (iii) a short-term promotion that we offered with the introduction of our Lifetime Matching Bonus, which we estimate added \$0.8 million to net sales, and (iv) an increase in net sales at our annual International Convention of nearly \$0.8 million. These increases were partially offset by the impact on product sales volume from a decrease in the average number of active Associates throughout the first nine months of 2012 and by currency fluctuation, which reduced net sales by approximately \$3.1 million.

Asia Pacific: The increase in net sales in this region during the first nine months of 2012 was driven by growth in Southeast Asia Pacific and Greater China, which was primarily the result of: (i) an increase in the average number of active Associates throughout the first nine months of 2012, (ii) the impact of price increases that took place in certain of these markets in the first quarter of 2012, (iii) a surge in sales ahead of these price increases, and (iv) the introduction of our Lifetime Matching Bonus program and the related short-term promotion that we offered. We estimate that price increases added \$12.3 million, that the surge in sales ahead of price increases added \$11.0 million, and that the short-term promotion added \$3.8 million to net sales in this region during the first nine months of 2012. Net sales also benefited from the inclusion of Thailand in the current year. These increases were partially offset by the recognition of approximately \$3.0 million of deferred revenue during the first quarter of 2011.

Gross Profit

Gross profit for the first nine months of 2012 decreased slightly to 82.2% of net sales compared with 82.3% in the prior year period. For the first nine months of 2012 we have experienced an overall reduction to gross profit margins from increasing raw material costs and also from currency

fluctuation. These reductions to gross profit margins have been partially offset by price increases in several of our international markets during the first quarter of 2012 and from an increasing percentage of sales from certain international markets where we have higher gross margins.

Associate Incentives

Associate incentives decreased to 43.6% of net sales during the first nine months of 2012, compared with 45.6% for the first nine months of 2011. This decrease is due, primarily, to: (i) price increases that were implemented earlier this year, and (ii) lower payout of Matching Bonus due to implementation of our Lifetime Matching Bonus. These improvements were partially offset by an increase in spending on contests and promotions.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to 24.0% of net sales for the first nine months of 2012, compared with 23.6% for the same period in 2011.

In absolute terms, our selling, general and administrative expenses increased \$12.1 million for the first nine months of 2012, compared with the same period in 2011. In absolute terms, this increase was due to spending related to our 20th Anniversary celebration mentioned above as well as the following:

- An increase in wages and benefits of approximately \$3.3 million to support our growth initiatives;
- New market costs of approximately \$3.0 million; and
- An increase in credit card and bank fees that vary with sales of approximately \$1.2 million.

Income Taxes

Our effective income tax rate was 31.7% for the first nine months of 2012, compared with 34.5% for the same period in 2011. This decrease in our effective tax rate was due to a favorable adjustment in our manufacturing deduction for the 2011 and 2012 tax years, which was recognized during the current year quarter following the completion of a formal study, and one-time tax benefits recognized from restructuring USANA's Hong Kong and Singapore operations during the second quarter of 2012.

Diluted Earnings Per Share

Diluted earnings per share increased 33.5% during the first nine months of 2012 when compared to the first nine months of 2011. This increase was due to higher net earnings and a lower number of diluted shares outstanding, which was the result of share repurchases by the Company over the last twelve months.

Liquidity and Capital Resources

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We have historically met our working capital and capital expenditure requirements by using both net cash flow from operations and by drawing on our line of credit. Our principal source of liquidity is our operating cash flow. There are currently no material restrictions on our ability to transfer and remit available funds among our international markets. Repatriation of funds that are related to earnings considered permanently reinvested in certain of our markets would not result in a tax liability that would have a material impact on our liquidity at this time.

Operating cash flow

We typically generate positive cash flow due to our strong operating margins. During the first nine months of 2012, we had a net cash flow from operating activities of \$63.6 million, compared with \$53.5 million in the same period of 2011. This increase can primarily be attributed to higher net earnings and changes in other liabilities during 2012, which resulted from an increase in accrued expenses related to higher net earnings. Partially offsetting the increase in cash flow from operating activities were changes in prepaid expenses and other assets during 2012, which related mostly to an increase in federal income taxes receivable during the current year resulting from the favorable tax adjustment mentioned above.

