



# Herbalife

# Investor Presentation

May 2017

## ***Forward-Looking Statements***

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This presentation contains, and our officers and representatives during this presentation may from time to time make, forward-looking statements, such as statements relating to projections of results of operations and financial condition, plans, strategies and objectives of management for future operations and proposed new developments. Forward-looking statements may include the words “may,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “anticipate” and any other similar words. Such forward-looking statements are subject to change and to inherent risks and uncertainties that could cause Herbalife’s actual results, performance and achievements, or industry results, to differ materially from estimates or projections in forward-looking statements made by or on behalf of Herbalife. For more information regarding these risks and uncertainties, please review Herbalife’s filings with the Securities and Exchange Commission, or the “SEC,” including the risks disclosed under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Herbalife’s annual, quarterly and other reports. Herbalife does not undertake to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date of this presentation to reflect any changes in any forward-looking statement or the occurrence of unanticipated events, except as required by law. In addition, this presentation may contain certain financial performance measures that differ from comparable measures contained in our financial statements prepared in accordance with US generally accepted accounting principles, referred to by the SEC as non-GAAP financial measures. Herbalife believes that these non-GAAP financial measures assist management and investors in evaluating our performance and preparing period to period results of operations in a more meaningful and consistent manner, as discussed in greater detail in the schedules to our earnings releases, which can be found in the investor relations section of our website, [ir.herbalife.com](http://ir.herbalife.com). In addition, a reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures is also contained in the Appendix to this presentation. Additionally, when management makes reference to volumes in this presentation, it is referring to volume points.

## ***Why Herbalife (NYSE: HLF)?***

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1. Long-term growth opportunity
2. Company's nutrition products and unique "last mile" distribution network supported by education, training and social support communities are well positioned to leverage global megatrends
3. Range (and breadth) of nutrition products, industry-leading infrastructure
4. Strong financial performance and cash flow
5. Conclusion of regulatory overhang and path forward

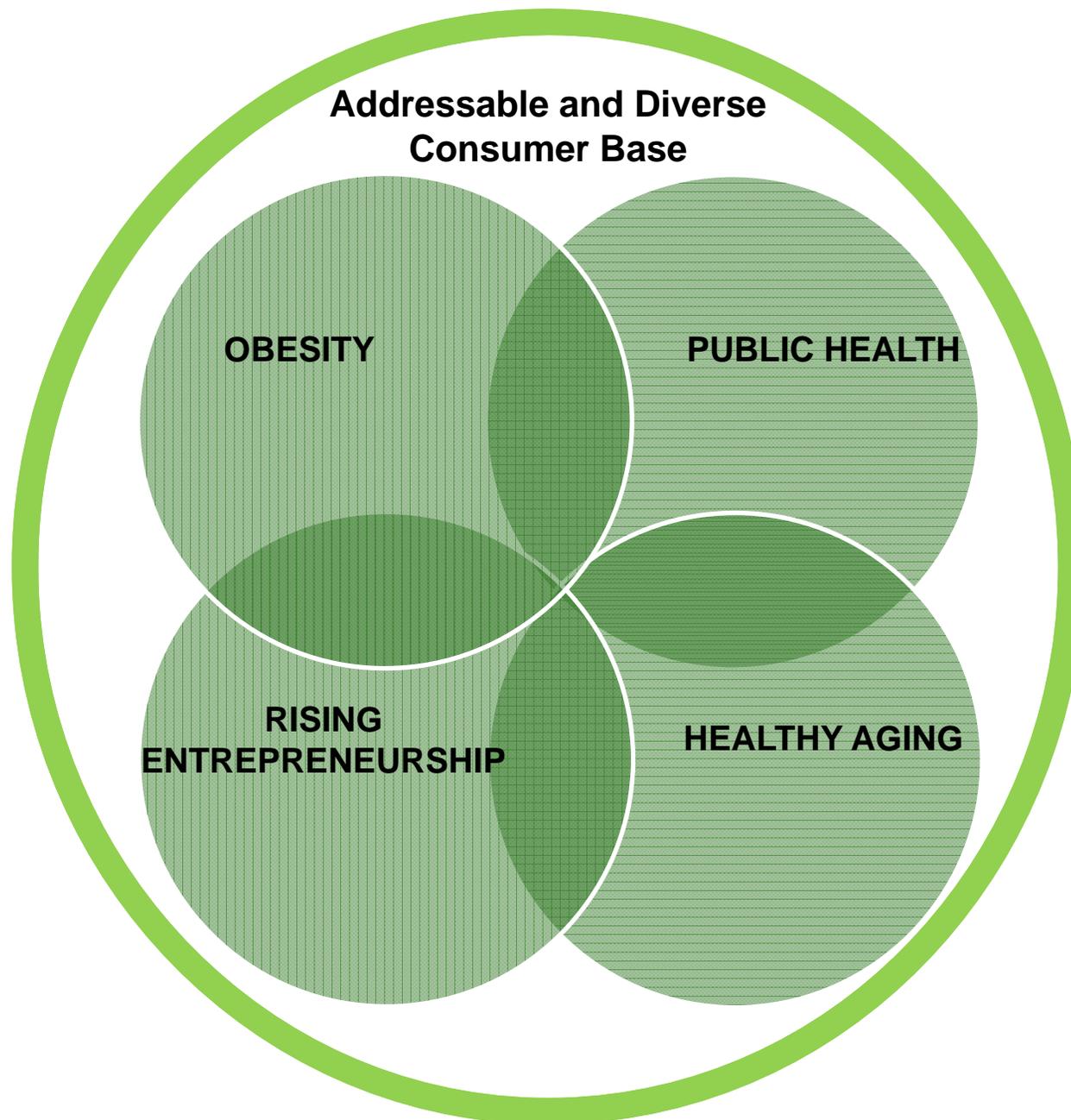


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## **I. Long-term growth opportunity**

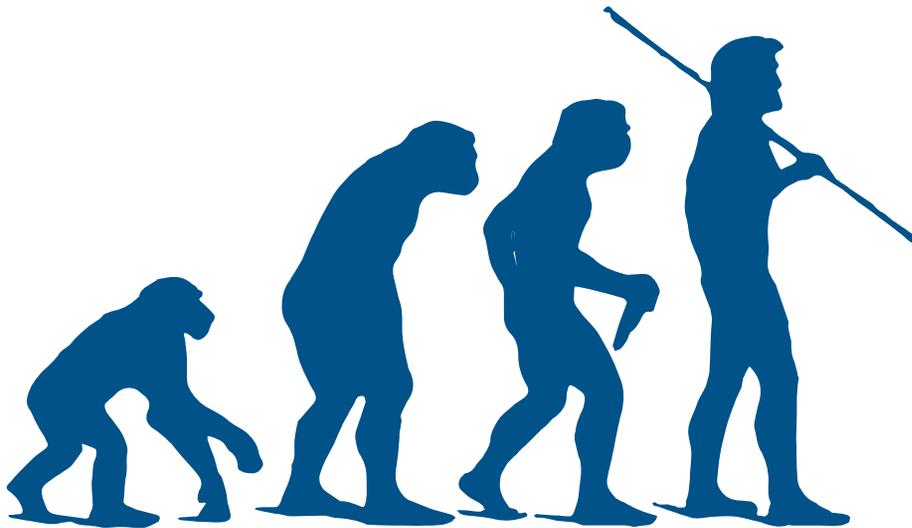
## ***Key Megatrends Affecting Consumers***

