



## USANA Health Puts Active into the 200-MA, Heavy China Exposure

Ticker/Price: USNA \$72.85

### Analysis:

**USANA Health (USNA)** late day buyers of 1,650 January \$30 puts for \$3.90 to open and 45X average volume in a name with little notable open interest. Shares have rebounded about 25% from 52-week lows and back into the declining 200-MA where shares are struggling to move higher. The weekly bear wedge will break under \$70 with room back to \$60 and then a measured move to a big volume shelf at \$50. The \$1.55B company trades 16.5X earnings, 1.4X sales, and 8.5X cash. USNA slashed both EPS and revenue outlooks for 2019 seeing 22% and 12% drops respectively and calling for rebounds in FY20 (9.65% and 1.5% respectively). The company manufactures and sells nutritional and personal care products like low-glycemic meal replacements and snack bars. They use a multi-level marketing model that has come under pressure in recent years from regulators over claims of fraud. And, they have significant exposure to China where sales fell 23% in Q2 and customers fell 12%. Their BabyCare business is also under investigation. The company will host its Annual China Sales event in November where they'll outline plans for the region in 2020. Short interest is 7% and up from around 1.6% in February. Hedge fund ownership fell 12.85% in Q2. Analysts have an average target for shares of \$70. Jefferies at Hold with a \$65 PT noting their product line is rooted in science but lacks distinctiveness. China also accounts for 55% of the company's sales and the vast majority of its growth and the lack of visibility is discouraging.

### Hawk Vision:



**Hawk's Perspective:** USNA is giving a nice risk/reward spot to trade against with the 200-MA and the bear wedge forming with a potential catalyst in the China outlook.

**Confidence Ranking:** \$\$