Herbalife

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Samantha Holway: Good morning, everyone, and thank you for joining us today, whether in person or via webcast. I'm Samantha Holway, Head of Investor Relations at Herbalife, and I'm joined by John DeSimone, our Chief Financial Officer and incoming Interim CEO; Scott Schaefer, our Senior Vice President of Finance and Transformation and incoming CFO.

Before we begin, I would like to direct you to the cautionary statement regarding forward-looking statements that is available under the Investor Relations section of Herbalife's website. This fireside chat will include a discussion of some of the more important factors that could cause results to differ from those expressed in any forward-looking statement within the meaning of the Private Securities Litigation Reform Act of 1995. As is customary, the content of today's presentation will be governed by this language.

In addition, during today's presentation we may discuss certain non-GAAP financial measures. These non-GAAP financial measures exclude certain unusual or non-recurring items that management believes impact the comparability of the periods referenced. Please refer to our Investor Relations website for additional information regarding these non-GAAP financial measures and the reconciliations to the most directly comparable GAAP measure.

And with that, I'll hand it back over to Hale.

Hale Holden: Thanks, Sam.

So, John, the company comes into the conference with four quarters of top line growth, a stated path to bring leverage into the 1x range by '28, the buyback that you announced yesterday, and the early stages of a push into personalized data-enabled nutrition. But you've also had some recent management changes. So, maybe walk us through what the CEO transition announcement and what "Interim" means in your title.

John DeSimone: Sure. So, for those who are unfamiliar with what's happened in the last few years, about three years ago we had one of our top distributors – our second most successful distributor in the 46-year history of the company – join as an employee. We were going through some post-pandemic challenges, as was our industry, and he was bringing a distributor perspective in. He came in as Chief Strategy Officer, then President, and then CEO. And he brought that unique angle to help just create a vision and a strategy for the longer term.

And we've announced that he's going back to running his distributorship at the end of October. Incredibly grateful for the insight he brought in for the new vision and strategy.

The company is in a much better place today than it was coming out of the pandemic. Nine of our last 11 quarters, we've had local currency net sales growth. The last four quarters, we had reported net sales growth. We've had volume growth in the last four quarters. Our balance sheet has been strengthened. Three years ago, our leverage ratio was 3.9x, gross leverage ratio. Now it's 2.7x or 2.8x, in that range. We've got a new debt deal, saving a lot of money of interest.

We're in a much better spot right now for Stephan now to return – Stephan is the person we're talking about, who's our current CEO – to return back to his distributorship.

At the same time, just prior to this, we announced a CFO transition. When I came back to the CFO – so, for my background, I was CFO from 2010 to the middle of 2018, had a couple other roles with the company after that. Semi-retired. Came back in early 2024. And one of my objectives when I came back, in addition to strengthening the balance sheet, was to hire a successor. And about a year ago, Scott came in, and we're very comfortable that he is the right person. So, we announced my retirement at the end of the year, and Scott was going to jump in January 1.

Those two transitions were actually disconnected, but I think it was fortuitous. Because with Stephan going back to his distributorship, I've already had a replacement. For me, I'm stepping in as an interim CEO. I've been at the company for 18 years. I know the company very well. I'm no longer retiring on December 31. So, I will be interim for as long as it takes to find the right candidate.

And I think that's an important takeaway for the audience. I understand the business. We've got an incredibly strong executive team. I will be here for as long as it takes, and I will be here for whatever transition a new CEO – whatever help they need.

But we're doing this in a position of financial strength, right? This is not a traditional CEO transition. In fact, we're not even losing Stephan, who is our current CEO. He is our number two distributor. In his organization, he has about $0.5 billion in revenue. He has not been able to run that distributorship as CEO. It has to go in a trust. Now he gets to go back and run that distributorship, and that's one of the reasons for such a quick transition.

So, that's just some context around the situation and both Stephan's situation, my situation, and Scott's situation.