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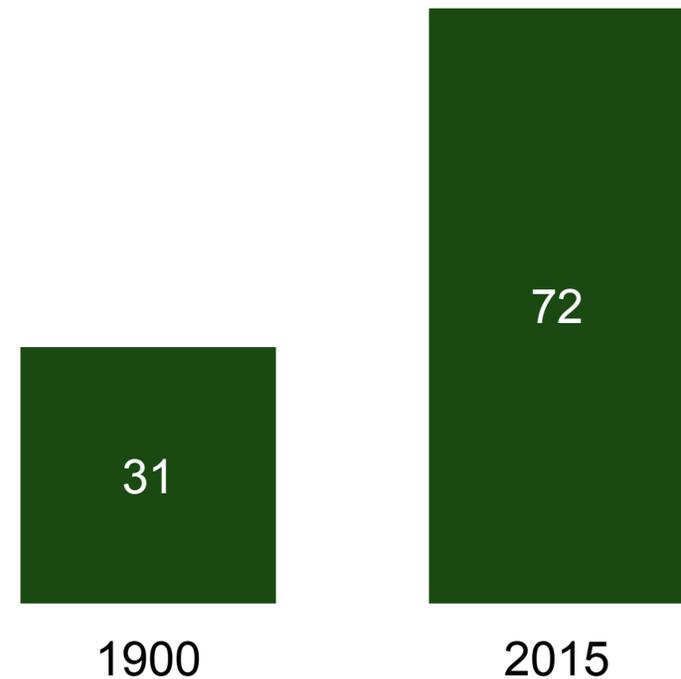


# Ageing Population: World Life Expectancy Increasing at the Fastest Rate in History

It took four million years to produce an 11-year life expectancy increase from 20 years to 31 years



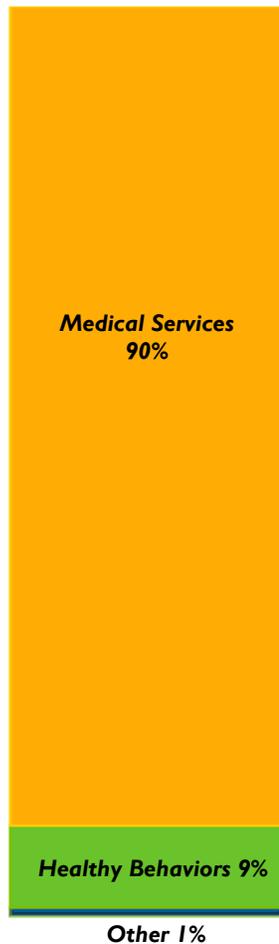
It took only 115 years to produce a 41-year increase



# The Opportunity to Divert Spending from Medical Services to Nutrition and Wellness

## 2013 US health-related spend <sup>1</sup>:

What we **spend** on being healthy



What **makes** us healthy

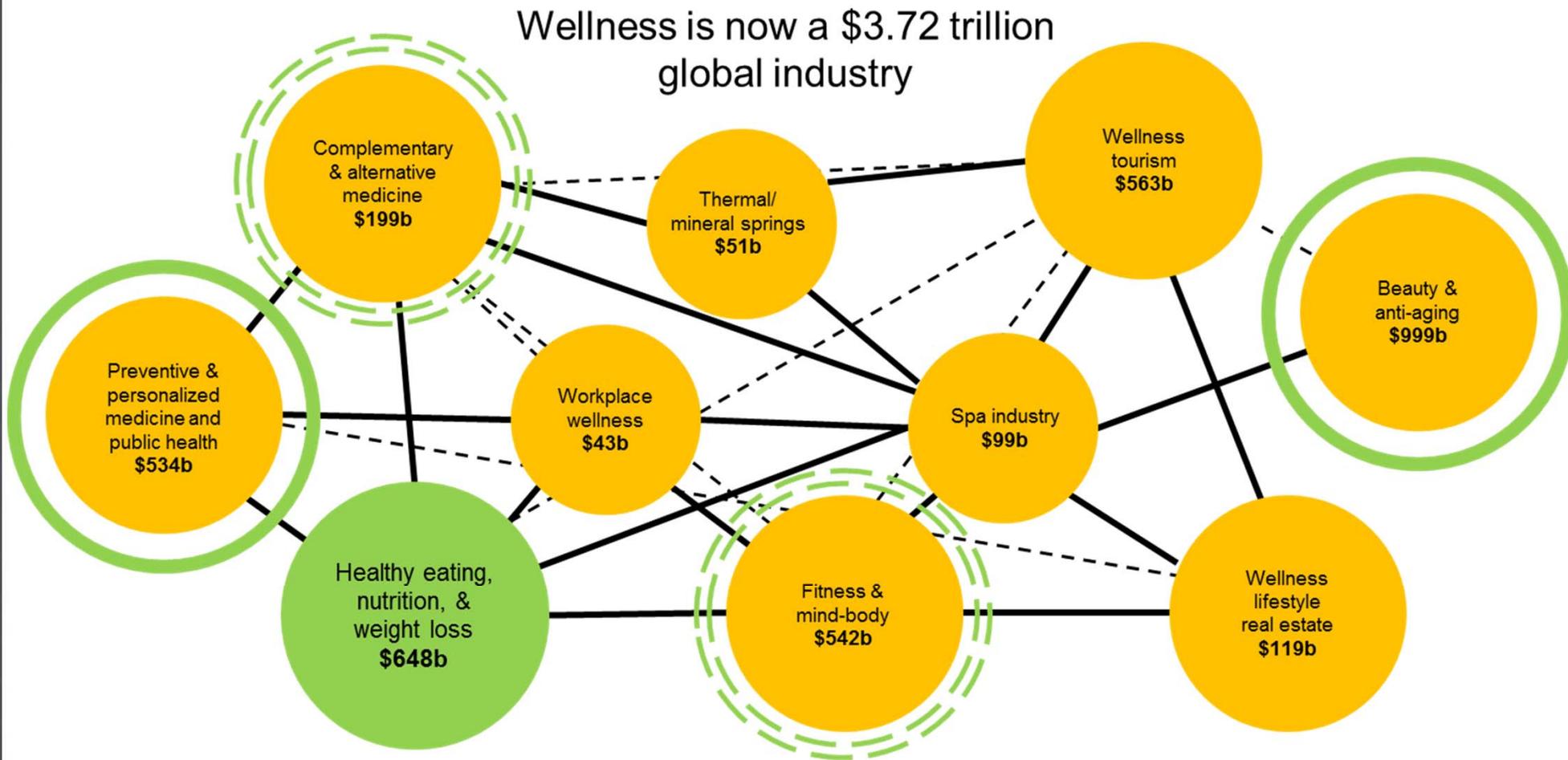


**Global Consumer Health Spend was \$217 Billion in 2016 <sup>2</sup>**

Note:

1. Better Policies for a Healthier America 2014
2. Euromonitor International

# Wellness is one of the fastest growing, most resilient markets in the world



- The global wellness industry grew 10.6% from 2013 to 2015 while the global economy shrank by 3.6%
- The wellness industry now represents 5.1% of global economic output
- The healthy eating, nutrition, & weight loss segment had an increase of 12.8% from 2013 to 2015

