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**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 **March 31, 2022**

OR

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

Commission File Number: 001-34483



**NATURE'S SUNSHINE PRODUCTS, INC.**

(Exact name of Registrant as specified in its charter)

**Utah**  
(State or other jurisdiction of  
incorporation or organization)

**87-0327982**  
(IRS Employer  
Identification No.)

**2901 Bluegrass Boulevard, Suite 100**  
**Lehi, Utah 84043**  
(Address of principal executive offices and zip code)

**(801) 341-7900**  
(Registrant's telephone number including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	NATR	Nasdaq Capital Market

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of Common Stock, no par value, outstanding on April 22, 2022, was 19,474,806 shares.

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NATURE'S SUNSHINE PRODUCTS, INC.  
FORM 10-Q

For the Quarter Ended March 31, 2022

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included or incorporated herein by reference in this report may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies. All statements (other than statements of historical fact) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward-looking statements. These statements are often characterized by terminology such as “believe,” “hope,” “may,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimate,” “project,” “positioned,” “strategy” and similar expressions, and are based on assumptions and assessments made in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe to be appropriate. For example, information appearing under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes forward-looking statements. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are more fully described in this report, including the risks set forth under “Risk Factors” in Item 1A, and in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, but include the following:

- extensive government regulations to which the Company’s products, business practices and manufacturing activities are subject;
- registration of products for sale in foreign markets, or difficulty or increased cost of importing products into foreign markets;
- legal challenges to the Company’s direct selling program or to the classification of its independent consultants;
- laws and regulations regarding direct selling may prohibit or restrict our ability to sell our products in some markets or require us to make changes to our business model in some markets;
- liabilities and obligations arising from improper activity by the Company’s independent consultants;
- product liability claims;
- impact of anti-bribery laws, including the U.S. Foreign Corrupt Practices Act;
- the Company’s ability to attract and retain independent consultants;
- the loss of one or more key independent consultants who have a significant sales network;
- the Company’s joint venture for operations in China with Fosun Industrial Co., Ltd.;
- the effect of fluctuating foreign exchange rates;
- failure of the Company’s independent consultants to comply with advertising laws;
- changes to the Company’s independent consultants compensation plans;
- geopolitical issues and conflicts;
- adverse effects caused by the ongoing coronavirus pandemic;
- negative consequences resulting from difficult economic conditions, including the availability of liquidity or the willingness of the Company’s customers to purchase products;
- risks associated with the manufacturing of the Company’s products;
- supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand;
- failure to timely and effectively obtain shipments of products from our manufacturers and deliver products to our independent consultants and customers;
- world-wide slowdowns and delays related to supply chain, ingredient shortages and logistical challenges;
- uncertainties relating to the application of transfer pricing, duties, value-added taxes, and other tax regulations, and changes thereto;
- changes in tax laws, treaties or regulations, or their interpretation;
- cybersecurity threats and exposure to data loss;
- the storage, processing, and use of data, some of which contain personal information, are subject to complex and evolving privacy and data protection laws and regulations;
- reliance on information technology infrastructure; and
- the sufficiency of trademarks and other intellectual property rights.

All forward-looking statements speak only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in or incorporated by reference into this report. Except as is required by law, we expressly disclaim any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this report. Throughout this report, we refer to Nature's Sunshine Products, Inc., together with our subsidiaries, as "we," "us," "our," "our Company" or "the Company."

## PART I FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands)  
(Unaudited)

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 66,541	\$ 86,184
Accounts receivable, net of allowance for doubtful accounts of \$148 and \$143, respectively	7,272	8,871
Inventories	63,928	60,852
Prepaid expenses and other	10,896	8,760
Total current assets	<u>148,637</u>	<u>164,667</u>
Property, plant and equipment, net	49,587	50,857
Operating lease right-of-use assets	18,960	18,349
Restricted investment securities - trading	888	964
Deferred income tax assets	9,836	13,590
Other assets	10,754	10,447
Total assets	<u>\$ 238,662</u>	<u>\$ 258,874</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 8,434	\$ 9,702
Accrued volume incentives and service fees	22,513	23,131
Accrued liabilities	26,621	31,600
Deferred revenue	2,036	3,694
Related party note	—	302
Income taxes payable	2,976	2,647
Current portion of operating lease liabilities	4,537	4,350
Current installments of long-term debt and revolving credit facility	1,253	1,244
Total current liabilities	<u>68,370</u>	<u>76,670</u>
Long-term portion of operating lease liabilities	16,475	15,919
Long-term debt and revolving credit facility	857	1,174
Deferred compensation payable	888	964
Long-term deferred income tax liabilities	1,131	1,566
Other liabilities	1,163	1,177
Total liabilities	<u>88,884</u>	<u>97,470</u>
Shareholders' equity:		
Common stock, no par value, 50,000 shares authorized, 19,461 and 19,724 shares issued and outstanding, respectively	125,417	133,382
Retained earnings	32,075	35,025
Noncontrolling interest	3,466	3,202
Accumulated other comprehensive loss	(11,180)	(10,205)
Total shareholders' equity	<u>149,778</u>	<u>161,404</u>
Total liabilities and shareholders' equity	<u>\$ 238,662</u>	<u>\$ 258,874</u>

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Amounts in thousands, except per share information)  
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Net sales	\$ 110,494	\$ 102,421
Cost of sales	34,460	26,979
Gross profit	76,034	75,442
Operating expenses:		
Volume incentives	34,102	34,255
Selling, general and administrative	40,623	33,552
Operating income	1,309	7,635
Other loss, net	(314)	(1,933)
Income before provision for income taxes	995	5,702
Provision for income taxes	3,681	1,550
Net income (loss)	(2,686)	4,152
Net income attributable to noncontrolling interests	264	136
Net income (loss) attributable to common shareholders	\$ (2,950)	\$ 4,016
Basic and diluted net income per common share:		
Basic earnings (loss) per share attributable to common shareholders	\$ (0.15)	\$ 0.20
Diluted earnings (loss) per share attributable to common shareholders	\$ (0.15)	\$ 0.20
Weighted average basic common shares outstanding	19,573	19,794
Weighted average diluted common shares outstanding	19,573	20,236
Dividends declared per common share	\$ —	\$ 1.00

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(Amounts in thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Net income (loss)	\$ (2,686)	\$ 4,152
Foreign currency translation loss (net of tax)	(975)	(121)
Total comprehensive income (loss)	<u>\$ (3,661)</u>	<u>\$ 4,031</u>

See accompanying notes to condensed consolidated financial statements.



NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
(Amounts in thousands)  
(Unaudited)

	Common Stock		Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2021	19,724	\$ 133,382	\$ 35,025	\$ 3,202	\$ (10,205)	\$ 161,404
Share-based compensation expense	—	801	—	—	—	801
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	188	(795)	—	—	—	(795)
Repurchase of common stock	(451)	(7,971)	—	—	—	(7,971)
Net income (loss)	—	—	(2,950)	264	—	(2,686)
Other comprehensive loss	—	—	—	—	(975)	(975)
Balance at March 31, 2022	19,461	\$ 125,417	\$ 32,075	\$ 3,466	\$ (11,180)	\$ 149,778

	Common Stock		Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2020	19,697	\$ 139,311	\$ 26,030	\$ 1,848	\$ (9,955)	\$ 157,234
Share-based compensation expense	—	1,005	—	—	—	1,005
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	218	(914)	—	—	—	(914)
Cash dividends (\$1.00 per share)	—	—	(19,858)	—	—	(19,858)
Net income	—	—	4,016	136	—	4,152
Other comprehensive loss	—	—	—	—	(121)	(121)
Balance at March 31, 2021	19,915	\$ 139,402	\$ 10,188	\$ 1,984	\$ (10,076)	\$ 141,498

