

NU SKIN ENTERPRISES INC
Form 8-K
August 06, 2014
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

August 6, 2014
Date of Report (Date of
earliest event reported)

NU SKIN ENTERPRISES,
INC.
(Exact name of registrant as
specified in its charter)

| | | |
|--|---------------------------------------|--|
| Delaware (State or other jurisdiction of incorporation) | 001-12421 (Commission File Number) | 87-0565309 (IRS Employer Identification Number) |
|--|---------------------------------------|--|

75 West Center Street
Provo, UT 84601
(Address of principal
executive offices and zip
code)

(801) 345-1000
(Registrant's telephone
number, including area code)

N/A
(Former name or former
address, if changed since last
report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

On August 5, 2014 the Audit Committee (the "Committee") of Nu Skin Enterprises, Inc. (the "Company") determined to restate the Company's consolidated financial statements for the quarter ended March 31, 2014 to correct the accounting related to (i) hyper-inflationary adjustments with respect to operations in Venezuela, and (ii) tax rebates related to the Company's new China headquarters. Based on discussions with its independent registered public accounting firm, PricewaterhouseCoopers LLP, the Committee has determined that hyper-inflationary adjustments should have been recorded as charges to Other Income (Expense) rather than as adjustments to Accumulated Other Comprehensive Loss in the Stockholders' Equity section of the balance sheet. The Committee also determined that the Company should have recorded income to Other Income (Expense) for the China tax rebates.

The Company plans to make these corrections by restating its consolidated financial statements for the period ended March 31, 2014 in an amendment to its Quarterly Report on Form 10-Q to include a \$21 million charge to Other Income (Expense) related to the hyper-inflationary accounting error and \$7 million of income related to the China tax rebate. With respect to the hyper-inflationary correction, \$15 million related to the first quarter of 2014, and \$6 million related to periods prior to 2014. The Company does not plan to amend financial statements for periods prior to 2014 as the amounts were determined to be immaterial.

A preliminary estimate of the impact of these corrections is shown in the following tables:

| | Three Months Ended March 31, 2014 (in thousands, except per share amounts) | | |
|---|---|----------------|------------|
| | As Reported | As Adjusted | Difference |
| Revenue | \$671,061 | \$671,061 | |
| Cost of sales | 106,644 | 106,644 | |
| Gross profit | 564,417 | 564,417 | |
| Operating expenses: | | | |
| Selling expenses | 313,101 | 313,101 | |
| General and administrative expenses | 150,119 | 150,119 | |
| Total operating expenses | 463,220 | 463,220 | |
| Operating income | 101,197 | 101,197 | |
| Other income (expense), net | (3,604) | (17,508) | (13,904) |
| Income before provision for income taxes | 97,593 | 83,689 | (13,904) |
| Provision for income taxes | 33,332 | 28,835 | (4,497) |
| Net income | \$64,261 | \$54,854 | (9,407) |
| Net income per share: | | | |
| Basic | \$1.09 | \$0.93 | \$ (0.16) |
| Diluted | \$1.05 | \$0.90 | \$ (0.15) |
| Weighted average common shares outstanding: | | | |
| Basic | 58,869 | 58,869 | |
| Diluted | 61,227 | 61,227 | |

| | As of March 31, 2014 (in thousands) | | |
|---|---|----------------|------------|
| | As Reported | As Adjusted | Difference |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$284,580 | \$284,580 | |
| Current investments | 18,703 | 18,703 | |
| Accounts receivable | 56,644 | 56,644 | |
| Inventories, net | 410,668 | 410,668 | |
| Prepaid expenses and other | 149,523 | 150,375 | 852 |
| | 920,118 | 920,970 | 852 |
| Property and equipment, net | 411,929 | 411,929 | |
| Goodwill | 112,446 | 112,446 | |
| Other intangible assets, net | 81,377 | 81,377 | |
| Other assets | 115,751 | 115,751 | |
| Total assets | \$1,641,621 | \$1,642,473 | 852 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$51,276 | \$51,276 | |
| Accrued expenses | 449,434 | 439,815 | (9,619) |
| Current portion of long-term debt | 88,031 | 88,031 | |
| | 588,741 | 579,122 | (9,619) |
| Long-term debt | 109,882 | 109,882 | |
| Other liabilities | 79,418 | 77,910 | (1,508) |
| Total liabilities | 778,041 | 766,914 | (11,127) |
| Stockholders' equity: | | | |
| Class A common stock | 91 | 91 | |
| Additional paid-in capital | 399,677 | 399,677 | |
| Treasury stock, at cost | (848,335) | (848,335) | |
| Accumulated other comprehensive loss | (66,250) | (44,864) | 21,386 |
| Retained earnings | 1,378,397 | 1,368,990 | (9,407) |
| | 863,580 | 875,559 | 11,979 |
| Total liabilities and stockholders' equity | \$1,641,621 | \$1,642,473 | 852 |

On August 5, 2014, the Committee concluded, after discussion with the Company's management and its independent registered public accounting firm that as a result of the error, the financial statements for the three-month period ended March 31, 2014 included in the Company's quarterly report on Form 10-Q filed with the Securities and Exchange Commission on May 8, 2014 should no longer be relied upon.

The Company is in the process of assessing the effectiveness of its internal control over financial reporting and its disclosure controls and procedures in light of the matters disclosed in this Current Report on Form 8-K. The Company will report the results of those assessments in future filings, but expects that, as a result of the restatement of its unaudited financial statements for the first quarter of 2014, it will conclude that its disclosure controls and procedures were not effective as of March 31, 2014.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NU SKIN ENTERPRISES, INC.

(Registrant)

/s/ Ritch Wood

Ritch Wood

Chief Financial Officer

Date: August 6, 2014