# Families Living in Lower Income Neighborhoods Are More Likely to be Obese

**HEALTH STATUS**

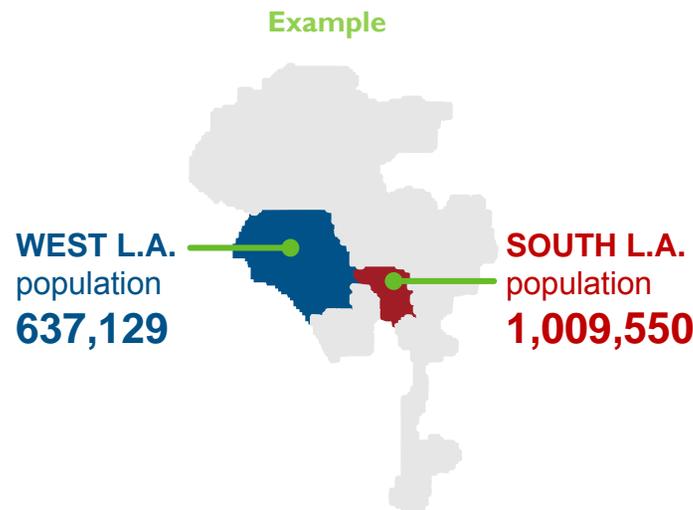
SOUTH L.A. ADULTS ARE	<b>2X</b>	LESS LIKELY TO EAT FIVE OR MORE SERVINGS OF FRUITS AND VEGETABLES A DAY THAN ADULTS IN WEST L.A.
SOUTH L.A. CHILDREN ARE	<b>2X &amp;</b>	ADULTS ARE <b>3X</b> AS LIKELY TO BE OBESE
SOUTH L.A.'S DIABETES DEATH RATE IS	<b>3.5X</b>	HIGHER THAN WEST L.A.'S

**WEST L.A.**

**3,763**  
PEOPLE PER GROCERY STORE

**16**  
FARMERS MARKETS

**41%**  
OF RESTAURANTS ARE FAST FOOD  
(or limited service)



**SOUTH L.A.**

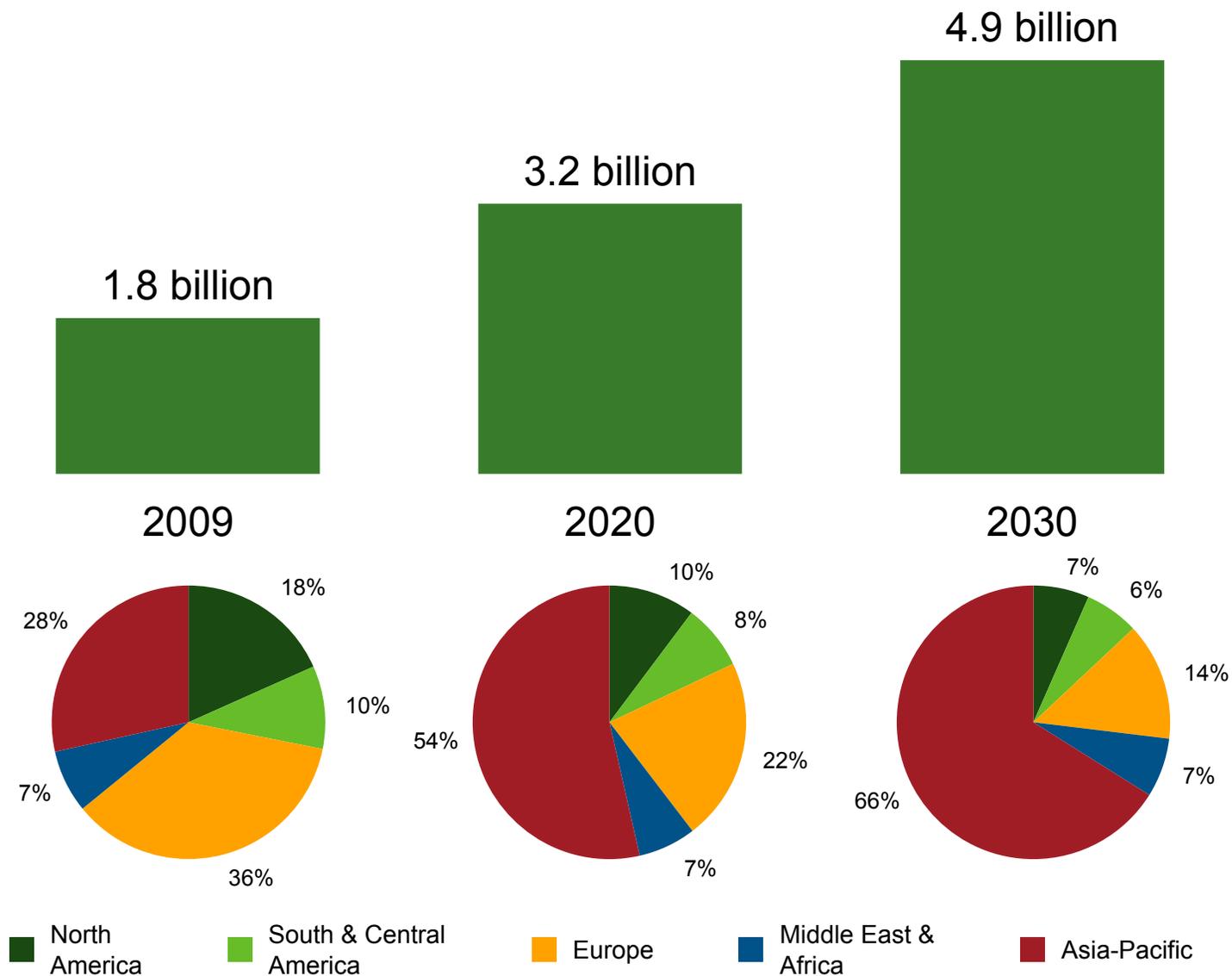
**5,957**  
PEOPLE PER GROCERY STORE

**6**  
FARMERS MARKETS

**72%**  
OF RESTAURANTS ARE FAST FOOD  
(or limited service)

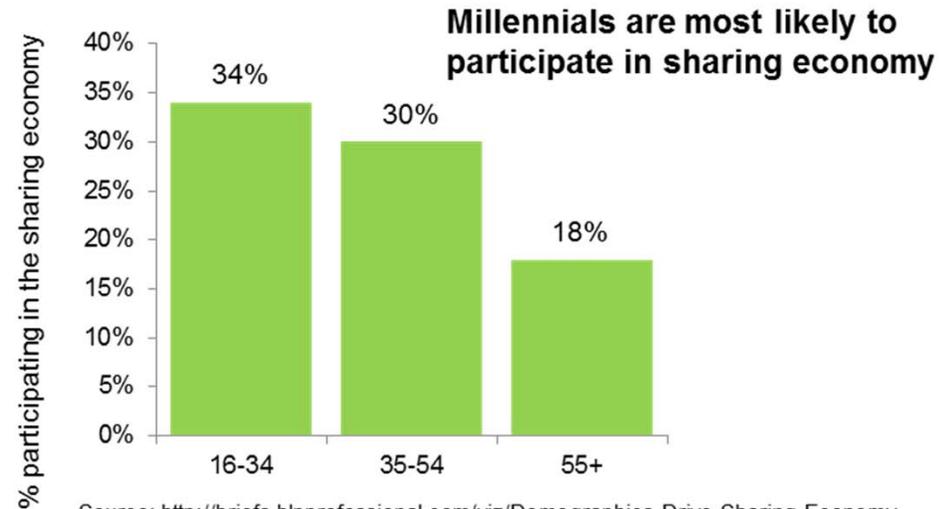
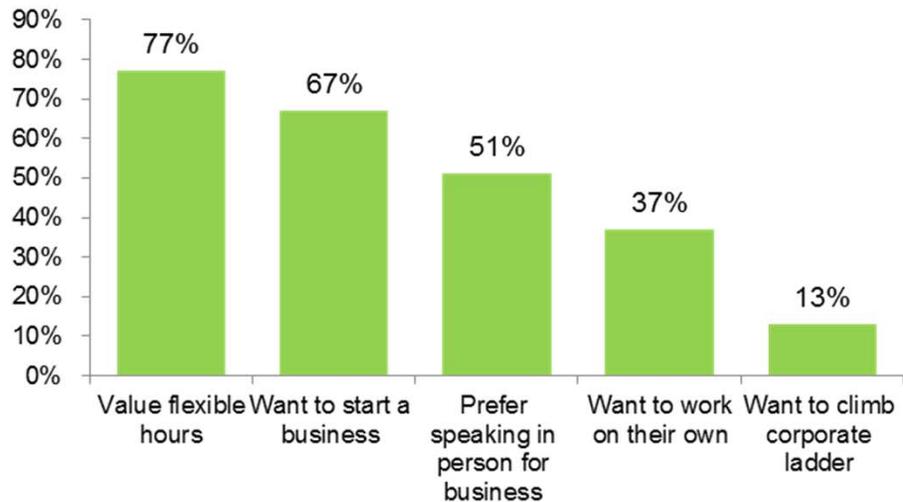
# Growth of the Global Middle Class Population