Hale Holden: So Stephan's transition, does that change the personalized nutrition push that the company is...?

John DeSimone: No. Again, for some context, our core business is doing very well. Like I said, last four quarters we've had volume growth, strong net sales growth. But there is a vision and kind of the foundation of that vision is we've got six million members. Members are somebody who's a distributor or a preferred customer that can buy directly from us. In addition, we have millions of additional customers.

When we talk about nutrition clubs, which we'll talk about at some point today, these are consumers coming into a fixed location to buy basically a single serve of our product. In the U.S. alone, we have four million customers that are not distributors, in just the U.S. alone.

So, we have reach into millions, tens of millions of customers if you extrapolate out the U.S. customer base. We believe the next wave in health and wellness nutrition is personalization. Personalization is – Herbalife has been grounded in personalization since it started. Our distributors ultimately create a personalized program for their customers to be successful, but it's more of a curated program.

The vision going forward is more of a formulated personalized product. So, taking the data – the data consumers have available to them today is exponentially greater than the data they've had available just a decade or two decades ago. It used to be just a scale or you measure how many bench presses you could do. There was measurements, but it was minimal. The amount of data a consumer has today, with their ability to get blood work, when blood work is a commodity, anybody can go get their own biomarkers – what do you do with that data?

We want to own the space where we can take that data, whether it's biomarker data or just survey data where you answer a series of questions, and we can create a product specifically for your needs. That is an important part of our strategy, and that's not going to change.

It's a spectrum. We're personalized today on a curated standpoint. We want to go to personally formulated. We think we have the foundation for it because we've got the millions of customers, right? We'll have the ability to get the data. There's going to be a journey to get there on that spectrum, but that's an important part of our future.

Hale Holden: My son's playing football, and he sent me his WHOOP score last night and then told me I needed to get off my butt.

John DeSimone: WHOOP, Oura Ring, I mean, the amount of data is a bit – like, what do you do with the data? That's the confusing part for consumers. We want to be the experts that say, "Take that data. Here's what you do to improve it and reach your goals."

Hale Holden: Apparently, make fun of your father who is not playing high school sports.

So, any changes to the capital allocation policy that you guys have outlined or the way you think about...?

John DeSimone: Well, a little bit. For those who are unfamiliar – again, I feel like I want to give background for those who are unfamiliar with Herbalife. We generate a lot of cash. For perspective, over the last four quarters our free cash flow yield is 23%. We've always generated cash.

The reason we have debt is because we've done a lot of buybacks over the years. We've bought back $6.5 billion of stock since I joined the company. A lot of that was strategic. Some of it was we had a board member who was a big investor and ultimately bought that position out. That was not strategic, but the rest of it was strategic.

Coming out of the pandemic, when business changed, our balance sheet didn't look so strong anymore. And so, we focused that cash on paying down debt, which we've done a lot of in the last three years; over $800 million, I believe, in the last three years.

Our goal was to pay another $600 million down by the end of 2028. But where our stock is right now – and our multiple is incredibly low, incredibly undervalued for a company that's growing, that generates cash – we announced yesterday a $250 million, three-year buyback program. So, we're going to work in the buyback along with paying down debt. That does mean maybe the 2028 goal of paying down another $600 million might get pushed out a little to 2029, which is fine because the maturity of the debt deals we just did doesn't happen until the early 2030s. So, we'll still hit that goal.

So, yes, I think our priorities have changed. And so, you'll start seeing a buyback program that gets implemented. We announced it in advance of this conference so we could talk about it in our meetings with our investors. It's not likely to be implemented till next quarter because our blackout period, by policy, starts tomorrow. And so, there really isn't enough time to execute something in Q3. But at least we can talk about it, investors know it's coming, and we can start executing it, beginning with our earnings announcement that will be early November.

