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Nu Skin Enterprises Reports Third-Quarter 2017 Results

November 1, 2017

PROVO, Utah, Nov. 1, 2017 /PRNewswire/ -- Nu Skin Enterprises, Inc. (NYSE: NUS) today announced third-quarter 2017 financial results.

Executive Summary

Revenue:	\$563.7 million, compared to \$604.2 million in Q3 2016, which included \$56 million in limited-time-offer (LTO) sales. Q3 2017 was negatively impacted approximately 1% by foreign currency fluctuations.
Earnings Per Share (EPS):	\$0.76, compared to \$0.98 in Q3 2016.
Sales Leaders:	64,200 – 5% year-over-year decrease, impacted by prior-year LTOs.
Customers:	1,069,000 – 7% year-over-year improvement.

"During the third quarter, we continued to execute our growth strategy and delivered results at the top-end of our previous guidance range," said Ritch Wood, chief executive officer. "We generated sequential improvements in the business, and are confident that our focus on social selling served as an important catalyst for steady customer and business growth in many of our markets. We also saw healthy energy within our sales force leading up to our October Nu Skin LIVE! event."

Q3 2017 Year-Over-Year Operating Results

Revenue:	\$563.7 million compared to \$604.2 million.
Gross Margin:	78.6% compared to 79.2%.
Selling Expenses:	41.7% of revenue compared to 42.3%.
G&A Expenses:	25.4% of revenue compared to 23.3%.
Operating Margin:	11.4% compared to 13.6%.
Other Income / (Expense):	(\$1.2) million compared to (\$5.7) million.
Income Tax Rate:	34.1% compared to 25.8% due to closing of Venezuela operations.
EPS:	\$0.76 compared to \$0.98.

Stockholder Value

Dividend Payments:	\$19.0 million.
Stock Repurchases:	\$25.7 million; \$152 million remaining in authorization.

2017 Outlook

Q4 Revenue:	\$650 to \$670 million; approximately 1% negative foreign currency impact.
Q4 EPS:	\$1.16 to \$1.21.
2017 Revenue:	\$2.263 to \$2.283 billion; approximately 3% growth.
2017 EPS:	\$3.20 to \$3.25.

"As we look ahead to the fourth quarter, we remain focused on expanding our customer base as we begin rolling out our platform, product and program initiatives," said Wood. "During our LIVE! event, we introduced several new products aimed at increasing the pace of our social selling efforts, including the ageLOC LumiSpa treatment and cleansing device which we plan to launch in every market during the first half of 2018. Over the next several quarters, we will begin implementing enhanced programs to more effectively reward our sales leaders and build long-term customer loyalty. We are confident that our strategic focus on these initiatives will help us build a solid base for future growth and enhanced value for our shareholders."

"Looking forward, we expect fourth-quarter revenue in the \$650 to \$670 million range which includes a one percent negative foreign currency impact," said Mark Lawrence, chief financial officer. "In the quarter, we continue to anticipate approximately \$100 million from the introduction of ageLOC LumiSpa, and project fourth-quarter earnings per share of \$1.16 to \$1.21."

Conference Call

The Nu Skin management team will host a conference call with the investment community on Nov. 1, at 5 p.m. (ET). Those wishing to access the webcast, as well as the financial information presented during the call, can visit the Investor Relations page on the company's website at ir.nuskin.com. A replay of the webcast will be available at the same URL through Nov. 15, 2017.

About Nu Skin Enterprises, Inc.

Founded more than 30 years ago, Nu Skin Enterprises, Inc. develops and distributes innovative consumer products, offering a comprehensive line of premium-quality beauty and wellness solutions. The company builds upon its scientific expertise in both skin care and nutrition to continually develop innovative product brands that include the Nu Skin® personal care brand, the Pharmanex® nutrition brand, and most recently, the ageLOC® anti-aging brand. The ageLOC brand has generated a loyal following for such products as the ageLOC Youth nutritional supplement, the ageLOC Me® customized skin care system, as well as the ageLOC TR90® weight management and body shaping system. Nu Skin sells its products through a global network of sales leaders in Asia, the Americas, Europe, Africa and the Pacific. As a long-standing member of direct selling associations globally, Nu Skin is committed to the industry's consumer guidelines that protect and support those who sell and purchase its products through the direct selling channel. Nu Skin is also traded on the New York Stock Exchange under the symbol "NUS." More information is available at nuskin.com.

