

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the fiscal year ended December 31, 2023

OR

Transition report under 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 West Bluegrass Blvd., 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 Act:

Title of each class
Common Stock, no par value

Trading Symbol(s)
NATR

Name of each exchange on which registered
Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No .

Indicate by check mark whether the registrant has (1) 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 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 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, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer,"

"smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2023 was approximately \$78,821,320 based on the closing price of \$13.65 as quoted by Nasdaq Capital Market on June 30, 2023. For the purposes of this disclosure only, the registrant has assumed that its directors, executive officers, and the beneficial owners of 10% or more of the registrant's outstanding common stock are the affiliates of the registrant.

The number of shares of Common Stock, no par value, outstanding on February 23, 2024 is 18,819,061 shares.

EXPLANATORY NOTES

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the Registrant's year ended December 31, 2023, are incorporated by reference in Part III of this Annual Report on Form 10-K.



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

For the Year Ended December 31, 2023

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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, 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;
- potential for increased liability and compliance costs relating to 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;
- 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;
- failure to maintain an effective system of internal controls over financial reporting;
- 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 1**Item 1. Business****The Company**

We are a natural health and wellness company primarily engaged in the manufacturing and direct selling of nutritional and personal care products. We are a Utah corporation formed in 1976 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 resells them to consumers.

Business Segments

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.

Product Categories

Our line of over 800 products includes several different 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.

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 years ended December 31, 2023 and 2022, by business segment can be found in Note 12, "Operating Business Segment and International Operation Information," to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

The following table summarizes the Company's product lines by category:

Category	Description
General health	We distribute a wide selection of general health products. The general health line is a combination of assorted health products related to blood sugar support, bone health, cellular health, cognitive function, joint health, mood, sexual health, sleep, sports and energy, and vision.
Immune	We distribute immune products. The immune line has been designed to offer products that support and strengthen the human immune system.
Cardiovascular	We distribute cardiovascular products. The cardiovascular line has been designed to offer products that combine a variety of superior heart health ingredients to give the cardiovascular system optimum support.
Digestive	We distribute digestive products. The digestive line has been designed to offer products that regulate intestinal and digestive functions in support of the human digestive system.
Personal care	We distribute a variety of personal care products for external use, including oils and lotions, aloe vera gel, herbal shampoo, herbal skin treatment, toothpaste and skin cleanser.
Weight management	We distribute a variety of weight management products. The weight management line has been designed to simplify the weight management process by providing healthy meal replacements and products that increase caloric burn rate.

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.

We also utilize direct-to-consumer channels, selling our products through our own website as well as on other e-commerce platforms. This represents a relatively small part of our total business.

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 China, we do not pay volume incentives; rather, we pay independent service fees, which are included in selling, general and administrative expense. These volume incentives are recorded as an expense in the year earned. The amounts of volume incentives that we expensed during the years ended December 31, 2023 and 2022, are set forth in our Consolidated Financial Statements in Item 8 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.

Source and Availability of Raw Materials

Raw materials used in the manufacture of our products are generally available from a number of suppliers. During the years ended December 31, 2023 and 2022, we experienced no major complications in obtaining and maintaining adequate sources of raw materials supply. We attempt to ensure the availability of many of our raw materials by contracting, in advance, for our annual requirements. In the past, we have been able to find alternative sources of raw materials when needed. Although there can be no assurance that we will be successful in locating such sources of supply in the future, we believe that we will be able to do so.

Trademarks and Trade Names

We have obtained trademark registrations for Nature’s Sunshine®, and related logos for all of our Nature’s Sunshine Products product lines. We have also obtained trademark registrations for Synergy Worldwide® for all of our Synergy WorldWide product lines. We hold trademark registrations in the United States and in many other countries. Our customers’ recognition and association of our brands and trademarks with quality is an important element of our operating strategy.

The duration of our trademark registrations is generally between 10 and 20 years, depending on the country in which the marks are registered, and can be renewed. The scope and duration of our intellectual property protection varies throughout the world by jurisdiction and by individual product.

Seasonality

We operate in several regions around the world, and as a result, are affected by seasonal factors and trends such as weather changes, holidays, cultural traditions and vacation patterns throughout the world. For instance, in North America and Europe we may experience a decrease in activity during the third quarter due to the summer vacation season, while we experience a decrease in activity in many of our Asia Pacific markets during the first quarter due to cultural events such as the Lunar New Year. As a result, there is some seasonality to our revenues and expenses reflected in our reported quarterly results. Generally, reductions in one region of the world due to seasonality are offset by increases in another, minimizing the impact on our reported consolidated revenues. Changes in the relative size of our revenues in one region of the world compared to another could cause seasonality to more significantly affect our reported quarterly results.

Inventories

In order to provide a high level of product availability to our independent consultants, we maintain considerable inventory of raw materials in the United States and of finished goods in most countries in which we sell our products. Due to different regulatory requirements across the countries in which we sell our products, our finished goods inventories have product labels and sometimes product formulations specific for each country. Our inventories are subject to obsolescence due to finite shelf lives, among other considerations.

Dependence upon Independent Consultants

A significant amount of our revenue in some of our markets is dependent on only a few independent consultants and their extensive sales networks. The loss of one or more of these independent consultants who, together with their extensive sales network generate a significant amount of our revenue, could have a material adverse effect on the results of operations and financial condition on one or more of our business segments.

Backlog

We typically ship orders for our products within 24 hours after receipt of payment. As a result, we have not historically experienced significant backlogs due to our high level of product availability. However, from time-to-time we may experience backlogs that vary market to market.

Competition

Our products are sold in competition with other companies, some of which have greater sales volumes and financial resources than we do, and sell brands that are, through advertising and promotions, better known to consumers. We compete in the nutritional and personal care industry against companies that sell through retail stores, as well as against other direct selling companies. For example, we compete against manufacturers and retailers of nutritional and personal care products, which are distributed through supermarkets, drug stores, health food stores, vitamin outlets, discount stores, and mass market retailers, among others. We compete for product sales and independent consultants with many other direct selling companies, including Herbalife, LifeVantage, Nu Skin and USANA, among others. We believe that the principal components of competition in the direct selling of nutritional and personal care products are consultant expertise and service, product quality and differentiation, price and brand recognition. In addition, we rely on our independent consultants to compete effectively in the direct selling markets, and our ability to attract and retain independent consultants depends on various factors, including the training, quality product offerings and financial incentives for the independent consultants.

Research and Development

We conduct research at our research center, known as the Hughes Center for Research and Innovation, a state of the art research and development facility located at our corporate offices in Lehi, Utah. Our principal emphasis in our research and development activities is clinical research in the support of the development of new products and the enhancement of existing products.

Compliance with Environmental Laws and Regulations

The nature of our business has not required any material capital expenditures to comply with federal, state or local provisions enacted or adopted regulating the discharge of materials into the environment. No material capital expenditures to meet such provisions are anticipated. Such regulatory provisions did not have a material effect upon our results of operations or competitive position during the year ended December 31, 2023.

Regulation

General

In both the United States and foreign markets, we are affected by extensive laws, governmental regulations, administrative determinations and guidance, court decisions and similar constraints (collectively "Regulations"). Such Regulations exist at the federal, state or local levels in the United States and at all levels of government in foreign jurisdictions, including Regulations pertaining to: (1) the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of our products; (2) product and earnings claims and advertising, including direct claims and advertising by us, as well

as claims and advertising by independent consultants, for which we may be held responsible; (3) our direct selling program; (4) transfer pricing and similar regulations that affect the level of U.S. and foreign taxable income and customs duties; (5) taxation of our independent consultants (which in some instances may impose an obligation on us to collect the taxes and maintain appropriate records); and (6) currency exchange and repatriation.

Products

The formulation, manufacturing, packaging, labeling, advertising, distribution and sale of each of our major product groups are subject to regulation by one or more governmental agencies in the United States and in other countries. In the United States, the Food and Drug Administration (“FDA”) regulates our products under the Federal Food, Drug and Cosmetic Act, as amended and the regulations promulgated thereunder (“FDCA”). The FDCA defines the terms “food” and “dietary supplement” and sets forth various conditions that, unless complied with, may constitute adulteration or misbranding of such products. The FDCA has been amended several times with respect to dietary supplements, including amendments by the Nutrition Labeling and Education Act of 1990 and the Dietary Supplement Health and Education Act of 1994, as amended, and the regulations promulgated thereunder.

FDA regulations relating specifically to foods and dietary supplements for human use are set forth in Title 21 of the Code of Federal Regulations. These regulations include basic labeling requirements for both foods and dietary supplements. Additionally, FDA regulations require us to meet relevant good manufacturing practice regulations relating to, among other things, the preparation, packaging and storage of our food and dietary supplements.

FDA rules impose requirements on the manufacture, packaging, labeling, holding, and distribution of dietary supplement products. For example, it requires that companies establish written procedures governing areas such as: (1) personnel, (2) plant and equipment cleanliness, (3) production controls, (4) laboratory operations, (5) packaging and labeling, (6) distribution, (7) product returns, and (8) complaint handling. The FDA also requires identity testing of all incoming dietary ingredients unless a company successfully petitions for an exemption from this testing requirement in accordance with the regulations. The current good manufacturing practices are designed to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities, and are labeled to accurately reflect the active ingredients and other ingredients in the products. Within the requirements of ingredient identification, we confirm the levels, identity, purity and potency of ingredients listed on our product labels to ensure quality and transparency for our product line.

In some countries we are, or regulators may assert that we are, responsible for the conduct of our independent consultants, and regulations applicable to the activities of our independent consultants also affect our business. In these countries, regulators may request or require that we take steps to ensure that our independent consultants comply with regulations. The types of regulated conduct include: (1) representations concerning our products; (2) earnings representations made by us and/or our independent consultants; (3) public media advertisements, which in foreign markets may require prior approval by regulators; (4) sales of products in markets in which the products have not been approved, licensed, registered or certified for sale; and (5) classification by government agencies of our independent consultants as our employees.

In some markets, it is possible that improper product claims by our independent consultants could result in our products being reviewed by regulatory authorities and, as a result, being classified or placed into another category as to which stricter regulations are applicable. In addition, we might be required to make labeling changes.

We are unable to predict the nature of any future regulations, nor can we predict what effect additional governmental regulations or administrative orders, when and if promulgated, would have on our business in the future. They could, however, require: (1) reformulation of some products not capable of being reformulated; (2) imposition of additional record keeping requirements; (3) expanded documentation of the properties of some products; (4) expanded or different labeling; (5) additional or different scientific substantiation regarding product ingredients, safety or usefulness; and/or (6) additional consultant compliance surveillance and enforcement action by us. Any or all of these requirements could have a material adverse effect on our results of operations and financial condition.

In foreign markets, prior to commencing operations and prior to making or permitting sales of our products in the market, we may be required to obtain an approval, license, registration or certification from the country’s ministry of health or comparable agency. Prior to entering a new market in which a formal approval, license, registration or certificate is required, we work extensively with local authorities to obtain the requisite approvals. We must also comply with product labeling and packaging regulations that vary from country to country. Our failure to comply with these regulations can result in a product being removed from sale in a particular market, either temporarily or permanently.

Direct Selling

Our business practices and products are also regulated by the following United States governmental entities: the Federal Trade Commission (“FTC”), Consumer Product Safety Commission (“CPSC”), Department of Agriculture (“USDA”) and Environmental Protection Agency (“EPA”). Our activities, including our direct selling distribution activities, are also regulated by various agencies of the states, localities and foreign countries in which our products are sold.

The FTC, which exercises jurisdiction over the advertising of all of our products in the United States, has in the past several years instituted enforcement actions against several dietary supplement and food companies and against manufacturers of weight loss products generally for false and misleading advertising of some of their products. The FTC closely scrutinizes the use of testimonials, the role of expert endorsers and product clinical studies. The FTC has in recent years investigated and taken enforcement action against direct selling companies for misleading representations relating to the earnings potential of an independent consultant within a company’s compensation plan, as well as appropriateness of the compensation plans themselves. At various times during the COVID-19 pandemic, the FTC sent warning letters to retailers of dietary supplements and direct selling companies for deceptive or scientifically unsupported claims that their products could effectively treat, prevent, diagnose or cure COVID-19. We cannot be sure that the FTC, or comparable foreign agencies, will not question our advertising or other operations in the future.

Transfer Pricing

In many countries, including the United States, we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned by our U.S. or local entities and are taxed accordingly. In addition, our operations are subject to regulations designed to ensure that appropriate levels of customs duties are assessed on the importation of our products.

Although we believe that we are in substantial compliance with all applicable regulations and restrictions, we are subject to the risk that governmental authorities could audit our transfer pricing and related practices and assert that additional taxes are owed.

In the event that the audits or assessments are concluded adversely to us, we may or may not be able to offset or mitigate the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we cannot be sure that we would in fact be able to take advantage of all foreign tax credits in the future.

Other Regulations

We are also subject to a variety of other regulations in various foreign markets, including regulations pertaining to social security assessments, employment and severance pay requirements, import/export regulations and antitrust issues. As an example, in many markets, we are substantially restricted in the amount and types of rules and termination criteria that we can impose on our independent consultants without having to pay social security assessments on behalf of the independent consultants and without incurring severance obligations to terminated independent consultants. In some countries, we may be subject to these obligations in any event.

Our failure to comply with these regulations could have a material adverse effect on our results of operations and financial condition in a particular market or in general. Assertions that we failed to comply with regulations or the effect of adverse regulations in one market could adversely affect us in other markets as well, by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets.

Compliance

In order to comply with regulations that apply to both us and our independent consultants, we conduct research into the applicable regulatory framework prior to entering any new market to identify all necessary licenses, registrations and approvals and applicable limitations on our operations in that market. Typically, we conduct this research with the assistance of local legal counsel and other representatives. We devote substantial resources to obtaining the necessary licenses, registrations and approvals and bringing our operations into compliance with the applicable limitations. We also research laws applicable to independent consultant operations and revise or alter our independent consultant manuals and other training materials and programs to provide independent consultants with guidelines for operating a business, selling and distributing our products and similar matters, as required by applicable regulations in each market. There are inherent limitations to our ability to monitor the activities of our independent consultants sufficient to ensure that they refrain, in accordance with our consultant agreements, from distributing our products in countries where we have not commenced operations.

In addition, regulations in existing and new markets often are ambiguous and subject to considerable interpretive and enforcement discretion by the responsible regulators. Moreover, even when we believe that we and our independent consultants are initially in compliance with all applicable regulations, new regulations regularly are being added and the interpretation of existing regulations is subject to change. Further, the content and impact of regulations to which we are subject may be influenced by public attention directed at us, our products or our direct selling program, so that extensive adverse publicity about our products or our direct selling program may result in increased regulatory scrutiny.

It is an ongoing part of our business to anticipate and respond to new and changing regulations and to make corresponding changes in our operations to the extent practicable. Although we devote considerable resources to maintaining our compliance with regulatory constraints in each of our markets, we cannot be sure that (1) we would be found to be in full compliance with applicable regulations in all of our markets at any given time or (2) the regulatory authorities in one or more markets will not assert, either retroactively or prospectively or both, that our operations are not in full compliance. These assertions or the effect of adverse regulations in one market could negatively affect us in other markets as well, by causing increased regulatory scrutiny in those other markets or as a result of the negative publicity generated in those other markets. These assertions could have a material adverse effect on our results of operations and financial condition in a particular market or in general. Furthermore, depending upon the severity of regulatory changes in a particular market and the changes in our operations that would be necessitated to maintain compliance, these changes could result in us experiencing a material reduction in revenue in the market or determining to exit the market altogether. In this event, we would attempt to devote the resources previously devoted to such market to a new market or markets or other existing markets. However, we cannot be sure that this transition would not have a material adverse effect on our business, results of operations, and financial condition either in the short or long-term.

The Company has a dedicated Risk Management Committee as part of the Board of Directors (the “Risk Management Committee”). The purpose of the Risk Management Committee is to oversee our efforts with respect to operational compliance. “Operational Compliance” is defined by the Risk Management Committee’s charter to include: consultant compliance and direct selling best practices; employee compliance, including code of conduct and other mandated trainings; product and product distribution regulatory compliance, including adherence to FTC, FDA and other similar regulatory bodies’ mandates; compliance with data protection regulations; and non-financial, whistleblower reports. For avoidance of doubt, “Operational Compliance” does not include adherence to the U.S. Foreign Corrupt Practices Act (the “FCPA”), which is the responsibility of the Audit Committee.

Human Capital

Attracting and retaining top talent is an integral part to our success. We intentionally build a workforce of people with viewpoints and backgrounds as diverse as the customers we serve around the world. As a responsibility to our team and in an evolving effort, we provide employees with meaningful careers and development opportunities to grow and succeed.

We employed 814 individuals as of December 31, 2023. Our global workforce is comprised of the following ethnicities: 37.8 percent Caucasian, 32.0 percent Asian, 27.5 percent Hispanic, 2.0 percent Black, and 0.7 percent Other. Of those employees, 55.6 percent are female and 44.4 percent are male.

Some examples of our key programs and initiatives that are focused on attracting and retaining top talent include:

- Annual scholarship program for multicultural students at the University of Utah in the amount of \$0.2 million to be completed by December 31, 2024.

- Leadership development program designed to help employees develop leadership skills and obtain executive coaching over a three-year period.
- Competitive wage and benefits package building loyalty and engagement in Company performance.
- Hybrid work model that recognizes the evolving needs of workers and allows them to build a hybrid work schedule providing greater flexibility for their personal needs.
- A wellness rewards program that rewards healthy behaviors such as healthy eating, exercise, and wellness ambassadorship. Participants have many reward options to choose from such as swag, gift cards, and product credit.
- Stringent safety standards and promotion of a company culture that prioritizes safety throughout our manufacturing and distributions centers around the world.

Sustainability

We believe that our focus on reliable, pure, proven, and potent ingredients and the processes through which ingredients are harvested sets our products and business apart. We emphasize collaborating with growers and suppliers that protect and care for the natural resources they farm and harvest along with the economic and social interests of their local communities. We choose supply partners with business models that value making a positive impact on the environments and economies that they source from and, in many cases, go to creative lengths to bring benefits to the communities they operate within.

During the year ended December 31, 2022, we accomplished our goal of using 100 percent renewable energy at our manufacturing facility.

Noted below are the goals we have set to address the environmental impacts from our operations:

- 50 percent reduction of greenhouse gas emissions for Scope 1 & 2 by 2025;
- Zero waste at all distribution centers by 2025;
- 35 percent waste reduction at our owned manufacturing facility by 2025;

To learn more about our environmental, social and governance (“ESG”) initiatives, as well as review our annual ESG report and accompanying policies, access the ESG section of our website at: <https://ir.naturessunshine.com/esg>. Information found on the Company’s website is not part of this Annual Report on Form 10-K or any other report filed with the United States Securities and Exchange Commission.

Available Information

Our principal executive office is located at 2901 West Blue Grass Blvd., Suite 100, Lehi, Utah 84043. Our telephone number is (801) 341-7900 and our Internet website address is www.natr.com. We make available, free of charge on our website, our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as soon as practicable after electronically filing these documents with, or furnish them to, the Securities and Exchange Commission (the “SEC”). The SEC also maintains an Internet website that contains reports, and other information regarding issuers that file electronically with the SEC at www.sec.gov. We also make available, free of charge on our website, our Code of Conduct Policy and the charters of our Audit Committee, Governance Committee, Compensation Committee and Risk Management Committee.