Hale Holden: So, at the risk of making this a little weird for Scott, one of the things that got a lot better when you came back to the company, John, was the ability to hit guidance, project, like, have some financial rigor, and hold yourself accountable for the goals that you had out there. And so, maybe talk about your confidence of how that's institutionalized in the way you do things now so that when you depart at some point in the future Scott can carry that forward.

John DeSimone: Look, there was a time, like when I was not in the company, where we – again, it was challenging times coming out of the pandemic, and we pulled guidance. So, a couple of things. We will always guide. That's my commitment, and I think Scott agrees with that.

Scott Schaefer: Agreed.

John DeSimone: We guide with the best information we have possible, but there's a lot of rigor and a lot of different models we use to guide, hundreds of models ultimately that we use to find what we think is the best model to use for guidance. And over the last two years, I think – in the last three years, since I came back, we've missed net sales once, but haven't missed EBITDA; we've exceeded guidance.

So, I do think it's been institutionalized. Knock on wood. Every time you guide, there's some – at some point, you're going to miss. We all have to deal with that. But I think we have a lot of rigor in the process.

Scott, who's the next CFO, his background, he was with Zappos for 18 years, I believe...

Scott Schaefer: Sixteen.

John DeSimone: ...16 years, from when it was its standalone company to when it was a division of Amazon. He rose up to not just the CFO position, but the CEO position for three years. Working for Amazon, I think financial discipline, operating rigor, and accountability is core to that environment. So, I think it's in Scott's DNA, too.

Hale Holden: Scott, like, I was hoping for better shoes from you, to be honest.

I do wonder how you got from Zappos to Herbalife, because presumably you spent a lot of time at Zappos, and Herbalife may not have been, like, on your operating radar. So, maybe talk about what attracted you to the company or how you ended up there.

Scott Schaefer: So, after exiting Zappos, decided I wanted to take a year off, and kind of just halfway through that window started to search for what's next. And I was actually about to join another firm with a contract opportunity back in the shoe game as a CFO/COO. And right before I signed the contract, one of the recruiters I was working with reached out and surfaced this opportunity with Herbalife. And I've always been into the health and wellness kind of journey over time. And I was familiar with the company but wasn't deeply familiar. And so, I was, like, yes, this seems like a really interesting opportunity. The profile looked great.

And I met with John first, and then I met with the CEO, Stephan. And what was striking that made me really pause and really become extremely interested was how it presented both purpose and opportunity. Zappos was a company that was purpose first, values first, and then when you're creating value for people, profit follows and cash follows. And we lived our values every single day. The culture and the company and really the purpose of helping small business owners create something unique for themselves, it struck me. So, I thought it was something that I did want to pursue a little bit further.

And then, on the opportunity side, the company had come through a kind of corrective period coming out of COVID and was on stable footing. I learned a lot from John in terms of, like, the margin expansion and the goal that we have set forward on debt pay-down, and it seemed like it was just a really great time for me to jump. And kind of the rest is history.

So, I've been with the company now about ten months, and extremely grateful to be part of it. It feels very much like home.

Hale Holden: So, what are two or three metrics that you're going to focus on as CFO that you want to hold the company accountable for or your team accountable for?

Scott Schaefer: So, when you think about first the financial and then kind of the operational, I think on the financial side, clearly, free cash flow. This is a great cash-generating business. And as we focus on margin expansion, being number two, our ability to drive top line growth, I think margin expansion is only going to yield stronger free cash flow. This is not a capital-intensive business. So, there's a lot of operating cash and free cash that we generate. Those are a couple where we're going to set long-term targets for ourselves, and I think we can do really well.

The operational one, because we are – the way we go to market is through our distributors, and they're kind of our first line of customers. Then, of course, they have their customers that they work with. Experience metrics matter. They are effectively operational metrics. And so, the couple that I really want to hold ourselves accountable is how can we create a great experience for our distributors. This is everything from inventory efficiency, making sure that we have product in stock so they can meet consumer demands, to things like click-to-deliver rates, right? Making sure that we can get the product to our customers in an appropriate time – to our distributors and our customers in an appropriate time to help them service their small business needs. So, just a couple of those operational metrics, because those have a significant impact on the experience that they can create for their customers.