Line of credit

We have a long-standing relationship with Bank of America. We currently maintain a \$60.0 million credit facility pursuant to a credit agreement with Bank of America, which expires in April 2016. We did not draw on this line of credit at any time during the first nine months of 2012, and, as of September 29, 2012 there was no outstanding balance on this line of credit.

The agreement for this credit facility contains restrictive covenants, which require us to maintain a consolidated rolling four-quarter adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) equal to or greater than \$60.0 million, and a ratio of consolidated funded debt to adjusted EBITDA of 2.0 to 1.0 at the end of each quarter. The adjusted EBITDA

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under this agreement is modified for certain non-cash expenses. As of September 29, 2012, we were in compliance with these covenants. Management is not aware of any issues currently impacting Bank of America's ability to honor their commitment to extend credit under this facility.

Additionally, from time to time we will enter into short-term foreign currency credit arrangements in our international markets for strategic purposes, primarily as a way to reduce our exposure to negative effects of changes in foreign currency exchange rates. As of September 29, 2012, we had a balance of \$1.2 million outstanding for this purpose and have classified this under other current liabilities. This credit arrangement matures in November 2012.

Working capital

Cash and cash equivalents increased to \$76.6 million at September 29, 2012, from \$50.4 million at December 31, 2011. Of the \$76.6 million held at September 29, 2012, \$43.9 million was held in the United States, and \$32.7 million was held by international subsidiaries. Of the \$50.4 million held at December 31, 2011, \$34.8 million was held in the United States, and \$15.6 million was held by international subsidiaries.

Net working capital increased to \$71.9 million at September 29, 2012, from \$46.4 million at December 31, 2011. This increase in net working capital was due mostly to net cash provided by operating activities, offset in large part by share repurchases, purchases of property and equipment, and an increase in other current liabilities. Property and equipment purchases during the first nine months of 2012 included manufacturing and IT-related equipment as well as investments in infrastructure for our new markets. The increase in other current liabilities for the first nine months of 2012 related mostly to increases in unearned revenue, accrued employee compensation and Associate incentives/promotions, which were partially offset by a decrease in income taxes payable.

Share repurchase

We have a share repurchase plan that has been ongoing since the fourth quarter of 2000. Our Board of Directors periodically approves additional dollar amounts for share repurchases under that plan. For example, during the second quarter of 2012, the Board authorized an additional \$21.8 million for share repurchases under the plan, and subsequent to the quarter ended September 29, 2012, an additional \$50.0 million was approved. Share repurchases are made from time-to-time, in the open market, through block trades or otherwise, and are based on market conditions, the level of our cash balances, general business opportunities, and other factors. During the first nine months of 2012, we repurchased and retired 0.9 million shares of common stock for a total of \$35.5 million, at an average market price of \$40.50 per share. Subsequent to the quarter ended September 29, 2012, we repurchased and retired 78 thousand shares of common stock for a total of \$3.4 million. As of November 1, 2012, the remaining approved repurchase amount under the plan was \$61.1 million. There currently is no expiration date on the remaining approved repurchase amount and no requirement for future share repurchases.

Summary

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We believe that 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 unusual capital expenditure requirements, additional financing may be required. No assurance can be given, however, that additional financing, if required, would be available or on favorable terms. We might also require or seek additional financing for the purpose of expanding into new markets, growing our existing markets, 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.

Forward-Looking Statements and Certain Risks

The statements contained in this report that are not purely historical are considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934. These statements represent our expectations, hopes, beliefs, anticipations, commitments, intentions, and strategies regarding the future. They

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may be identified by the use of words or phrases such as believes, expects, anticipates, should, plans, estimates, and potential, among others. Forward-looking statements include, but are not limited to, statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations regarding our financial performance, revenue, and expense levels in the future and the sufficiency of our existing assets to fund our future operations and capital spending needs. Readers are cautioned that actual results could differ materially from the anticipated results or other expectations that are expressed in these forward-looking statements for the reasons that are detailed in our most recent Annual Report on Form 10-K. The fact that some of these risk factors may be the same or similar to those in our past SEC reports means only that the risks are present in multiple periods. We believe that many of the risks detailed here and in our other SEC filings are part of doing business in the industry in which we operate and will likely be present in all periods reported. The fact that certain risks are common in the industry does not lessen their significance. The forward-looking statements contained in this report are made as of the date of this report, and we assume no obligation to update them or to update the reasons why our actual results could differ from those that we have projected. Among others, risks and uncertainties that may affect our business, financial condition, performance, development, and results of operations include:

