



NEWS RELEASE

Mannatech Reports Third Quarter End 2022 Financial Results

2022-11-08

FLOWER MOUND, Texas--(BUSINESS WIRE)--Nov. 8, 2022-- **Mannatech, Incorporated** (NASDAQ: **MTEX**), a global health and wellness company committed to transforming lives to make a better world, today announced financial results for its third quarter of 2022.

Third Quarter End Results

Third quarter net sales for 2022 were \$35.5 million, a decrease of \$3.9 million, or 10.0%, as compared to \$39.4 million in the third quarter of 2021. Our net sales declined 1.3% on a constant dollar basis (see Non-GAAP Measures, below) as foreign exchange decreased GAAP net sales by \$3.4 million, mostly due to the decline of the Korean Won and Japanese Yen.

Third quarter operating income for 2022 was \$1.4 million as compared to \$3.3 million for the third quarter of 2021.

Net income was \$1.2 million, or \$0.61 per diluted share, for the third quarter of 2022, as compared to net income of \$2.9 million, or \$1.44 per diluted share, for the third quarter of 2021.

For the three months ended September 30, 2022, overall selling and administrative expenses decreased by \$0.5 million to \$6.7 million, as compared to \$7.2 million for the same period in 2021. The decrease in selling and administrative expenses consisted of a \$0.7 million decrease in payroll costs, and a \$0.1 million decrease in warehouse costs, which was partially offset by a \$0.3 million increase in marketing costs.

For the three months ended September 30, 2022, other operating costs increased by \$0.1 million to \$5.1 million, as compared to \$5.0 million for the same period in 2021. The increase in operating costs was primarily due to a \$0.1

million increase in travel and entertainment.

The approximate number of new and continuing independent associate and preferred customer positions held by individuals in Mannatech's network and associated with purchases of products as of September 30, 2022 and 2021 were approximately 150,000 and 166,000, respectively. Recruitment of new independent associates and preferred customers decreased by 23.0% to 19,273 in the third quarter of 2022 as compared to 25,036 in the third quarter of 2021.

Year-to-date Third Quarter Results

For the nine months ended September 30, 2022, net sales were \$102.9 million, a decrease of \$17.4 million, or 14.5%, as compared to \$120.3 million for the same period in 2021. Our net sales declined 8.2% on a constant dollar basis (see Non-GAAP Measures, below) as foreign exchange decreased GAAP net sales by \$7.5 million mostly due to the decline of the Korean Won and Japanese Yen. Income from operations decreased to \$2.2 million for the nine months ended September 30, 2022, from \$8.1 million in the same period in 2021.

Net income was \$2.0 million, or \$1.01 per diluted share, for the nine months ended September 30, 2022, as compared to net income of \$7.3 million, or \$3.47 per diluted share, for the same period in 2021.

Non-GAAP Measures

In addition to results presented in accordance with GAAP, this press release and related tables include certain non-GAAP financial measures, including a presentation of constant dollar measures. We disclose operating results that have been adjusted to exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, including changes in: Net Sales, Gross Profit, and Income from Operations. We believe that these non-GAAP financial measures provide useful information to investors because they are an indicator of the strength and performance of ongoing business operations. The constant currency figures are financial measures used by management to provide investors an additional perspective on trends. Although we believe the non-GAAP financial measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered an exclusive alternative to accompanying GAAP financial measures. Please see the accompanying table entitled "Non-GAAP Financial Measures" for a reconciliation of these non-GAAP financial measures.

Safe Harbor statement

This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation

Reform Act of 1995. These forward-looking statements generally can be identified by use of phrases or terminology such as “may,” “will,” “should,” “hope,” “could,” “would,” “expects,” “plans,” “intends,” “anticipates,” “believes,” “estimates,” “approximates,” “predicts,” “projects,” “potential,” and “continues” or other similar words or the negative of such terminology. Similarly, descriptions of Mannatech’s objectives, strategies, plans, goals or targets contained herein are also considered forward-looking statements. Mannatech believes this release should be read in conjunction with all of its filings with the United States Securities and Exchange Commission and cautions its readers that these forward-looking statements are subject to certain events, risks, uncertainties, and other factors. Some of these factors include, among others, the impact of COVID-19 on Mannatech’s business, the availability and effectiveness of vaccines on a widespread basis, the impact of any mutations of the COVID-19 virus, the current conflict between Russia and Ukraine, which could adversely affect our business in certain regions, the impact of inflation, disruptions in the supply chain, Mannatech's inability to attract and retain associates and preferred customers, increases in competition, litigation, regulatory changes, and its planned growth into new international markets. Although Mannatech believes that the expectations, statements, and assumptions reflected in these forward-looking statements are reasonable, it cautions readers to always consider all of the risk factors and any other cautionary statements carefully in evaluating each forward-looking statement in this release, as well as those set forth in its latest Annual Report on Form 10-K, and other filings filed with the United States Securities and Exchange Commission, including its current reports on Form 8-K. All of the forward-looking statements contained herein speak only as of the date of this release.