Hale Holden: John, you've got a clock on your tenure here – maybe we're in extended time – but what do you want to finish before you leave?

John DeSimone: I'll speak to it as a CFO position, not as the interim CEO, because there's things I want to do on both.

Our historical margin rate was north – EBITDA margin – was north of 15%, right around 15%, between 15% and 16%, for a long time. We dipped down really low to 11.3%

coming out of COVID in 2023. We worked our way up to just over 13% last year. We want to see if we can get back to 15%. I think there's a little bit of aspirational goals there because of some – the more familiar you get with us, the more you'll understand this next comment – there's a India GST tax issue that's great for sales, but hurts margins a little. So, it's creating a mix issue. Still hugely beneficial to us as a company, but it puts pressure on the margin number, but adds a lot of profit dollars.

We're working on a path, a road map to get our margins back up. Whether we get to 15% or maybe we get to 15% less the impact of GST, we want to have that clear road map out over the multiple years we need to get there. And Scott is a big part of that, and I'd like to have that done before I leave.

Hale Holden: We talked about this a little bit yesterday, but you have these new products that are coming that are different than the core. You have a distributor base that is a unique attribute of the company in the sense that they're not direct employees. And most of your cash is coming from the core nutrition products at the moment. So, how do you make sure that the distributors don't get distracted with the shiny new toys or that things get levered in the right way and that growth is moving up and to the right the way you want it to?

John DeSimone: Well, first of all, I think I'm going to reframe it because I think I'm not worried about distributors getting distracted from the next bright shiny object. Because they're going to do whatever makes them the most money. They're all independent entrepreneurs. They know what works. They have their business flows. They don't change easily.

The real question is, how do we as a company not get distracted with the bright shiny object so we're not working on things that don't add value? Our job is to help add value to the distributor. If we launch something, they're not going to be distracted. If it doesn't work for them, they just won't use it. And so, our job is to add value.

And so, that's what we believe we're doing with our initiatives. And we do that multiple ways, but one of the ways is a lot of interaction with our distributors. For example, with our new technology platform, Pro2col – it's an application – we're having, we call them, labs. Our distributors have different business flows. Those business flows have names. Nutrition Clubs is one of the names, but there's a lot of them. We bring in the top distributors that have those business flows in these labs to help us launch a product that they believe will help them.

So, I'm not worried about distraction. It's more the other way around. It's making sure we put the energy and effort into things that actually add value. Otherwise, they won't use it.

Hale Holden: Right. So, I guess the flip side of that is how do you move the needle on the distributor economic model so that they do adopt these and it becomes profitable for them.

John DeSimone: I mean, there's two things that have to marry up. It has to be value for the consumer, and it has to help a distributor make money. Those are the two things that our initiatives need to effect for it to be successful. So, again, I'm not at all worried about that. I think what we're launching, with their interaction, will help drive value.

Hale Holden: And Scott, you came in after Herbalife One was kind of cleaned up by John, which is probably a nice thing for your stress level. But maybe if you guys could both talk about where you are in the digital transformation, what you have left to do, is that an ongoing sort of cost drag as you go forward.

Scott Schaefer: You used the phrase Herbalife One, it was a large internal technology investment to kind of clean up a lot of the middleware and connect a lot of our systems together to be more efficient, both internally and for kind of distributor-facing. Significant investment over a number of years. And that project concluded about a year or so ago.

So, our digital transformation, it's not going to stop. What we're doing for the most part is not heavily capital-intensive. Our typical CapEx rate runs between 1% to 2% of sales.