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Amounts in thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (2,686)	\$ 4,152
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision for doubtful accounts	6	—
Depreciation and amortization	2,766	2,736
Non-cash lease expense	1,173	1,311
Share-based compensation expense	801	1,005
Deferred income taxes	3,844	561
Purchase of trading investment securities	(12)	(16)
Proceeds from sale of trading investment securities	35	175
Realized and unrealized losses (gains) on investments	58	(16)
Foreign exchange losses	402	1,529
Changes in assets and liabilities:		
Accounts receivable	1,447	(2,689)
Inventories	(3,489)	536
Prepaid expenses and other current assets	(2,518)	(272)
Other assets	(20)	24
Accounts payable	(946)	598
Accrued volume incentives and service fees	(464)	1,644
Accrued liabilities	(5,386)	(6,248)
Deferred revenue	(1,632)	(394)
Lease liabilities	(1,031)	(1,170)
Income taxes payable	(191)	(699)
Liability related to unrecognized tax benefits	—	(10)
Deferred compensation payable	(81)	(22)
Net cash provided by (used in) operating activities	<u>(7,924)</u>	<u>2,735</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(1,518)	(983)
Net cash used in investing activities	<u>(1,518)</u>	<u>(983)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments of long-term debt	(308)	(397)
Principal payments of related party borrowing	(300)	—
Proceeds from the exercise of stock awards	(795)	(914)
Repurchase of common stock	(7,971)	—
Net cash used in financing activities	<u>(9,374)</u>	<u>(1,311)</u>
Effect of exchange rates on cash and cash equivalents	(827)	(1,257)
Net decrease in cash and cash equivalents	(19,643)	(816)
Cash and cash equivalents at the beginning of the period	86,184	92,069
Cash and cash equivalents at the end of the period	<u>\$ 66,541</u>	<u>\$ 91,253</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for income taxes, net of refunds	\$ 1,809	\$ 2,026
Cash paid for interest	45	50

See accompanying notes to condensed consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

**(1) Basis of Presentation**

We are a natural health and wellness company primarily engaged in the manufacture and sale of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products to a sales force of independent consultants who use the products themselves or resell them to consumers.

**Principles of Consolidation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation of our financial information as of March 31, 2022, and for the three months ended March 31, 2022 and 2021. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2022.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021.

**Use of Estimates**

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities, in these financial statements and accompanying notes. Actual results could differ from these estimates due to the uncertainty around the magnitude and duration of the COVID-19 pandemic, the current conflict between Russia and Ukraine, inflationary pressures and supply chain challenges as well as other factors and those differences could have a material effect on our financial position and results of operations.

The significant accounting estimates inherent in the preparation of our financial statements include estimates associated with our determination of liabilities related to independent consultant incentives, the determination of income tax assets and liabilities, certain other non-income tax and value-added tax contingencies, and legal contingencies. In addition, significant estimates form the basis for allowances with respect to inventory valuations. Various assumptions and other factors enter into the determination of these significant estimates. The process of determining significant estimates takes into account historical experience and current and expected economic conditions.

**Noncontrolling Interests**

Noncontrolling interests changed as a result of the net income attributable to noncontrolling interests of \$0.3 million and \$0.1 million for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022 and December 31, 2021, noncontrolling interests were \$3.5 million and \$3.2 million, respectively.

**Restructuring Related Accruals and Expenses**

We recorded \$0.3 million and \$48,000 of restructuring related expenses during the three months ended March 31, 2022 and 2021, respectively. Accrued severance and restructuring related costs were \$0.1 million and \$0.2 million as of March 31, 2022 and December 31, 2021, respectively.

**Recent Accounting Pronouncements**

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this update are elective and subject to meeting certain criteria, that have contracts, hedging relationships, and other

transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This could affect balances of right of use assets, lease liabilities, and notes payables. The amendments in this update are effective as of March 12, 2020 through December 21, 2022. The adoption of this ASU is not expected to have a significant impact on our Consolidated Financial Statements.

## (2) Inventories

The composition of inventories is as follows (dollar amounts in thousands):

	March 31, 2022	December 31, 2021
Raw materials	\$ 25,192	\$ 22,494
Work in progress	1,820	1,746
Finished goods	36,916	36,612
Total inventories	<u>\$ 63,928</u>	<u>\$ 60,852</u>

## (3) Investment Securities - Trading

Our trading securities portfolio totaled \$0.9 million at March 31, 2022, and \$1.0 million at December 31, 2021, and generated losses of \$58,000 and gains of \$16,000 for the three months ended March 31, 2022 and 2021, respectively.

## (4) Revolving Credit Facility and Other Obligations

On July 11, 2017, we entered into a revolving credit agreement with Bank of America, N.A., with a borrowing limit of \$5.0 million (the "Credit Agreement"). On June 11, 2020 the credit agreement was amended to extend the term to mature on July 1, 2023. The amendment also allows for additional borrowings of \$15.0 million or up to three separate increases of no less than \$5.0 million each. On March 8, 2021, we signed an amendment to the credit agreement that eliminates the Index floor from the calculation of interest. Interest under the amended Credit Agreement is at the LIBOR daily floating rate, plus 2.25 percent (2.71 percent as of March 31, 2022), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. At March 31, 2022 and December 31, 2021, there was no outstanding balance under the Credit Agreement.

The Credit Agreement contains customary financial covenants, including financial covenants relating to our solvency and leverage. In addition, the Credit Agreement restricts certain capital expenditures, lease expenditures, other indebtedness, liens on assets, guarantees, loans and advances, dividends, mergers, consolidations and transfers of assets except as permitted in the Credit Agreement. The Credit Agreement is collateralized by our manufacturing facility, accounts receivable, inventories and other assets. As of March 31, 2022, we were in compliance with the debt covenants set forth in the Credit Agreement.

On April 21, 2020, we entered into a credit agreement with Banc of America Leasing and Capital, LLC, with a borrowing limit of \$6.0 million (the "Capital Credit Agreement"). On November 19, 2020, we executed on the Capital Credit Agreement and borrowed \$3.7 million. We pay interest on any borrowings under the Capital Credit Agreement at a fixed rate of 3.00 percent and are required to settle our borrowings under the Capital Credit Agreement in 36 monthly payments, of \$0.1 million. The Capital Credit Agreement is collateralized by any new equipment purchased under the agreement. As of March 31, 2022, there was \$2.1 million outstanding balance under the Capital Credit Agreement, of which \$1.3 million was classified as current.

## (5) Net Income (Loss) Per Share

Basic net income (loss) per common share ("Basic EPS"), is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net income per common share.

Following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for the three months ended March 31, 2022 and 2021 (dollar and share amounts in thousands, except for per share information):

	Three Months Ended March 31,	
	2022	2021
<b>Net income (loss) attributable to common shareholders</b>	\$ (2,950)	\$ 4,016
<b>Basic weighted average shares outstanding</b>	19,573	19,794
<b>Basic earnings (loss) per share attributable to common shareholders</b>	\$ (0.15)	\$ 0.20
<b>Diluted shares outstanding:</b>		
Basic weighted-average shares outstanding	19,573	19,794
Stock-based awards	—	442
Diluted weighted-average shares outstanding	19,573	20,236
<b>Diluted earnings (loss) per share attributable to common shareholders</b>	\$ (0.15)	\$ 0.20
<b>Dilutive shares excluded from diluted-per-share amounts:</b>		
Share-based awards	—	629
<b>Anti-dilutive shares excluded from diluted-per-share amounts:</b>		
Share-based awards	282	(1)

- (1) As a result of the net loss for the three months ended March 31, 2022, no potentially dilutive securities are included in the calculation of diluted earnings (loss) per share because such effect would be anti-dilutive. Potentially dilutive securities for the three months ended March 31, 2022 include 282 restricted stock units.

Potentially dilutive shares excluded from diluted-per-share amounts include performance-based options to purchase shares of common stock for which certain earnings metrics have not been achieved. Potentially anti-dilutive shares excluded from diluted-per-share amounts include both non-qualified stock options and unearned performance-based options to purchase shares of common stock with exercise prices greater than the weighted-average share price during the period and shares that would be anti-dilutive to the computation of diluted net income per share for each of the periods presented.

## (6) Capital Transactions

### Dividends

On March 10, 2021, we announced a special non-recurring cash dividend of \$1.00 per common share in an aggregate amount of \$19.9 million that was paid on April 5, 2021, to shareholders of record on March 29, 2021. In accordance with the provisions of our 2012 Stock Incentive Plan (the "2012 Incentive Plan"), as a result of the special dividend we are required to make the participant's original grant whole by preventing either dilution or enlargement of the benefits or potential benefits intended by the original grant. The 2012 Incentive Plan provides our Compensation Committee with the discretion to meet this requirement. See further discussion in the Share-Based Compensation section of this Note.

The declaration of future dividends is subject to the discretion of our Board of Directors and will depend upon various factors, including our earnings, financial condition, restrictions imposed by any indebtedness that may be outstanding, cash requirements, future prospects and other factors deemed relevant by our Board of Directors.