Households that spend between \$10 and \$100 per day

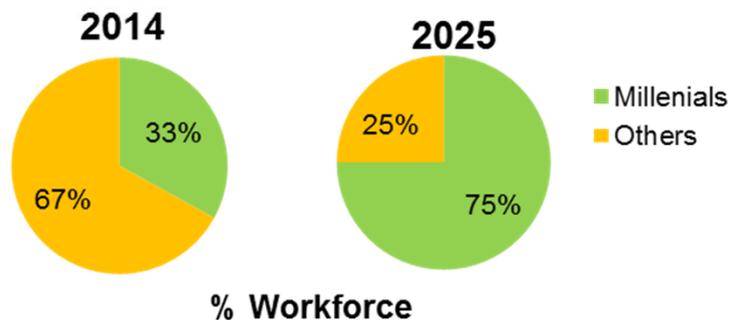


Source: The Atlantic

# Rising Entrepreneurship: Millennials Lead

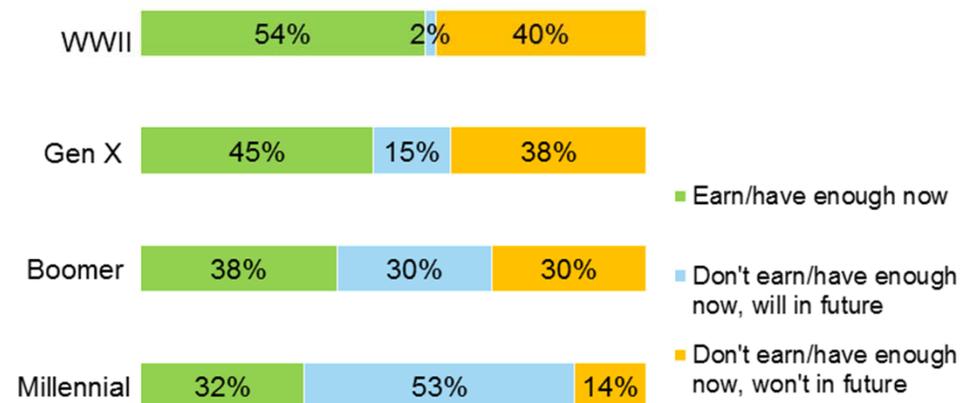


Source: <http://briefs.blpprofessional.com/viz/Demographics-Drive-Sharing-Economy-as-Millennials-Seek-More-for-Less/index.html>



Source: <http://www.forbes.com/sites/robashghar/2014/11/11/study-millennials-are-the-true-entrepreneur-generation/>

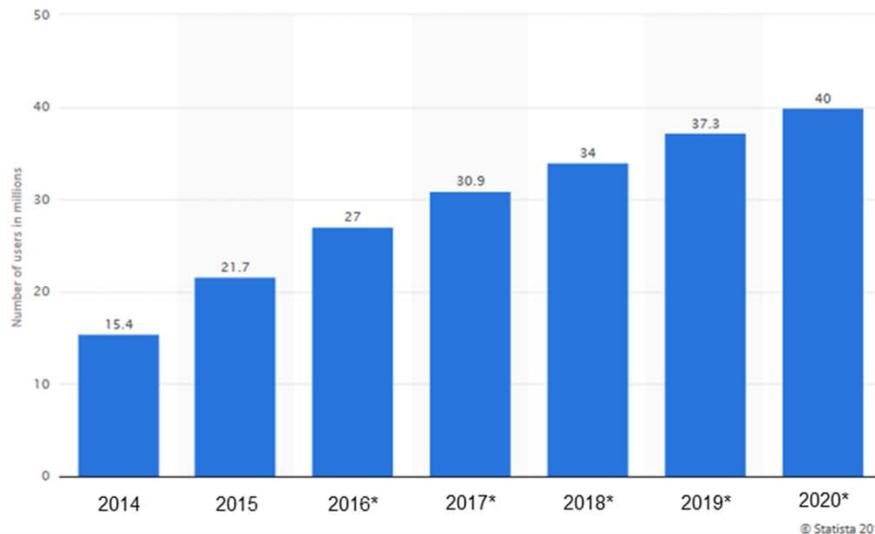
## Millennials are concerned about their future earnings



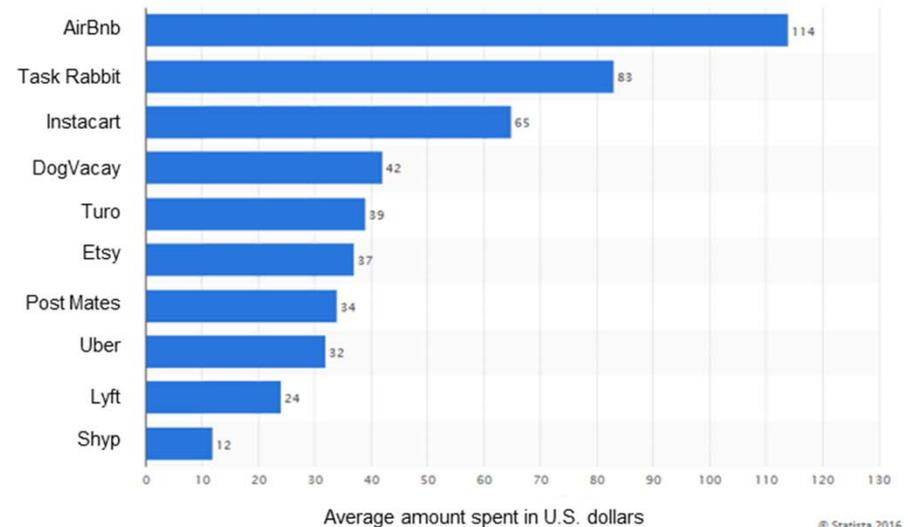
Source: <http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/>  
Excludes "Don't know/Refused" responses.

