

USANA HEALTH SCIENCES INC

Form 10-Q

August 08, 2005

## **UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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***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 July 2, 2005

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 is an accelerated filer (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 July 29, 2005 was 18,833,182.

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**USANA HEALTH SCIENCES, INC.**

**FORM 10-Q**

For the Quarterly Period Ended July 2, 2005

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(in thousands)

	January 1, 2005	July 2, 2005 (unaudited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 15,067	\$ 20,428
Inventories, net	17,722	22,044
Prepaid expenses and other current assets	5,808	5,180
Deferred income taxes	2,226	2,431
Total current assets	40,823	50,083
Property and equipment, net	23,194	23,233
Goodwill	5,690	5,690
Other assets	1,957	2,812
	\$ 71,664	\$ 81,818
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities		
Accounts payable	\$ 5,106	\$ 4,814
Other current liabilities	17,644	20,706
Total current liabilities	22,750	25,520
Long-term liabilities	1,071	1,495
Stockholders' equity		
Common stock, \$0.001 par value; authorized 50,000 shares, issued and outstanding 18,953 as of January 1, 2005 and 18,816 as of July 2, 2005	19	19
Additional paid-in capital	11,853	12,135
Retained earnings	34,496	41,914
Accumulated other comprehensive income	1,475	735
Total stockholders' equity	47,843	54,803
	\$ 71,664	\$ 81,818

The accompanying notes are an integral part of these statements.



## USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share data)

(unaudited)

	Quarter Ended	
	July 3, 2004	July 2, 2005
Net sales	\$ 67,246	\$ 82,015
Cost of sales	16,195	19,499
Gross profit	51,051	62,516
Operating expenses:		
Associate incentives	25,556	31,911
Selling, general and administrative	13,656	15,168
Research and development	607	689
Total operating expenses	39,819	47,768
Earnings from operations	11,232	14,748
Other income (expense):		
Interest income	36	93
Interest expense		(3)
Other, net	(37)	(157)
Other income (expense), net	(1)	(67)
Earnings before income taxes	11,231	14,681
Income taxes	3,818	5,138
Net earnings	\$ 7,413	\$ 9,543
Earnings per common share		
Basic	\$ 0.39	\$ 0.50
Diluted	\$ 0.36	\$ 0.48
Weighted average common shares outstanding		
Basic	19,199	18,948
Diluted	20,523	19,821

The accompanying notes are an integral part of these statements.

## USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per share data)

(unaudited)

	Six Months Ended	
	July 3, 2004	July 2, 2005
Net sales	\$ 129,021	\$ 158,593
Cost of sales	31,253	37,509
Gross profit	97,768	121,084
Operating expenses:		
Associate incentives	49,168	61,461
Selling, general and administrative	26,918	30,017
Research and development	1,185	1,288
Total operating expenses	77,271	92,766
Earnings from operations	20,497	28,318
Other income (expense):		
Interest income	86	197
Interest expense		(3)
Other, net	62	(96)
Other income (expense), net	148	98
Earnings before income taxes	20,645	28,416
Income taxes	7,019	9,945
Net earnings	\$ 13,626	\$ 18,471
Earnings per common share		
Basic	\$ 0.71	\$ 0.97
Diluted	\$ 0.66	\$ 0.93
Weighted average common shares outstanding		
Basic	19,288	19,008
Diluted	20,688	19,896

The accompanying notes are an integral part of these statements.

USANA HEALTH SCIENCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME

Six Months Ended July 3, 2004 and July 2, 2005

(in thousands)

(unaudited)

	Shares	Common Stock Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>For the Six Months Ended July 3, 2004</b>						
Balance at January 3, 2004	19,470	\$ 19	\$ 14,187	\$ 28,935	\$ 1,230	\$ 44,371
Comprehensive income						
Net earnings				13,626		