## Share Repurchase Program

On March 10, 2021, we announced a \$15.0 million common share repurchase program. On March 8, 2022 we announced an amendment to the share repurchase program allowing the repurchase of an additional \$30.0 million shares. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. For the three months ended March 31, 2022, we repurchased 451,000 shares of our common stock for \$8.0 million. No shares were purchased for the three months ended March 31, 2021. At March 31, 2022, the remaining balance available for repurchases under the program was \$29.6 million.

## Share-Based Compensation

During the year ended December 31, 2012, our shareholders adopted and approved the Nature's Sunshine Products, Inc. 2012 Stock Incentive Plan. The 2012 Incentive Plan provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance awards, stock awards and other stock-based awards. The Compensation Committee of the Board of Directors has authority and discretion to determine the type of award, as well as the amount, terms and conditions of each award under the 2012 Incentive Plan, subject to the limitations of the 2012 Incentive Plan. A total of 1,500,000 shares of our common stock were originally authorized for the granting of awards under the 2012 Incentive Plan. In 2015, our shareholders approved an amendment to the 2012 Incentive Plan, to increase the number of shares of common stock reserved for issuance by 1,500,000 shares. On May 5, 2021, our shareholders approved the Amended and Restated 2012 Stock Incentive Plan, which among other amendments, increased the number of shares of common stock reserved for issuance by 2,000,000 shares. The number of shares available for awards, as well as the terms of outstanding awards, are subject to adjustment as provided in the Amended and Restated 2012 Incentive Plan for stock splits, stock dividends, recapitalizations and other similar events.

### Stock Options

Our outstanding stock options include time-based stock options, which vest over differing periods of time ranging from the date of issuance to up to 48 months from the option grant date, and performance-based stock options, which have already vested upon achieving operating income margins of six, eight and ten percent as reported in four of five consecutive quarters over the term of the options.

Stock option activity for the three months ended March 31, 2022, is as follows (amounts in thousands, except per share information):

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Grant Date Fair Value
Options outstanding at December 31, 2021	172	\$ 12.13	\$ 5.05
Granted	—	—	—
Forfeited or canceled	—	—	—
Exercised	(29)	9.17	3.92
Options outstanding at March 31, 2022	143	\$ 12.72	\$ 5.28

There was no share-based compensation expense for the three months ended March 31, 2022 and 2021. As of March 31, 2022 and December 31, 2021, there was no unrecognized share-based compensation expense related to the grants described above.

At March 31, 2022, the aggregate intrinsic value of outstanding and exercisable stock options to purchase 143,000 shares of common stock was \$0.6 million. At December 31, 2021, the aggregate intrinsic value of outstanding and exercisable options to purchase 172,000 shares of common stock was \$1.1 million.

For the three months ended March 31, 2022 and 2021, we issued 29,000 and 2,500 shares of common stock upon the exercise of stock options at an average exercise price of \$9.17 and \$11.98 per share, respectively. The aggregate intrinsic value of options exercised during the three months ended March 31, 2022 and 2021, was \$0.3 million and \$19,000, respectively. For the three months ended March 31, 2022 and 2021, the Company recognized \$0.1 million and \$9,000 of tax benefits from the exercise of stock options, respectively.

As of March 31, 2022 and December 31, 2021, we did not have any unvested options outstanding.

*Restricted Stock Units*

Our outstanding restricted stock units (“RSUs”), include time-based RSUs, which vest over differing periods of time ranging from 2 months to up to 36 months from the RSU grant date, as well as performance-based RSUs, which vest upon achieving targets relating to revenue and earnings growth, earnings-per-share, and/or stock price levels. RSUs granted to members of the Board of Directors contain a restriction period in which the shares are not issued until two years after vesting. At March 31, 2022 and December 31, 2021, there were 95,000 and 88,000 vested RSUs, respectively, granted to the Board of Directors with an accompanying restriction period.

Restricted stock unit activity for the three months ended March 31, 2022, is as follows (amounts in thousands, except per share information):

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted Stock Units outstanding at December 31, 2021	830	\$ 9.46
Granted	2	16.35
Forfeited	(57)	3.96
Issued	(220)	8.08
Restricted Stock Units outstanding at March 31, 2022	555	10.60

During the three months ended March 31, 2022, we granted 2,000 time-based RSUs under the 2012 Incentive Plan to new members of the Board of Directors. The RSUs were issued with a weighted-average grant date fair value of \$16.35 per share and vest in monthly installments over a period less than one year from the grant date.

Except for share-priced performance RSUs, RSUs are valued at market value on the date of grant, which is the grant date share price discounted for expected dividend payments during the vesting period. For RSUs with post-vesting restrictions, a Finnerty Model was utilized to calculate a valuation discount from the market value of common shares reflecting the restriction embedded in the RSUs preventing the sale of the underlying shares over a certain period of time. Using assumptions previously determined for the application of the option pricing model at the valuation date, the Finnerty Model discount for lack of marketability is approximately 12.9 percent for a common share.

During the three months ended March 31, 2022, no share-price performance-based RSUs were issued. Historically, share-price performance-based RSUs were estimated using the Monte Carlo simulation model. The Monte Carlo simulation model utilizes multiple input variables to estimate the probability that market conditions will be achieved.

Share-based compensation expense related to time-based RSUs for the three months ended March 31, 2022 and 2021, was approximately \$0.5 million and \$0.4 million, respectively. As of March 31, 2022 and December 31, 2021, the unrecognized share-based compensation expense related to the grants described above, excluding incentive awards discussed below, was \$1.0 million and \$1.6 million, respectively. As of March 31, 2022, the remaining compensation expense is expected to be recognized over the weighted average period of approximately 0.5 years.

Share-based compensation expense related to performance-based RSUs for the three months ended March 31, 2022 and 2021, was \$0.3 million and \$0.4 million, respectively. Should we attain all of the metrics related to performance-based RSU grants, we would, and expect to, recognize up to \$2.0 million of potential share-based compensation expense.

The number of shares issued upon vesting of RSUs granted pursuant to our share-based compensation plans is net of the minimum statutory withholding requirements that we pay on behalf of our employees, which was 60,000 and 75,000 shares for the three months ended March 31, 2022 and 2021, respectively. Although shares withheld are not issued, they are treated as common share repurchases for accounting purposes, as they reduce the number of shares that would have been issued upon vesting. These shares do not count against the authorized capacity under the repurchase program described above.

**(7) Segment Information**

We have four business segments (Asia, Europe, North America, and Latin America and Other) based primarily upon the geographic region where each segment operates, as well as the internal organization of our officers and their responsibilities. Each of the geographic segments operate under the Nature's Sunshine Products and Synergy® WorldWide brands. The Latin America and Other segment includes our wholesale business in which we sell products to various locally-managed entities independent of the Company that we have granted distribution rights for the relevant market.

Net sales for each segment have been reduced by intercompany sales as they are not included in the measure of segment profit or loss reviewed by the chief executive officer. We evaluate performance based on contribution margin by segment before consideration of certain inter-segment transfers and expenses.

Reportable business segment information is as follows (dollar amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Net sales:		
Asia	\$ 46,110	\$ 35,755
Europe	21,777	22,200
North America	35,981	37,762
Latin America and Other	6,626	6,704
Total net sales	110,494	102,421
Contribution margin (1):		
Asia	21,939	15,319
Europe	4,373	6,796
North America	12,719	15,440
Latin America and Other	2,901	3,632
Total contribution margin	41,932	41,187
Selling, general and administrative expenses (2)	40,623	33,552
Operating income	1,309	7,635
Other loss, net	(314)	(1,933)
Income before provision for income taxes	\$ 995	\$ 5,702

(1) Contribution margin consists of net sales less cost of sales and volume incentives expense.

(2) Service fees in China totaled \$4.9 million and \$2.8 million for the three months ended March 31, 2022, and March 31, 2021, respectively. These service fees are included in selling, general and administrative expenses.