Item 1A. Risk Factors

You should carefully consider the following risks in evaluating us and our business. The risks described below are the risks that we currently believe are material to our business. However, additional risks not presently known to us, or risks that we currently believe are not material, may also impair our business operations. You should also refer to the other information set forth in this report, including the information set forth in “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” as well as in our consolidated financial statements and the related notes. Our business prospects, financial condition or results of operations could be adversely affected by any of the following risks. If we are adversely affected by such risks, the market price of our common stock could decline.

Regulatory and Litigation Risks

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.

Direct selling companies are subject to laws and regulations by various government agencies throughout the world. These laws and regulations are generally intended to prevent fraudulent or deceptive practices and to ensure that sales are made to consumers of the products, and that compensation is based primarily upon bona fide sale of products to consumers and not primarily upon the recruitment of other persons as participants in the compensation program. Regulations in some countries in which we operate, including South Korea and China, limit the amount of compensation we can pay to our independent consultants. Failure to comply with these laws and regulations could result in significant penalties, which could have a material adverse effect on our results of operations and financial condition. Violations could result from misconduct by an independent consultant, ambiguity in statutes, changes or new laws and regulations affecting our business and court-related decisions.

The FTC in the United States, and similar government agencies in foreign jurisdictions, periodically investigate and bring enforcement actions against direct selling companies based on alleged pyramid selling activity and/or false and misleading claims made by the direct selling company or its independent consultants. Direct selling companies that have been the subject of an FTC enforcement action have generally been required to make significant changes to their business model and pay significant monetary fines. Being the target of an investigation or enforcement action by the FTC in the United States, or a similar government agency in a foreign jurisdiction, could have a material adverse effect on our results of operations and financial condition.

In recent years, FTC settlements with direct selling companies have required those companies to make material changes to their business model, including basing sales compensation and qualification only on sales to retail and preferred customers and on purchases by a consultant for personal consumption within allowable limits. If the requirements in FTC settlements or judicial cases lead to new industry standards or rules, our business could be impacted, and we may need to amend our global sales compensation plan. If we are required to make changes, or if the FTC seeks to enforce similar measures in the industry, either through rulemaking or an enforcement action against our company, our business could be harmed.

Our products, business practices and manufacturing activities are subject to extensive government regulations and could be subject to additional laws and regulations.

The formulation, manufacturing, packaging, labeling, advertising, distribution and sales of each of our major product groups are subject to regulation by numerous domestic and foreign governmental agencies and authorities. In the U.S., these governmental agencies and authorities include the FDA, the FTC, the CPSC, the EPA, the USDA and state regulatory agencies. Generally, each international market in which we operate has regulatory agencies similar to the regulatory agencies in the U.S. In addition, each State in the United States has an attorney general who is responsible for enforcing the laws of that State. Some states' attorneys general have, from time to time, demonstrated a focus on the manufacture and sale of various dietary supplements. As the primary manufacturer of our own products, we are subject to FDA regulations on Good Manufacturing Practices ("GMP"), which require us to maintain good manufacturing processes, including ingredient identification, manufacturing controls and record keeping.

In the future, we may be subject to additional laws or regulations administered by the FDA or other federal, state, local or foreign regulatory authorities, the repeal or amendment of laws or regulations which we consider favorable and/or more stringent interpretations of current laws or regulations. Such changes could, among other things, require reformulation of certain products to meet new standards, cause us to recall or discontinue certain of our products, impose additional record-keeping or registration requirements, expand documentation of the properties of certain products and expand or alter labeling and/or scientific substantiation requirements. Any or all such requirements could increase our costs of operating the business and have a material adverse effect on our results of operations and financial condition.

The FTC and states' attorneys general have in the past instituted enforcement actions against cosmetic, dietary supplement, and food companies and manufacturers for false and misleading advertising of some of their products. The FTC and states' attorneys general from time to time have initiated investigations and enforcement actions against direct selling companies alleging that the companies operated a pyramid scheme. Although the FTC and states' attorneys general exercise a substantial degree of subjectivity in determining whether a company is operating a pyramid scheme, the FTC and states' attorneys general consider whether the compensation received by independent consultants is based primarily on recruitment of other persons as participants in the compensation program and not on bona fide sales of products to consumers. An enforcement action brought by a government agency, like the FTC in the United States, or a class action lawsuit, could adversely affect our

reputation and potentially result in significant penalties and costs, either of which could have a material adverse effect on our results of operations and financial condition.

Our direct selling system could be challenged in one or more countries in which we do business.

Legal and regulatory requirements concerning the direct selling industry generally do not include “bright line” rules and are inherently fact-based and subject to interpretation. As a result, regulators and courts often have discretion in their application of these laws and regulations. The enforcement or interpretation of these laws and regulations by government agencies or courts change from time to time and force us to make appropriate changes to our direct selling system. We periodically become aware of investigations and enforcement actions against other companies in the direct selling industry. Additionally, we could also be subject to challenges by private parties in civil actions, including class action cases brought by plaintiffs’ lawyers. An investigation, adverse judgment or significant settlement from an enforcement acting or civil class action lawsuit, brought against us, could have a material adverse effect on our results of operations and financial condition.

Difficulties in registering our products for sale in Mainland China could have a material adverse effect on our results of operations and financial condition.

Our registration of our products for sale in China is extremely time intensive. The requirements for obtaining product registrations and/or licenses involve extended periods of time that may delay us from offering products for sale or prevent us from launching new product initiatives in China on the same timelines as other markets around the world. For example, products marketed in China as “health foods” or for which certain claims are used are subject to “blue cap” or “blue hat” registrations, which involve extensive laboratory and clinical analysis by governmental authorities. This registration process can take anywhere from 18 months to 3 years but may be substantially longer. We currently market both “health foods” and “general foods” in China. There is risk associated with the common practice in China of marketing a product as a “general food” while seeking “health food” classification. If government officials feel the categorization of products is inconsistent with product claims, ingredients or function, this could end or limit our ability to market such products in China and have a material adverse effect on our results of operations and financial condition.

If our independent consultants fail to comply with advertising laws, it could adversely affect our results of operations and financial condition.

The advertisement of our products is subject to extensive regulations in most of the markets in which we do business, including the United States. Our independent consultants may fail to comply with such regulations governing the advertising of our products or business opportunity and regulators may hold us responsible for the violations of our independent consultants. In the U.S., our products are sold principally as dietary supplements and cosmetics and are subject to rigorous FDA regulations limiting the types of therapeutic claims that can be made relating to the products. The treatment or cure of disease, for example, is not a permitted claim for our products. In the U.S., the FTC and states’ attorneys general are primarily responsible for providing consumer protection by, among other things, investigating and initiating enforcement actions against business practices it deems deceptive or fraudulent. We cannot ensure that all marketing materials used by our independent consultants comply with applicable regulations, including bans on false and misleading product and earnings potential related claims. If our independent consultants fail to comply with these restrictions, then we could be subjected to claims of false advertising, misrepresentation, significant financial penalties, costly mandatory product recalls and relabeling requirements, any of which could have a material adverse effect on our results of operations and financial condition.

Product liability claims could adversely affect our business.

As a manufacturer and distributor of products that are ingested, we could face product liability claims if, among other things, our products are alleged to result in injury to a consumer. We carry product liability insurance coverage; however, such insurance may not be sufficient to cover one or more large claims, or the insurer may successfully disclaim coverage as to a pending or future claim, which could have a material adverse effect on our results of operations and financial condition.

We are subject to anti-bribery laws, including the FCPA.

We are subject to anti-bribery laws, including the FCPA, which generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business as well as requiring companies and their intermediaries to maintain accurate books and records. In recent years, there has been a substantial increase in anti-bribery law enforcement activity by the Department of Justice (“DOJ”) and the SEC relating to business operations within certain countries in which we operate, including China. For example, in recent years, U.S. based direct selling companies with operations in

China have been the subject of investigations and enforcement actions, or in some cases have initiated their own internal investigation, relating to alleged violations of the FCPA.

Our policies mandate compliance with anti-bribery laws by our employees and agents, including the requirements to maintain accurate information and internal controls. However, we may be liable for actions of our employees and agents, even if such actions are inconsistent with our policies. Being subject to an investigation by the DOJ or the SEC for an alleged violation of the FCPA could cause us to incur significant expenses and distractions that could adversely affect our business. Violations of the FCPA, or a similar anti-bribery law, may result in criminal or civil sanctions, including contract cancellations or debarment, and loss of reputation, which could have a material adverse effect on our results of operations and financial condition.

Risks Related to Our Business

We may be unable to attract and retain independent consultants.

As a direct selling company, our revenue depends primarily on the number and productivity of our independent consultants. We, like most direct selling companies, experience high levels of turnover among our independent consultants from year to year, who may terminate their service at any time. Generally, we need to increase the productivity of our independent consultants and/or retain existing independent consultants and attract additional independent consultants to maintain and/or increase future sales.

Many factors may affect our ability to attract and retain independent consultants, including:

- publicity regarding us, our products, our distribution channels or our competitors;
- on-going motivation of our independent consultants;
- the public's perceptions about the value and efficacy of our products;
- the public's perceptions and acceptance of direct selling;
- general and economic business conditions;
- government regulations;
- our compensation arrangements, including any changes thereto, training and support for our independent consultants; and
- competition in attracting and retaining independent consultants.

Our results of operations and financial condition could be materially adversely affected if our independent consultants are unable to maintain their current levels of productivity and/or if we are unable to retain existing independent consultants and attract additional independent consultants in sufficient numbers to sustain future growth or to maintain present sales levels.

The loss of key independent consultants who have a significant sales networks could have a material adverse effect on our results of operations and financial condition.

A significant amount of our net sales, in some of our markets, is dependent on a few independent consultants and their extensive sales networks. The loss or inactivity of one of these independent consultants who, together with their extensive sales network, generate a significant amount of our net sales could have a material adverse effect on our results of operations and financial condition.

Our expansion in China is subject to risks associated with operating a joint venture.

On August 25, 2014, we completed a transaction with Shanghai Fosun Pharmaceutical (Group) Co., Ltd. ("Fosun Pharma"), which created a joint venture owned 80 percent by us and 20 percent by a wholly owned subsidiary of Fosun Pharma. Effective operation of the joint venture depends on good relations between us and Fosun Pharma, active synergies between the two companies and positive legal and regulatory recognition of the joint venture. Any disruption in relations, inability to work efficiently or disadvantageous treatment of the joint venture by the Chinese or other authorities could have a material adverse effect on our results of operations and financial condition.

Currency exchange rate fluctuations could adversely affect our results of operation and financial condition.

In 2023, we recognized approximately 71.0 percent of our net sales in markets outside the United States, the majority of which were recognized in each market's respective local currency. We purchase inventory from companies in foreign markets and in the United States, primarily in U.S. dollars. In preparing our financial statements, we translate net sales and expenses in

foreign countries from their local currencies into U.S. dollars using average exchange rates. Because a majority of our sales are in foreign countries, exchange rate fluctuations may have a significant effect on net sales and earnings. Our reported earnings have in the past been, and are likely to continue to be, significantly affected by fluctuations in currency exchange rates, with net sales and earnings generally increasing with a weaker U.S. dollar and decreasing with a strengthening U.S. dollar.

We could incur obligations resulting from the activities of our independent consultants.

We sell our products worldwide to a sales force of independent consultants who use the products themselves or resell them to customers. Independent consultants are not employees and operate their own business separate and apart from us. We may not be able to control aspects of their activities that may impact our business. If local laws and regulations, or the interpretation of local laws and regulations, change and require us to treat our independent consultants as employees, or if our independent consultants are deemed by local regulatory authorities in one or more of the jurisdictions in which we operate to be our employees rather than independent contractors under existing laws and interpretations, we may be held responsible for a variety of obligations that are imposed upon employers relating to their employees, including employment related taxes and penalties, which could have a material adverse effect on our results of operations and financial condition. Our independent consultants also operate in jurisdictions where local legislation and governmental agencies require us to collect and remit taxes such as sales tax or value-added taxes. In addition, there is the possibility that some jurisdictions could seek to hold us responsible for false product or earnings potential related claims due to the actions of an independent consultant. If we were found to be responsible for any of these issues related to our independent consultants, it could have a material adverse effect on our results of operations and financial condition.

We may be adversely affected by changes to our independent consultant compensation plans.

We modify components of our compensation plans from time to time to keep them competitive and attractive to existing and potential independent consultants, to address changing market dynamics, to provide incentives to our independent consultants that we believe will help grow our business, to conform to local regulations and to address other business-related considerations. Such changes could result in unintended or unforeseen negative economic and non-economic consequences to our business, such as higher than anticipated costs or difficulty in attracting and retaining independent consultants, either of which could have a material adverse effect on our results of operations and financial condition.

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 2023, 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 12.2% of net sales. 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.

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. The rate of inflation recently reached its highest level 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 increased input costs and lower

net sales of our products. We may not be able to pass any inflation-related increases on to customers without adversely affecting net sales. A prolonged period of high inflation, recession, 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.

Difficult economic conditions could adversely affect our results of operations and financial condition.

Consumer spending habits, including spending for our products, are affected by, among other things, prevailing economic conditions, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, consumer confidence and consumer perception of economic conditions. Economic slowdowns in the markets in which we do business may adversely affect consumer spending habits and demand for our products, which may result in lower net sales in future periods. A prolonged global or regional economic downturn could have a material adverse effect on our results of operations and financial condition. Unfavorable economic conditions in the financial, and credit markets, inflation, or other circumstances 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.

Our manufacturing activity is subject to certain risks.

We manufacture a significant portion of the products sold at our manufacturing facility located in Spanish Fork, Utah. As a result, we are dependent upon the uninterrupted and efficient operation of our manufacturing facility in Spanish Fork and our distribution facilities throughout the country. Our manufacturing facilities and distribution facilities are subject to the risk of catastrophic loss due to, among other things, earthquake, fire, flood, epidemic, terrorism or other natural or man-made disasters, as well as the occurrence of significant equipment failures. If any of these facilities were to experience a catastrophic loss, it would be expected to disrupt our operations and could have a material adverse effect on our results of operations and financial condition. We source many of our ingredients and some of our finished products through third-party suppliers. If any of our third-party suppliers were to suffer a catastrophic loss, it would cause delays in our manufacturing and could have a material effect on our results of operations and financial condition.

As the primary manufacturer of our own products, we are subject to FDA regulations on GMPs, which require us to maintain good manufacturing processes, including ingredient identification, manufacturing controls and record keeping. Compliance with these regulations has increased and may further increase our cost of manufacturing products. Our results of operations and financial condition could be materially adversely affected if regulatory authorities make determinations that we are not in compliance with FDA regulations on GMPs. A finding of noncompliance may result in administrative warnings, penalties or actions impacting our ability to continue selling certain products, which could have a material adverse effect on our results of operations and financial condition.

In addition, we contract with third-party manufacturers to produce some of our vitamins, mineral and other nutritional supplements, personal care products and certain other miscellaneous products in accordance with our specifications and standards. These contract manufacturers are subject to the same risks as our manufacturing facility as noted above. In addition, while we have implemented stringent quality control procedures to verify that our contract manufacturers comply with our specifications and standards, we do not have full control over their manufacturing activities. Significant delays and defects in our products resulting from the activities of our contract manufacturers may have a material adverse effect on our results of operations and financial condition.

Supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand, could adversely affect our ability to meet customer demand, lead to higher costs, or result in excess or obsolete inventory.

Our business depends on the timely supply of materials, services and related products to meet the demands of our customers, which depends in part on the timely delivery of materials and services from suppliers and contract manufacturers. Significant or sudden increases in demand for our products, as well as worldwide demand for the raw materials and services we require to manufacture and sell our products, may result in a shortage of such materials or may cause shipment delays due to transportation interruptions or capacity constraints. Such shortages or delays could adversely impact our suppliers' ability to meet our demand requirements. Difficulties in obtaining sufficient and timely supply of materials or services can have an adverse impact on our manufacturing operations and our ability to meet customer demand.

We may also experience significant interruptions of our manufacturing operations, delays in our ability to deliver products, increased costs or customer order cancellations as a result of:

- the failure or inability to accurately forecast demand and obtain sufficient quantities of quality raw materials on a cost-effective basis;
- volatility in the availability and cost of materials or services, including rising prices due to inflation;
- difficulties or delays in obtaining required import or export approvals;
- shipment delays due to transportation interruptions or capacity constraints, such as reduced availability of air or ground transport or port closures;
- information technology or infrastructure failures, including those of a third-party supplier or service provider; and
- natural disasters or other events beyond our control (such as earthquakes, utility interruptions, tsunamis, hurricanes, typhoons, floods, storms or extreme weather conditions, fires, regional economic downturns, regional or global health epidemics, pandemics, geopolitical turmoil, increased trade restrictions between the U.S. and China and other countries, social unrest, political instability, terrorism, or acts of war) in locations where we or our customers or suppliers have manufacturing or other operations.

A widespread pandemic and measures taken in response by governments and businesses worldwide to contain its spread, including quarantines, facility closures, travel and logistics restrictions, border controls, and shelter in place or stay at home and social distancing orders, may adversely impact our supply chain, manufacturing, logistics, workforce and operations, as well as the operations of our customers and suppliers globally. Such adverse impacts on our supply chain could limit our ability to manufacture and sell our products on a timely and cost-effective basis, which could adversely affect our business and results of operations.

If we fail to timely and effectively obtain shipments of products from our manufacturers and deliver products to our independent consultants and customers, our business and results of operations could be harmed.

Our business depends on our ability to source and distribute products in a timely manner. However, we cannot control all of the factors that might affect the timely and effective procurement of our products from our third-party contract manufacturers and the delivery of our products to our independent consultants and customers.

We are vulnerable to risks associated with importing and exporting materials and products manufactured both at our manufacturing facility and third-party manufacturing facilities, including, among other things: (a) risks of damage, destruction, or confiscation of products while in transit to our distribution centers; and (b) transportation and other delays in shipments, including as a result of heightened security screening, port congestion, and inspection processes or other port- of-entry limitations or restrictions in the United States. Failure to procure materials needed to manufacture our products and to deliver merchandise to our independent consultants and customers in a timely, effective, and economically viable manner could reduce our sales and gross margins, damage our brand, and harm our business.

We also rely on the timely and free flow of goods through open and operational ports from our suppliers and manufacturers and to our independent consultants and customers. Labor shortages at our own facilities, ports, our common carriers, or our suppliers or manufacturers could harm our business, particularly if labor shortages occur during periods of significant importing or manufacturing, potentially resulting in delayed or canceled orders by customers and unanticipated inventory accumulation or shortages. These and similar disruptions could result in harm to our business, results of operations, and financial condition.

In addition, we rely upon independent land-based and air freight carriers for product shipments to our independent consultants and customers who purchase our products. We may not be able to obtain sufficient freight capacity on a timely basis or at favorable shipping rates and, therefore, may not be able to receive products from suppliers or deliver products to retail partners or customers in a timely and cost-effective manner.

Accordingly, we are subject to the risks, including labor disputes, union organizing activity, inclement weather, public health crises such as pandemics or epidemics, and increased transportation costs, associated with our third-party contract manufacturers' and carriers' ability to provide products and services to meet our requirements. In addition, if the cost of fuel rises, the cost to deliver products may rise, which could harm our profitability.

