

USANA HEALTH SCIENCES INC
Form 10-Q
November 07, 2012
Table of Contents

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.

Table of Contents

USANA HEALTH SCIENCES, INC.

FORM 10-Q

For the Quarterly Period Ended September 29, 2012

INDEX

| | Page | |
|---|--|-------|
| <u>PART I. FINANCIAL INFORMATION</u> | | |
| <u>Item 1</u> | <u>Financial Statements (unaudited)</u> | |
| | <u>Consolidated Balance Sheets</u> | 3 |
| | <u>Consolidated Statements of Comprehensive Income – Quarter Ended</u> | 4 |
| | <u>Consolidated Statements of Comprehensive Income – Nine Months Ended</u> | 5 |
| | <u>Consolidated Statements of Stockholders' Equity</u> | 6 |
| | <u>Consolidated Statements of Cash Flows</u> | 7 |
| | <u>Notes to Consolidated Financial Statements</u> | 8 12 |
| <u>Item 2</u> | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 13 23 |
| <u>Item 3</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 23 |
| <u>Item 4</u> | <u>Controls and Procedures</u> | 23 |
| <u>PART II. OTHER INFORMATION</u> | | |
| <u>Item 2</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 24 |
| <u>Item 6</u> | <u>Exhibits</u> | 25 26 |
| <u>Signatures</u> | | 27 |

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 | | |