So, the couple of things that we have going right now which I think, no matter what, we're going to continue to invest in, in a good digital experience that is obviously internal for efficiency and external for helping drive growth for our distributors and for ourselves. Where we are in the journey right now is if you look at the consumer-facing side of it, our Pro2col investment. So, how can we better connect in customers and their data with distributors to help them create accretive value and then also, again, create better business opportunity for themselves. That's a journey that we're going to continue to be on, and that development cycle will continue. I'd say we're still early in that development cycle.

That's not the only consumer-facing or distributor-facing technology that we have. I think there's still a lot more that we can continue to do to improve those experiences and possibly combine some of the applications and reduce some of the overall tech overhead. So, I think that's going to be part of that journey.

The other side of it is we have some other internal projects that we're doing. Our Oracle ERP is an on-prem system right now. We have a large project that's through '28, and goes into '29 in some of the later boundary systems, to move to a cloud infrastructure. That project, this is the biggest year for the capital-intensive portion of it.

We're going to get a lot of gains out of it for internal efficiencies because we can't take advantage of a lot of the things like the AI-native aspects of what the cloud has to offer because we're an on-prem server. So, with that, we are expecting actually some labor efficiencies down the road where we can apply AI automation for things like translation services for our contact center that can help us do some consolidation efforts.

So, we're always going to be on a journey of creating a great infrastructure that can help with efficiency internally and externally. It's never going to be done the same way. I shouldn't say "never," but we don't anticipate it being done in the same way as with Herbalife One and the level of investment. But sticking within that 1% to 2% range and trying to create incremental efficiencies for ourselves and growth opportunities for our distributors will always be our journey.

Hale Holden: Do you think the distributors have the right AI tools now to help sell your products? Because you have a pretty wide slot. But it would seem like that there would be either an internal or external AI interface that could accelerate it.

Scott Schaefer: I completely agree. So, I'd say we're still early in our journey. We have this internal group called Key Account Managers. It's actually one of the programs that Stephan helped create. And it's a group of folks that will go out and work with key distributor leaders and help them understand deeper about their business, surface with them insights, and hold them accountable to specific goals. Because they're independent. They're not employees, right? They're independent business owners. But coaching and how a distributor holds their consumer accountable, we kind of take that same philosophy and see, okay, great, how can we create metrics and hold these key accounts accountable too, if they want to be held in the same way.

So, we actually have created some AI tools internally that we are using to surface insights in a way where we haven't been able to before, connecting into our Snowflake data lake and then, from there, surfacing these key insights that have been a strong driver for us.

So, I think we're – again, we're at the infancy. Pro2col also, as part of its journey, is going to have some AI capabilities to surface next best action type activities for distributors. So, we're early, but it's an investment that we're continuing to make.

Hale Holden: And Sam, before you had your current role, you were working in the North America distributor base. And the North American base is pretty unique with this Nutrition Club model. Maybe you could spend 30 seconds explaining why it's unique and different than the rest of the world, but also how you move the Nutrition Clubs from selling sort of a single-serve – effectively, a shake – to some of these new initiatives that are more subscription-based.

John DeSimone: I'm sorry. I just want to add a little bit more about Samantha's background. Because I think it adds more credibility to the answer. She's got a financial background, Big Four accounting firm. And she came into Herbalife through finance. But for the last couple of years – she moved to the front end of the business. She wasn't just working with distributors. She ran sales for North America. And so, she's speaking from a position of authority here.

Samantha Holway: Thanks, John. So, look, I'll really quickly describe a Nutrition Club. John sort of touched on it. We have Nutrition Clubs all over the world, but in North America they really primarily are a single-serve. So, think going into any coffee shop and getting a tea. Well, in an Herbalife Nutrition Club, you're going in and you're getting a tea or a protein shake at an accessible price point.

But they're not just that, and this is why they're poised really well to adopt the new initiatives. They have multiple methods, multiple different business flows happening within these brick-and-mortar walls. People come in for a daily workout or they come in for a body transformation challenge. And every day, customers are looking for support on whatever health journey they might be on. And that doesn't just get solved by what you drink over the counter that the distributor may be serving you. It also needs to be solved by what you're taking at home, what you go home, whether it's your vitamins and minerals like a Bioniq, or it's helping you along your journey when you're not inside the club, like a Pro2col application could support.