From an individual country perspective, the United States and South Korea comprise 10 percent or more of consolidated net sales for the three months ended March 31, 2022 and 2021, as follows (dollar amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Net sales:		
United States	\$ 33,229	\$ 34,920
South Korea	13,653	14,809
Other	63,612	52,692
	<u>\$ 110,494</u>	<u>\$ 102,421</u>

Net sales generated by each of our product lines is set forth below (dollar amounts in thousands):

	Three Months Ended March 31,	
	2022	2021
Asia		
General health	\$ 12,986	\$ 11,292
Immune	1,344	203
Cardiovascular	13,630	9,903
Digestive	9,036	6,871
Personal care	2,543	2,524
Weight management	6,571	4,962
	<u>46,110</u>	<u>35,755</u>
Europe		
General health	\$ 9,196	\$ 9,472
Immune	2,631	2,016
Cardiovascular	2,633	2,992
Digestive	5,591	5,540
Personal care	1,233	1,426
Weight management	493	754
	<u>21,777</u>	<u>22,200</u>
North America		
General health	\$ 15,314	\$ 16,270
Immune	4,872	4,874
Cardiovascular	3,842	4,225
Digestive	8,594	9,463
Personal care	2,175	1,819
Weight management	1,184	1,111
	<u>35,981</u>	<u>37,762</u>
Latin America and Other		
General health	\$ 1,818	\$ 1,976
Immune	761	811
Cardiovascular	357	478
Digestive	2,841	2,870
Personal care	641	345
Weight management	208	224
	<u>6,626</u>	<u>6,704</u>
	<u>\$ 110,494</u>	<u>\$ 102,421</u>

From an individual country perspective, only the United States comprised 10 percent or more of consolidated property, plant and equipment as follows (dollar amounts in thousands):

	March 31, 2022	December 31, 2021
Property, plant and equipment:		
United States	\$ 45,769	\$ 46,595
Other	3,818	4,262
Total property, plant and equipment, net	<u>\$ 49,587</u>	<u>\$ 50,857</u>

Total assets per segment is set forth below (dollar amounts in thousands):

	March 31, 2022	December 31, 2021
Assets:		
Asia	\$ 93,957	\$ 104,659
Europe	14,233	15,486
North America	122,779	131,207
Latin America and Other	7,693	7,522
Total assets	<u>\$ 238,662</u>	<u>\$ 258,874</u>

## (8) Income Taxes

For the three months ended March 31, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 69.9 percent and 27.2 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three months ended March 31, 2022, was primarily attributed to recording a valuation allowance against deferred tax assets which are expected to expire before utilization.

The difference between the effective tax rate and the U.S. federal statutory tax rate for the three months ended March 31, 2021, was primarily attributed to transfer pricing adjustments and non-deductible executive compensation, partially offset by favorable deductions for stock compensation.

The difference between the effective tax rate for the three months ended March 31, 2022 compared to March 31, 2021 is primarily caused by recording a valuation allowance in the current period against deferred tax assets which are expected to expire before utilization.

Our U.S. federal income tax returns for 2018 through 2020 are open to examination for federal tax purposes. We have several foreign tax jurisdictions with open tax years from 2016 through 2021.

As of March 31, 2022 and December 31, 2021, we do not have any amounts accrued for unrecognized tax positions.

Interim income taxes are based on an estimated annualized effective tax rate applied to the respective quarterly periods, adjusted for discrete tax items in the period in which they occur. Although we believe our tax estimates are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our historical income tax provisions and accruals. Such differences could have a material impact on our income tax provision and operating results in the period in which we make such determination.

## **(9) Commitments and Contingencies**

### **Legal Proceedings**

We are party to various legal proceedings and disputes. Management cannot predict the ultimate outcome of these matters, individually or in the aggregate, or their resulting effect on our business, financial position, results of operations or cash flows as litigation and related matters are subject to inherent uncertainties, and unfavorable rulings could occur. Were an unfavorable outcome to occur, there exists the possibility of a material adverse impact on our business, financial position, results of operations, or cash flows for the period in which the ruling occurs and/or future periods. We maintain product liability, general liability and excess liability insurance coverage. However, insurance may not continue to be available at an acceptable cost to us, such coverage may not be sufficient to cover one or more large claims, or the insurers may successfully disclaim coverage as to a pending or future claim.

### **Non-Income Tax Contingencies**

We have reserved for certain state sales and use tax and foreign non-income tax contingencies based on the likelihood of an obligation in accordance with accounting guidance for probable loss contingencies. Loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded. We provide provisions for potential payments of tax to various tax authorities for contingencies related to non-income tax matters, including value-added taxes and sales tax. We provide provisions for U.S. state sales taxes in each of the states where we have nexus. As of March 31, 2022 and December 31, 2021, accrued liabilities were \$0.2 million and \$0.2 million, respectively, related to non-income tax contingencies. While we believe that the assumptions and estimates used to determine contingent liabilities are reasonable, the ultimate outcome of these matters cannot presently be determined. We believe future payments related to these matters could range from \$0 to approximately \$3.1 million.

### **Other Litigation**

We are a party to various other legal proceedings and disputes in the United States and foreign jurisdictions. As of March 31, 2022 and December 31, 2021, accrued liabilities were \$0.5 million, respectively, related to the estimated outcome of these proceedings. In addition, we are a party to other litigation where there is a reasonable possibility that a loss may be incurred, but either the losses are not considered to be probable or we cannot at this time estimate the loss, if any; therefore, no provision for losses has been provided. We believe future payments related to these matters could range from \$0 to approximately \$0.5 million.

## **(10) Related Party Transactions**

During the three months ended March 31, 2022 and 2021, our joint venture in China, owned 80 percent by us and 20 percent by a wholly owned subsidiary of Fosun Pharma, did not borrow any amounts from the Company or our joint venture partner. As of March 31, 2022 and December 31, 2021 outstanding borrowings by NSP China from the Company were \$0 and \$1.2 million, respectively. As of March 31, 2022 and December 31, 2021 outstanding borrowings by NSP China from our joint venture partner were \$0 and \$0.3 million, respectively. These notes were payable in less than one year and bore interest of 6.0 percent. The notes between NSP China and the Company eliminated in consolidation. In March 2022 the outstanding principal and interest amounts were repaid.

## **(11) Fair Value Measurements**

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values of each financial instrument. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The following table presents our hierarchy for our assets, measured at fair value on a recurring basis, as of March 31, 2022 (dollar amounts in thousands):

	Level 1	Level 2	Level 3	Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Investment securities - trading	\$ 888	\$ —	\$ —	\$ 888
Total assets measured at fair value on a recurring basis	\$ 888	\$ —	\$ —	\$ 888

The following table presents our hierarchy for our assets, measured at fair value on a recurring basis, as of December 31, 2021 (dollar amounts in thousands):

	Level 1	Level 2	Level 3	Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Investment securities - trading	\$ 964	\$ —	\$ —	\$ 964
Total assets measured at fair value on a recurring basis	\$ 964	\$ —	\$ —	\$ 964

*Investment securities - trading*— Our trading portfolio consists of various marketable securities that are valued using quoted prices in active markets.

For the three months ended March 31, 2022, and for the year ended December 31, 2021, there were no fair value measurements using significant other observable inputs (Level 2) or significant unobservable inputs (Level 3).

The carrying amounts reflected on the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to their short-term nature. The carrying value of our debt approximates fair value due to its recent acquisition and short maturity. During the three months ended March 31, 2022 and 2021, we did not have any re-measurements of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

## (12) Revenue Recognition

### Revenue Recognition

Net sales include sales of products and shipping and handling charges, net of estimates for product returns and any related sales incentives or rebates based upon historical information and current trends. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring products. All revenue is recognized when we satisfy our performance obligations under the contract. We recognize revenue by transferring the promised products to the customer, with revenue recognized at the point in time in which the customer obtains control of the products, per the agreed shipping terms in the respective market. The majority of our contracts have a single performance obligation and are short term in nature. Contracts with multiple performance obligations are insignificant. Amounts received for unshipped merchandise are recorded as deferred revenue. Membership fees are deferred and amortized as revenue over the life of the membership, primarily one year.

A reserve for product returns is recorded based upon historical experience and current trends. We allow independent consultants to return the unused portion of products within ninety days of purchase if they are not satisfied with the product. In some of our markets, the requirements to return product are more restrictive.

From time to time, our U.S. operations extend short-term credit associated with product promotions. In addition, for certain of our international operations, we offer credit terms consistent with industry standards within the country of operation.

Volume incentives and other sales incentives or rebates are a significant part of our direct sales marketing program and represent commission payments made to independent consultants. These payments are designed to provide incentives for reaching higher sales levels. The amount of volume incentive expense recognized is determined based upon the amount of qualifying purchases in a given month and recorded as volume incentive expense. Payments to independent consultants for sales incentives or rebates related to their own purchases are recorded as a reduction of revenue. Some payments for sales incentives are processed daily; while others, including rebates, are calculated monthly based upon qualifying sales.