- Our ability to attract and maintain a sufficient number of Associates;
- Our dependence upon a network marketing system to distribute our products and the activities of our independent Associates;
- The integration of BabyCare's operations and expansion of our business in China through BabyCare;
- Unanticipated effects of changes to our Compensation Plan;
- Our planned expansion into international markets, including delays in commencement of sales or product offerings in any new market, delays in compliance with local marketing or other regulatory requirements, or changes in target markets;
- General economic conditions, both domestically and internationally;
- Potential political events, natural disasters, or other events that may negatively affect economic conditions;
- Potential effects of adverse publicity regarding the Company, nutritional supplements, or the network marketing industry;
- Reliance on key management personnel;

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- Extensive government regulation of the Company's products, manufacturing, and network marketing system;
- Potential inability to sustain or manage growth, including the failure to continue to develop new products;
- An increase in the amount of Associate incentives;
- Our reliance on the use of information technology;
- The effects of competition from new and established network and direct selling organizations in our key markets;
- The adverse effect of the loss of a high-level sponsoring Associate, together with a group of leading Associates, in that person's downline;
- The loss of product market share or Associates to competitors;
- Potential adverse effects of customs, duties, taxation, and transfer pricing regulations, including regulations governing distinctions between and Company responsibilities to employees and independent contractors;
- The fluctuation in the value of foreign currencies against the U.S. dollar;
- Our reliance on outside suppliers for raw materials and certain manufactured items;
- Shortages of raw materials that we use in certain of our products;
- Significant price increases of our key raw materials;
- Product liability claims and other risks that may arise with our manufacturing activity;

- Intellectual property risks;

- Liability claims that may arise with our Athlete Guarantee program;

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- Continued compliance with debt covenants;
- Disruptions to shipping channels that are used to distribute our products to international warehouses;
- The introduction of new laws or changes to existing laws, both domestically and internationally; or
- The outcome of regulatory and litigation matters.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to information presented from that presented for the year ended December 31, 2011.

Item 4. CONTROLS AND PROCEDURES

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 Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding any required disclosure. In designing and evaluating these disclosure controls and procedures, management recognized 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 and Chief Financial 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 September 29, 2012.

Changes in Internal Control Over Financial Reporting

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There were no changes in our internal control over financial reporting that occurred during the quarter ended September 29, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II. OTHER INFORMATION****Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(c) Repurchases

The following table presents information with respect to purchases of USANA common stock made by the Company during the three months ended September 29, 2012:

Issuer Purchases of Equity Securities

(amounts in thousands, except per share data)

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs * |
|--|---|------------------------------------|--|---|
| Fiscal July (Jul. 1, 2012 through Aug 4, 2012) | 146 | \$ 44.71 | 146 | \$ 16,905 |
| Fiscal August (Aug. 5, 2012 through Sept. 1, 2012) | 54 | \$ 44.64 | 54 | \$ 14,499 |
| Fiscal September (Sept. 2, 2012 through Sept. 29, 2012) | | | | \$ 14,499 |
| | 200 | \$ 44.69 | 200 | |

* The Company's share repurchase plan has been ongoing since the fourth quarter of 2000, with the Company's Board of Directors periodically approving additional dollar amounts for share repurchases under the plan. The Company began the third quarter with \$23,437 remaining under the plan. As announced in a publicly issued press release on October 24, 2012, the Board of Directors approved an additional \$50,000 for share repurchases under the plan. Subsequent to the quarter ended September 29, 2012, and through November 1, 2012, the Company repurchased 78 shares for a total of \$3,433. As of November 1, 2012, the Company had \$61,067 available under the share repurchase plan. There currently is no expiration date on the approved repurchase amount.