And I think too, building off some of the digital transformation, the new capabilities that we've brought into market, we have new commerce platforms with subscription capabilities, and these only help upsell from the Nutrition Club standpoint. It helps distributors who are really busy servicing customers over the counter, and they can just point to a QR code and, "Hey, if you want this at home or you want to take a wellness assessment to get your personal one of forty formulations in Bioniq," then they have those digital capabilities that they need to scale beyond just what happens within the four walls of the Club.

Hale Holden: I probably should have started with this question, but the whiteboard vision, right? You guys have Pro2col, Bioniq, Link Bioscience, Life I/O. Those are the four new ones. You've got the existing coaching business, which is kind of the core of the company. You have the nutrition products, and then you also have the sports products. So, like, what's the ideal customer journey here? Like, I get onboarded through a distributor. She or he gets me really excited. Like, how do I get sold, like, in a perfect world?

John DeSimone: So, it's our ability to personalize that journey is key. So, we're in 95 countries. We have two million distributors. The customer journey can be very different in Bogota than it can be in Barcelona than it can be in Boston.

Hale Holden: A lot of "Bs" there.

John DeSimone: I did that on purpose once I got it going, right?

So it's just a – again, you just want to picture a global footprint with millions of customers. And how do you service those customers? Each customer has a unique journey. A distributor's job is to create the journey that's unique to you. So, if you have your own journey, Hale, which might be different than mine, your experience can be different than mine. We have to have that spectrum, that ability to personalize.

So, in the past, that personalization came through curation, right? So, as a distributor, if you were my customer, I would create a program for you based on the SKUs that we had available and the activities that I wanted to add to those SKUs to help you achieve your goal. We don't want to lose that. That's our core. That's not going away. It's how do we bolt on to that to improve that experience. So, the product lines that you just spoke about, they don't cannibalize that model. They add to that model.

That's important, because we're delivering great results right now. We have volume growth. We have net sales growth. How do we build on top of that? How do we increase that customer journey to make it more personalized? We can do that through, first, Pro2col. You mentioned Pro2col. Pro2col is an experience layer. It's an app for the distributor and the customer – excuse me, the distributor and the company to get more consumer data. The more consumer data you have, the greater the ability to personalize.

And if that data is in our technology ecosystem, we can create scalability for a distributor to then personalize so they don't have to do all the work. AI, the computer system, technology can help with that personalization. So, that's the data side.

The other products you mentioned are more personalized formulation. So, with Link Bioscience, right now we have – we were able to create 40 different unique formulas for – it's vitamin and mineral supplementation. Like, most of our products right now are food. So, when you think of Bioniq, think of an incremental product line that we don't sell a lot of today in supplements. It gets us in the supplement business. Within those 40 formulas, we can take your needs and say, "This formula is best for you." That's an increased level of personalization.

When you get to Link Bioscience, which we haven't launched yet, we bought that – that actually can do greater level of personalization. It doesn't have to be 40 SKUs. It could be one SKU just for you because it has those capabilities.

So, every one of these products you just mentioned fit in the journey for the consumer in a different way as we move from personally curated all the way up to personally formulated.

Hale Holden: Okay. Pro2col has been in beta for a little bit now. So, maybe you could talk about the user experience and the ability to do the blood testing on it because that adds some complexity in terms of the whole model, what you've learned from the guys that are in beta, and what makes you excited about it.

John DeSimone: I mean, so, again, Pro2col is the user experience. We purchased that. It was a concept that was in development that we purchased, that is in beta so that we can learn. And I'm going to separate that from blood tests, because blood tests are not critical to Pro2col working. Blood tests can work within Pro2col. Blood tests can give us biomarkers that help us personalize, but it's not necessary, although we did launch beta of blood tests because that's ultimately where the market's going to go.

