

NATURES SUNSHINE PRODUCTS INC
Form 10-Q
November 08, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 0-8707

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.)

75 East 1700 South

Provo, Utah 84606

(Address of principal executive offices and zip code)

(801) 342-4300

(Registrant's telephone number including area code)

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

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

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

Large accelerated filer

Accelerated filer

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Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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 October 31, 2011 was 15,566,802 shares.

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NATURE'S SUNSHINE PRODUCTS, INC.

FORM 10-Q

For the Quarter Ended September 30, 2011

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NATURE S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

(Unaudited)

	September 30, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	\$ 54,103	\$ 47,604
Accounts receivable, net of allowance for doubtful accounts of \$686 and \$918, respectively	11,765	5,947
Investments available for sale	4,551	6,470
Inventories	38,454	36,235
Deferred income tax assets	4,976	4,582
Prepaid expenses and other	5,052	5,700
Total current assets	118,901	106,538
Property, plant and equipment, net	25,208	27,391
Investment securities	1,423	1,778
Intangible assets, net	1,191	1,303
Deferred income tax assets	16,866	12,916
Other assets	11,594	9,489
	\$ 175,183	\$ 159,415
Liabilities and Shareholders Equity		
Current Liabilities:		
Accounts payable	\$ 5,130	\$ 4,855
Accrued volume incentives	19,789	18,619
Accrued liabilities	29,777	34,601
Deferred revenue	3,042	3,385
Current installments of long-term debt	3,283	
Income taxes payable	4,503	3,708
Total current liabilities	65,524	65,168
Liability related to unrecognized tax benefits	18,559	21,366
Long-term debt	6,717	
Deferred compensation payable	1,423	1,778
Other liabilities	2,574	2,721
Total long-term liabilities	29,273	25,865

Commitments and Contingencies (Note 12)

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Shareholders' Equity:

Common stock, no par value, 50,000 shares authorized, 15,567 and 15,533 shares issued and outstanding as of September 30, 2011 and December 31, 2010	70,043	67,752
Retained earnings	18,258	8,278
Accumulated other comprehensive loss	(7,915)	(7,648)
Total shareholders' equity	80,386	68,382
	\$ 175,183	\$ 159,415

See accompanying notes to condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share information)

(Unaudited)

	Three Months Ended September 30,	
	2011	2010
Net sales revenue (net of the rebate portion of volume incentives of \$10,877 and \$10,726, respectively)	\$ 91,102	\$ 86,096
Cost and expenses:		
Cost of goods sold	16,879	16,632
Volume incentives	32,733	32,065
Selling, general and administrative	31,845	33,523
Contract termination costs	14,750	
	96,207	82,220
Operating income (loss)	(5,105)	3,876
Other income, net	1,204	375
Income (loss) before provision for income taxes	(3,901)	4,251
(Benefit) provision for income taxes	(1,645)	1,573
Net income (loss) from continuing operations	(2,256)	2,678
Loss from discontinued operations		(8,418)
Net loss	\$ (2,256)	\$ (5,740)
Basic and diluted net income (loss) per common share		
Basic:		
Net income (loss) from continuing operations	\$ (0.14)	\$ 0.17
Loss from discontinued operations	\$	\$ (0.54)
Net loss	\$ (0.14)	\$ (0.37)
Diluted:		
Net income (loss) from continuing operations	\$ (0.14)	\$ 0.17
Loss from discontinued operations	\$	\$ (0.54)
Net loss	\$ (0.14)	\$ (0.37)
Weighted average basic common shares outstanding	15,562	15,514
Weighted average diluted common shares outstanding	15,562	15,612

See accompanying notes to condensed consolidated financial statements.

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NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share information)

(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
Net sales revenue (net of the rebate portion of volume incentives of \$33,815 and \$32,942, respectively)	\$ 275,757	\$ 260,029
Cost and expenses:		
Cost of goods sold	52,560	51,308
Volume incentives	100,421	97,162
Selling, general and administrative	97,458	103,840
Contract termination costs	14,750	
	265,189	252,310
Operating income	10,568	7,719
Other income, net	1,049	2,374
Income before provision for income taxes	11,617	10,093
Provision for income taxes	1,637	1,238
Net income from continuing operations	9,980	8,855
Loss from discontinued operations		(9,388)
Net income (loss)	\$ 9,980	\$ (533)
Basic and diluted net income per common share		
Basic:		
Net income from continuing operations	\$ 0.64	\$ 0.57
Loss from discontinued operations	\$	\$ (0.60)
Net income (loss)	\$ 0.64	\$ (0.03)
Diluted:		
Net income from continuing operations	\$ 0.64	\$ 0.57
Loss from discontinued operations	\$	\$ (0.60)
Net income (loss)	\$ 0.64	\$ (0.03)
Weighted average basic common shares outstanding	15,544	15,512
Weighted average diluted common shares outstanding	15,674	15,606

See accompanying notes to condensed consolidated financial statements.

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NATURE S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 9,980	\$ (533)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Write-off of cumulative translation adjustments		7,364
Provision for doubtful accounts	(101)	182
Depreciation and amortization	3,204	3,243
Share-based compensation expense	1,917	325
Loss on sale of property and equipment	14	50
Deferred income taxes	(4,419)	146
Loss on restricted cash		497
Amortization of bond discount	13	17
Purchase of trading investment securities	(59)	(141)
Proceeds from sale of trading investment securities	338	109
Realized and unrealized losses (gains) on investments	25	(93)
Amortization of prepaid taxes related to gain on intercompany sales		813
Foreign exchange losses (gains)	106	(3,231)
Changes in assets and liabilities:		
Accounts receivable	(5,691)	198
Inventories	(2,313)	3,224
Prepaid expenses and other current assets		