### **Contract Liabilities - Customer Loyalty Programs**

Historically, we have offered loyalty point programs which allowed customers to earn loyalty points on personal orders. Loyalty points were recorded as contract liabilities in deferred revenue. These programs were accounted for as a reduction in the transaction price and generally recognized as points that were redeemed for additional products. During the year ended December 31, 2020 these programs were discontinued. As of March 31, 2022, there were no outstanding loyalty points.

### **Disaggregation of Revenue**

Our products are grouped into six principal categories: general health, immune, cardiovascular, digestive, personal care and weight management. We have four business segments that are based primarily upon the geographic region where each segment operates. Each of the geographic segments operate under the Nature's Sunshine Products and Synergy® WorldWide brands. See Note 7, Segment Information, for further information on our reportable segments and presentation of disaggregated revenue by reportable segment and product category.

### **Practical Expedients and Exemptions**

We have made the accounting policy election to treat shipping and handling as a fulfillment activity rather than a promised service under Topic 606.

We generally expense volume incentives when incurred because the amortization period would have been one year or less.

All of our contracts with customers have a duration of less than one year. The value of any unsatisfied performance obligations is insignificant.

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

The following Management's Discussion and Analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this report, as well as the consolidated financial statements, the notes thereto, and management's discussion and analysis included in our Annual Report on Form 10-K for the year ended December 31, 2021, and our other reports filed since the date of such Form 10-K.

**OVERVIEW**

We are a natural health and wellness company primarily engaged in the manufacture and sale of nutritional and personal care products. We are a Utah corporation with our principal place of business in Lehi, Utah, and sell our products to a sales force of independent consultants who use the products themselves or resell them to consumers.

Our independent consultants market and sell our products to customers and sponsor other independent consultants who also market our products to customers. Our sales are highly dependent upon the number and productivity of our independent consultants. Growth in sales volume generally requires an increase in the productivity of our independent consultants and/or growth in the total number of independent consultants. We seek to motivate and provide incentives to our independent consultants by offering high quality products and providing independent consultants with product support, training seminars, sales conventions, travel programs and financial incentives.

In or about December 2019, a novel strain of coronavirus, SARS-CoV-2 "COVID-19", began aggressively spreading throughout the world, including all the primary markets where we conduct business. As COVID-19 has spread throughout the world, it has impacted our markets differently. At various times during the course of the pandemic and throughout our markets, governments have issued orders and restrictions that have limited the ability of our consultants to meet with consumers, put downward pressure on our sales in many of our markets and added substantial uncertainties to our global supply chain. We continue to take actions to mitigate the effects COVID-19 may have on our business, such actions may ultimately be insufficient to avoid substantial impact on the consolidated financial statement or material health of the Company. At this time, the duration of any business disruption and related financial impact cannot be reasonably estimated.

On February 24, 2022, Russian forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is likely. In response to the ongoing conflict in Ukraine, we have currently suspended the shipment of products to Russia. However, our consultants in our Russia and Other market, a market within our Europe business segment that includes Russia, Ukraine, Belarus and other Common Independent States in the region, continue to operate their independent businesses, albeit at a reduced level than prior to the start of the conflict. We have recorded a pretax charge of \$3.1 million in the first quarter of 2022, primarily related to the impairment of inventory, as well as accruals for contractual obligations related to Russian operations. We expect that this will continue to impact our business for the foreseeable future. We will continue monitoring the social, political, regulatory and economic environment in Ukraine and Russia, and will consider further actions as appropriate.

For the year ended December 31, 2021, Russia and Other had net sales and operating income of \$61.4 million and \$5.8 million, respectively. For the three months ended March 31, 2022, net sales were \$14.5 million and operating income was \$1.2 million, prior to the charges noted above. As of March 31, 2022, Russia and Other had assets of \$4.2 million which primarily consisted of inventories.

More broadly, there could be additional negative impacts to our net sales, earnings and cash flows should the situation escalate beyond its current scope, including, among other potential impacts, economic recessions in certain neighboring countries or globally due to inflationary pressures and supply chain cost increases or the geographic proximity of the war relative to the rest of Europe.

In 2021, the inflation rate in the U.S. began to increase significantly. In 2022, the inflation rate increase accelerated and during the three months ended March 31, 2022, was the highest in 40 years. Our operations can be adversely impacted by inflation, primarily from higher costs of raw materials, labor, production and transportation costs.

In the first quarter of 2022, we experienced an increase in our consolidated net sales of 7.9 percent (or 10.3 percent in local currencies) compared to the same period in 2021. Asia net sales increased approximately 29.0 percent (or 34.1 percent in local currencies) compared to the same period in 2021. Europe net sales decreased approximately 1.9 percent (or increased 0.6 percent in local currencies) compared to the same period in 2021. North America net sales decreased approximately 4.7 percent

(or 4.7 percent in local currencies) compared to the same period in 2021. Latin America and Other net sales decreased approximately 1.2 percent (or 0.2 percent in local currencies) compared to the same period in 2021. The strengthening of the U.S. dollar versus the local currencies, primarily in our Asian and European markets, resulted in an approximate 2.4 percent, or \$2.5 million, decrease of our net sales during the quarter.

Cost of sales increased \$7.5 million during the three months ended March 31, 2022, compared to the same period in 2021, and as a percentage of net sales were 31.2 and 26.3 percent for the three months ended March 31, 2022 and 2021, respectively. The increase in cost of sales percentage is primarily due to changes in inventory valuation reserves as a result of the conflict between Russia and Ukraine, as well as reserves for other markets, changes in market mix, persistent inflation, and increases in raw materials, production and transportation costs. For the three months ended March 31, 2022, we had incremental valuation charges of \$4.2 million related to inventory. Of that amount \$3.1 million related to the conflict between Russia and Ukraine, and \$1.1 million related to changes in forecast demand and production issues, among other factors.

In absolute terms, selling, general and administrative expenses increased \$7.1 million during the three months ended March 31, 2022, compared to the same period in 2021, and as a percentage of net sales were 36.8 percent and 32.8 percent for the three months ended March 31, 2022 and 2021, respectively. The dollar increase in selling, general and administrative expenses was primarily related to higher service fees that resulted from growth in China's net sales, increased selling costs and direct marketing spend intended to drive growth, increase in expected level of convention and distributor events, as well as growth in markets with higher variable costs.

As an international business, we have significant sales and costs denominated in currencies other than the U.S. Dollar. Sales in international markets denominated in foreign currencies are expected to continue to represent a substantial portion of our sales. Likewise, we expect foreign markets with functional currencies other than the U.S. Dollar will continue to represent a substantial portion of our overall sales and related operating expenses. Accordingly, changes in foreign currency exchange rates could materially affect sales and costs or the comparability of sales and costs from period to period as a result of translating foreign markets financial statements into our reporting currency.

## RESULTS OF OPERATIONS

The following table summarizes our unaudited consolidated operating results from continuing operations in U.S. dollars and as a percentage of net sales for the three months ended March 31, 2022 and 2021 (dollar amounts in thousands):

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021		Change	
	Total dollars	Percent of net sales	Total dollars	Percent of net sales	Total dollars	Percentage
Net sales	\$ 110,494	100.0 %	\$ 102,421	100.0 %	\$ 8,073	7.9 %
Cost of sales	34,460	31.2	26,979	26.3	7,481	27.7
Gross profit	76,034	68.8	75,442	73.7	592	0.8
Volume incentives	34,102	30.9	34,255	33.4	(153)	(0.4)
SG&A expenses	40,623	36.8	33,552	32.8	7,071	21.1
Operating income	1,309	1.2	7,635	7.5	(6,326)	(82.9)
Other loss, net	(314)	(0.3)	(1,933)	(1.9)	1,619	83.8
Income before income taxes	995	0.9	5,702	5.6	(4,707)	(82.5)
Provision for income taxes	3,681	3.3	1,550	1.5	2,131	137.5
Net income (loss)	\$ (2,686)	(2.4) %	\$ 4,152	4.1 %	\$ (6,838)	(164.7) %

*Net Sales*

International operations have provided, and are expected to continue to provide, a significant portion of our total net sales. As a result, total net sales will continue to be affected by fluctuations in the U.S. dollar against foreign currencies. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, in addition to comparing the percent change in net sales from one period to another in U.S. dollars, we present net sales excluding the impact of foreign exchange fluctuations. We compare the percentage change in net sales from one period to another period by excluding the effects of foreign currency exchange as shown below. Net sales excluding the impact of foreign exchange fluctuations is not a U.S. GAAP financial measure and removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the functional currencies of our foreign subsidiaries, by translating the current period net sales into U.S. dollars using the same foreign currency exchange rates that were used to translate the net sales for the previous comparable period. We believe presenting the impact of foreign currency fluctuations is useful to investors because it allows a more meaningful comparison of net sales of our foreign operations from period to period. However, net sales excluding the impact of foreign currency fluctuations should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP. Throughout the last five years, foreign currency exchange rates have fluctuated significantly. See Item 3. *Quantitative and Qualitative Disclosures about Market Risk*.