Important Information Regarding Forward-Looking Statements: *This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that represent the company's current expectations and beliefs. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws and include, but are not limited to, statements of management's expectations regarding the company's performance, sales force and customer base, growth, initiatives and areas of focus, and new product introductions; projections regarding revenue, earnings per share, foreign currency fluctuations, and other financial items; statements of belief; and statements of assumptions underlying any of the foregoing. In some cases, you can identify these statements by forward-looking words such as "believe," "expect," "project," "anticipate," "estimate," "intend," "plan," "targets," "likely," "will," "would," "could," "may," "might," the negative of these words and other similar words.*

The forward-looking statements and related assumptions involve risks and uncertainties that could cause actual results and outcomes to differ materially from any forward-looking statements or views expressed herein. These risks and uncertainties include, but are not limited to, the following:

- any failure of current or planned initiatives or products to generate interest among our sales force and customers and generate sponsoring and selling activities on a sustained basis;
- risk of foreign currency fluctuations and the currency translation impact on the company's business associated with these fluctuations;
- risk that direct selling laws and regulations in any of our markets, including the United States and Mainland China, may be modified, interpreted or enforced in a manner that results in negative changes to our business model or negatively impacts our revenue, sales force or business, including through the interruption of sales activities, loss of licenses, imposition of fines, or any other adverse actions or events;
- risks related to accurately predicting, delivering or maintaining sufficient quantities of products to support our planned initiatives or launch strategies, and increased risk of inventory write-offs if we over-forecast demand for a product or change our planned initiatives or launch strategies;
- regulatory risks associated with the company's products, which could require the company to modify its claims or inhibit the company's ability to import or continue selling a product in a market if it is determined to be a medical device or if it is unable to register the product in a timely manner under applicable regulatory requirements;
- adverse publicity related to the company's business, products, industry or any legal actions or complaints by the company's sales force or others;
- unpredictable economic conditions and events globally;
- any prospective or retrospective increases in duties on the company's products imported into the company's markets outside of the United States and any adverse results of tax audits or favorable changes to tax laws in the company's various markets; and
- continued competitive pressures in the company's markets.

The company's financial performance and the forward-looking statements contained herein are further qualified by a detailed discussion of associated risks set forth in the documents filed by the company with the Securities and Exchange Commission. The forward-looking statements set forth the company's beliefs as of the date that such information was first provided and the company assumes no duty to update the forward-looking statements contained in this release to reflect any change except as required by law.

Non-GAAP Financial Measures: *Constant-currency revenue growth is a non-GAAP financial measure that removes the impact of fluctuations in foreign-currency exchange rates, thereby facilitating period-to-period comparisons of the company's performance. It is calculated by translating the current period's revenue at the same average exchange rates in effect during the applicable prior-year period and then comparing this amount to the prior-year period's revenue.*

The Company's revenue results by segment for the three-month periods ended September 30 are presented in the following table (in thousands).

			Constant % Currency Change% Change	
	2017	2016		
Mainland China	\$ 172,556	\$ 168,320	2.5%	2.5%
South Korea	89,238	136,188	(34.5%)	(33.7%)
Americas	79,214	71,250	11.2%	12.1%
South Asia/Pacific	78,994	70,867	11.5%	12.9%
Japan	62,513	72,489	(13.8%)	(6.5%)
Hong Kong/Taiwan	41,050	48,140	(14.7%)	(16.4%)
EMEA	40,133	36,908	8.7%	3.2%

Total \$ 563,698 \$ 604,162 (6.7%) (5.8%)

The Company's revenue results by segment for the nine-month periods ended September 30 are presented in the following table (in thousands).

	<u>2017</u>	<u>2016</u>	<u>% Change</u>	<u>Constant Currency % Change</u>
Mainland China	\$ 494,658	\$ 471,319	5.0%	8.5%
South Korea	258,626	315,342	(18.0%)	(19.5%)
Americas	221,968	204,882	8.3%	9.1%
South Asia/Pacific	216,727	226,742	(4.4%)	(2.9%)
Japan	188,465	210,429	(10.4%)	(7.4%)
Hong Kong/Taiwan	120,069	140,568	(14.6%)	(17.2%)
EMEA	112,385	107,186	4.9%	4.0%
Total	<u>\$ 1,612,898</u>	<u>\$ 1,676,468</u>	(3.8%)	(2.7%)

The Company's Customers and Sales Leaders statistics by segment for the three-month periods ended September 30 are presented in the following table.