Taxation and transfer pricing could adversely affect our results of operations and financial condition.

We are subject to foreign tax and intercompany pricing laws, including those relating to the flow of funds between our U.S. parent company and our foreign subsidiaries. These pricing laws are designed to ensure that appropriate levels of income and expense are reported by our U.S. and foreign entities, and that they are taxed appropriately. Regulators in the United States and in foreign markets closely monitor our corporate structures, intercompany transactions, and how we effectuate intercompany fund transfers. Our effective tax rate could increase, and our results of operations and financial condition could be

materially adversely affected if regulators challenge our corporate structures, transfer pricing methodologies or intercompany transfers. We are eligible to receive foreign tax credits in the United States for certain foreign taxes paid abroad. In the event any audits or assessments are concluded adversely to us, we may not be able to offset the consolidated effect of foreign income tax assessments through the use of U.S. foreign tax credits. Because the laws and regulations governing U.S. foreign tax credits are complex and subject to periodic legislative amendment, we may not be able to take advantage of any foreign tax credits in the future. In addition, changes in the amount of our total and foreign source taxable income may also limit our ability to take advantage of foreign tax credits in the future. The various customs, exchange control and transfer pricing laws are continually changing, and are subject to the interpretation of governmental agencies.

We collect and remit value-added taxes and sales taxes in jurisdictions and states in which we have determined that nexus exists. Other states may claim, from time to time, that we have state-related activities constituting a sufficient nexus to require us to collect and remit value-added taxes and sales taxes in their state.

Despite our efforts to be aware of and to comply with such laws and changes to the interpretations thereof, we may not be able to continue to operate in compliance with such laws. We may need to adjust our operating procedures in response to these interpretational changes, and such changes could have a material adverse effect on our results of operations and financial condition.

Risks Related to Our Use of Technology and Intellectual Property

If we fail to maintain an effective system of internal controls, we may not be able to report our financial results accurately, may make a material misstatement in our financial statements, or may experience a financial loss. Any inability to report and file our financial results accurately and timely could harm our business and adversely affect the value of our business.

As a public company, we are required to establish and maintain internal controls over financial reporting and disclosure controls and procedures and to comply with other requirements of the Sarbanes-Oxley Act and the rules promulgated by the SEC. Even when such controls are implemented, management, including our Chief Executive Officer and Chief Financial Officer, cannot guarantee that our internal controls and disclosure controls and procedures will prevent all possible errors or loss. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company or perpetrated against us will be prevented or have been detected. These inherent limitations include the possibility that judgments in decision-making can be faulty and subject to simple error or mistake. Furthermore, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, measures of control may become inadequate because of changes in conditions, new fraudulent schemes, or the deterioration of compliance with policies or procedures. Because of inherent limitations in a cost-effective control system, financial loss or misstatements due to error or fraud may occur and/or may not be detected.

The accuracy of our financial reporting and safeguarding of our assets depends on the effectiveness of our internal control over financial reporting. Internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect financial loss or misstatements. Failure to maintain effective internal control over financial reporting, or lapses in disclosure controls and procedures, could undermine the ability to provide accurate disclosure (including with respect to financial information) on a timely basis or prevent or timely detect unauthorized wire transfers, which could cause investors to lose confidence in our internal controls (including with respect to financial information), require significant resources to remediate the lapse or deficiency, and expose us to legal or regulatory proceedings. In the first quarter of 2023, we identified a material weakness in internal controls over financial reporting related to the prevention and timely detection of unauthorized wire transfers. Because the material weakness resulted in the inability to prevent and timely detect misappropriation of cash assets our management concluded that at March 31, 2023, the Company's internal control over financial reporting was ineffective.

We continue to evaluate, design and work through the process of implementing controls and procedures under a remediation plan designed to address this material weakness, but there can be no assurance that we will be able to remediate this material weakness in a timely manner or at all. If our remediation measures are insufficient to address the material weaknesses, or if additional material weaknesses or significant deficiencies in our internal control are discovered or occur in the future, our financial statements may contain material misstatements, we could experience another financial loss, or we could be required to restate our financial results, which could lead to substantial additional costs for accounting and legal fees and stockholder litigation.

Any failure to maintain such internal control could adversely impact our ability to report our financial position and results from operations on a timely and accurate basis, and result in unauthorized access to our assets, including through unauthorized wire transfers. If such unauthorized transfers are not prevented or detected in a timely manner, our financial position could be adversely affected. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock. In addition, we may face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from any restatement and material weaknesses in our internal controls over financial reporting. Any such litigation or dispute, whether successful or not, could have a material adverse effect on our business, results of operations and financial condition.

Cybersecurity risks and the failure to maintain the integrity of data could expose us to data loss, litigation and liability, which could adversely affect our results of operations and financial condition.

We collect and retain large volumes of data from employees and independent consultants, including credit card numbers and other personally identifiable information, for business purposes, including transactional and promotional purposes. Our various information technology systems enter, process, summarize and report such data. The integrity and protection of this data are critical to our business. We are subject to significant security and privacy regulations, as well as requirements imposed by the credit card industry.

Similarly, a failure to adhere to the payment card industry's data security standards could cause us to incur penalties from payment card associations, termination of our ability to accept credit or debit card payments, litigation and adverse publicity, any of which could have a material adverse effect on our business and financial condition.

Maintaining compliance with these evolving regulations and requirements could be difficult and may increase costs. In addition, a penetrated or compromised data system or the intentional, inadvertent or negligent release or disclosure of data could result in theft, loss or fraudulent or unlawful use of company, employee, consultant or guest data which could adversely affect our reputation, disrupt our operations, or result in remedial and other costs, fines or lawsuits, which could have a material adverse effect on our results of operations and financial condition. Although we take measures to protect the security, integrity and confidentiality of our data systems, we experience cyber-attacks of varying degrees and types on a regular basis. Our infrastructure may be vulnerable to these attacks, and in some cases, it could take time to discover them. Breaches of our data systems, or those of our vendors, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware or malware, employee or insider error, malfeasance, social engineering, vendor software supply chain compromises, physical breaches or other actions, could result in material interruptions or malfunctions in our or such vendors' websites, applications, data processing, or disruption of other business operations. For example, in February 2023 we were targeted by a sophisticated social engineering attack, in which a third party fraudulently induced personnel at our wholly owned subsidiary in Japan to make wire transfers totaling \$4.8 million. These and other attacks could result in additional losses and harm our business and results of operations.

For various reasons or circumstances, our employees may work remotely from time to time. During such times, remote access heightens the risk of a cyber-attack. Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information to gain access to our data or our users' or customers' data. Any such breach or unauthorized access could result in the unauthorized disclosure, misuse or loss of sensitive information and lead to significant legal and financial exposure, regulatory inquiries or investigations, loss of confidence by our sales force, disruption of our operations and damage to our reputation. These risks are heightened as we work with third-party partners and as our sales force uses social media, as the partners and social media platforms could be vulnerable to the same types of breaches.

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 that could adversely affect our results of operation and financial condition.

Some data we store, process and use, contains personal information, which subjects us to a variety of privacy, rights of publicity, data protection, content, protection of minors, and consumer protection laws and regulations in the United States and other countries. These laws and regulations are evolving in both the United States and in other countries. Such laws and regulations may impose significant fines or penalties and can be particularly restrictive. The application and interpretation of these laws and regulations are often uncertain and could result in investigations, claims, changes to our business practices, increased cost of operations and declines in growth, retention or engagement, any of which could have a material adverse effect on our results of operations and financial condition.

We cannot assure you that the privacy policies and other statements regarding our practices will be found sufficient to protect us from liability or adverse publicity relating to the privacy and security of personal information. Whether and how

existing domestic and international privacy and consumer protection laws and regulations apply is still uncertain and may take years to resolve. If privacy laws and regulations are drafted or interpreted broadly, they could be deemed to apply to the technology we use and could restrict our information collection methods or decrease the utility of information we would be permitted to store, process or use. The costs of compliance with these and other laws or regulatory actions may prevent us from selling our products, or increase the costs of doing so, and may affect our ability to invest in or develop products. In addition, a determination by a court or government agency that any of our practices, or those of our independent consultants, do not meet these standards could result in liability or adverse publicity, which could have a material adverse effect on our results of operations and financial condition.

System failures could adversely affect our results of operations and financial condition.

Like many companies, our business is highly dependent upon our information technology infrastructure (websites, accounting and manufacturing applications, and product and customer information databases) to manage effectively and efficiently our operations, including order entry, customer billing, accurate tracking of purchases and volume incentives and managing accounting, finance and manufacturing operations. The occurrence of a natural disaster, security breach or other unanticipated problem could result in interruptions in our day-to-day operations that could adversely affect our business. A long-term failure or impairment of any of our information systems could have a material adverse effect on our results of operations and financial condition.

Our business is subject to intellectual property risks.

Most of our products are not protected by patents. Restrictive regulations governing the precise labeling of ingredients and percentages for nutritional supplements, the large number of manufacturers that produce products with many active ingredients in common and the rapid change and frequent reformulation of products generally make obtaining patent protection for our products impractical. We have other intellectual property that we consider valuable, including trademarks for the Nature's Sunshine Products and Synergy names and logos. Our efforts to protect our intellectual property may be unsuccessful and third-parties may assert claims against us for infringement of intellectual property rights, which could result in us being required to obtain costly licenses for such rights, to pay royalties or to terminate our manufacturing of infringing products, all of which could have a material adverse effect on our results of operations and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk management and strategy

We regularly assess risks from cybersecurity threats; monitor our information systems for potential vulnerabilities; and test those systems pursuant to our cybersecurity policies, processes, and practices, which are integrated into our overall risk management program. To protect our information systems from cybersecurity threats, we use various security tools that are designed to help identify, escalate, investigate, resolve, and recover from security incidents in a timely manner. Our board of directors assesses risks based on probability and potential impact to key business systems and processes as part of our overall risk management program overseen by the by the Risk Management Committee of the Board of Directors. Our Data Breach Response Team performs annual cybersecurity tabletop incident response exercises, pursuant to our Data Breach Response Policy and Plan. Risks that are considered high are incorporated into our overall risk management program. We collaborate with third parties to assess the effectiveness of our cybersecurity prevention and response systems and processes. These include cybersecurity assessors, consultants, and other external cybersecurity experts to assist in the identification, verification, and validation of cybersecurity risks, as well as to support associated mitigation plans when necessary. We have also developed a third-party cybersecurity risk management process to conduct due diligence on external entities, including those that perform cybersecurity services. Cybersecurity threats, including those resulting from any previous cybersecurity incidents, have not materially affected our Company, including our business strategy, results of operations, or financial condition. See our risk factor "Cyber security risks and the failure to maintain the integrity of company, employee or guest data could expose us to data loss, litigation and liability, and our reputation could be significantly harmed" in Part I, Item 1A. "Risk Factors" for additional details regarding cybersecurity risks and potential impacts on our business.

Governance

Our Board of Directors oversees our risk management process, including as it pertains to cybersecurity risks, which focuses on the most significant risks we face in the short-, intermediate-, and long-term timeframe. Our Executive Director of Information and Technology Services (“IT Director”), who reports to our Chief Financial Officer, is responsible for the operational oversight of company-wide cybersecurity strategy, policy, and standards across relevant departments to assess and help prepare us to address cybersecurity risks. Our IT Director has multiple university certifications in advanced cybersecurity with over 30 years’ experience in cybersecurity and technology roles, most of which have been held with the Company. Meetings of our Risk Management Committee and Board of Directors include discussions and presentations from management regarding specific risk areas throughout the year, including, among others, those relating to cybersecurity threats, and reports from management on our enterprise risk profile on an annual basis. The Board of Directors reviews our cybersecurity risk profile with management on a periodic basis using key performance and/or risk indicators. These key performance indicators are metrics and measurements designed to assess the effectiveness of our cybersecurity program in the prevention, detection, mitigation, and remediation of cybersecurity incidents. We take a risk-based approach to cybersecurity and have implemented cybersecurity policies throughout our operations that are designed to address cybersecurity threats and incidents.

Item 2. Properties

Our corporate and Synergy offices are located in a facility in Lehi, Utah, that consists of approximately 61,000 square feet. This facility is leased from an unaffiliated third-party through a lease agreement which expires in 2029.

We own our principal warehousing and manufacturing facilities housed in a building consisting of approximately 270,000 square feet and located on approximately 10 acres in Spanish Fork, Utah.

We lease properties used primarily as distribution warehouses located in Georgia, Ohio, Texas and Utah, as well as offices and/or distribution warehouses in many of the countries in which we conduct business. For additional disclosure of leased properties, see Note 14, “Leases,” to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

We believe that our current facilities are adequate for our business operations.

Item 3. Legal Proceedings

Our legal proceedings are discussed in Note 11, “Commitments and Contingencies,” to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

Item 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities****Market and Share Prices**

Our common stock is traded on the NASDAQ Global Market (symbol “NATR”).

The approximate number of our shareholders of record as of February 23, 2024, was 1,224. This number of holders of record does not represent the actual number of beneficial owners of our common shares because shares are frequently held in “street name” by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Recent Sales of Unregistered Securities

None

Dividends

The declaration of future dividends is subject to the discretion of our Board of Directors and will depend upon various factors, including 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.

No dividend was paid for the year ended December 31, 2023.

Issuer Stock Purchases

The following table summarizes the purchases of our common stock during the quarter ended December 31, 2023:

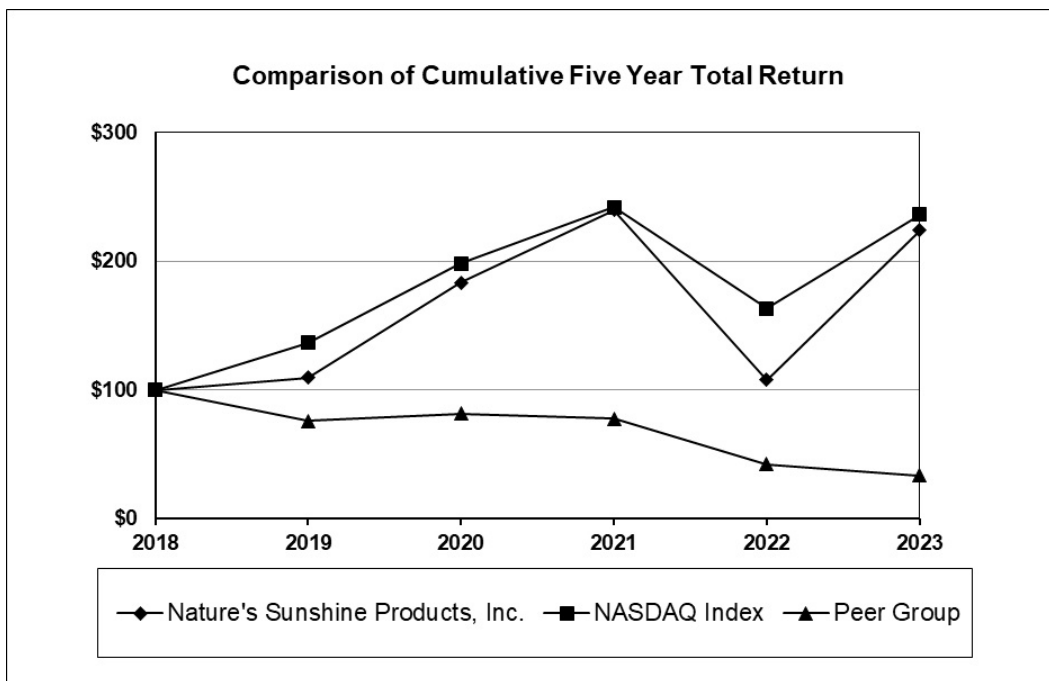
Periods	Total Number of Shares Purchased (in thousands)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in thousands)	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽¹⁾ (in thousands)
October 1, 2023 to October 31, 2023	24	16.4	24	
November 1, 2023 to November 30, 2023	173	17.28	173	
December 1, 2023 to December 31, 2023	47	\$ 16.82	47	
Total	<u>244</u>		<u>244</u>	\$ 17,598

(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. For the year ended December 31, 2023, we repurchased 424,000 shares of our common stock for \$6.4 million. At December 31, 2023, the remaining balance available for repurchases under the program was \$17.6 million.

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 and for any reason.

Performance Graph

The graph below depicts our common stock as an index, assuming \$100.00 was invested on December 31, 2018, along with the composite prices of companies listed on the NASDAQ Stock Market and a selection of our peer group. Standard & Poor’s Investment Services provided this information. The comparisons in the graph are not intended to forecast or be indicative of the possible future performance of our common stock. The publicly-traded companies that comprise this peer group include Herbalife International, Ltd., LifeVantage Corporation, NuSkin Enterprises, Inc. and USANA Health Sciences, Inc. We consider these companies to be representative of our peer group as they have similar product lines and distribution techniques.



The material in this section captioned “Performance Graph” is being furnished and shall not be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall the material in this section be deemed to be incorporated by reference in any registration statement or other document filed with the SEC under the Securities Act of 1933, except to the extent we specifically and expressly incorporate it by reference into such filing.

	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Nature’s Sunshine Products, Inc.	\$ 100.00	\$ 109.57	\$ 183.44	\$ 239.68	\$ 107.79	\$ 224.01
NASDAQ Index	100.00	136.69	198.10	242.03	163.28	236.17
Peer Group	100.00	75.99	81.74	77.64	42.37	33.34

Item 6. [Reserved]

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion highlights the principal factors that have affected our financial condition, results of operations, liquidity and capital resources for the periods described. This discussion should be read in conjunction with our consolidated financial statements and the related notes in Item 8, Part 2 of this report. This discussion contains forward-looking statements. Please see “Cautionary Note Regarding Forward-Looking Statements” for the risks, uncertainties and assumptions associated with these forward-looking statements.

OVERVIEW

Our Business, Industry and Target Market

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.

Eastern Europe

On February 24, 2022, Russian forces launched significant military action against Ukraine. There continues to be sustained conflict and disruption in the region, which is expected to endure for the foreseeable future. Our consultants in our Eastern Europe 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. For the years ended December 31, 2023 and 2022, we have recorded pretax charges of \$0 and \$1.0 million, respectively, primarily related to the impairment of inventory. 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.

Net sales related to Eastern Europe for the years ended December 31, 2023 and 2022, were \$54.3 million and \$53.3 million, respectively. Operating income related to Russia and Other for the years ended December 31, 2023 and 2022, were \$3.1 million and \$2.9 million, respectively, prior to the charges noted above. As of December 31, 2023, Russia and Other had assets of \$7.4 million, net of working capital reserves related to 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.

Inflation

Like many other companies, we are facing significant inflationary pressures in the global economy. Our operations have been, and may continue to be, adversely impacted by inflation, primarily from higher costs of raw materials, labor, production, distribution and transportation costs.

2023 Performance

In 2023, we experienced an increase in our consolidated net sales of 5.5 percent (or 7.3 percent in local currencies) compared to 2022. Asia net sales increased approximately 8.0 percent (or 12.7 percent in local currencies) compared to 2022. Europe net sales increased approximately 2.7 percent (or 1.3 percent in local currencies) compared to 2022. North America net sales increased approximately 4.9 percent (or 5.2 percent in local currencies) compared to 2022. Latin America and Other net sales decreased approximately 1.1 percent (or 3.5 percent in local currencies) compared to 2022. The strengthening of the U.S. dollar versus the local currencies, primarily in our Asian markets, resulted in an approximate 1.8 percent, or \$7.5 million, decrease of our net sales during the year ended December 31, 2023.