The following table summarizes the changes in net sales by operating segment with a reconciliation to net sales excluding the impact of currency fluctuations for the three months ended March 31, 2022 and 2021 (dollar amounts in thousands):

<b>Net Sales by Operating Segment</b>						
	<b>Three Months Ended March 31, 2022</b>	<b>Three Months Ended March 31, 2021</b>	<b>Percent Change</b>	<b>Impact of Currency Exchange</b>	<b>Percent Change Excluding Impact of Currency</b>	
Asia	\$ 46,110	\$ 35,755	29.0 %	\$ (1,850)	34.1 %	
Europe	21,777	22,200	(1.9)	(554)	0.6	
North America	35,981	37,762	(4.7)	(1)	(4.7)	
Latin America and Other	6,626	6,704	(1.2)	(62)	(0.2)	
	<u>\$ 110,494</u>	<u>\$ 102,421</u>	7.9 %	<u>\$ (2,467)</u>	10.3 %	

Consolidated net sales for the three months ended March 31, 2022 and 2021, were \$110.5 million and \$102.4 million, respectively, which represents an increase of 7.9 percent. The increase for the three months ended March 31, 2022, was primarily related to notable product sales growth in our Asia operating segment. Excluding the impact of foreign currency exchange rate fluctuations, consolidated net sales for the three months ended March 31, 2022, increased 10.3 percent from the same period in 2021.

Asia

Net sales related to Asia for the three months ended March 31, 2022 and 2021, were \$46.1 million and \$35.8 million, respectively, or an increase of 29.0 percent. In local currency, net sales for the three months ended March 31, 2022, increased 34.1 percent compared to the same period in 2021. Fluctuations in foreign exchange rates had an unfavorable impact on net sales of \$1.9 million for the three months ended March 31, 2022. Notable activity in the following markets contributed to the results of Asia:

In our South Korea market, net sales decreased \$1.2 million, or 7.8 percent, for the three months ended March 31, 2022, compared to the same period in 2021. In local currency, net sales for the three months ended March 31, 2022, decreased 0.3 percent, compared to the same period in 2021.

In our Japan market, net sales increased \$1.6 million, or 20.9 percent, for the three months ended March 31, 2022, compared to the same period in 2021. In local currencies, net sales for the three months ended March 31, 2022, increased 32.6 percent, compared to the same period in 2021. We attribute the growth in net sales primarily to product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements.



In our China market, net sales increased \$4.0 million, or 48.2 percent, for the three months ended March 31, 2022, compared to the same period in 2021. In local currencies, net sales for the three months ended March 31, 2022, increased 45.8 percent, compared to the same period in 2021. We attribute the growth in net sales primarily to initiatives designed to increase independent service providers' engagement levels and gain market share. During March 2022, the government has instituted additional restrictions in the market intended to slow the spread of COVID-19, that may impact our sales activities during the rest of 2022.

In our Taiwan market, net sales increased \$7.0 million, or 252.2 percent, for the three months ended March 31, 2022, compared to the same period in 2021. In local currencies, net sales for the three months ended March 31, 2022, increased 251.0 percent, compared to the same period in 2021. We attribute the growth in net sales primarily to product promotions intended to stimulate activity as well as an increase in demand for nutritional supplements.

#### Europe

Net sales related to Europe for the three months ended March 31, 2022, were \$21.8 million, compared to \$22.2 million for the same period in 2021, or a decrease of 1.9 percent. In local currency, net sales for the three months ended March 31, 2022, increased 0.6 percent, compared to the same period in 2021. The functional currency for many of these markets is the U.S. Dollar which reduces the effect from foreign currency fluctuations. Fluctuations in foreign exchange rates had an unfavorable impact on net sales of \$0.6 million for the three months ended March 31, 2022.

#### North America

Net sales related to North America for the three months ended March 31, 2022, were \$36.0 million, compared to \$37.8 million for the same period in 2021, or a decrease of 4.7 percent. In local currency, net sales for the three months ended March 31, 2022, decreased 4.7 percent, compared to the same period in 2021.

In the United States, net sales decreased \$1.7 million, or 4.8 percent, for the three months ended March 31, 2022, respectively, compared to the same period in 2021. The decrease in sales is due primarily to stock outs of certain products as a result of supply chain challenges, and a reduction in the average order size attributed to customer sensitivity due to inflationary pressures, among other factors.

#### Latin America and Other

Net sales related to Latin America and Other markets for the three months ended March 31, 2022, were \$6.6 million, compared to \$6.7 million for the same period in 2021, or a decrease of 1.2 percent, respectively. In local currency, net sales for the three months ended March 31, 2022, decreased 0.2 percent, compared to the same period in 2021. Fluctuations in foreign currency had unfavorable impacts on net sales of \$0.1 million for the three months ended March 31, 2022.

Further information related to our Asia, Europe, North America, and Latin America and Other business segments is set forth in Note 7 to the Unaudited Condensed Consolidated Financial Statements in Part 1, Item 1 of this report.

#### *Cost of Sales*

Cost of sales as a percent of net sales was 31.2 percent for the three months ended March 31, 2022, compared to 26.3 percent for the same period in 2021. The increase in cost of sales percentage is primarily due to changes in inventory valuation reserves as a result of the conflict between Russia and Ukraine, as well as reserves for other markets, changes in market mix, persistent inflation, and increases in raw materials, production and transportation costs. For the three months ended March 31, 2022, we had incremental valuation charges of \$4.2 million related to inventory. Of that amount \$3.1 million related to the conflict between Russia and Ukraine, and \$1.1 million related to changes in forecast demand and production issues, among other factors.

### *Volume Incentives*

Volume incentives expense as a percent of net sales was 30.9 percent for the three months ended March 31, 2022, respectively, compared to 33.4 percent for the same period in 2021. These payments are designed to provide incentives for reaching certain sales levels. Volume incentives vary slightly, on a percentage basis, by product due to pricing policies and commission plans in place in our various operations. We do not pay volume incentives in China, instead we pay independent service fees which are included in selling, general and administrative expenses. Volume incentives as a percentage of net sales can fluctuate based on promotional activity and mix of sales by market. The decrease in volume incentives as a percent of net sales is primarily due to change in market mix, reflecting growth in markets where volume incentives as a percentage of net sales are lower than the consolidated average, and the growth in NSP China. The decrease also reflects cost savings from the September 2020 launch of our new consultant sales and compensation plan in North America and LATAM.

### *Selling, General and Administrative*

Selling, general and administrative expenses represent operating expenses, components of which include labor and benefits, sales events, professional fees, travel and entertainment, marketing, occupancy costs, communications costs, bank fees, depreciation and amortization, independent services fees paid in China, and other miscellaneous operating expenses.

Selling, general and administrative expenses increased by \$7.1 million, to \$40.6 million for the three months ended March 31, 2022, compared to the same period in 2021. Selling, general and administrative expenses were 36.8 percent of net sales for the three months ended March 31, 2022, compared to 32.8 percent for the same period in 2021. The dollar increase in selling, general and administrative expenses was primarily related to higher service fees that resulted from growth in China's net sales, increased selling costs and direct marketing spend intended to drive growth, increase in expected level of convention and distributor events, as well as growth in markets with higher variable costs.

### *Other Loss, Net*

Other loss, net, for the three months ended March 31, 2022, was \$0.3 million, compared to \$1.9 million during the same period in 2021. Other loss, for the three months ended March 31, 2022 and 2021 primarily consisted of foreign exchange gains and losses as a result of overall unfavorable net changes in foreign currencies primarily in Asia, Europe and Latin America.