	<u>2017</u>		<u>2016</u>		<u>% Increase (Decrease)</u>	
	<u>Sales</u>	<u>Leaders</u>	<u>Sales</u>	<u>Leaders</u>	<u>Customers</u>	<u>Leaders</u>
Mainland China	190,000	25,600	182,000	25,300	4.4%	1.2%
South Korea	185,000	8,400	198,000	11,700	(6.6%)	(28.2%)
Americas	215,000	7,200	171,000	6,700	25.7%	7.5%
South Asia/Pacific	149,000	7,900	116,000	7,200	28.4%	9.7%
Japan	131,000	6,500	136,000	7,000	(3.7%)	(7.1%)
Hong Kong/Taiwan	71,000	4,300	75,000	5,300	(5.3%)	(18.9%)
EMEA	128,000	4,300	121,000	4,100	5.8%	4.9%
Total	<u>1,069,000</u>	<u>64,200</u>	<u>999,000</u>	<u>67,300</u>	7.0%	(4.6%)

"Customers" are persons who purchased products directly from the company during the previous three months.

"Sales Leaders" are independent distributors, and sales employees and independent marketers in China, who achieve certain qualification requirements.

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Income (Unaudited)
For the Third Quarters Ended September 30, 2017 and 2016
(in thousands, except per share amounts)

	<u>2017</u>	<u>2016</u>
Revenue	\$ 563,698	\$ 604,162
Cost of sales	<u>120,832</u>	<u>125,863</u>
Gross profit	<u>442,866</u>	<u>478,299</u>
Operating expenses:		
Selling expenses	235,285	255,274
General and administrative expenses	<u>143,219</u>	<u>140,651</u>
Total operating expenses	<u>378,504</u>	<u>395,925</u>
Operating income	64,362	82,374
Other income (expense), net	<u>(1,172)</u>	<u>(5,695)</u>
Income before provision for income taxes	63,190	76,679
Provision for income taxes	<u>21,518</u>	<u>19,807</u>
Net income	<u>\$ 41,672</u>	<u>\$ 56,872</u>
Net income per share:		
Basic	\$ 0.79	\$ 1.02
Diluted	\$ 0.76	\$ 0.98

Weighted average common shares outstanding:

Basic	52,873	55,983
Diluted	54,834	57,852

NU SKIN ENTERPRISES, INC.
Consolidated Statements of Income (Unaudited)
For the Nine-Month Periods Ended September 30, 2017 and 2016
(in thousands, except per share amounts)

	<u>2017</u>	<u>2016</u>
Revenue	\$ 1,612,898	\$ 1,676,468
Cost of sales	<u>353,619</u>	<u>391,937</u>
Gross profit	<u>1,259,279</u>	<u>1,284,531</u>
Operating expenses:		
Selling expenses	672,646	699,196
General and administrative expenses	<u>411,270</u>	<u>415,014</u>
Total operating expenses	<u>1,083,916</u>	<u>1,114,210</u>
Operating income	175,363	170,321
Other income (expense), net	<u>(8,470)</u>	<u>(19,618)</u>
Income before provision for income taxes	166,893	150,703
Provision for income taxes	<u>55,691</u>	<u>45,802</u>
Net income	<u>\$ 111,202</u>	<u>\$ 104,901</u>
Net income per share:		
Basic	\$ 2.10	\$ 1.87
Diluted	\$ 2.04	\$ 1.85
Weighted average common shares outstanding:		
Basic	52,834	55,963
Diluted	54,519	56,586

NU SKIN ENTERPRISES, INC.
Consolidated Balance Sheets (Unaudited)
(in thousands)

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 363,769	\$ 357,246
Current investments	7,983	10,880
Accounts receivable	37,725	31,199
Inventories, net	252,470	249,936
Prepaid expenses and other	<u>87,282</u>	<u>65,076</u>
	749,229	714,337
Property and equipment, net	449,555	444,732
Goodwill	114,954	114,954
Other intangible assets, net	68,904	63,553
Other assets	<u>164,689</u>	<u>136,469</u>
Total assets	<u>\$ 1,547,331</u>	<u>\$ 1,474,045</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 41,638	\$ 41,261
Accrued expenses	276,486	275,023
Current portion of long-term debt	<u>101,701</u>	<u>82,727</u>
	419,825	399,011
Long-term debt	316,519	334,165
Other liabilities	<u>93,464</u>	<u>76,799</u>
Total liabilities	<u>829,808</u>	<u>809,975</u>

Stockholders' equity:		
Class A common stock	91	91
Additional paid-in capital	460,782	439,635
Treasury stock, at cost	(1,284,043)	(1,250,123)
Accumulated other comprehensive loss	(69,233)	(84,122)
Retained earnings	1,609,926	1,558,589
	<u>717,523</u>	<u>664,070</u>
Total liabilities and stockholders' equity	<u>\$ 1,547,331</u>	<u>\$ 1,474,045</u>

Nu Skin Social Media Channels

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