Individuals interested in Mannatech's products or in exploring its business opportunity can learn more at **Mannatech.com**

MANNATECH, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share information)

ASSETS	September 30, 2022 (unaudited)	December 31, 2021
Cash and cash equivalents	\$ 15,092	\$ 24,185
Restricted cash	944	944
Accounts receivable, net of allowance of \$899 and \$987 in 2022 and 2021, respectively	270	90
Income tax receivable	368	342

Inventories, net	15,251	12,020
Prepaid expenses and other current assets	1,943	2,888
Deferred commissions	2,574	2,369
Total current assets	36,442	42,838
Property and equipment, net	3,613	2,882
Construction in progress	283	1,357
Long-term restricted cash	435	503
Other assets	8,757	9,220
Deferred tax assets, net	2,970	2,825
Total assets	\$ 52,500	\$ 59,625

LIABILITIES AND SHAREHOLDERS' EQUITY

Current portion of finance leases	\$ 65	\$ 68
Accounts payable	4,581	3,969
Accrued expenses	7,504	9,224
Commissions and incentives payable	8,402	9,611
Taxes payable	1,908	2,154
Current notes payable	323	205
Deferred revenue	5,952	4,867
Total current liabilities	28,735	30,098
Finance leases, excluding current portion	102	66
Deferred tax liabilities	—	—
Long-term notes payable	—	—
Other long-term liabilities	5,052	5,049
Total liabilities	33,889	35,213

Commitments and contingencies

Shareholders' equity:

Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.0001 par value, 99,000,000 shares authorized, 2,742,857 shares issued and 1,874,930 shares outstanding as of September 30, 2022 and 2,742,857 shares issued and 1,940,687 shares outstanding as of December 31, 2021	—	—
Additional paid-in capital	33,418	33,277
Retained earnings	8,567	7,708
Accumulated other comprehensive (loss) income	(3,053)) 2,342
Treasury stock, at average cost, 867,927 shares as of September 30, 2022 and 802,170 shares as of December 31, 2021	(20,321)) (18,915)
Total shareholders' equity	18,611	24,412
Total liabilities and shareholders' equity	\$ 52,500	\$ 59,625

MANNATECH, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share information)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net sales	\$ 35,513	\$ 39,446	\$ 102,873	\$ 120,269
Cost of sales	7,416	7,903	22,427	25,251
Gross profit	28,097	31,543	80,446	95,018
Operating expenses:				
Commissions and incentives	14,242	15,731	41,487	48,227
Selling and administrative expenses	6,656	7,156	20,479	21,838
Depreciation and amortization expense	716	408	1,349	1,360
Other operating costs	5,126	4,962	14,886	15,500
Total operating expenses	26,740	28,257	78,201	86,925
Income from operations	1,357	3,286	2,245	8,093
Interest income, net	19	15	57	44

Other income (expense), net	287	(19)	288	(149)		
Income before income taxes	1,663	3,282	2,590	7,988				
Income tax (provision)	(472)	(352)	(571)	(735)
Net income	\$ 1,191	\$ 2,930	\$ 2,019	\$ 7,253				
Earnings per common share:								
Basic	\$ 0.62	\$ 1.54	\$ 1.05	\$ 3.63				
Diluted	\$ 0.61	\$ 1.44	\$ 1.01	\$ 3.47				
Weighted-average common shares outstanding:								
Basic	1,906	1,903	1,932	2,010				
Diluted	1,949	2,031	2,017	2,095				

Non-GAAP Financial Measures (Sales, Gross Profit and Income from Operations in Constant Dollars)

To supplement our financial results presented in accordance with generally accepted accounting principles in the United States (“GAAP”), we disclose operating results that have been adjusted to exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, including changes in: Net Sales, Gross Profit, and Income from Operations. We refer to these adjusted financial measures as constant dollar items, which are non-GAAP financial measures. We believe these measures provide investors an additional perspective on trends. To exclude the impact of changes due to the translation of foreign currencies into U.S. dollars, we calculate current year results and prior year results at a constant exchange rate, which is the prior year’s rate. Currency impact is determined as the difference between actual growth rates and constant currency growth rates.

The table below reconciles third quarter 2022 and year-to-date constant dollar net sales, gross profit and income from operations to our GAAP net sales, gross profit and income from operations.

Three-month period ended (in millions, except percentages)	September 30, 2022	September 30, 2021	Constant \$ Change
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	GAAP Measure: Total \$	Non-GAAP Measure: Constant \$	GAAP Measure: Total \$	Dollar	Percent
Net sales	\$ 35.5	\$ 38.9	\$ 39.4	\$ (0.5)	(1.3)%
Product	33.6	36.8	36.9	(0.1)	(0.3)%
Pack sales and associate fees	1.7	1.9	2.4	(0.5)	(20.8)%
Other	0.2	0.2	0.1	0.1	100.0 %
Gross profit	28.1	30.9	31.5	(0.6)	(1.9)%
Income from operations	1.4	2.2	3.3	(1.1)	(33.3)%

Nine-month period ended (in millions, except percentages)	September 30, 2022		September 30, 2021	Constant \$ Change	
	GAAP Measure: Total \$	Non-GAAP Measure: Constant \$	GAAP Measure: Total \$	Dollar	Percent
Net sales	\$ 102.9	\$ 110.4	\$ 120.3	\$ (9.9)	(8.2)%
Product	97.5	104.5	113.2	(8.7)	(7.7)%
Pack sales and associate fees	4.8	5.3	6.5	(1.2)	(18.5)%
Other	0.6	0.7	0.6	0.1	16.7 %
Gross profit	80.4	86.7	95.0	(8.3)	(8.7)%
Income from operations	2.2	4.1	8.1	(4.0)	(49.4)%

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