Cost of sales increased \$2.0 million during 2023, compared to the same period in 2022, and as a percentage of net sales were 27.9 percent and 29.0 percent for 2023 and 2022, respectively. The decrease in cost of sales percentage is primarily due to improvements in market mix, sales price increases, and gross margin improvement initiatives, partially offset by increases related to inflation and unfavorable foreign currency exchange. Part of the decrease also relates to prior-year inventory valuation reserves taken as a result of the conflict between Russia and Ukraine.

Selling, general and administrative expenses increased \$13.9 million during 2023, and as a percentage of net sales were 37.5 percent and 36.3 percent for 2023 and 2022, respectively. The increase was primarily related to compensation, marketing, and variable costs as a result of sales growth.

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.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“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, “Nature of Operations and Significant Accounting Policies,” to our Consolidated Financial Statements, in Item 8, Part 2 of this report. 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 2, “Revenue Recognition,” to our Consolidated Financial Statements, in Item 8, Part 2 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 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 the trips 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 in amounts greater or less than the amounts recorded. We had accrued incentive trip costs of approximately \$4.8 million and \$5.8 million at December 31, 2023 and 2022, respectively, which are included in accrued liabilities in the consolidated balance sheets.

Contingencies

We are involved in certain legal proceedings. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated, we recognize a liability within a best estimate 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 liability related to the contingency and revise the estimate. Revisions in estimates of the liabilities could materially affect our results of operations in the period of adjustment. Contingencies are discussed in further detail in Note 11, "Commitments and Contingencies," to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

Income Taxes

Our income tax expense, deferred tax assets and liabilities and contingent reserves reflect our 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 consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover deferred tax assets, we consider 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 when it is determined that net deferred tax assets are not likely to be realized in the foreseeable future. As of December 31, 2023 and 2022, we had recorded valuation allowances of \$18.5 million and \$18.0 million, respectively, as offsets to deferred tax assets.

At December 31, 2023, foreign subsidiaries had unused operating loss carryovers for tax purposes of approximately \$4.4 million. The net operating losses will expire at various dates from 2024 through 2034, with the exception of those in some foreign jurisdictions where there is no expiration. As of December 31, 2023, we had approximately \$16.7 million of foreign tax and withholding credits. Of the \$16.7 million credits, \$16.4 million are foreign tax credits, many of which expire in 2024 and a majority of which are offset by valuation allowances.

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.

PRESENTATION

Net sales represents gross sales including shipping and handling offset by discounts and volume rebates given to independent consultants. Volume rebates as a percentage of retail sales may vary by country, depending upon regulatory restrictions that limit or otherwise restrict rebates. We also offer reduced volume rebates with respect to certain products and promotions worldwide.

Our gross profit consists of net sales less cost of sales, which represents our manufacturing costs, the price we pay to raw material suppliers and manufacturers of our products, and duties and tariffs, as well as shipping and handling costs related to product shipments and distribution to our independent consultants.

Volume incentives are a significant part of our direct sales marketing program, and represent commission payments made to our independent consultants. These payments are designed to provide incentives for reaching higher sales levels through their own sales and the sales of independent consultants in their sales organization. Volume incentives vary slightly, on a percentage basis, by product due to our pricing policies and commission plans in place in various operations.

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

Most of our sales to independent consultants outside the United States are made in the respective local currencies. In preparing our consolidated financial statements, sales are translated into U.S. dollars using average exchange rates.

Additionally, the majority of our purchases from suppliers are generally made in U.S. dollars. Consequently, a strengthening of the U.S. dollar versus a foreign currency can have a negative impact on our reported sales and contribution margins and can generate transaction losses on intercompany payable balances in the local markets.

RESULTS OF OPERATIONS

The following table summarizes our consolidated net income (loss) from continuing operations results as a percentage of net sales for the periods indicated:

	Year Ended December 31,	
	2023	2022
Net sales	100.0 %	100.0 %
Cost of sales	(27.9)	(29.0)
Gross profit	72.1	71.0
Operating expenses:		
Volume incentives	30.4	30.9
Selling, general and administrative	37.5	36.3
Operating income	4.2	3.8
Other income (expense):		
Interest and other income, net	0.1	—
Interest expense	—	(0.1)
Foreign exchange losses, net	0.2	(0.2)
	0.3	(0.3)
Income before provision for income taxes	4.5	3.5
Provision for income taxes	0.9	3.5
Net income (loss)	3.6 %	— %

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 7A. *Quantitative and Qualitative Disclosures About Market Risk*.

Year Ended December 31, 2023, as Compared to the Year Ended December 31, 2022
Net Sales

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 years ended December 31, 2023 and 2022 (dollar amounts in thousands).

	Net Sales by Operating Segment				
	2023	2022	Percent Change	Impact of Currency Exchange	Percent Change Excluding Impact of Currency
Asia	\$ 201,251	\$ 186,292	8.0 %	\$ (8,773)	12.7 %
Europe	81,101	78,991	2.7 %	1,083	1.3 %
North America	139,804	133,214	4.9 %	(397)	5.2 %
Latin America and Other	23,164	23,413	(1.1)%	575	(3.5) %
	<u>\$ 445,320</u>	<u>\$ 421,910</u>	5.5 %	<u>\$ (7,512)</u>	7.3 %

Consolidated net sales for the year ended December 31, 2023, were \$445.3 million compared to \$421.9 million in 2022, or an increase of approximately 5.5 percent. The increase was related to product sales improvements in our Asia, Europe, and North America operating segments. Excluding the unfavorable impact of foreign currency exchange rate fluctuations, consolidated net sales for the year ended December 31, 2023 would have increased by 7.3 percent from 2022.

Asia

Net sales related to Asia for the year ended December 31, 2023, were \$201.3 million compared to \$186.3 million for 2022, an increase of 8.0 percent. In local currency, net sales increased by 12.7 percent compared to 2022. Fluctuations in foreign exchange rates had an \$8.8 million unfavorable impact on net sales for the year ended December 31, 2023.

Notable activity in the following markets contributed to the results of Asia:

In our South Korea market, net sales decreased approximately \$5.1 million, or 9.3 percent, for the year ended December 31, 2023, compared to 2022. Fluctuations in foreign exchange rates had a \$0.7 million unfavorable impact on net sales for the year ended December 31, 2023. In local currency, net sales decreased 8.0 percent compared to 2022. The decrease in net sales was primarily the result of a slower than anticipated response to our field activation initiatives, combined with inflationary and other macroeconomic factors.

In our Taiwan market, net sales increased approximately \$13.2 million, or 27.3 percent, for the year ended December 31, 2023, compared to 2022. Fluctuations in foreign exchange rates had a \$2.9 million unfavorable impact on net sales for the year ended December 31, 2023. In local currency, net sales increased 33.3 percent for the year ended December 31, 2023, compared to 2022. We attribute the growth in net sales primarily to effective execution of fundamentals within our sales force with a strong focus on leadership development and incentives intended to stimulate sales activity, as well as the opening of our new sales center in Kaohsiung, Taiwan.

In our Japan market, net sales increased approximately \$2.1 million, or 5.5 percent, for the year ended December 31, 2023, compared to 2022. Fluctuations in foreign exchange rates had a \$3.0 million unfavorable impact on net sales for the year ended December 31, 2023. In local currency, net sales increased 13.3 percent for the year ended December 31, 2023, compared to 2022. We attribute the growth in net sales primarily to effective execution of fundamentals within our sales force with a strong focus on product resale and leadership development in our key demographic.

In our China market, net sales increased approximately \$3.4 million, or 8.6 percent, for the year ended December 31, 2023, compared to 2022. Fluctuations in foreign exchange rates had a \$2.0 million unfavorable impact on net sales for the year ended December 31, 2023. In local currency, net sales increased 13.7 percent for the year ended December 31, 2023, compared to 2022. The increase in net sales was primarily the result of our digitally-focused, livestream business model, combined with strong execution and field activation.

Europe

Net sales related to Europe were \$81.1 million for the year ended December 31, 2023, compared to \$79.0 million for 2022, an increase of 2.7 percent. 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 a \$1.1 million favorable impact on net sales for the year ended December 31, 2023. Net sales increased primarily as a result of customers' relative acclimation to the conflict between Russia and Ukraine, as well as strong field activation, especially in Central Europe.

North America

Net sales related to North America for the year ended December 31, 2023, were \$139.8 million, compared to \$133.2 million for 2022, an increase of 4.9 percent. Fluctuations in foreign exchange rates had a \$0.4 million unfavorable impact on net sales for the year ended December 31, 2023. Excluding the impact of fluctuations in foreign exchange rates, local currency net sales in North America increased by 5.2 percent from 2022.

In the United States, net sales increased \$6.4 million, or 5.2 percent, for the year ended December 31, 2023, compared to 2022. The increase was primarily due to growth in our digital channel, along with an increase in new customers.

Latin America and Other

Net sales related to Latin America and Other markets for the year ended December 31, 2023, were \$23.2 million, compared to \$23.4 million for 2022, a decrease of 1.1 percent. Fluctuations in foreign exchange rates had a \$0.6 million favorable impact on net sales for the year ended December 31, 2023. Excluding the impact of fluctuations in foreign exchange rates, local currency net sales in Latin America and Other decreased by 3.5 percent from 2022.

Further information related to our Asia, Europe, North America, and Latin America and Other business segments is set forth in Note 12, "Operating Business Segment and International Operation Information," to our Consolidated Financial Statements, in Item 8, Part 2 of this report.

Cost of Sales

Cost of sales as a percent of net sales decreased to 27.9 percent in 2023, compared to 29.0 percent in 2022. The decrease in cost of sales percentage is primarily due to improvements in market mix, sales price increases, and gross margin improvement initiatives, partially offset by increases related to inflation and unfavorable foreign currency exchange. Part of the decrease also relates to prior-year inventory valuation reserves taken as a result of the conflict between Russia and Ukraine.

Volume Incentives

Volume incentives as a percent of net sales decreased to 30.4 percent in 2023, compared to 30.9 percent in 2022. These payments are designed to provide incentives for reaching higher sales levels. Volume incentives vary slightly, on a percentage basis, by product due to pricing policies and commission plans in place in the 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 for the year ended December 31, 2023 is primarily due to growth in our digital channel and changes in market mix, reflecting growth in channels and markets where volume incentives as a percentage of net sales are lower than the consolidated average.

Selling, General and Administrative Expenses

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 \$13.9 million to \$167.1 million for the year ended December 31, 2023. Selling, general and administrative expenses were 37.5 percent and 36.3 percent of net sales for the years ended December 31, 2023 and 2022, respectively. The dollar increase was primarily related to increased service fees in China, compensation, variable costs related to sales growth, and investments to drive digital growth and strategic initiatives. Additionally, the increase for the year ended December 31, 2023 was also driven by a pre-tax charge of \$5.7 million related to a

criminal scheme directed at one of our wholly owned subsidiaries in February 2023 and related investigation costs. See further discussion in Note 15, “Synergy Japan Loss,” to our Condensed Consolidated Financial Statements in Item 8, Part II of this report.

Other Income (Loss), Net

Other income (loss), net, for the years ended December 31, 2023 and 2022, was gains of \$1.5 million and losses of \$1.0 million, respectively. Other income (loss), for the year ended December 31, 2023 primarily consisted of foreign exchange gains and losses as a result of net changes in foreign currencies primarily in Asia.

Income Taxes

Our effective tax rate was 18.7 percent for 2023 compared to 96.4 percent for 2022. The decrease in the effective rate from 2022 to 2023 is primarily attributable to a valuation allowance recorded in the prior period against deferred tax assets for which we did not expect to receive a benefit. The effective rate for 2023 differed from the federal statutory rate of 21.0 percent primarily due to the following:

- Adjustments to valuation allowances increased the effective rate by 5.4 percent in 2023. Included was the effect of recording a valuation allowance on foreign tax credits which are not expected to be utilized before expiration along with the impact of current year foreign losses in foreign affiliates that currently do not provide tax benefit.
- Adjustments related to operations in foreign countries which are treated as a branch for US tax purposes increased the effective tax rate by 13.8 percent in 2023.
- Cumulative unfavorable adjustments related to foreign operations increased the tax rate by 4.8 percent in 2023. These adjustments relate to foreign items that are treated differently for tax purposes than they are for financial reporting purposes.
- Favorable adjustments from filing the prior year tax return decreased the rate 7.9 percent in 2023. These adjustments primarily related to a tax planning strategy implemented during the year.
- Adjustments relating to the U.S. tax impact of foreign operations decreased the effective tax rate by 25.3 percentage points in 2023. The components of this calculation were:

Components of U.S. tax impact of foreign operations	2023
Foreign tax credits	(26.7)%
Foreign tax rate differentials	0.4
Foreign withholding taxes	4.5
Transfer pricing adjustment	1.4
Impact of Subpart F	0.7
Impact of GILTI	(2.4)
Impact of FDII	(3.2)
Total	(25.3)%

Changes to the effective rate due to impact of foreign tax credits, foreign tax rate differentials, foreign withholding taxes, transfer pricing, Subpart F, GILTI and FDII are expected to be recurring; however, depending on various factors, the changes may be favorable or unfavorable for a particular period. Given the large number of jurisdictions in which we do business and the number of factors that can impact effective tax rates in any given year, this rate is likely to reflect significant fluctuations from year-to-year.

Year Ended December 31, 2022, as Compared to the Year Ended December 31, 2021

For a discussion regarding our financial condition and results of operations for fiscal 2022 compared to fiscal 2021, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 16, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash is to pay for operating expenses and costs, including volume incentives, inventory and raw material purchases, capital assets and funding of international expansion. As of December 31, 2023, working capital was \$89.1 million, compared to \$83.9 million as of December 31, 2022. At December 31, 2023, we had \$82.4 million in cash and cash

equivalents, of which \$67.0 million was held in our 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*):

	Year Ended December 31,	
	2023	2022
Operating activities	\$ 41,226	\$ 710
Investing activities	(10,478)	(7,628)
Financing activities	(7,956)	(16,246)

Operating Activities

For the year ended December 31, 2023, operating activities provided cash in the amount of \$41.2 million compared to \$0.7 million in 2022. Operating cash flows increased primarily due to improved net income, the timing of payments for accrued liabilities, accounts payable, reduced inventory purchases, and timing of receipts of accounts receivable.

Investing Activities

Cash used in investing activities includes cash paid for capital expenditures related to the purchase of equipment, computer systems and software. For the years ended December 31, 2023 and 2022, these amounts were \$10.5 million and \$7.6 million, respectively.

Financing Activities

For the year ended December 31, 2023, financing activities used \$8.0 million in cash, compared to \$16.2 million in cash used for the same period in 2022.

For the year ended December 31, 2023, we used cash to repurchase 424,000 shares of our common stock under the share repurchase program for \$6.4 million. At December 31, 2023, the remaining balance available for repurchases under the program was \$17.6 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"). At December 31, 2023, there was no outstanding balance under the Credit Agreement. During the year ended December 31, 2023, we made monthly payments of \$0.1 million pursuant to the Capital Credit Agreement. As of December 31, 2023, there was no outstanding balance under the Capital Credit Agreement. Our debt obligations are discussed in greater detail in Note 7, "Revolving Credit Facility and Other Obligations," to our Condensed Consolidated Financial Statements in Part II, Item 8 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.

In addition, other things such as a prolonged economic downturn, 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.

CONTRACTUAL OBLIGATIONS

The following table summarizes information about contractual obligations as of December 31, 2023 *(in thousands)*:

	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Operating lease obligations	\$ 16,555	\$ 5,341	\$ 6,241	\$ 4,456	\$ 517
Self-insurance reserves (1)	544	544	—	—	—
Other long-term liabilities reflected on the balance sheet (2)	747	—	—	—	747
Unrecognized tax benefits(3)	312	—	—	—	312
Revolving credit facility (4)	—	—	—	—	—
Total	\$ 18,158	\$ 5,885	\$ 6,241	\$ 4,456	\$ 1,576

- (1) At December 31, 2023, there were \$0.8 million of liabilities. We retain a significant portion of the risks associated with certain employee medical benefits and product liability insurance. Recorded liabilities for self-insured risks are calculated using actuarial methods and are not discounted. Amounts for self-insurance obligations are included in accrued liabilities and long-term other liabilities on the consolidated balance sheet.

We maintain product liability coverage to cover possible claims, and still maintain accruals for periods prior to obtaining coverage. Prior to this, we accrued \$0.3 million that we believe is sufficient to cover probable and reasonably estimable liabilities related to product liability claims based on our history of such claims. However, there can be no assurance that these estimates will prove to be sufficient, nor can there be any assurance that the ultimate outcome of any litigation for product liability will not have a material negative impact on our business prospects, financial position, results of operations or cash flows. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with the product liability obligations, we are unable to estimate the years in which cash settlement may occur.

- (2) At December 31, 2023, there were \$0.7 million of liabilities. We provide a nonqualified deferred compensation plan for our officers and certain key employees. Under this plan, participants may defer up to 100 percent of their annual salary and bonus (less the participant's share of employment taxes). The deferrals become an obligation owed to the participant by us under the plan. Upon separation of the participant from the service with us, the obligation owed to the participant under the plan will be paid as a lump sum or over a period of either three or five years. As we cannot easily determine when our officers and key employees will separate from us, we are unable to estimate the years in which cash settlement may occur.
- (3) At December 31, 2023, there were \$0.3 million of liabilities. Because of the high degree of uncertainty regarding the timing of future cash outflows associated with these liabilities, if any, we are unable to estimate the years in which cash settlement may occur with the respective tax authorities.
- (4) We entered into the revolving Credit Agreement with Bank of America, N.A., that permits us to borrow up to \$25.0 million through July 1, 2027, bearing interest at the greater of BSBY Daily Floating Rate or the Index Floor, plus 1.50 percent. We must pay an annual commitment fee of 0.25 percent on the unused portion of the commitment. At December 31, 2023, we had \$25.0 million available under this facility. At December 31, 2023, there was no outstanding balance under the Credit Agreement.

We have entered into long-term agreements with third-parties in the ordinary course of business, in which we have agreed to pay a percentage of net sales in certain regions in which we operate, or royalties on certain products. In 2023 and 2022, the aggregate amounts of these payments were \$8,000 and \$12,000, respectively.

Item 7A. 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.

Foreign Currency Risk

During the year ended December 31, 2023, approximately 71.0 percent of our net sales and approximately 63.6 percent of our operating expenses were realized outside of the United States. Inventory purchases are transacted primarily in U.S. dollars from vendors located in the United States. The local currency of each international subsidiary is generally the functional currency. We conduct business in multiple currencies with exchange rates that are not on a one-to-one relationship with the U.S. dollar. All revenues and expenses are translated at average exchange rates for the periods reported. Therefore, our operating results will be positively or negatively affected by a weakening or strengthening of the U.S. dollar in relation to another fluctuating currency. Given the uncertainty and diversity of exchange rate fluctuations, we cannot estimate the effect of these fluctuations on our future business, product pricing, results of operations or financial condition, but we have provided consolidated sensitivity analyses below of functional currency/reporting currency exchange rate risks. Changes in various currency exchange rates affect the relative prices at which we sell our products. We regularly monitor our foreign currency risks and periodically take measures to reduce the risk of foreign exchange rate fluctuations on our operating results. We do not use derivative instruments for hedging, trading or speculating on foreign exchange rate fluctuations. Additional discussion of the impact on the effect of currency fluctuations has been included in Management's Discussion and Analysis included in Part II, Item 7 of this report.