### *Income Taxes*

For the three months ended March 31, 2022 and 2021, our provision for income taxes, as a percentage of income before income taxes was 369.9 percent and 27.2 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent.

The large increase in the rate for the current period is primarily attributed to recording a valuation allowance against deferred tax assets which are expected to expire before utilization. The current conflict between Russia and Ukraine has created significant uncertainty in our ability to utilize existing foreign tax credits. The carryforward period for many of these existing credits expires in 2024. This is a matter which requires significant accounting estimates and actual results could differ from these estimates.

### **Product Categories**

Our line of over 700 products includes several product classifications, such as immune, cardiovascular, digestive, personal care, weight management and other general health products. We purchase herbs and other raw materials in bulk, and after rigorous quality control testing, we formulate, encapsulate, tablet or concentrate them, label and package them for shipment. Most of our products are manufactured at our facility in Spanish Fork, Utah. Contract manufacturers produce some of our products in accordance with our specifications and standards. We have implemented stringent quality control procedures to verify that our contract manufacturers have complied with our specifications and standards.

See Note 7, Segment Information, for a summary of the U.S. dollar amounts from the sale of general health, immune, cardiovascular, digestive, personal care and weight management products for the three months ended March 31, 2022 and 2021, by business segment.

## Distribution and Marketing

We market our products primarily through our network of independent consultants, who market our products to customers through direct selling techniques and sponsor other independent consultants who also market our products to customers. We seek to motivate and provide incentives to our independent consultants by offering high quality products and providing independent consultants with product support, training seminars, sales conventions, travel programs and financial incentives.

Our products sold in the United States are shipped directly from our manufacturing and warehouse facilities located in Spanish Fork, Utah, as well as from our regional warehouses located in Georgia, Ohio and Texas. Many of our international operations maintain warehouse facilities and inventory to supply their independent consultants. However, in foreign markets where we do not maintain warehouse facilities, we have contracted with third-parties to distribute our products and provide support services to our force of independent consultants.

In the United States, we generally sell our products on a cash or credit card basis. From time to time, our U.S. operations extend short-term credit associated with product promotions. For certain of our international operations, we use independent distribution centers and offer credit terms that are generally consistent with industry standards within each respective country.

We pay sales commissions, or “volume incentives” to our independent consultants based upon their own product sales and the product sales of their sales organization. As an exception, in NSP China, we do not pay volume incentives; rather, we pay independent service fees, which are included in selling, general and administrative expenses. These volume incentives are recorded as an expense in the year earned. The amounts of volume incentives that we expensed during the quarters ended March 31, 2022 and 2021, are set forth in the Condensed Consolidated Financial Statements in Item 1 of this report. In addition to the opportunity to receive volume incentives, independent consultants who attain certain levels of monthly product sales are eligible for additional incentive programs including automobile allowances, sales convention privileges and travel awards.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash is to pay for operating expenses, including volume incentives, inventory and raw material purchases, capital assets and funding of international expansion. As of March 31, 2022, working capital was \$80.3 million, compared to \$88.0 million as of December 31, 2021. At March 31, 2022, we had \$66.5 million in cash, of which \$8.5 million was held in the U.S. and \$58.0 million was held in foreign markets and may be subject to various withholding taxes and other restrictions related to repatriation before becoming available to be used along with the normal cash flows from operations to fund any unanticipated shortfalls in future cash flows.

Our net consolidated cash inflows (outflows) are as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Operating activities	\$ (7,924)	\$ 2,735
Investing activities	(1,518)	(983)
Financing activities	(9,374)	(1,311)

### Operating Activities

For the three months ended March 31, 2022, operating activities used cash of \$7.9 million, compared to providing cash of \$2.7 million in the same period in 2021. Operating cash flows decreased primarily due to increased inventory purchases before any changes in reserves and timing of payments on accounts payable and accrued liabilities partially offset by the timing of receivable payments.

### Investing Activities

For the three months ended March 31, 2022, investing activities used \$1.5 million, compared to \$1.0 million for the same period in 2021. Capital expenditures related to the purchase of equipment, computer systems and software for the three months ended March 31, 2022 and 2021, were \$1.5 million and \$1.0 million, respectively.

*Financing Activities*

For the three months ended March 31, 2022, financing activities used \$9.4 million, compared to providing \$1.3 million in cash for the same period in 2021.

During the three months ended March 31, 2022, we used cash to repurchase 451,000 shares of our common stock under the share repurchase program for \$8.0 million. At March 31, 2022, the remaining balance available for repurchases under the program was \$29.6 million.

We maintain a revolving credit agreement with Bank of America, N.A (the "Credit Agreement"), as well as a credit agreement with Banc of America Leasing and Capital, LLC (the "Capital Credit Agreement"). During the three months ended March 31, 2022, we made no additional borrowings from either agreement. At March 31, 2022, there was no outstanding balance under the Credit Agreement. During the three months ended March 31, 2022 we made monthly payments of \$0.1 million pursuant to the Capital Credit Agreement. As of March 31, 2022, there was \$2.1 million outstanding balance under the Capital Credit Agreement, \$1.3 million of which was classified as current. Our debt obligations are discussed in greater detail in Note 4, "Revolving Credit Facility and Other Obligations," to our Condensed Consolidated Financial Statements in Item 1, Part 1 of this report.

We believe that cash generated from operations, along with available cash and cash equivalents, will be sufficient to fund our normal operating needs, including capital expenditures, on both a short- and long-term basis.

Events, such as a prolonged economic downturn, an increase in geopolitical issues, a decrease in demand for our products, an unfavorable settlement of our unrecognized tax positions or non-income tax contingencies could adversely affect our long-term liquidity.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our consolidated financial statements have been prepared in accordance with U.S. GAAP and form the basis for the following discussion and analysis on critical accounting policies and estimates. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate our estimates and assumptions. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates and those differences could have a material effect on our financial position and results of operations. We have discussed the development, selection and disclosure of these estimates with the Board of Directors and our Audit Committee.

A summary of our significant accounting policies is provided in Note 1 of the Notes to Consolidated Financial Statements in Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2021. We believe the critical accounting policies and estimates described below reflect our more significant estimates and assumptions used in the preparation of the consolidated financial statements. The impact and any associated risks on our business that are related to these policies are also discussed throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect reported and expected financial results.

*Revenue Recognition*

Our revenue recognition practices are discussed in Note 12, "Revenue Recognition," to our Condensed Consolidated Financial Statements in Item 1, Part 1 of this report.

*Inventories*

Inventories are adjusted to lower of cost and net realizable value, using the first-in, first-out method. The components of inventory cost include raw materials, labor and overhead. To estimate any necessary adjustments, various assumptions are made in regard to excess or slow-moving inventories, non-conforming inventories, expiration dates, current and future product demand, production planning and market conditions. If future demand and market conditions are less favorable than our assumptions, additional inventory adjustments could be required.

### *Incentive Trip Accrual*

We accrue for expenses associated with our direct sales program, which rewards independent consultants with paid attendance for incentive trips, including our conventions and meetings. Expenses associated with incentive trips are accrued over qualification periods as they are earned. We specifically analyze incentive trip accruals based on historical and current sales trends as well as contractual obligations when evaluating the adequacy of the incentive trip accrual. Actual results could generate liabilities more or less than the amounts recorded.

### *Contingencies*

We are involved in certain legal proceedings and disputes. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated with a range, we record our best estimate within the range related to the contingency. If there is no best estimate, we record the minimum of the range. As additional information becomes available, we assess the potential liability related to the contingency and revise the estimates. Revision in estimates of the potential liabilities could materially affect our results of operations in the period of adjustment. Our contingencies are discussed in further detail in Note 10, "Commitments and Contingencies", to the Notes of our Condensed Consolidated Financial Statements, of Item 1, Part 1 of this report.

### *Income Taxes*

Our provision for income taxes, deferred tax assets and liabilities and contingent reserves reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining our consolidated provision for income taxes.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, management considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we develop assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income, and are consistent with the plans and estimates that we are using to manage the underlying businesses. Valuation allowances are recorded as reserves against net deferred tax assets by us when it is determined that net deferred tax assets are not likely to be realized in the foreseeable future.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, cash flows or financial position.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized.