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Item 6. EXHIBITS

| Exhibit Number | Description |
|-----------------------|---|
| 3.1 | Amended and Restated Articles of Incorporation (Incorporated by reference to Report on Form 8-K, filed April 25, 2006) |
| 3.2 | Bylaws (Incorporated by reference to Report on Form 8-K, filed April 25, 2006) |
| 4.1 | Specimen Stock Certificate for Common Stock, no par value (Incorporated by reference to Registration Statement on Form 10, File No. 0-21116, effective April 16, 1993) |
| 10.1 | 2002 USANA Health Sciences, Inc. Stock Option Plan (Incorporated by reference to Registration Statement on Form S-8, filed July 18, 2002)* |
| 10.2 | Form of employee or director non-statutory stock option agreement under the 2002 Stock Option Plan (Incorporated by reference to Report on Form 10-K, filed March 6, 2006)* |
| 10.3 | Form of employee incentive stock option agreement under the 2002 Stock Option Plan (Incorporated by reference to Report on Form 10-K, filed March 6, 2006)* |
| 10.4 | Credit Agreement, dated June 16, 2004, by and between Bank of America, N.A. and USANA Health Sciences, Inc. (Incorporated by reference to Report on Form 10-Q for the period ended July 3, 2004) |
| 10.5 | Amendment dated May 17, 2006 to Credit Agreement dated June 16, 2004 (Incorporated by reference to Report on Form 10-Q for the period ended September 30, 2006) |
| 10.6 | Amendment dated April 24, 2007 to Credit Agreement dated June 16, 2004 (Incorporated by reference to Report on Form 10-Q for the period ended March 31, 2007) |
| 10.7 | USANA Health Sciences, Inc. 2006 Equity Incentive Award Plan (Incorporated by reference to Report on Form 8-K, filed April 25, 2006)* |
| 10.8 | Form of Stock Option Agreement for award of non-statutory stock options to employees under the USANA Health Sciences, Inc. 2006 Equity Incentive Award Plan (Incorporated by reference to Report on Form 8-K, filed April 26, 2006)* |
| 10.9 | Form of Stock Option Agreement for award of non-statutory stock options to directors who are not employees under the USANA Health Sciences, Inc. 2006 Equity Incentive Award Plan (Incorporated by reference to Report on Form 8-K, filed April 26, 2006)* |
| 10.10 | Form of Incentive Stock Option Agreement for employees under the USANA Health Sciences, Inc. 2006 Equity Incentive Award Plan (Incorporated by reference to Report on Form 8-K, filed April 26, 2006)* |
| 10.11 | Form of Stock-Settled Stock Appreciation Rights Award Agreement for employees under the USANA Health Sciences, Inc. 2006 Equity Incentive Award Plan (Incorporated by reference to Report on Form 8-K, filed April 26, 2006)* |
| 10.12 | Form of Stock-Settled Stock Appreciation Rights Award Agreement for directors who are not employees under the USANA Health Sciences, Inc. 2006 Equity Incentive Award Plan (Incorporated by reference to Report on Form 8-K, filed April 26, 2006)* |
| 10.13 | Form of Deferred Stock Unit Award Agreement for grants of deferred stock units to directors who are not employees under the USANA Health Sciences, Inc. 2006 Equity Incentive Award Plan (Incorporated by reference to Report on Form 8-K, filed April 26, 2006)* |
| 10.14 | Form of Indemnification Agreement between the Company and its directors (Incorporated by reference to Report on Form 8-K, filed May 24, 2006)* |

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| 10.15 | Form of Indemnification Agreement between the Company and certain of its officers (Incorporated by reference to Report on Form 8-K, filed May 24, 2006)* |
| 10.16 | Share Purchase Agreement, dated as of August 16, 2010, among USANA Health Sciences, Inc., Petlane, Inc., Yaolan Ltd., and BabyCare Holdings Ltd. (Incorporated by Reference to Report on Form 8-K, filed August 16, 2010) |
| 10.17 | Amended and Restated Credit Agreement, dated as of April 27, 2011 (Incorporated by reference to Report on Form 8-K, filed April 28, 2011) |
| 10.18 | Form of Executive Confidentiality, Non-Disclosure and Non-Solicitation Agreement (Incorporated by reference to Quarterly Report on Form 10-Q for the period ended October 1, 2011, filed November 9, 2011)* |
| 31.1 | Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 |
| 32.2 | Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

* Denotes a management contract or compensatory plan or arrangement.

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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.

USANA HEALTH SCIENCES, INC.

Date: November 7, 2012

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