# Sharing economy is growing; brick and mortar retail under pressure

Number of sharing economy users in the United States from 2014 to 2020 (in millions)

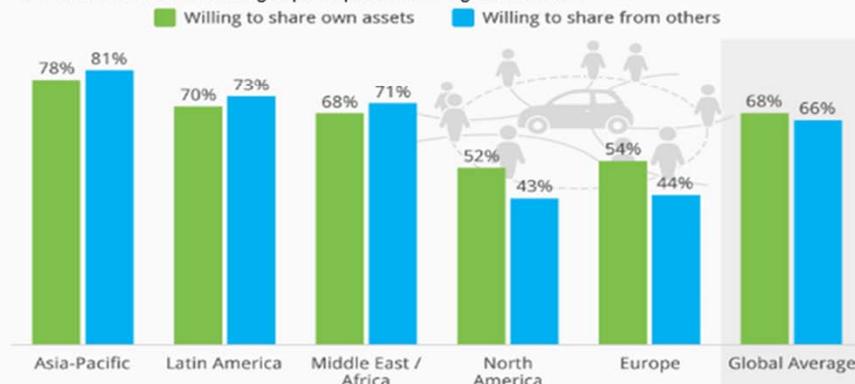


Average spending of adults in the United States on selected sharing companies or services as of January 2016 (in U.S. dollars)



## The Rise of the Sharing Economy

% of online consumers willing to participate in sharing communities\*



\* based on an online survey among 30,000 consumers in 60 countries conducted in Q3 2013  
Source: Nielsen

## Continued decline in mall traffic

- Mall visits declined by 50% (2010 – 2013)
- 15% of malls will disappear in the next decade

Source: Mall data taken from Green Street Advisors and Cushman & Wakefield  
<http://therealdeal.com/miami/2016/09/04/theres-a-terrifying-mall-blight-threatening-communities-across-america/>



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**II. Company's nutrition products and unique "last mile" distribution network supported by education, training and social support communities are well positioned to leverage consumer megatrends**

## Herbalife Nutrition – The Last Mile:

### **Traditional Consumer Packaged Goods (CPG) Distribution Model**



+

Limited Customer Engagement

=

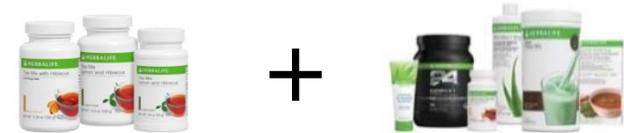


VS.

### **The Competitive Alternative**

# HERBALIFE NUTRITION

Broad Range of Products



+

The Last Mile  
(Direct Sales Channel)

=



## Our Last Mile Value Add:



### Coaching Support & Community Network

- Coaching, training and support networks
- Community involvement
- Nutrition / Fit Clubs
- Local authentic sponsorships
- Lifestyle / Wellness Centers
- Create / become part of a local and broader social network
- Become part of network of Members
- Help customers achieve results

# Growth Opportunity to Target Middle Segments With Message, Nutrition Education & Product

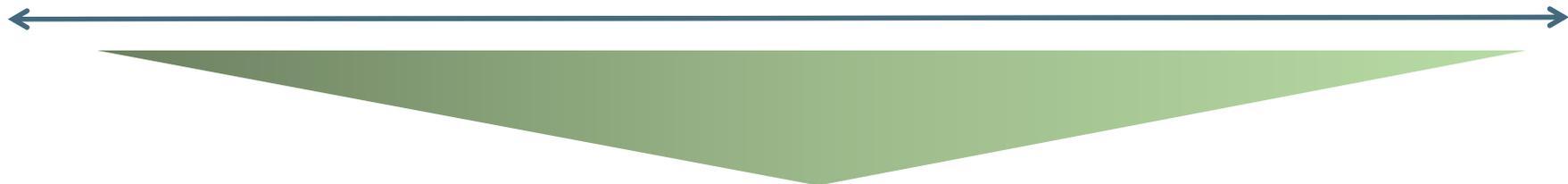
25%

75%

< 1%



*Commonalities: Body composition – Results – Sense of community*



## ***Herbalife Customers***

# Herbalife's Personalized Socialization Dynamic

*People lose weight and achieve nutritional goals much better as part of a social group*



# Research: Social Support Can Help You Lose Weight

## People lose weight and achieve nutritional goals much better as part of a social group

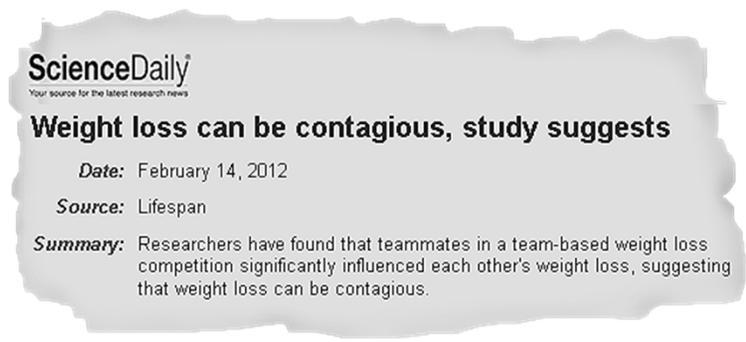
- Researchers at the University of Pennsylvania recruited 166 people to participate in a weight-loss program either alone or with three friends or family members.
- Among those who embarked on the program with friends, 95 percent completed the program compared to only 76 percent of those who dieted solo.
- After 10 months, 66 percent of the group dieters had maintained their weight loss compared to only 24 percent of those who were on their own <sup>1</sup>
- “It’s easier to stick with a weight loss plan when you have support” <sup>2</sup>
- “The studies are unequivocal - people who attend support groups as part of a comprehensive weight-loss program lose more weight than those who go it alone. Some things are hard to do alone” <sup>3</sup>



**CBSNEWS**  
 By MICHELLE CASTILLO CBS NEWS October 16, 2013, 1:53 PM

**Want to lose weight? Group programs may work better than doing it alone**

Group mentality isn't necessarily a bad thing: A new study shows that people who took part in community-based weight loss programs lost more weight than those who were trying to shed pounds on their own.



**ScienceDaily**  
 Your source for the latest research news

**Weight loss can be contagious, study suggests**

**Date:** February 14, 2012  
**Source:** Lifespan  
**Summary:** Researchers have found that teammates in a team-based weight loss competition significantly influenced each other's weight loss, suggesting that weight loss can be contagious.

Source: CBS News; Science Daily

Note:

1. University of Pennsylvania
2. American Psychology Association
3. Reader's Digest



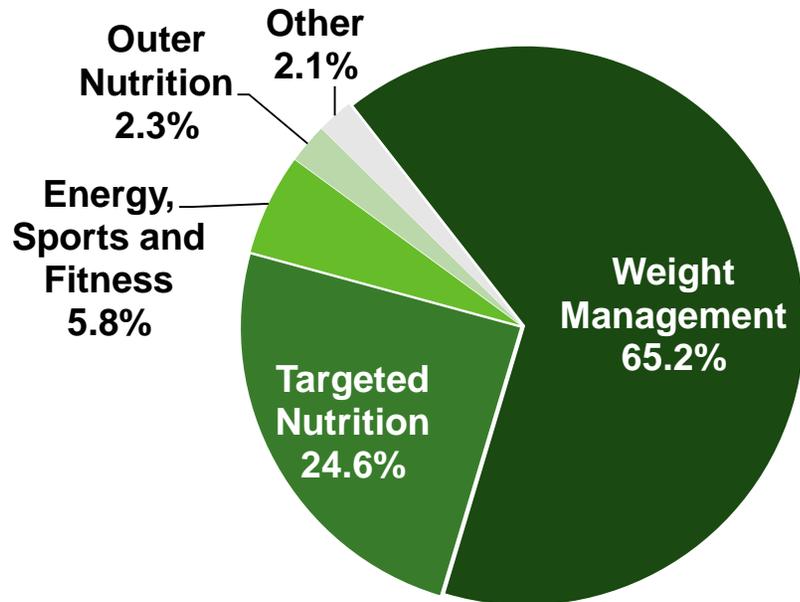
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**III. Range (and breadth) of nutrition products, industry-leading infrastructure**