The following table sets forth a composite sensitivity analysis of net sales, costs and expenses and operating income in connection with the strengthening of the U.S. dollar (our reporting currency) by 10%, 15%, and 25% against every other fluctuating functional currency in which we conduct business. It is noted that individual net sales, cost and expense components and operating income were equally sensitive to increases in the strength of the U.S. dollar against every other fluctuating currency in which we conduct business.

Exchange rate sensitivity for the year ended December 31, 2023 (*dollar amounts in thousands*):

		With Strengthening of U.S. Dollar by:								
		10%			15%			25%		
		(\$)	(%)		(\$)	(%)		(\$)	(%)	
Net sales	\$ 445,320	\$ (22,873)	(5.1)	%	\$ (32,818)	(7.4)	%	\$ (50,320)	(11.3)	%
Cost and expenses:										
Cost of sales	124,193	(6,400)	(5.2)	%	(9,182)	(7.4)	%	(14,079)	(11.3)	%
Volume incentives	135,320	(8,257)	(6.1)	%	(11,846)	(8.8)	%	(18,164)	(13.4)	%
Selling, general and administrative	167,058	(4,503)	(2.7)	%	(6,460)	(3.9)	%	(9,906)	(5.9)	%
Operating income	\$ 18,749	\$ (3,713)	(19.8)	%	\$ (5,330)	(28.4)	%	\$ (8,171)	(43.6)	%

Certain of our operations, including Russia and Ukraine, are served by a U.S. branch through third-party entities, for which all business is conducted in U.S. dollars. Although changes in exchange rates between the U.S. dollar and the Russian ruble or the Ukrainian hryvnia do not result in currency fluctuations within our financial statements, a weakening or strengthening of the U.S. dollar in relation to these other currencies can significantly affect the prices of our products and the purchasing power of our independent consultants within these markets.

The following table sets forth a composite sensitivity analysis of our financial assets and liabilities by those balance sheet line items that are subject to exchange rate risk, together with the total gain or loss from the strengthening of the U.S. dollar in relation to our various fluctuating functional currencies. The sensitivity of our financial assets and liabilities, taken by balance sheet line items, is somewhat less than the sensitivity of our operating income to increases in the strength of the U.S. dollar in relation to other fluctuating currencies in which we conduct business.

Exchange Rate Sensitivity of financial assets and liabilities as of December 31, 2023 (*dollar amounts in thousands*):

	With Strengthening of U.S. Dollar by:					
	10%		15%		25%	
	(Loss) (\$)	(Loss) (%)	(Loss) (\$)	(Loss) (%)	(Loss) (\$)	(Loss) (%)
Financial Assets Included in Current Assets Subject to Exchange Rate Risk						
Cash and cash equivalents	\$ 82,373	\$ (5,680) (6.9) %	\$ (8,150) (9.9) %	\$ (12,497) (15.2) %		
Accounts receivable, net	8,827	(546) (6.2) %	(784) (8.9) %	(1,202) (13.6) %		
Financial Liabilities Included in Current Liabilities Subject to Exchange Rate Risk						
Accounts payable	7,910	(321) (4.1) %	(460) (5.8) %	(706) (8.9) %		
Net Financial Assets Subject to Exchange Rate Risk	\$ 83,290	\$ (5,905) (7.1) %	\$ (8,474) (10.2) %	\$ (12,993) (15.6) %		

The following table sets forth the local currencies other than the U.S. dollar in which our assets that are subject to exchange rate risk were denominated as of December 31, 2023, and represent a significant concentration upon translation into U.S. dollars. None of our liabilities that are denominated in a local currency other than the U.S. dollar and that are subject to exchange rate risk represent a significant concentration upon translation into U.S. dollars. We use the spot exchange rate for translating balance sheet items from local currencies into our reporting currency. The respective spot exchange rate for each such local currency meeting the foregoing thresholds is provided in the table as well.

Translation of Cash Amounts Denominated in Local Currency as of December 31, 2023 (*dollar amounts in thousands*):

	Translated into U.S. Dollars	At Spot Exchange Rate per One U.S. Dollar
Cash and Cash Equivalents		
China (Yuan Renminbi)	\$ 28,513	7.1
South Korea (Won)	5,662	1,294.5
Japan (Yen)	4,732	141.0
Canada (Dollar)	2,501	1.3
Poland (Zloty)	4,432	3.9
Other	16,643	Varies
Total foreign denominated cash and cash equivalents	62,483	
U.S. dollars held by foreign subsidiaries	4,565	
Total cash and cash equivalents held by foreign subsidiaries	\$ 67,048	

Finally, the following table sets forth the annual weighted-average of fluctuating currency exchange rates of each of the local currencies per one U.S. dollar for each of the local currencies in which annualized net sales would exceed \$10.0 million during any of the two periods presented. We used the annual average exchange rate for translating items from the statement of operations from local currencies into our reporting currency.

Year ended December 31,	2023	2022
Canada (Dollar)	1.3	1.3
China (Yuan Renminbi)	7.1	6.7
European Markets (Euro)	0.9	0.9
Japan (Yen)	140.1	130.5
South Korea (Won)	1,305.6	1,287.3
Poland (Zloty)	4.2	4.4
Taiwan (Dollar)	31.1	29.7

The local currency of the foreign subsidiaries is used as the functional currency, except for where our operations are served by a U.S. based subsidiary (for example, Russia and Ukraine). The financial statements of foreign subsidiaries, where the local currency is the functional currency, are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during each year for the results of operations. Adjustments resulting from translation of financial statements are reflected in accumulated other comprehensive loss, net of income taxes. Foreign currency transaction gains and losses are included in other income (expense) in the consolidated statements of operations.

The functional currency in highly inflationary economies is the U.S. dollar, and transactions denominated in the local currency are re-measured as if the functional currency were the U.S. dollar. The re-measurement of local currencies into U.S. dollars creates translation adjustments, which are included in the consolidated statements of operations. A country is considered to have a highly inflationary economy if it has a cumulative inflation rate of approximately 100 percent or more over a three-year period as well as other qualitative factors including historical inflation rate trends (increasing and decreasing), the capital intensiveness of the operation and other pertinent economic factors. During the years ended December 31, 2023 and 2022, we did not operate in any countries considered to be highly inflationary.

Interest Rate Risk

On December 31, 2023, we did not have any available for sale investments.

On December 31, 2023, we had no outstanding balance on our revolving credit line.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Nature's Sunshine Products, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nature's Sunshine Products, Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2023, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2024, expressed an adverse opinion on the Company's internal control over financial reporting, because of a material weakness.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Deferred Income Tax Assets—Valuation Allowance—Refer to Notes 1 and 8 to the financial statements

Critical Audit Matter Description

The Company recognizes deferred income taxes for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The Company files tax returns in multiple jurisdictions with complex tax laws and regulations. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized based on estimates of future taxable income.

The valuation of deferred tax assets was determined to be a critical audit matter due to taxable income across the multiple jurisdictions in which the Company files its tax returns and the complexity of the tax laws and regulations. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists, when performing audit procedures to evaluate the reasonableness of management's estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of future taxable income across multiple jurisdictions and the determination of whether it is more likely than not that the deferred tax assets will be realized included the following, among others:

- We tested the effectiveness of controls over the valuation allowance for deferred tax assets, including management's controls over the estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.
- We evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether a valuation allowance was necessary.
- With the assistance of our income tax specialists, we evaluated the sources of management's estimated future taxable income and the related impact on the determination of whether it is more likely than not that the deferred tax assets will be realized. This included evaluation of:
 - Whether the sources of taxable income were of the appropriate character and sufficient to utilize the deferred tax assets under the relevant tax law.
 - The timing of future reversals of existing temporary differences.
 - Tax planning strategies.
- We evaluated management's ability to accurately estimate future taxable income by comparing actual results to management's historical estimates.
- We evaluated the reasonableness of management's estimates of future taxable income by comparing the estimates to:
 - Historical taxable income.
 - Historical information for certain of its peer companies.
 - Internal communications to management and the Board of Directors.
 - Evidence obtained in other areas of the audit.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah
March 12, 2024

We have served as the Company's auditor since 2007.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

As of December 31,	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 82,373	\$ 60,032
Accounts receivable, net of allowance for doubtful accounts of \$142 and \$120, respectively	8,827	14,106
Inventories	66,895	67,949
Prepaid expenses and other	7,722	7,420
Total current assets	<u>165,817</u>	<u>149,507</u>
Property, plant and equipment, net	45,000	46,162
Operating lease right-of-use assets	13,361	16,145
Restricted investment securities - trading	747	702
Deferred income tax assets	15,064	6,859
Other assets	9,784	10,403
	<u>\$ 249,773</u>	<u>\$ 229,778</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,910	\$ 6,349
Accrued volume incentives and service fees	22,922	21,830
Accrued liabilities	33,162	25,591
Deferred revenue	1,794	2,255
Current installments of long-term debt and revolving credit facility	—	1,174
Income taxes payable	6,418	4,117
Current portion of operating lease liabilities	4,547	4,266
Total current liabilities	<u>76,753</u>	<u>65,582</u>
Liability related to unrecognized tax benefits	312	209
Long-term portion of operating lease liabilities	10,376	13,745
Deferred compensation payable	747	702
Long-term deferred income tax liabilities	1,401	1,439
Other liabilities	644	1,054
Total liabilities	<u>90,233</u>	<u>82,731</u>
Shareholders' equity:		
Common stock, no par value; 50,000 shares authorized, 18,875 and 19,093 shares issued and outstanding as of December 31, 2023, and 2022, respectively	119,694	121,583
Retained earnings	49,711	34,635
Noncontrolling interests	5,482	4,142
Accumulated other comprehensive loss	(15,347)	(13,313)
Total shareholders' equity	<u>159,540</u>	<u>147,047</u>
	<u>\$ 249,773</u>	<u>\$ 229,778</u>

See accompanying notes to consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share information)

Year Ended December 31,	2023	2022
Net sales	\$ 445,320	\$ 421,910
Cost of sales	(124,193)	(122,150)
Gross profit	321,127	299,760
Operating expenses:		
Volume incentives	135,320	130,377
Selling, general and administrative	167,058	153,125
Operating income	18,749	16,258
Other income (expense):		
Interest and other income, net	552	123
Interest expense	(69)	(249)
Foreign exchange (gains) losses, net	970	(917)
	1,453	(1,043)
Income from operations before provision for income taxes	20,202	15,215
Provision for income taxes	3,786	14,665
Net income	16,416	550
Net income attributable to noncontrolling interests	1,340	940
Net income (loss) attributable to common shareholders	\$ 15,076	\$ (390)
Basic and diluted net income (loss) per common share		
Basic earnings (loss) per share attributable to common shareholders	\$ 0.79	\$ (0.02)
Diluted earnings (loss) per share attributable to common shareholders	\$ 0.77	\$ (0.02)
Weighted-average basic common shares outstanding	19,066	19,326
Weighted-average diluted common shares outstanding	19,466	19,326

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)

Year Ended December 31,	2023	2022
Net income	\$ 16,416	\$ 550
Foreign currency translation loss (net of tax)	(2,034)	(3,108)
Total comprehensive income (loss)	14,382	(2,558)
Net income attributable to noncontrolling interests	1,340	940
Total comprehensive income (loss) attributable to common shareholders	<u>\$ 13,042</u>	<u>\$ (3,498)</u>

See accompanying notes to consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands, except per share data)

	Common Stock		Retained Earnings	Noncontrolling Interests	Accumulated Other Comprehensive Loss	Total
	Shares	Value				
Balance at January 1, 2022	19,724	\$ 133,382	\$ 35,025	\$ 3,202	\$ (10,205)	\$ 161,404
Share-based compensation expense	—	2,901	—	—	—	2,901
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	278	(1,129)	—	—	—	(1,129)
Repurchase of common stock	(909)	(13,571)	—	—	—	(13,571)
Net income (loss)	—	—	(390)	940	—	550
Other comprehensive loss	—	—	—	—	(3,108)	(3,108)
Balance at December 31, 2022	19,093	121,583	34,635	4,142	(13,313)	147,047
Share-based compensation expense	—	4,893	—	—	—	4,893
Shares issued from the exercise of stock options and vesting of restricted stock units, net of shares exchanged for withholding tax	206	(385)	—	—	—	(385)
Repurchase of common stock	(424)	(6,397)	—	—	—	(6,397)
Net income	—	—	15,076	1,340	—	16,416
Other comprehensive loss	—	—	—	—	(2,034)	(2,034)
Balance at December 31, 2023	18,875	\$ 119,694	\$ 49,711	\$ 5,482	\$ (15,347)	\$ 159,540

See accompanying notes to consolidated financial statements.

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

Year Ended December 31,	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 16,416	\$ 550
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	45	45
Depreciation and amortization	11,816	11,025
Noncash lease expense	4,417	4,657
Share-based compensation expense	4,893	2,901
Loss on disposal or sale of property and equipment	—	1,069
Deferred income taxes	(8,525)	6,603
Purchase of trading investment securities	—	(32)
Proceeds from sale of trading investment securities	97	134
Realized and unrealized (gains) losses on investments	(140)	160
Foreign exchange (gains) losses	(970)	917
Changes in operating assets and liabilities:		
Accounts receivable	4,921	(5,942)
Inventories	995	(8,841)
Prepaid expenses and other	(683)	552
Other assets	679	159
Accounts payable	1,422	(2,803)
Accrued volume incentives and service fees	1,242	(329)
Accrued liabilities	6,991	(5,608)
Deferred revenue	(456)	(1,235)
Lease liabilities	(4,707)	(4,654)
Income taxes payable	2,627	1,426
Liability related to unrecognized tax positions	103	218
Deferred compensation payable	43	(262)
Net cash provided by operating activities	<u>41,226</u>	<u>710</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(10,478)	(7,628)
Net cash used in investing activities	<u>(10,478)</u>	<u>(7,628)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	16,294	45,005
Principal payments of revolving credit facility	(16,294)	(45,005)
Principal payments of long-term debt	(1,174)	(1,244)
Principal payments of borrowings from related party	—	(302)
Payments related to tax withholding for net-share settled equity awards	(385)	(1,129)
Repurchase of common stock	(6,397)	(13,571)
Net cash used in financing activities	<u>(7,956)</u>	<u>(16,246)</u>
Effect of exchange rates on cash and cash equivalents	(451)	(2,988)
Net increase (decrease) in cash and cash equivalents	22,341	(26,152)
Cash and cash equivalents at beginning of the year	60,032	86,184
Cash and cash equivalents at end of the year	<u>\$ 82,373</u>	<u>\$ 60,032</u>

Year Ended December 31,	2023	2022
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net of refunds	\$ 9,264	\$ 5,609
Cash paid for interest	539	264
Supplemental disclosure of noncash investing, and financing activities:		
Purchases of property, plant and equipment included in accounts payable and accrued liabilities	590	375

See accompanying notes to consolidated financial statements.

NATURE'S SUNSHINE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

We are a natural health and wellness company primarily engaged in the manufacturing and direct selling 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 uses the products themselves or resells them to consumers.

We market our products in Austria, Belarus, Canada, China, Colombia, the Czech Republic, Denmark, the Dominican Republic, Ecuador, El Salvador, Finland, Germany, Guatemala, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Malaysia, Mexico, Moldova, Mongolia, the Netherlands, Norway, Panama, Poland, Russia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Taiwan, Thailand, Ukraine and the United States. We also market our products through a wholesale model to Australia, Chile, Israel, New Zealand, Norway and the United Kingdom.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and transactions of the Company and our subsidiaries. At December 31, 2023 and 2022, substantially all of our subsidiaries were wholly owned. Intercompany balances and transactions have been eliminated in consolidation. We consolidate the joint ventures in Hong Kong and China in our consolidated financial statements, with another party's interest presented as a noncontrolling interest. Additionally, we operate a limited number of markets in jurisdictions where local laws require the formation of a partnership with an entity domiciled in that market. These partners have no rights to participate in the sharing of revenues, profits, losses or distribution of assets upon liquidation of these partnerships.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States ("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 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.

Cash and Cash Equivalents

We consider all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. Substantially all of our cash deposits either exceed the United States federally insured limit or are located in countries that do not have government insured accounts or are subject to tax withholdings when repatriating earnings.

Accounts Receivable

Accounts receivable consist principally of receivables from credit card companies, arising from the sale of products to our independent consultants, and receivables from independent consultants in foreign markets. Accounts receivable have been reduced by an allowance for amounts that may be uncollectible in the future. However, due to the geographic dispersion of credit card and independent consultant receivables, the collection risk is not considered to be significant. Substantially all of the receivables from credit card companies were current as of December 31, 2023 and 2022. We maintain an allowance for potential credit losses that is based primarily on the aging category, historical trends and management's evaluation of the financial condition of account holder. This reserve is adjusted periodically as information about specific accounts becomes available.

Restricted Investment Securities

We have certain restricted investment securities classified as trading securities. We maintain our trading securities portfolio to generate returns that are offset by corresponding changes in certain liabilities related to our deferred compensation plans (see Note 10). The trading securities portfolio consists of marketable securities, which are recorded at fair value and are included in long-term restricted investment securities on the consolidated balance sheets because they remain our assets until they are actually paid out to the participants. These investment securities are not available to us to fund operations as they are restricted for the payment of the deferred compensation payable. We have established a rabbi trust to finance obligations under the plan. Both realized and unrealized gains and losses on trading securities are included in interest and other income.

Fair Value of Financial Instruments

Our financial instruments, consisting primarily of cash and cash equivalents, accounts receivable, investments, and accounts payable, approximate fair value due to their short-term nature. During the years ended December 31, 2023, and 2022, we did not have any write-offs related to the remeasurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

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 management's assumptions, additional inventory adjustments could be required.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives for buildings range from 20 to 50 years; building improvements range from 7 to 10 years; machinery and equipment range from 2 to 10 years; computer software and hardware range from 3 to 10 years; and furniture and fixtures range from 2 to 5 years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. Maintenance and repairs are expensed as incurred and major improvements are capitalized.

Other Assets

Other assets include lease deposits, deposits with third-party service providers, intangible assets, and deposits to operate in certain markets.

Impairment of Long-Lived Assets

We review our long-lived assets, such as property, plant and equipment and intangible assets, for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If an impairment indicator existed, we would use an estimate of future undiscounted net cash flows of the related assets or groups of assets over their remaining lives in measuring whether the assets were recoverable. An impairment loss would be calculated by determining the difference between the carrying values and the fair values of these assets.

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. We have accrued convention and meeting costs of \$4.8 million and \$5.8 million at December 31, 2023, and 2022, respectively, which are included in accrued liabilities in the consolidated balance sheets.