## **Item 3 *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

We conduct business in several countries and intend to grow our international operations. Net sales, operating income and net income are affected by fluctuations in currency exchange rates, interest rates and other uncertainties inherent in doing business and selling product in more than one currency. In addition, our operations are exposed to risks associated with changes in social, political and economic conditions inherent in international operations, including changes in the laws and policies that govern international investment in countries where we have operations, as well as, to a lesser extent, changes in U.S. laws and regulations relating to international trade and investment. For further information, see Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021.

## **Item 4. *CONTROLS AND PROCEDURES***

### **Disclosure Controls and Procedures**

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in rules and forms adopted by the SEC, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief

Financial Officer, to allow timely decisions regarding required disclosures. Our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2022. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2022, at the reasonable assurance level.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

None.

### Item 1A. RISK FACTORS

In addition to the information set forth in this report, you should carefully consider the risks discussed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, which could have a material adverse effect on our business or consolidated financial statements, results of operations, and cash flows. Additional risks not currently known, or risks that are currently believed to be not material, may also impair business operations. There have been no material changes to our risk factors since the filing of our Annual Report on Form 10-K for the year ended December 31, 2021, except as set forth below.

#### *Geopolitical issues, conflicts and other global events could adversely affect our results of operations and financial condition.*

Because a substantial portion of our business is conducted outside of the United States, our business is subject to global political issues and conflicts. Such political issues and conflicts could have a material adverse effect on our results of operations and financial condition if they escalate in areas in which we do business. In addition, changes in and adverse actions by governments in foreign markets in which we do business could have a material adverse effect on our results of operations and financial condition. Russia’s invasion of Ukraine and the continuing war between Russia and Ukraine has negatively impacted our operations in both countries and the region. In fiscal 2021, operations in our Russia and Other market, a market within our Europe business segment that includes Russia, Ukraine, Belarus and other Common Independent States in the region, accounted for 13.8% of net sales. As of March 31, 2022, Russia and Other had assets of \$4.2 million which primarily consisted of inventories and accounts receivable. We are unable to estimate future impacts to our business due to the high level of uncertainty as to how the war will evolve, its duration, and its ultimate resolution. Within Ukraine, there is a possibility of loss of life, physical damage and destruction of property, and loss of earning opportunities for many of our independent distributors and dealers. We may not be able to operate in many areas due to damage and safety concerns. Within Russia, we may need to further reduce our operations due to sanctions and counter sanctions, currency or payment controls, and supply chain challenges. Certain suppliers, vendors, independent distributors and customers are all impacted by the war and their ability to successfully maintain their operations could also impact our results of operations or product sales throughout the world.

#### *The ongoing coronavirus pandemic and the responses thereto around the world could adversely impact our business and operating results.*

Throughout the COVID-19 pandemic, governments around the world have issued orders restricting travel, the number of people who may gather, or for their citizens to shelter-in-place to slow the spread of COVID-19. Such orders, restrictions and recommendations have resulted in widespread closures of businesses not deemed “essential,” work stoppages, limitations on the number of people allowed to gather in one location, slowdowns and delays in world-wide supply chains, work-from-home policies, travel restrictions and cancellation of events, among other effects. In particular, travel and logistics restrictions, shelter-in-place orders and other measures, including working remotely, social distancing and other policies implemented in foreign and domestic sites to protect the health and safety of employees, have resulted in, and are expected to continue to result in, transportation disruptions (such as reduced availability of air transport, port closures, and increased border controls or closures), production delays and capacity limitations at our facilities and some of our customers and suppliers, as well as reduced workforce availability or productivity. These and other adverse impacts on our supply chain could limit our ability to obtain required materials in a timely manner, maintain adequate inventory levels, and respond to changes in customer demand, which could adversely affect our business and result of operations.

The duration and extent of COVID-19’s impact on our business are difficult to assess or predict. While conditions related to the pandemic generally have improved in 2022 compared to 2021, conditions vary significantly by geography. For example, late in the first quarter of 2022, an increase of COVID-19 related cases in certain parts of China resulted in the re-imposition of widespread lock-downs and restrictions. Stay-at-home and quarantine mandates have disrupted or halted our operations in certain parts of China and may continue to impact our business in the near-term. Further quarantines, government reactions or shutdowns could disrupt or halt our operations and materially harm our business, financial condition and results of operations. Our manufacturing personnel and other employees could also be affected by COVID-19, potentially reducing their availability, and a widespread outbreak of COVID-19 among our manufacturing or supply-chain employees could disrupt or halt our operations. Further, restrictions on gatherings of individuals may limit the ability of our independent consultants to sell our

products. Additionally, the procedures we take to mitigate the effect of COVID-19 on our workforce, including but not limited to, social distancing and additional sanitizing measures, could reduce the efficiency of our operations, increase our operating costs or prove insufficient to protect our employees.

***High inflation and other difficult economic conditions could adversely affect our results of operations and financial condition.***

Consumer spending, including spending for our products, is affected by, among other things, prevailing economic conditions, including, among others, unemployment rates, inflation, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. According to the U.S. Bureau of Labor Statistics, during the twelve-month period ending March 31, 2022, the consumer price index, a measure of the average change over time in the prices paid by consumers, increased by 8.5 percent, which is the highest level of inflation in the U.S. in over forty years. Europe and other areas in which we do business are also experiencing higher than desired inflation. Inflation may require consumers to reconsider purchases of items they consider nonessential and, as a result, consumers may purchase fewer of our products if they consider our products nonessential. We believe high levels of inflation in the U.S. and other regions in which we do business have resulted, and will continue to result, in lower net sales of our products. A prolonged period of high inflation and other unfavorable economic conditions that adversely affect the ability of consumers to pay for our products could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table summarizes the purchases of our common stock during the fiscal quarter ended March 31, 2022:

Periods	Total Number of Shares Purchased (in thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup> (in thousands)
January 1, 2022 to January 31, 2022	133	\$ 18.04	2,399	
February 1, 2022 to February 28, 2022	229	17.78	4,072	
March 1, 2022 to March 31, 2022	89	\$ 16.85	1,500	
Total	451		7,971	\$ 29,604

- (1) On March 10, 2021, we announced a \$15.0 million common share repurchase program. On March 8, 2022 we announced an amendment to the share repurchase program allowing the repurchase of an additional \$30.0 million shares. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. We purchased 451,000 shares of our common stock during the quarter ended March 31, 2022 under the terms of this Board approved plan.

The actual timing, number, and value of common shares repurchased under our board-approved plan will be determined at our discretion and will depend on a number of factors, including, among others, general market and business conditions, the trading price of common shares, and applicable legal requirements. We have no obligation to repurchase any common shares under the authorization, and the repurchase plan may be suspended, discontinued, or modified at any time for any reason.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5. OTHER INFORMATION**

None.



**Item 6. EXHIBITS**

a) Index to Exhibits

<b>Item No.</b>	<b>Exhibit</b>
31.1(1)	<a href="#">Certification of Chief Executive Officer under SEC Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934</a>
31.2(1)	<a href="#">Certification of Chief Financial Officer under SEC Rule 13a-14(a)/15d-14(a) promulgated under the Securities Exchange Act of 1934</a>
32.1(1)	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Chief Executive Officer pursuant to 18 U.S.C. Section 1350</a>
32.2(1)	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Financial Officer pursuant to 18 U.S.C. Section 1350</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover page Interactive Data File (the cover page XBRL tags are embedded within iXBRL (Inline Extensible Business Reporting Language) document)

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(1) Filed currently herewith.

**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.

**Nature's Sunshine Products, Inc.**

Date: May 5, 2022

/s/ Terrence O. Moorehead

Terrence O. Moorehead,  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: May 5, 2022

/s/ Joseph W. Baty

Joseph W. Baty,  
Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

## CERTIFICATIONS

I, Terrence O. Moorehead, certify that:

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

Date: May 5, 2022

/s/ Terrence O. Moorehead  
Terrence O. Moorehead  
President and Chief Executive Officer

## CERTIFICATIONS

I, Joseph W. Baty, certify that:

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

Date: May 5, 2022

/s/ Joseph W. Baty

Joseph W. Baty

Executive Vice President, Chief Financial Officer and Treasurer

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

In connection with the Quarterly Report of Nature's Sunshine Products, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terrence O. Moorehead, President and Chief Executive Officer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2022

/s/ Terrence O. Moorehead

Terrence O. Moorehead  
President and Chief Executive Officer

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

In connection with the Quarterly Report of Nature's Sunshine Products, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph W. Baty, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2022

/s/ Joseph W. Baty

Joseph W. Baty

Executive Vice President, Chief Financial Officer and Treasurer