# Leader in Providing High Quality Products

- Ingredient traceability
- Leverage strength of large global companies

## Sales by Category



## Top Selling Product



## Top Suppliers



Division of **DU PONT**



**Archer Daniels Midland**

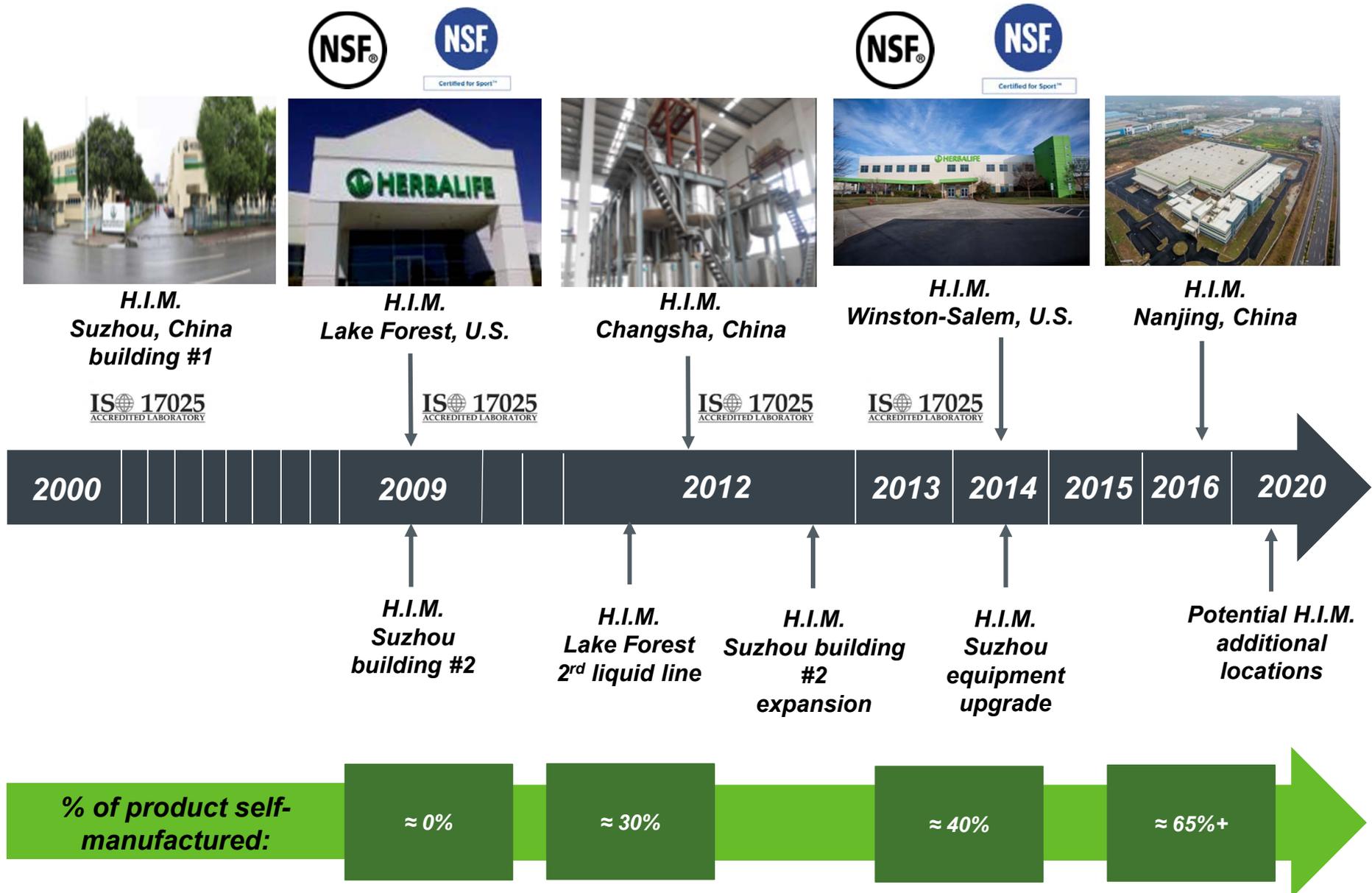


Division of **DU PONT**



Source: Herbalife 2017 Q1 10-Q

# Industry-Leading Manufacturing



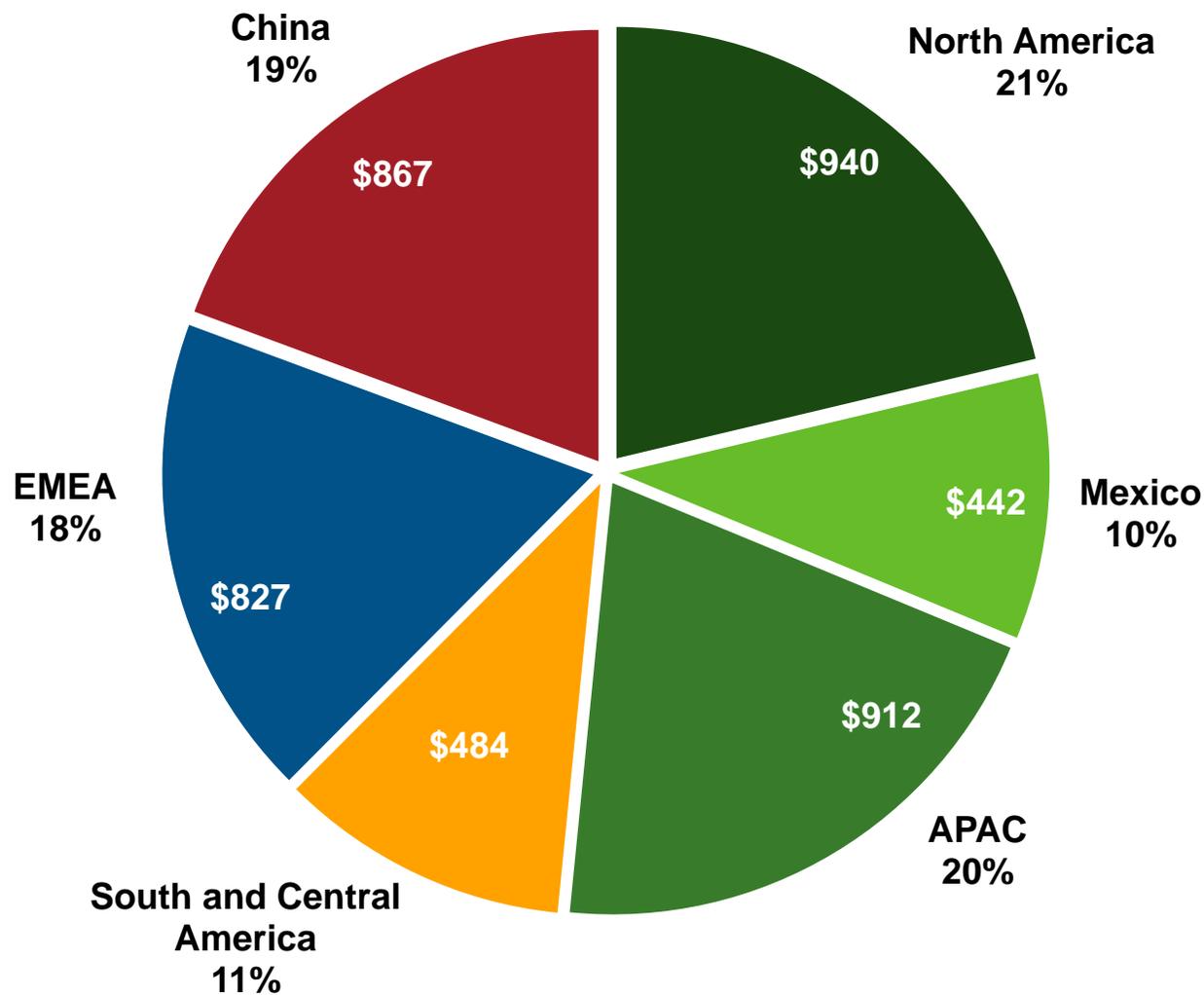


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## **IV. Strong financial performance and cash flow**

# Geographically Diversified – Net Sales by Region

(in millions)



Source: Herbalife Filings

Note: Net sales is for the trailing twelve months as of 2017 Q1

# Global Volume Points / Net Sales

(in millions)

	Volume Points		Net Sales		Constant Currency Net Sales	
	Q1 2017	YOY %	Q1 2017	YOY %	Q1 2017	YOY %
<b>NORTH AMERICA</b>	302.6	(5%)	\$229.8	(7%)	\$229.6	(7%)
<b>MEXICO</b>	225.4	4%	104.8	(4%)	118.0	8%
<b>ASIA PACIFIC</b>	260.8	5%	219.7	(1%)	216.8	(2%)
<b>SOUTH AND CENTRAL AMERICA</b>	153.3	(14%)	122.4	(4%)	117.2	(8%)
<b>EMEA</b>	274.2	5%	209.8	6%	209.9	6%
<b>CHINA</b>	182.0	17%	215.6	(1%)	227.4	5%
<b>TOTAL</b>	1,398.3	1%	1,102.1	(2%)	1,118.8	0%

Source: Herbalife Filings

Note: Net sales as of 2017 Q1; Some data is non-GAAP; See Appendix: "Reconciliation for GAAP and Adjusted Financials"; When management makes reference to volumes in this presentation, it is referring to volume points