Foreign Currency Translation

The local currency of the foreign subsidiaries is used as the functional currency, except for our operations served by a U.S. based subsidiary (for example, Russia and Ukraine). The financial statements of foreign subsidiaries where the local currency is the functional currency are translated into U.S. dollars using exchange rates in effect at year end for assets and liabilities and average exchange rates during each year for the results of operations. Adjustments resulting from translation of financial statements are reflected in accumulated other comprehensive loss, net of income taxes. Foreign currency transaction gains and losses are included in other income (expense) in the consolidated statements of operations.

The functional currency in highly inflationary economies is the U.S. dollar and transactions denominated in the local currency are re-measured as if the functional currency were the U.S. dollar. The remeasurement of local currencies into U.S. dollars creates translation adjustments, which are included in the consolidated statements of operations. A country is considered to have a highly inflationary economy if it has a cumulative inflation rate of approximately 100 percent or more over a three-year period as well as other qualitative factors including historical inflation rate trends (increasing and decreasing), the capital intensiveness of the operation, and other pertinent economic factors. During the years ended December 31, 2023 and 2022, we did not operate in any countries considered to be highly inflationary.

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. Revenue recognition is discussed in further detail in Note 2.

Advertising Costs

Advertising costs are expensed as incurred and classified in selling, general and administrative expenses. Advertising expense incurred for the years ended December 31, 2023 and 2022, totaled approximately \$11.5 million and \$11.0 million, respectively.

Research and Development

All research and development costs are expensed as incurred and classified in selling, general and administrative expense. Total research and development expenses were approximately \$1.6 million and \$1.5 million for the years ended December 31, 2023 and 2022, respectively.

Contingencies

We are involved in certain legal proceedings. When a loss is considered probable in connection with litigation or non-income tax contingencies and when such loss can be reasonably estimated, we record our best estimate within a 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 liability related to the contingency and revise the estimates. Revisions in estimates of the liabilities could materially affect our results of operations in the period of adjustment. Our contingencies are discussed in further detail in Note 11.

Income Taxes

Our income tax expense includes amounts related to the United States and many foreign jurisdictions and is comprised of current year income taxes payable, changes in our deferred tax assets and liabilities and contingent reserves.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. Deferred tax assets are offset by a valuation allowance if it is believed to be more likely than not that some portion of the deferred tax asset will not be fully realized. In evaluating our ability to recover our deferred tax assets, we consider 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 we are using to manage the underlying businesses.

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.

Net Income Per Common Share

Basic net income 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.

The following is a reconciliation of the numerator and denominator of Basic EPS to the numerator and denominator of Diluted EPS for all years *(dollar and share amounts in thousands, except for per share information)*:

	2023	2022
Net income (loss) attributable to common shareholders:		
Net income (loss)	\$ 15,076	\$ (390)
Basic weighted-average shares outstanding	19,066	19,326
Basic earnings (loss) per share attributable to common shareholders:		
Net income (loss)	\$ 0.79	\$ (0.02)
Diluted Shares Outstanding:		
Basic weighted-average shares outstanding	19,066	19,326
Share-based awards	400	—
Diluted weighted-average shares outstanding	19,466	19,326
Diluted earnings (loss) per share attributable to common shareholders:		
Net income (loss)	\$ 0.77	\$ (0.02)
Potentially dilutive shares excluded from diluted-per-share amounts:		
Share-based awards	730	—
Potentially anti-dilutive shares excluded from diluted-per-share amounts:		
Share-based awards	25	1,234 (1)

(1) As a result of the net loss for year ended December 31, 2022, no potentially dilutive securities are included in the calculation of diluted loss per share because such effect would be anti-dilutive. Potentially dilutive securities for the year ended December 31, 2022 include 143 outstanding options to purchase shares of common stock and 1,091 restricted stock units.

For the years ended December 31, 2023 and 2022, potentially dilutive shares excluded from diluted-per-share amounts include performance-based restricted stock units (“RSU”), for which certain 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 years presented.

Share-Based Compensation

Our outstanding stock options include time-based stock options, which vest over differing periods ranging from the date of issuance up to 48 months from the option grant date.

Our outstanding RSUs include time-based RSUs, which vest over differing periods ranging from 12 months up to 36 months from the RSU grant date, as well as performance-based RSUs, which vest upon achieving targets relating to EBITDA growth, and/or stock price levels. RSUs granted to the Board of Directors contain a restriction period in which the shares are not issued until two years after vesting.

We recognize all share-based payments to Directors and employees, including grants of stock options and RSUs, in the statement of operations based on their grant-date fair values. We record compensation expense over the vesting period of the stock options and RSUs based on the fair value of the stock options and RSUs on the date of grant.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes in shareholders’ equity except those resulting from investments by, and distributions to, shareholders. Accordingly, our comprehensive income (loss) includes net income and foreign currency adjustments that arise from the translation of the financial statements of our foreign subsidiaries.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This ASU provides additional guidance on the improved reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. In addition, the amendments improve interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The amendments in this update were effective as of December 15, 2023. The adoption of this ASU did not have a significant impact on our Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This ASU provides additional guidance on the disclosure of income taxes on an annual basis and require all public business entities to disclose specific categories in the rate reconciliation, provide additional information on reconciling items, additional information about income taxes paid, and additional information about income tax expense from continuing operation. The amendments in this update are effective as of December 15, 2024. The adoption of this ASU is not expected to have a significant impact on our Consolidated Financial Statements.

NOTE 2: 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. 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. Sales returns for the years ended December 31, 2023 and 2022, were \$2.1 million and \$1.4 million, respectively.

Amounts billed to customers for shipping and handling are reported as a component of net sales. Shipping and handling revenues of approximately \$1.4 million and \$1.2 million were reported as net sales for the years ended December 31, 2023 and 2022, respectively.

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 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. Payments for sales incentives and rebates are calculated monthly based upon qualifying sales.

Taxes that have been assessed by governmental authorities and that are directly imposed on revenue-producing transactions between us and our customers, including sales, use, value-added, and some excise taxes, are presented on a net basis (excluded from net sales).

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 12, Segment Information, for further information on our reportable segments and our 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.

NOTE 3: INVENTORIES

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

As of December 31,	2023	2022
Raw materials	\$ 18,301	\$ 23,133
Work in process	1,218	1,713
Finished goods	47,376	43,103
Total inventory	<u>\$ 66,895</u>	<u>\$ 67,949</u>

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows (*dollar amounts in thousands*):

As of December 31,	2023	2022
Land and improvements	\$ 351	\$ 668
Buildings and improvements	32,853	32,055
Machinery and equipment	31,539	31,577
Furniture and fixtures	6,126	11,669
Computer software and hardware	68,887	61,180
	<u>139,756</u>	<u>137,149</u>
Accumulated depreciation and amortization	<u>(94,756)</u>	<u>(90,987)</u>
Total property, plant and equipment	<u>\$ 45,000</u>	<u>\$ 46,162</u>

Depreciation expense was \$11.8 million and \$11.0 million for the years ended December 31, 2023 and 2022, respectively.

Capitalized interest was immaterial for the years ended December 31, 2023 and 2022.

NOTE 5: INVESTMENT SECURITIES

Our trading securities portfolio totaled \$0.7 million and \$0.7 million at December 31, 2023 and 2022, respectively, and generated gains of \$0.1 million and losses of \$0.2 million, for the years ended December 31, 2023 and 2022, respectively.

NOTE 6: ACCRUED LIABILITIES

The composition of accrued liabilities is as follows (*dollar amounts in thousands*):

As of December 31,	2023	2022
Salaries and employee benefits	\$ 17,053	\$ 7,786
Sales, use and property tax (See Note 11)	3,345	2,754
Convention and meeting costs	4,763	5,787
Other	8,001	9,264
Total	\$ 33,162	\$ 25,591

NOTE 7: 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 \$25.0 million (the "Credit Agreement"). On June 23, 2022 the credit agreement was amended to extend the term to mature on July 1, 2027 and allows for additional borrowings of \$25.0 million or up to three separate increases of no less than \$5.0 million each, subject to the lender's due diligence. The amendment to the credit agreement also modified the calculation of interest. Interest under the amended Credit Agreement is the greater of BSBY Daily Floating Rate or the Index Floor, plus 1.50 percent (6.95 percent as of December 31, 2023), and an annual commitment fee of 0.25 percent on the unused portion of the commitment. At December 31, 2023, 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. We were in compliance with the debt covenants set forth in the Credit Agreement as of December 31, 2023.

On April 21, 2020, we entered into a credit agreement with Banc of America Leasing and Capital, LLC, with a borrowing limit of \$5.0 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 December 31, 2023, there was no outstanding balance under the Capital Credit Agreement.

NOTE 8: INCOME TAXES

Income from continuing operations before provision (benefit) for income taxes are taxed under the following jurisdictions (*dollar amounts in thousands*):

Year Ended December 31,	2023	2022
Domestic	\$ (15,962)	\$ (7,505)
Foreign	36,164	22,720
Total	\$ 20,202	\$ 15,215

Components of the provision (benefit) for income taxes for each of the two years in the period ended December 31, 2023 are as follows *(dollar amounts in thousands)*:

Year Ended December 31,	2023	2022
Current:		
Federal	\$ 1,875	\$ 2
State	361	(48)
Foreign	9,605	6,725
Subtotal	<u>11,841</u>	<u>6,679</u>
Deferred:		
Federal	(8,277)	5,792
State	(490)	(13)
Foreign	712	2,207
Subtotal	<u>(8,055)</u>	<u>7,986</u>
Total provision (benefit) for income taxes	<u>\$ 3,786</u>	<u>\$ 14,665</u>

The provision (benefit) for income taxes, as a percentage of income from continuing operations before provision (benefit) for income taxes, differs from the statutory U.S. federal income tax rate due to the following:

Year Ended December 31,	2023		2022	
Statutory U.S. federal income tax rate	21.0	%	21.0	%
State income taxes, net of U.S. federal income tax benefit	(0.4)		(0.5)	
U.S. tax impact of foreign operations	(25.3)		(8.6)	
Valuation allowance change	5.4		64.3	
Unrecognized tax benefits	1.8		1.4	
Permanent foreign items	4.8		4.3	
Withholding tax on royalties	5.1		4.2	
Executive compensation	1.2		2.7	
Stock compensation	(0.1)		(2.4)	
Tax return to provision differences	(7.9)		(3.4)	
Income eliminated in consolidation	13.8		13.1	
Other	(0.7)		0.3	
Effective income tax rate	<u>18.7</u>	<u>%</u>	<u>96.4</u>	<u>%</u>

Adjustments relating to the U.S. impact of foreign operations decreased the effective tax rate by 25.3 percentage points and 8.6 percentage points in 2023 and 2022, respectively. The components of this calculation were:

Components of U.S. tax impact of foreign operations	2023		2022	
Foreign tax credits	(26.7)	%	(19.4)	%
Foreign tax rate differentials	0.4		1.5	
Foreign withholding taxes	4.5		2.6	
Transfer pricing adjustment	1.4		1.2	
Impact of Subpart F	0.7		1.8	
Impact of GILTI	(2.4)		3.7	
Impact of FDII	(3.2)		—	
Total	<u>(25.3)</u>	<u>%</u>	<u>(8.6)</u>	<u>%</u>

The significant components of the deferred tax assets (liabilities) are as follows (*dollar amounts in thousands*):

As of December 31,	2023	2022
Inventory	\$ 1,881	\$ 1,612
Accrued liabilities	2,263	2,859
Operating lease liabilities	2,363	2,667
Deferred compensation	166	160
Share-based compensation	1,059	797
Intangible assets	101	115
Bad debts	23	9
Net operating losses	4,358	5,060
Foreign tax and withholding credits	16,707	15,392
Accrued compensation	2,178	304
Fixed assets	2,606	—
Other deferred tax assets	2,135	1,960
Valuation allowance	(18,534)	(18,049)
Total deferred tax assets	<u>17,306</u>	<u>12,886</u>
Accelerated depreciation	—	(4,029)
Right of use assets	(2,082)	(2,365)
Tax on unremitted earnings	(1,508)	(1,032)
Other deferred tax liabilities	(53)	(40)
Total deferred tax liabilities	<u>(3,643)</u>	<u>(7,466)</u>
Total deferred taxes, net	<u>\$ 13,663</u>	<u>\$ 5,420</u>

The components of deferred tax assets (liabilities), net are as follows (*dollar amounts in thousands*):

As of December 31,	2023	2022
Net deferred tax assets	\$ 15,064	\$ 6,859
Net deferred tax liabilities	(1,401)	(1,439)
Total deferred taxes, net	<u>\$ 13,663</u>	<u>\$ 5,420</u>

We have elected the period cost method (costs are treated as a current period expense when incurred) under U.S. GAAP as it relates to GILTI income inclusions in U.S. taxable income. Each reporting period we analyze our indefinite reinvestment assertions with respect to undistributed foreign earnings. As of December 31, 2023, we continue to assert that we do not intend to reinvest undistributed foreign earnings indefinitely in our foreign subsidiaries.

We have provided a valuation allowance of \$18.5 million and \$18.0 million as of December 31, 2023 and 2022, respectively, for certain deferred tax assets, including foreign net operating losses, for which we cannot conclude it is more likely than not that they will be realized. We reviewed our tax positions and increased the valuation allowance by approximately \$0.5 million in 2023. For financial reporting purposes, the increase in valuation allowances increases income tax expenses in the year recorded. At December 31, 2023, we had approximately \$16.7 million of foreign tax and withholding credits. Of the \$16.7 million credits, \$16.4 million are foreign tax credits, many of which expire in 2024 and a majority of which are offset by a valuation allowance.

At December 31, 2023, foreign subsidiaries had unused operating loss carryovers for tax purposes of approximately \$4.4 million, tax effected. The net operating losses will expire at various dates from 2024 through 2034, with the exception of those in some foreign jurisdictions where there is no expiration. The foreign net operating losses have a valuation allowance recorded against the portion expected to expire before utilization.

We are subject to regular audits by federal, state and foreign tax authorities. These audits may result in additional tax liabilities. We believe we have appropriately provided for income taxes for all years. Several factors drive the calculation of our tax reserves. Some of these factors include: (i) the expiration of various statutes of limitations; (ii) changes in tax law and

regulations; (iii) the issuance of tax rulings; and (iv) settlements with tax authorities. Changes in any of these factors may result in adjustments to our reserves, which would impact our reported financial results.

Our U.S. federal income tax returns for 2020 through 2022 are open to examination for federal tax purposes. We have several foreign tax jurisdictions that have open tax years from 2018 through 2022.

The total outstanding balance for liabilities related to unrecognized tax benefits at December 31, 2023 and 2022 was \$0.6 million and \$0.2 million, respectively, all of which would favorably impact the rate if recognized. Included in these amounts is approximately \$0.1 million and \$0.1 million, respectively, of combined interest and penalties. We increased interest and penalties approximately \$13,000 and \$0.1 million for the years ended December 31, 2023 and 2022, respectively. We account for interest expense and penalties for unrecognized tax benefits as part of our income tax provision.

During the years ended December 31, 2023 and 2022, we added approximately \$0.4 million and \$0.2 million, respectively, to our liability for unrecognized tax benefits.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax benefits, excluding interest and penalties, is as follows for the years *dollar amounts in thousands*:

Year Ended December 31,	2023	2022
Unrecognized tax benefits, opening balance	\$ 110	\$ —
Settlement of liability reclassified as income tax payable	—	—
Payments on liability	—	(5)
Tax positions taken in a prior period		
Gross increases	360	120
Gross decreases	—	—
Tax positions taken in the current period		
Gross increases	—	—
Gross decreases	—	—
Lapse of applicable statute of limitations	—	—
Currency translation adjustments	1	(5)
Unrecognized tax benefits, ending balance	<u>\$ 471</u>	<u>\$ 110</u>

We do not anticipate a significant change to liabilities related to unrecognized tax benefits within the next twelve months.

Although we believe our estimates are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which it has 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.

NOTE 9: CAPITAL TRANSACTIONS

Dividends

The declaration of 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 in common shares. The repurchases may be made from time to time as market conditions warrant and are subject to regulatory considerations. For the year ended December 31, 2023, we repurchased 424,000 shares of our common stock for \$6.4 million. At December 31, 2023, the remaining balance available for repurchases under the program was \$17.6 million.

Share-Based Compensation

During the year ended December 31, 2012, our shareholders adopted and approved the 2012 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 common stock were originally authorized for the granting of awards under the 2012 Stock 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 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 ranging from the date of issuance up to 48 months from the option grant date.

Stock option activity for 2023 and 2022 consisted of the following (*share amounts in thousands, except for per share information*):

	Number of Shares	Weighted- Average Exercise Price Per Share	Weighted-Average Grant Date Fair Value
Options outstanding at January 1, 2022	172	\$ 12.13	\$ 5.05
Granted	—	—	—
Forfeited or canceled	—	—	—
Exercised	(29)	9.17	3.92
Options outstanding at December 31, 2022	143	12.72	5.28
Granted	—	—	—
Forfeited or canceled	(41)	14.59	7.02
Exercised	(27)	13.88	6.53
Options outstanding at December 31, 2023	75	\$ 11.25	\$ 3.85

There was no Share-based compensation expense from stock options for the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, there were no unrecognized share-based compensation cost related to grants described above.

For the years ended December 31, 2023 and 2022, we issued 27,000 and 29,000 shares of common stock upon the exercise of stock options at an average exercise price of \$13.88 and \$9.17 per share, respectively. The aggregate intrinsic values of options exercised during the years ended December 31, 2023 and 2022 was \$0.1 million and \$0.3 million, respectively. For the years ended December 31, 2023 and 2022, we recognized \$0.1 million and \$0.1 million of tax benefits from the exercise of stock options during the period, respectively.

At December 31, 2023, the aggregate intrinsic value of outstanding and exercisable options to purchase 75,000 shares of common stock was \$0.5 million. At December 31, 2022, the aggregate intrinsic value of outstanding and exercisable options to purchase 143,000 shares of common stock was \$0.

As of December 31, 2023 and 2022, we had no unvested options outstanding.

Restricted Stock Units

Our outstanding restricted stock units (“RSUs”), include time-based RSUs, which vest over differing periods ranging from 12 months up to 36 months from the RSU grant date, as well as performance-based RSUs, which vest upon achieving targets relating to EBITDA growth, 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 December 31, 2023 and 2022, there were 100,000 and 94,000 vested RSUs, respectively, granted to members of the Board of Directors that had a restriction period.

Restricted stock unit activity for the years ended December 31, 2023 and 2022 is as follows: *(share amounts in thousands, except per share information)*:

	Number of Shares	Weighted-Average Grant Date Fair Value
Units outstanding at January 1, 2022	830	\$ 9.46
Granted	881	10.30
Issued	(331)	7.56
Forfeited	(289)	9.27
Units outstanding at December 31, 2022	1,091	10.76
Granted	548	10.91
Issued	(234)	5.00
Forfeited	(63)	10.12
Units outstanding at December 31, 2023	1,342	\$ 11.21

During the year ended December 31, 2023, we granted 548,000 RSUs of common stock under the 2012 Incentive Plan to our board, executive officers and other employees, which are composed of both time-based RSUs and adjusted EBITDA performance-based RSUs. The time-based RSUs were granted with a weighted-average grant date fair value \$10.91 per share and vest in 12 monthly installments over a one year period from the grant date or in annual installments over three year period from the grant date. The adjusted EBITDA performance-based RSUs were issued with a weighted-average grant date fair value of \$10.74 per share and vest upon achieving adjusted EBITDA targets and maintaining those targets over a four-quarter period from the grant date.