# Strong Balance Sheet

(in millions)

	2015	2016	2017 Q1
<b>CASH</b>	\$889.8	\$844.0	\$1,782.9
<b>DEBT</b>	\$1,622.0	\$1,447.9	\$2,302.8
<b>NET DEBT</b>	\$732.2	\$603.9	\$519.9
<b>LTM EBITDA (REPORTED)</b>	\$679.4	\$556.5	\$532.6
<b>LTM EBITDA (ADJUSTED ')</b>	\$739.6	\$738.3	\$717.0
<b>NET DEBT / EBITDA (REPORTED)</b>	1.1x	1.1x	1.0x
<b>NET DEBT / EBITDA (ADJUSTED ')</b>	1.0x	0.8x	0.7x

Source: Herbalife Filings

Note:

1. Some data is non-GAAP; See Appendix: "Reconciliation for GAAP and Adjusted Financials"

# Cumulative Use of Cash

(in millions)

2007 - 2016	
NET INCOME (REPORTED)	\$3,222.0
CHANGE IN NET DEBT	\$1,262.5
<b>TOTAL AVAILABLE CASH</b>	<b>\$4,484.5</b>
BUYBACKS	\$3,117.2
DIVIDENDS	\$568.7
<b>BUYBACKS / DIVIDENDS COMBINED</b>	<b>\$3,685.9</b>

**82%**  
 TOTAL CASH RETURNED TO SHAREHOLDERS AS A PERCENTAGE OF NET INCOME + INCREMENTAL DEBT

**Q1 2017**

- \$1.45B Credit Facility
- \$1.50B Board Approved Share Buyback
- Executed \$119MM of share buyback by the end of April 2017



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## **V. Conclusion of regulatory overhang and path forward**

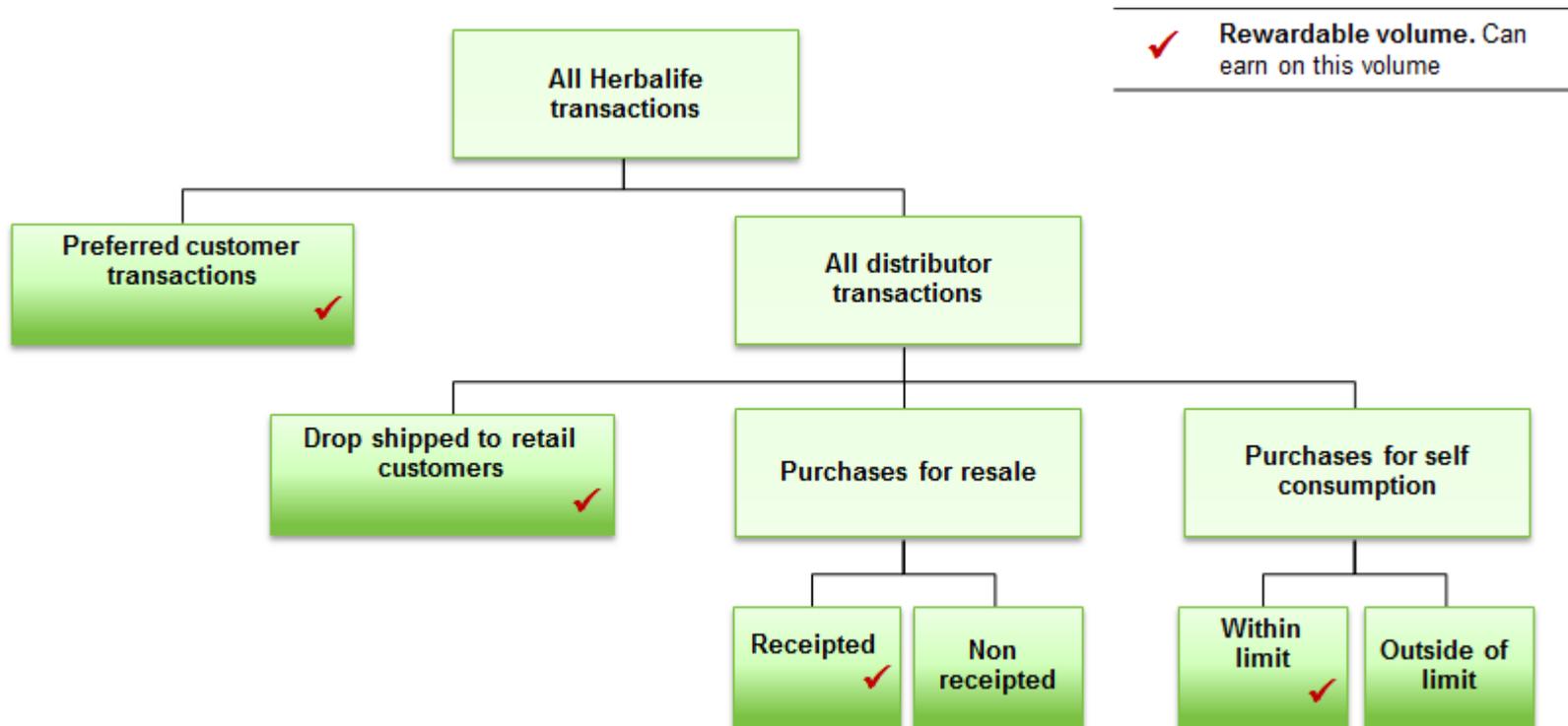
## ***FTC Settlement Resolution***

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In July 2016, the Company agreed to a settlement with the Federal Trade Commission (FTC), making a \$200 million cash payment and committing to enhance its United States business practices