During the year ended December 31, 2022, we granted 881,000 RSUs of common stock under the 2012 Incentive Plan to our board, executive officers and other employees, which are composed of both time-based RSUs and share-price performance-based RSUs. The time-based RSUs were granted with a weighted-average grant date fair value of \$10.76 per share and vest in 12 monthly installments over a one year period from the grant date or in annual installments over a three year period from the grant date. The share-price performance-based RSUs were granted with a weighted-average grant date fair value of \$6.01 per share and vest upon achieving share-price targets over a three year period from the grant date.

Except for share-price performance-based RSUs, RSUs are valued at the 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 11.9 percent for a common share.

Share-based compensation expense related to time-based RSUs for the period ended December 31, 2023 and 2022 was approximately \$0.7 million and \$1.9 million, respectively. As of December 31, 2023, and 2022, the unrecognized share-based compensation expense related to the grants described above, excluding incentive awards discussed below, was \$2.9 million and \$3.0 million, respectively. As of December 31, 2023, the remaining compensation expense is expected to be recognized over the weighted-average period of approximately 0.7 years.

Share-based compensation expense related to performance-based RSUs for the years ended December 31, 2023 and 2022, was approximately \$0.2 million and \$1.0 million, respectively. Should we attain all of the metrics related to the performance-based RSU grant, we would recognize up to \$5.8 million of potential share-based compensation expense. We currently expect to recognize an additional \$2.7 million of that potential share-based compensation expense.

The number of shares issued upon vesting or exercise for restricted stock units granted, pursuant to our share-based compensation plans, is net of shares withheld to cover the minimum statutory withholding requirements that we pay on behalf of our employees, which was 56,000 and 81,000 shares for the years ended December 31, 2023 and 2022, 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.

NOTE 10: EMPLOYEE BENEFIT PLANS

Deferred Compensation Plans

We sponsor a qualified deferred compensation plan which qualifies under Section 401(k) of the Internal Revenue Code. During 2023, we made matching contributions of 58.0 percent of employee contributions up to a maximum of 6.0 percent of the employee's compensation. Our contributions to the plan vest after a period of three years. During 2023 and 2022, we contributed to the plan \$1.0 million and \$1.0 million, respectively.

We provide a nonqualified deferred compensation plan for our officers and certain key employees. Under this plan, participants may defer up to 100 percent of their annual salary and bonus. Although participants direct the investment of these funds, they are classified as trading securities and are included in long-term investment securities on the consolidated balance sheets because they remain our assets until they are actually paid out to the participants. We have established a trust to finance obligations under the plan. At the end of each year and at other times provided under the plan, we adjust our obligation to a participant by the investment return or loss on the funds selected by the participant under rules established in the plan. Upon separation of employment of the participant with the Company, the obligation owed to the participant under the plan will be paid as a lump sum or over a period of either three or five years (and will continue to be adjusted by the applicable investment return or loss during the period of pay-out). We had deferred compensation plan assets of approximately \$0.7 million and \$0.7 million as of December 31, 2023, and 2022, respectively. The change in the liability associated with the deferred compensation plan is recorded in the deferred compensation payable.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Contractual Obligations

We have entered into long-term agreements with third-parties in the ordinary course of business, in which we have agreed to pay a percentage of net sales in certain regions in which we operate, or royalties on certain products. In 2023 and 2022, the aggregate amounts of these payments were \$8,000 and \$12,000, respectively.

Legal Proceedings

We are party to various legal proceedings. Management cannot predict the ultimate outcome of these proceedings, 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, no assurances can be given that such insurance will continue to be available at an acceptable cost to us, that such coverage will be sufficient to cover one or more large claims, or that the insurers will not 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 December 31, 2023 and 2022, accrued liabilities include \$0.2 million and \$0.3 million related to non-income tax contingencies, respectively. While we believe that the assumptions and estimates used to determine this liability 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 \$3.4 million.

Other Litigation

We are party to various other legal proceedings in the United States and several foreign jurisdictions related to value-added tax assessments and other civil litigation. We have accrued \$0.5 million related to the estimated outcome of these proceedings as of December 31, 2023. In addition, we are party to other litigation where there is a reasonable possibility that a loss may be incurred, 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 \$0.4 million. During the years ended December 31, 2023 and 2022, we made payments of \$0.1 million and \$0, respectively, related to the settlement of litigation.

Self-Insurance Liabilities

Similar to other manufacturers and distributors of products that are ingested, we face an inherent risk of exposure to product liability claims in the event that, among other things, the use of our products results in injury. During 2017, we secured product liability coverage to cover possible claims. Such insurance may not be sufficient to cover one or more large claims, or the insurer may successfully disclaim coverage as to a pending or future claim. As a result, there can be no assurance that the ultimate outcome of any litigation for product liability will not have a material negative impact on our business prospects, financial position, results of operations or cash flows. Subsequent to obtaining the product liability coverage, we have recorded a reserve which is an estimate of potential costs.

We self-insure for certain employee medical benefits. The recorded liabilities for self-insured risks are calculated using actuarial methods and are not discounted. The liabilities include amounts for actual claims and claims incurred but not reported. Actual experience, including claim frequency and severity as well as health care inflation, could result in actual liabilities being more or less than the amounts currently recorded.

We review our self-insurance accruals on a quarterly basis and determine, based upon a review of our recent claims history and other factors, which portions of our self-insurance accruals should be considered short-term and long-term. We have accrued \$0.8 million and \$1.1 million for product liability and employee medical claims at December 31, 2023 and 2022, respectively, of which \$0.5 million and \$0.8 million was classified as short-term. Such amounts are included in accrued liabilities and other long-term liabilities on our consolidated balance sheets.

Government Regulations

We are subject to governmental regulations pertaining to product formulation, labeling and packaging, product claims and advertising, and to our direct selling system. We are also subject to the jurisdiction of numerous foreign tax and customs authorities. Any assertions or determinations that either us or our independent consultants are not in compliance with existing statutes, laws, rules or regulations could potentially have a material adverse effect on our operations. In addition, in any country or jurisdiction, the adoption of new statutes, laws, rules or regulations, or changes in the interpretation of existing statutes, laws, rules or regulations could have a material adverse effect on us and our operations. Although we believe that we are in compliance, in all material respects, with the statutes, laws, rules and regulations of every jurisdiction in which we operate, no assurance can be given that our compliance with applicable statutes, laws, rules and regulations will not be challenged by foreign authorities or that such challenges will not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 12: OPERATING BUSINESS SEGMENT AND INTERNATIONAL OPERATION 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.

Reportable business segment information for the years ended December 31, 2023 and 2022 is as follows (dollar amounts in thousands):

Year Ended December 31,	2023	2022
Net sales:		
Asia	\$ 201,251	\$ 186,292
Europe	81,101	78,991
North America	139,804	133,214
Latin America and Other	23,164	23,413
Total net sales	<u>445,320</u>	<u>421,910</u>
Contribution margin (1):		
Asia	96,365	85,876
Europe	25,456	25,911
North America	54,877	47,615
Latin America and Other	9,109	9,981
Total contribution margin	<u>185,807</u>	<u>169,383</u>
Selling, general and administrative (2)		
	167,058	153,125
Operating income	<u>18,749</u>	<u>16,258</u>
Other income (loss), net		
	1,453	(1,043)
Income before provision for income taxes	<u>\$ 20,202</u>	<u>\$ 15,215</u>

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

(2) Service fees in China totaled \$16.6 million and \$14.9 million for the years ended December 31, 2023 and 2022, respectively. These service fees are included in our selling, general and administrative expenses.

Year Ended December 31,	2023	2022
Capital expenditures:		
Asia	\$ 1,882	\$ 1,830
Europe	138	57
North America	8,431	5,573
Latin America and Other	27	168
Total capital expenditures	<u>\$ 10,478</u>	<u>\$ 7,628</u>
Depreciation and amortization:		
Asia	\$ 1,812	\$ 1,856
Europe	54	123
North America	9,890	8,863
Latin America and Other	60	183
Total depreciation and amortization	<u>\$ 11,816</u>	<u>\$ 11,025</u>

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As of December 31,	2023	2022
Assets:		
Asia	\$ 105,636	\$ 95,362
Europe	20,920	15,773
North America	116,052	112,319
Latin America and Other	7,165	6,324
Total assets	<u>\$ 249,773</u>	<u>\$ 229,778</u>

From an individual country/region perspective, only the United States, South Korea and Taiwan comprise 10 percent or more of consolidated net sales for the years ended December 31, 2023 and 2022 as follows (*dollar amounts in thousands*):

Year Ended December 31,	2023	2022
Net sales:		
United States	\$ 129,305	\$ 122,863
Taiwan	61,691	48,474
South Korea	49,845	54,935
Other	204,479	195,638
Total net sales	<u>\$ 445,320</u>	<u>\$ 421,910</u>

Revenue generated by each of our product lines is set forth below (*dollars in thousands*):

Year Ended December 31,	2023	2022
Asia:		
General health	\$ 69,037	\$ 53,603
Immunity	5,420	3,283
Cardiovascular	57,771	55,312
Digestive	36,434	37,457
Personal care	5,586	9,205
Weight management	27,003	27,432
	<u>201,251</u>	<u>186,292</u>
Europe:		
General health	\$ 34,709	\$ 34,438
Immunity	8,222	8,489
Cardiovascular	9,143	9,380
Digestive	22,111	20,024
Personal care	4,977	4,854
Weight management	1,939	1,806
	<u>81,101</u>	<u>78,991</u>
North America:		
General health	\$ 63,742	\$ 64,488
Immunity	16,124	14,966
Cardiovascular	14,959	14,383
Digestive	34,628	28,490
Personal care	6,476	6,212
Weight management	3,875	4,675
	<u>139,804</u>	<u>133,214</u>
Latin America and Other:		
General health	\$ 6,286	\$ 6,728
Immunity	2,703	2,901
Cardiovascular	1,718	1,662
Digestive	10,693	10,040
Personal care	1,262	1,399
Weight management	502	683
	<u>23,164</u>	<u>23,413</u>
Total net sales	<u>\$ 445,320</u>	<u>\$ 421,910</u>

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

As of December 31	2023	2022
Property, plant and equipment, net		
United States	\$ 41,239	\$ 42,389
Other	3,761	3,773
Total property, plant and equipment	<u>\$ 45,000</u>	<u>\$ 46,162</u>

NOTE 13: FAIR VALUE

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 assets measured at fair value on a recurring basis as of December 31, 2023 *(dollar amounts in thousands)*:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Restricted investment securities - trading	\$ 747	\$ —	\$ —	\$ 747
Total assets measured at fair value on a recurring basis	\$ 747	\$ —	\$ —	\$ 747

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

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Restricted investment securities - trading	\$ 702	\$ —	\$ —	\$ 702
Total assets measured at fair value on a recurring basis	\$ 702	\$ —	\$ —	\$ 702

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

For the years ended December 31, 2023 and 2022, there were no fair value measurements using significant other observable inputs (Level 2) or significant unobservable inputs (Level 3).

During the years ended December 31, 2023 and 2022, we did not have any re-measurements of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

NOTE 14: LEASES

We lease certain retail stores, warehouses, distribution centers, office spaces and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. For leases beginning in 2019 and later, we account for lease components including rent, real estate taxes and insurance costs separately from non-lease components, like common-area maintenance fees. Most of our leases include one or more options to renew, with renewal terms that can extend the lease term for one or more years. The exercise of the lease option to renew is solely at our discretion.

Operating lease costs were approximately \$5.2 million and \$5.3 million for the years ended December 31, 2023 and 2022, respectively. Short-term lease costs were approximately \$1.0 million and \$1.2 million for the years ended December 31, 2023 and 2022, respectively. Operating lease costs were offset by sublease income of \$0.3 million and \$0 for the years ended December 31, 2023 and 2022, respectively. Short-term lease costs represent our costs with respect to leases with a duration of 12 months or less and are not reflected on our Consolidated Balance Sheets.

Information related to the Company's operating right-of-use assets and related operating lease liabilities were as follows *(dollar amounts in thousands, except lease term and discount rate)*:

As of December 31,	2023	2022
Assets:		
Operating lease right-of-use assets	\$ 13,361	\$ 16,145
Liabilities:		
Current	4,547	4,266
Long-term	10,376	13,745
Total operating lease liabilities	\$ 14,923	\$ 18,011
Weighted-average remaining lease term	4.1	5.1
Weighted-average discount rate	4.15 %	3.91 %
Year Ended December 31,	2023	2022
Cash paid for operating lease liabilities	\$ 5,504	\$ 5,579
Right-of-use assets obtained in exchange for new operating lease obligations	1,184	3,181
Cancellations or adjustments of leases that resulted in the reduction of lease assets in exchange for lease liabilities	\$ (27)	\$ (216)

There were no material operating leases that we have entered into and that were yet to commence as of December 31, 2023.

The approximate aggregate commitments under non-cancelable operating leases in effect at December 31, 2023, were as follows *(dollar amounts in thousands)*:

Year Ending December 31,	
2024	\$ 5,341
2025	3,406
2026	2,835
2027	2,356
2028	2,100
Thereafter	517
Total lease payments	\$ 16,555
Less: Imputed interest (1)	1,632
Present value of lease liabilities	\$ 14,923

(1) Calculated using our corporate borrowing rate based on the term of each lease ranging from 3.00 percent to 6.89 percent.

NOTE 15: SYNERGY JAPAN LOSS

On February 17, 2023, we became aware that Synergy Worldwide Japan G.K., a Japan entity and wholly owned subsidiary of the Company ("Synergy Japan"), was the victim of a criminal scheme involving employee impersonation and fraudulent requests targeting Synergy Japan. The criminal scheme resulted in a series of fraudulently induced wire transfers between February 1, 2023, and February 17, 2023 totaling \$4.8 million. We promptly launched an investigation, led by an independent third party, to determine the full extent of the fraud scheme and related potential exposure. We self-discovered this fraudulent activity and promptly initiated contact with our bank as well as appropriate law enforcement authorities in an effort to, among other things, recover the transferred funds. To date, we have not found any evidence of additional fraudulent activity and do not believe the incident resulted in any unauthorized access to confidential consumer information or other data maintained by the Company.

As a result of this matter, we incurred investigation and other professional fees of \$0.9 million net of recoveries, which along with the initial \$4.8 million loss, were recorded in Selling, General and Administrative expense for the year ended December 31, 2023. This incident did not otherwise have a material impact on our business.

Item 9. Change In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

This report includes the certifications of our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer required by Rule 13a-14 of the Securities Exchange Act of 1934 (the “Exchange Act”). See Exhibits 31.1, 31.2 and 31.3. This Item 9A includes information concerning the controls and control evaluations referred to in those certifications.

Overview

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to management and our board of directors that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation and presentation of financial statements for external purposes in accordance with U.S. GAAP. All internal control systems, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management regularly monitors our internal control over financial reporting, and actions are taken to correct any deficiencies as they are identified.

The following discussion sets forth a summary of management’s evaluation of our disclosure controls and procedures as of December 31, 2023. In addition, this item provides management’s report on internal control over financial reporting as of December 31, 2023.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are designed to ensure that 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.

In connection with the preparation of our Annual Report as of December 31, 2023, 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 December 31, 2023. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of December 31, 2023, due to the material weakness in internal controls over financial reporting described below.

Management’s Report on Internal Control over Financial Reporting

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in “*Internal Control—Integrated Framework (2013)*” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management’s assessment under this framework, management has concluded that our internal control over financial reporting were not effective as of December 31, 2023, due to the material weakness in internal controls over financial reporting described below.

Material Weakness

As previously disclosed in our Current Report on Form 8-K filed on February 24, 2023, we determined that Synergy Worldwide Japan G.K., a Japan entity and wholly owned subsidiary of the Company (“Synergy Japan”), was the victim of a criminal scheme involving employee impersonation and fraudulent requests targeting Synergy Japan. The criminal scheme resulted in a series of fraudulently induced unauthorized wire transfers between February 1, 2023, and February 17, 2023, totaling \$4.8 million. We determined that our internal controls were not properly designed or operating effectively to prevent unauthorized wire transfers by Synergy Japan. This material weakness in our controls resulted in the inability to prevent this misappropriation of our cash assets in Synergy Japan.

Our internal control over financial reporting as of December 31, 2023 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Plan of Remediation of Material Weakness

Immediately following the incident, we initiated a reassessment of our processes and controls related to wire transfers and developed an action plan to remediate this matter, which included the following control enhancements:

- enhancing the design of approval requirements for wire transfers;
- enhancing the design of controls within online banking platforms;
- increasing the centralization and review processes associated with cash management; and
- increasing internal communication to heighten awareness and emphasize the importance of exercising professional skepticism and judgment.

These remediation efforts are still in process and significant work has been completed. A material weakness in internal control over financial reporting is a matter that may require an extended period to correct. We will continue to evaluate, design and implement policies and procedures to address this material weakness.

The material weakness will not be considered remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control over Financial Reporting

Other than the material weakness described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) that occurred during the fourth quarter ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Nature's Sunshine Products, Inc.:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Nature's Sunshine Products, Inc. and subsidiaries (the "Company") as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2023 and 2022, and related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2023, of the Company and our report dated March 12, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: The Company determined that its internal controls were not properly designed or operating effectively to prevent unauthorized wire transfers by Synergy Japan. This material weakness in the Company's controls resulted in the inability to prevent misappropriation of its cash assets in Synergy Japan.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended December 31, 2023, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte & Touche LLP

Salt Lake City, Utah

March 12, 2024

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2023.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information regarding our equity compensation plans as of December 31, 2023:

Plan category	Number of securities to be issued upon exercise or vesting of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	1,416,875 (2)	\$ 11.25 (3)	2,010,781 (4)
Equity compensation plans not approved by security holders	—	N/A	—
Total	1,416,875	\$ 11.25	2,010,781

- (1) The Amended and Restated Nature’s Sunshine Products, Inc. 2012 Incentive Plan. The 2012 Incentive Plan was approved by our shareholders on August 1, 2012. An amendment to the 2012 Incentive Plan was approved by our shareholders on January 14, 2015, to increase the number of shares available for issuance under the 2012 Incentive Plan by 1,500,000. An amendment and restatement of the 2012 Incentive Plan was approved by our shareholders on May 5, 2021, which among other amendments, increased the number of shares of common stock reserved for issuance by 2,000,000 shares. The terms of this plan are summarized in Note 9, “Capital Transactions,” in Notes to Consolidated Financial Statements in Item 8, Part 2 of this report.
- (2) Consists of 75,000 stock options and 1,341,875 restricted stock units.
- (3) Excludes the impact of restricted stock units, which are exercised for no consideration.
- (4) Represents the number of shares available for future issuance under the 2012 Incentive Plan .

Other information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2023.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2023.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our year ended December 31, 2023.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) List of Financial Statements

The following are filed as part of this report:

Report of Independent Registered Public Accounting Firm

Consolidated balance sheets as of December 31, 2023 and 2022

Consolidated statements of operations for the years ended December 31, 2023 and 2022

Consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022

Consolidated statements of changes in shareholders' equity for the years ended December 31, 2023 and 2022

Consolidated statements of cash flows for the years ended December 31, 2023 and 2022

Notes to consolidated financial statements

(a)(2) List of Financial Statement Schedules

Schedule II - Valuation and Qualifying Accounts.

Financial statement schedules other than the one listed are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto, or contained elsewhere in this report.

(a)(3) List of Exhibits

Exhibit Index as seen below

LIST OF EXHIBITS

Item No.	Exhibit
3.1(1)	Amended and Restated Articles of Incorporation.
3.2(2)	Amended and Restated Bylaws, dated March 8, 2021.
4.1 (3)	Description of Capital Stock of Nature's Sunshine Products, Inc.
10.1(4)*	Tax Deferred Retirement Plan, Restated January 1, 2012.
10.2(5)*	Supplemental Elective Deferral Plan, as Amended effective as of January 1, 2008.
10.3 (6)*	Form of Award Agreement (2012 Stock Incentive Plan).
10.4 (7)*	Executive Agreement, dated September 14, 2018, between the Company and Terrence Moorehead.
10.5 (8)*	Amendment to Executive Agreement, dated October 19, 2018, between the Company and Terrence Moorehead.
10.6 (9)*	Stockholder Agreement dated June 26, 2014, between Nature's Sunshine Products, Inc. and Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
10.7 (10)	Amendment to Operating Agreement
10.8 (11)	Operating Agreement dated August 25, 2014, among Nature's Sunshine Products, Inc., Fosun Industrial Co., Limited and Nature's Sunshine Hong Kong Limited.
10.9 (12)	Amended and Restated 2012 Stock Incentive Plan
10.10 (13)	Loan Agreement dated July 11, 2017, between Bank of America, N.A. and Nature's Sunshine Products, Inc.
10.11 (14)	Amendment No. 4 to Loan Agreement
10.12 (15)	Form of Restricted Stock Unit Award Agreement
10.13 (16)	Form of Performance Share Unit Award Agreement
10.14 (17)	Employment Agreement dated December 30, 2022 between Shane Jones and Nature's Sunshine Products, Inc.
10.15 (18)	Employment Agreement dated May 16, 2022 between Martin Gonzalez and Nature's Sunshine Products, Inc.
21(19)	List of Subsidiaries of Registrant.
23.1(19)	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (included on the signature page of this Annual Report on Form 10-K).
31.1(19)	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2(19)	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3(19)	Certification of Chief Accounting Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1(19)	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350.
32.2(19)	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350.
32.3(19)	Certification of Chief Accounting Officer pursuant to 18 U.S.C. § 1350.
97(19)	Nature's Sunshine Products, Inc. Incentive Compensation Recovery Policy
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

- (1) Previously filed as Exhibit 3.1 to the Annual Report on Form 10-K filed on March 16, 2018, and is incorporated herein by reference.
- (2) Previously filed as Exhibit 3.2 to the Current Report on Form 8-K filed on March 11, 2021, and is incorporated herein by reference.
- (3) Previously filed as Exhibit 4.1 to the Annual Report on Form 10-K/A filed on July 9, 2021, and is incorporated herein by reference.
- (4) Previously filed as Exhibit 10.1 to the Annual Report on Form 10-K filed on March 13, 2015, and is incorporated herein by reference.
- (5) Previously filed as Exhibit 10.2 to the Annual Report on Form 10-K filed on March 14, 2016, and is incorporated herein by reference.
- (6) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on January 15, 2015, and is incorporated herein by reference.
- (7) Previously filed as Exhibit 10.3 to the Current Report on Form 8-K filed on September 26, 2018, and is incorporated herein by reference.
- (8) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on October 24, 2018, and is incorporated herein by reference.
- (9) Previously filed as Exhibit 10.2 to the Current Report on Form 8-K filed on July 2, 2014, and is incorporated herein by reference.
- (10) Previously filed as Exhibit 99.1 to the Current Report on Form 8-K filed on August 17, 2021, and is incorporated herein by reference.
- (11) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on August 29, 2014, and is incorporated herein by reference.
- (12) Included as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A file on March 19, 2021, and incorporated herein by reference.
- (13) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on June 16, 2020, and is incorporated herein by reference.
- (14) Previously filed as Exhibit 10.2 to the Current Report on Form 8-K filed on June 28, 2022, and is incorporated herein by reference.
- (15) Previously filed as an Exhibit to the Quarterly Report on Form 10-Q filed on August 9, 2022, and is incorporated herein by reference.
- (16) Previously filed as an Exhibit to the Quarterly Report on Form 10-Q filed on November 3, 2022, and is incorporated herein by reference.
- (17) Previously filed as Exhibit 10.1 to the Current Report on Form 8-K filed on December 7, 2022, and is incorporated herein by reference.
- (18) Previously filed as Exhibit 10.19 to the Annual Report on Form 10-K filed on March 16, 2023, and is incorporated herein by reference.
- (19) Filed herewith.
- * Management contract or compensatory plan.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 12, 2024

By: /s/ Terrence O. Moorehead
 Terrence O. Moorehead,
 Chief Executive Officer (Principal Executive Officer)

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Terrence O. Moorehead and L. Shane Jones, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Terrence O. Moorehead</u> Terrence O. Moorehead	Chief Executive Officer and Director (Principal Executive Officer)	March 12, 2024
<u>/s/ Richard D. Moss</u> Richard D. Moss	Chairman of the Board	March 12, 2024
<u>/s/ L. Shane Jones</u> L. Shane Jones	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 12, 2024
<u>/s/ Jonathan D. Lanoy</u> Jonathan D. Lanoy	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)	March 12, 2024
<u>/s/ Curtis Kopf</u> Curtis Kopf	Director	March 12, 2024
<u>/s/ Richard D. Moss</u> Richard D. Moss	Director	March 12, 2024
<u>/s/ Tess Roering</u> Tess Roering	Director	March 12, 2024
<u>/s/ Robert D. Straus</u> Robert D. Straus	Director	March 12, 2024
<u>/s/ J. Christopher Teets</u> J. Christopher Teets	Director	March 12, 2024
<u>/s/ Heidi Wissmiller</u> Heidi Wissmiller	Director	March 12, 2024
<u>/s/ Rong Yang</u> Rong Yang	Director	March 12, 2024

NATURE'S SUNSHINE PRODUCTS, INC.
 SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
 (Amounts in thousands)

Description	Balance at Beginning of Year	Provisions	Amounts Written Off	Amounts Recovered	Effect of Currency Translation	Balance at End of Year
Year Ended December 31, 2023						
Allowance for doubtful accounts receivable	\$ 120	\$ 50	\$ (28)	\$ —	\$ 1	\$ 143
Allowance for sales returns	543	1,859	(2,112)	—	(12)	278
Tax valuation allowance	18,049	331	—	—	154	18,534
Year Ended December 31, 2022						
Allowance for doubtful accounts receivable	\$ 143	\$ 45	\$ (67)	\$ —	\$ (1)	\$ 120
Allowance for sales returns	380	1,560	(1,376)	—	(21)	543
Tax valuation allowance	8,650	9,400	—	—	(1)	18,049

SUBSIDIARIES

Set forth below is a list of all active subsidiaries of the Registrant and the state or other jurisdiction of incorporation or organization of each. Each subsidiary listed below is doing business under its corporate name.

Subsidiary	Jurisdiction
NATR Distribution (M) SDN. BHD.	Malaysia
Nature's Sunshine (Far East) Limited	Hong Kong
Nature's Sunshine Hong Kong Limited	Hong Kong
Nature's Sunshine Marketing Ltda.	Brazil
Nature's Sunshine Products de Honduras, S.A. de C.V.	Honduras
Nature's Sunshine Products de Nicaragua, S.A.	Nicaragua
Nature's Sunshine Products de Panamá, S.A.	Panama
Nature's Sunshine Products del Ecuador, S.A.	Ecuador
Nature's Sunshine Products Dominicana, S. R.L.	Dominican Republic
Nature's Sunshine Products International Distribution B.V.	Netherlands
Nature's Sunshine Products of Russia, Inc.	Utah
Nature's Sunshine Products Poland sp. z.o.o.	Poland
Nature's Sunshine (Hangzhou) Limited	China
Nature's Sunshine Products (Israel) Ltd.	Israel
Nature's Sunshine Products de Colombia, S.A.	Colombia
Nature's Sunshine Products de El Salvador, S.A. C.V.	El Salvador
Nature's Sunshine Products de Mexico, S.A. de C.V.	Mexico
Nature's Sunshine Products de Venezuela, C.A.	Venezuela
Nature's Sunshine Products of Canada, Ltd.	Canada
Nature's Sunshine Produtos Naturais Ltda.	Brazil
NSP de Centroamérica, S.A	Costa Rica
NSP de Guatemala, S.A.	Guatemala
NSP International Holdings C.V.	Netherlands
NSP Labs Inc	Utah
PT Nature's Sunshine Products Indonesia	Indonesia
PT Synergy WorldWide Indonesia	Indonesia
Qemp Inc	Utah
Quality Nutrition International, LLC	Utah
Shanghai Nature's Sunshine Health Products Trading Co. Ltd.	China
Synergy (Shanghai) Food Co., Ltd.	China
Synergy Taiwan, Inc.	Utah
Synergy Vietnam Co., Ltd.	Vietnam
Synergy Worldwide (HK) Ltd.	Hong Kong
Synergy Worldwide (S) PTE Ltd.	Singapore
Synergy Worldwide Canada B.V.	Netherlands
Synergy Worldwide Distribution Canada, ULC	Canada
Synergy WorldWide Europe B.V.	Netherlands
Synergy Worldwide Europe Management Services Spain S.L.U.	Spain
Synergy Worldwide Inc.	Utah
Synergy Worldwide Italy S.R.L.	Italy
Synergy Worldwide Japan G.K.	Japan
Synergy Worldwide Korea Ltd.	Korea
Synergy WorldWide Marketing (M) SDN BHD.	Malaysia
Synergy Worldwide Marketing (Thailand) Ltd.	Thailand

Synergy Worldwide Nutrition Israel Ltd.	Israel
Synergy WorldWide Nutrition Products (Hong Kong)	Hong Kong
Synergy WorldWide Philippines Distribution, Inc.	Philippines
Synergy Worldwide Switzerland GmbH	Switzerland
Synergy Worldwide UK Ltd	United Kingdom
Impact Foundation	Utah

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 033-59497, 333-08139, 333-117916, 333-126166, 333-164054, 333-189116, and 333-259095 on Forms S-8 of our reports dated March 12, 2024, relating to the financial statements and financial statement schedule of Nature's Sunshine Products, Inc. and the effectiveness of Nature's Sunshine Products, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K of Nature's Sunshine Products, Inc. for the year ended December 31, 2023.

/s/ DELOITTE & TOUCHE LLP

Salt Lake City, Utah
March 12, 2024

CERTIFICATIONS

I, Terrence O. Moorehead, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2023 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 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.

/s/ Terrence O. Moorehead

Chief Executive Officer

March 12, 2024

EXHIBIT 31.2

CERTIFICATIONS

I, L. Shane Jones, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2023 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 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.

/s/ L. Shane Jones

Executive Vice President, Chief Financial Officer and Treasurer

March 12, 2024

EXHIBIT 31.3

CERTIFICATIONS

I, Jonathan D. Lanoy, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2022 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 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.

/s/ Jonathan D. Lanoy

Senior Vice President, Chief Accounting Officer

March 12, 2024

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF

**NATURE'S SUNSHINE PRODUCTS, INC.
PURSUANT TO 18 U.S.C. § 1350**

In connection with the Annual Report on Form 10-K of Nature's Sunshine Products, Inc. (the "Company") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Terrence O. Moorehead, Chief Executive Officer of the Company, hereby certify that, pursuant to the 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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 as of and for the periods presented in the Report.

/s/ Terrence O. Moorehead

Terrence O. Moorehead

Chief Executive Officer

March 12, 2024

CERTIFICATION OF CHIEF FINANCIAL OFFICER OF

NATURE'S SUNSHINE PRODUCTS, INC.
PURSUANT TO 18 U.S.C. § 1350

In connection with the Annual Report on Form 10-K of Nature's Sunshine Products, Inc. (the "Company") for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, L. Shane Jones, Executive Vice President, Chief Financial Officer and Treasurer of Nature's Sunshine Products, Inc. (the "Company"), hereby certify that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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 as of and for the periods presented in the Report.

/s/ L. Shane Jones

L. Shane Jones

Executive Vice President, Chief Financial Officer and Treasurer

March 12, 2024

CERTIFICATION OF CHIEF FINANCIAL OFFICER OF

**NATURE'S SUNSHINE PRODUCTS, INC.
PURSUANT TO 18 U.S.C. § 1350**

In connection with the Annual Report on Form 10-K of Nature's Sunshine Products, Inc. (the "Company") for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan D. Lanoy, Senior Vice President, Chief Accounting Officer of Nature's Sunshine Products, Inc. (the "Company"), hereby certify that, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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 as of and for the periods presented in the Report.

/s/ Jonathan D. Lanoy

Jonathan D. Lanoy

Senior Vice President, Chief Accounting Officer

March 12, 2024

NATURE'S SUNSHINE PRODUCTS, INC.

INCENTIVE COMPENSATION RECOVERY POLICY

1. Introduction.

The Board of Directors of Nature's Sunshine Products, Inc. (the "**Company**") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's compensation philosophy. The Board has therefore adopted this policy, which provides for the recovery of erroneously awarded incentive compensation if the Company is required to prepare an accounting restatement due to material noncompliance of the Company with any financial reporting requirements under the federal securities (the "**Policy**"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), related rules and the Nasdaq listing standards or any other securities exchange on which the Company's shares are listed in the future.

2. Administration.

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee (the "**Committee**"), in which case, all references herein to the Board shall be deemed references to the Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

3. Covered Executives.

Unless and until the Board determines otherwise, for purposes of this Policy, the term "**Covered Executive**" means a current or former employee who is or was identified by the Company as the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company's subsidiaries are deemed "Covered Executives" if they perform such policy-making functions for the Company. "Policy-making function" is not intended to include policy-making functions that are not significant. "Covered Executives" will include, at minimum, the executive officers identified by the Company pursuant to Item 401(b) of Regulation S-K of the Exchange Act.

This Policy covers Incentive Compensation received by a person after beginning service as a Covered Executive and who served as a Covered Executive at any time during the performance period for that Incentive Compensation.

4. Recovery: Accounting Restatement.

In the event the Company is required to prepare an accounting restatement of its financial statements filed with the Securities and Exchange Commission (the "**SEC**") due to the Company's material noncompliance with any financial reporting requirements under the federal securities laws (including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period) (an "**Accounting Restatement**"), the Company will recover reasonably promptly any excess Incentive Compensation received by any Covered Executive during the three

completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, including transition periods resulting from a change in the Company's fiscal year as provided in Rule 10D-1 of the Exchange Act. Incentive Compensation is deemed "**received**" in the Company's fiscal period during which the financial reporting measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period. The determination of the time when the Company is "required" to prepare an Accounting Restatement shall be made in accordance with applicable SEC and national securities exchange rules and regulations.

(a) Definition of Incentive Compensation.

For purposes of this Policy, "**Incentive Compensation**" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a "financial reporting measure" (as defined in paragraph (b) below), including, for example, bonuses or awards under the Company's short and long-term incentive plans, grants and awards under the Company's equity incentive plans, and contributions of such bonuses or awards to the Company's deferred compensation plans or other employee benefit plans that are not tax-qualified plans. For avoidance of doubt, Incentive Compensation that is deferred (either mandatorily or voluntarily) under the Company's non-qualified deferred compensation plans, as well as any matching amounts and earnings thereon, are subject to this Policy. Incentive Compensation does not include awards which are granted, earned and vested without regard to attainment of financial reporting measures, such as time-vesting awards, discretionary awards and awards based wholly on subjective standards, strategic measures or operational measures.

(b) Financial Reporting Measures.

Financial reporting measures are those that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements (including non-GAAP financial measures) and any measures derived wholly or in part from such financial measures. For the avoidance of doubt, financial reporting measures include stock price and total shareholder return. A measure need not be presented within the financial statements or included in a filing with the SEC to constitute a financial reporting measure for purposes of this Policy.

(c) Excess Incentive Compensation: Amount Subject to Recovery .

The amount(s) to be recovered from the Covered Executive will be the amount(s) by which the Covered Executive's Incentive Compensation for the relevant period(s) exceeded the amount(s) that the Covered Executive otherwise would have received had such Incentive Compensation been determined based on the restated amounts contained in the Accounting Restatement. All amounts shall be computed without regard to taxes paid. For Incentive Compensation based on financial reporting measures such as stock price or total shareholder return, where the amount of excess compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the Board will calculate the amount to be reimbursed based on a reasonable estimate of the effect of the Accounting Restatement on such financial reporting measure upon which the Incentive Compensation was received. The Company will maintain documentation of that reasonable estimate and will provide such documentation to the applicable national securities exchange.

(d) Method of Recovery.

The Board will determine, in its sole discretion, the method(s) for recovering reasonably promptly excess Incentive Compensation hereunder. Such methods may include, without limitation:

- (i) requiring reimbursement of Incentive Compensation previously paid;
- (ii) forfeiting any Incentive Compensation contribution made under the Company's deferred compensation plans;
- (iii) offsetting the recovered amount from any compensation or Incentive Compensation that the Covered Executive may earn or be awarded in the future;
- (iv) some combination of the foregoing; or
- (v) taking any other remedial and recovery action permitted by law, as determined by the Board.

5. No Indemnification or Advance.

Subject to applicable law, the Company shall not indemnify, including by paying or reimbursing for premiums for any insurance policy covering any potential losses, any Covered Executives against the loss of any erroneously awarded Incentive Compensation, nor shall the Company advance any costs or expenses to any Covered Executives in connection with any action to recover excess Incentive Compensation.

6. Interpretation.

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the SEC or any national securities exchange on which the Company's securities are listed.

7. Effective Date.

The effective date of this Policy is August 2, 2023 (the "**Effective Date**"). This Policy applies to Incentive Compensation received by Covered Executives on or after the Effective Date that results from attainment of a financial reporting measure based on or derived from financial information for any fiscal period ending on or after the Effective Date. In addition, this Policy is intended to be and will be incorporated as an essential term and condition of any Incentive Compensation agreement, plan or program that the Company establishes or maintains on or after the Effective Date.

8. Amendment and Termination.

The Board may amend this Policy from time to time in its discretion, and shall amend this Policy as it deems necessary to reflect changes in regulations adopted by the SEC under Section 10D of the Exchange Act and to comply with any rules or standards adopted by Nasdaq or any other securities exchange on which the Company's shares are listed in the future.

9. Other Recovery Rights.

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement or similar agreement relating to Incentive Compensation entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any (i) other remedies or rights of compensation recovery that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, or similar agreement relating to Incentive Compensation, unless any such agreement expressly prohibits such right of recovery, and (ii) any other legal remedies available to the Company. The provisions of this Policy are in addition to (and not in lieu of) any rights to repayment the Company may have under Section 304 of the Sarbanes-Oxley Act of 2002 and other applicable laws.

10. Impracticability.

The Company shall recover any excess Incentive Compensation in accordance with this Policy, except to the extent that certain conditions are met and the Board has determined that such recovery would be impracticable, all in accordance with Rule 10D-1 of the Exchange Act and Nasdaq or any other securities exchange on which the Company's shares are listed in the future.

11. Successors.

This Policy shall be binding upon and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.