- **Confirm consumer demand by increasing transparency**
  - Structurally track end-user sales
    - Segment discount customers (“preferred members”) from business participants (“distributors”)
    - Require receipts for retail sales from distributors
- **More transparently align distributor compensation with retail sales**
  - Pay royalties and bonuses based on retail sales to end users instead of on distributor purchases
  - Base all qualification thresholds on verified retail sales to non-distributor end users
  - Limit rewards on excessive levels of personal consumption by distributors
- **Ensure accurate and reasonable income claims about the business opportunity**

# FTC Settlement – MLM Marketing changes in the U.S.



**No limit on the amount of Distributor compensation if sum of ✓ is >80% of total U.S. sales**

**Potential limits on the amount of Distributor compensation:**

- *If sum of ✓ is <80% of total U.S. sales, then the Company can still pay its Distributors the current levels of compensation on all rewardable volume, plus it has the ability to increase compensation on rewardable volume by approximately 10%*
- *Rewardable self-consumption in the U.S. is limited to 1/3 of total rewardable volume. Any portion above 1/3 will count as non-rewardable volume*

**The 80% is an annual threshold is not required for compliance, it is simply a potential restriction on Distributor rewards**

Source: Graphical depiction of examples as discussed on the Herbalife Second Quarter 2016 Earnings call, a transcript of which has been posted on Company's IR website.  
 Note: Volume refers to volume points.

# ***FTC Settlement Creates New Opportunities***

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## **Segmentation to differentiate support and services Herbalife provides**

- Preferred Members: those who are solely seeking product discount
- Distributors: those who want to retail or recruit and build a business

## **Paying distributors based on receipts sets the standard for the industry**

- Increases transparency to regulators and investors
- Eliminates historic industry stereotype of lack of real consumers

## **Distributor tools and customer data<sup>(1)</sup>**

- Real-time consumer order activity and patterns
- Opens the door for “permission marketing” to support the customers of Herbalife’s distributors
- Completes direct-to-consumer database
- Customer acquisition, retention and productivity data
- Productivity and efficiency gains for distributors through customers

(1) The Point of Sale and nutrition club attendance tracking tools were launched mid-November and are active and in the field.



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## **Appendix**

# Reconciliation for GAAP and Adjusted Financials

TTM Mar '17 Impact of Carve-outs (\$mm)								
	Net Sales	COGS	SG&A	Other OI	Interest/Other	Tax	Net Income	EPS
Regulatory Settlements	\$0.0	\$0.0	\$203.0	\$0.0	\$0.0	(\$70.0)	\$133.0	\$1.53
Non-cash interest expense related to convertible notes	\$0.0	\$0.0	\$0.0	\$0.0	\$45.8	(\$0.3)	\$45.5	\$0.52
Expenses related to regulatory inquires	\$0.0	\$0.0	\$12.5	\$0.0	\$0.0	(\$4.0)	\$8.5	\$0.10
Expenses related to short-seller activities	\$0.0	\$0.0	\$10.7	\$0.0	\$0.0	(\$2.8)	\$7.9	\$0.09
Expenses related to regulatory implementation	(\$4.7)	\$0.0	\$14.5	\$0.0	\$0.0	(\$6.4)	\$12.8	\$0.15
KPMG Recovery	\$0.0	\$0.0	\$2.2	\$0.0	\$0.0	(\$0.5)	\$1.7	\$0.02
China Grant Income	\$0.0	\$0.0	\$0.0	(\$33.4)	\$0.0	\$9.6	(\$23.8)	(\$0.27)
KPMG Award	\$0.0	\$0.0	\$0.0	(\$29.7)	\$0.0	\$3.9	(\$25.8)	(\$0.30)

YTD Dec '16 Impact of Carve-outs (\$mm)								
	Net Sales	COGS	SG&A	Other OI	Interest/Other	Tax	Net Income	EPS
Regulatory Settlements	\$0.0	\$0.0	\$203.0	\$0.0	\$0.0	(\$70.0)	\$133.0	\$1.54
Non-cash interest expense related to convertible notes	\$0.0	\$0.0	\$0.0	\$0.0	\$45.1	\$0.0	\$45.1	\$0.52
Expenses related to regulatory inquires	\$0.0	\$0.0	\$16.3	\$0.0	\$0.0	(\$5.5)	\$10.8	\$0.13
Expenses related to short-seller activities	\$0.0	\$0.0	\$12.1	\$0.0	\$0.0	(\$3.0)	\$9.0	\$0.11
Expenses related to regulatory implementation	(\$1.7)	\$0.0	\$9.0	\$0.0	\$0.0	(\$3.6)	\$7.1	\$0.08
KPMG Recovery	\$0.0	\$0.0	\$3.6	\$0.0	\$0.0	(\$1.0)	\$2.6	\$0.03
China Grant Income	\$0.0	\$0.0	\$0.0	(\$34.2)	\$0.0	\$9.8	(\$24.3)	(\$0.28)
KPMG Award	\$0.0	\$0.0	\$0.0	(\$29.7)	\$0.0	\$3.9	(\$25.8)	(\$0.30)

YTD Dec '15 Impact of Carve-outs (\$mm)								
	Net Sales	COGS	SG&A	Other OI	Interest/Other	Tax	Net Income	EPS
Non-cash interest expense related to convertible notes	\$0.0	\$0.0	\$0.0	\$0.0	\$42.2	\$0.0	\$42.2	\$0.49
Venezuela Remeasurement, Impairment, and Other Losses	\$0.0	\$2.0	\$32.6	\$0.0	\$7.9	(\$14.9)	\$27.7	\$0.32
Expenses related to regulatory inquires	\$0.0	\$0.0	\$21.5	\$0.0	\$0.0	(\$7.3)	\$14.2	\$0.17
Expenses related to short-seller activities	\$0.0	\$0.0	\$18.7	\$0.0	\$0.0	(\$4.9)	\$13.8	\$0.16
KPMG Recovery	\$0.0	\$0.0	\$2.0	\$0.0	\$0.0	(\$0.7)	\$1.3	\$0.02
EURUSD FX Impact	\$0.0	\$0.0	(\$7.4)	\$0.0	\$0.0	(\$0.8)	(\$8.3)	(\$0.10)
Winston Salem Equipment Recovery	\$0.0	\$0.0	(\$3.1)	\$0.0	\$0.0	\$1.1	(\$2.0)	(\$0.02)
Bostick Legal Reserve Reversal	\$0.0	\$0.0	(\$1.9)	\$0.0	\$0.0	\$0.7	(\$1.2)	(\$0.01)
China Grant Income	\$0.0	\$0.0	\$0.0	(\$6.5)	\$0.0	\$1.9	(\$4.6)	(\$0.05)