We don't necessarily need to be in the blood testing business. It's a commodity now. We just need the ability for consumers that want to use that data to be able to use it within Pro2col so that that information can be used ultimately to create personalized nutrition. So, I'm going to put that one aside.

What we've learned in Pro2col is, again – I'm going to repeat what I said earlier – for the application to be successful, two things have to happen. It has to add value to the consumer and help distributors sell more product to make money, right? And our distributors go to market in many different ways, and it has to fit those methods.

So, what we've learned is what are the needs that a consumer has – and we have to work those needs into the app – and how does the distributor ultimately generate revenue from it. And I don't mean application revenue; I mean sell more product. That's the process we're in now with these labs. We call them labs. There's a concept we call DMO, daily method of operations, the business flows of each distributors. Those labs are happening now to know what the actual needs are for the distributor to have successful Pro2col.

Scott Schaefer: If I could just add to that too, I think that part of the learning has been not having to own the first mile; so, things like the blood test and doing our own and creating our own. Obviously, we want to take the input side of it, but we don't need to own the actual input aspect of it. It's more important for us to own the last mile and what does that actually create. How can we leverage that to use. Can we get, like, product recommendations out of it for distributors to help them help their business? So, owning the last mile, I think, has been a good part of the journey.

Hale Holden: So, when we think about personalization and what that does for metrics or from my world on the Excel spreadsheet, is it customer acquisition? Is it retention? Is it basket size? Is it gross margin? Or should I just be thinking about it as just it helps distributors sell more, which helps get distributors excited to retain distributors or grow your base, which then sells more?

John DeSimone: So, I'd break it into two buckets, and then we can break it further, right? So, there's direct impact and indirect impact. Direct impact is the ability to sell more personalization. The indirect impact is the energy and excitement distributors feel around that personalization will also help them sell more core product because it helps activation.

So, activation is, (a), more customers can come in. Second, you want to increase the economic value of those customers. A distributor's single most constraining asset is their time. They're very small businesses. Technology, through Pro2col, through personalization, can create a technology connection to the consumer that will help the distributor scale their business better.

Hale Holden: We've got two minutes left, and I've got two questions. So, you're going to have to be tight. The first one is on India. Can you guys give us sort of a state of the state, what happens next month, what people should be paying attention to?

Scott Schaefer: So, India, it's sort of becoming our largest market. September of last year, right at the end of it, India lowered the goods side of the GST, which is effectively a sales tax, from 18% to 5%. Leading into that change, India, for us, is at 18 years of consecutive growth. And basically, that change that made the price lower for the consumer at the time of purchase accelerated that business. And so, the 13% decrease actually yielded over 40% increase in volume growth for us. So, a pretty significant movement in a market that was already having great great growth.

What's happened since that window – and we're getting towards the anniversary of it at the end of this month – is not just increase in purchase activity, but actually a lot of people that have come into the business opportunity side of it. Because they have a great flow. They bring people in as preferred customers. They have a membership model as well as Nutrition Clubs that they go through.

Basically, the way that their flow works is they've brought in significantly new preferred customers, the actual people that have come in for the business opportunity side, and then from there, sales leaders. So, if you think of our business, it's a funnel, right? New people coming into the system, new distributors, right? They're actually not producing significant amount of volume because they're learning the business.

And then at the bottom of the funnel is our sales leaders. These are our storefronts. These are people that have been in the business. They're starting to qualify for production bonus levels. And that has now started to grow in double digits.

So, the actual inputs of the business as we lap this have become pretty strong. So, we believe that this momentum is going to continue when we pass the anniversary in September.

Hale Holden: My last one, John, is, like, as you guys know, I'm a credit analyst. So, I don't make stock picks at all. Maybe you guys want to make a pitch on why Herbalife is a good stock right now.

John DeSimone: Well, tremendously undervalued. I mean, our multiple, our EBITDA multiple, has been hovering between 4x and 5x, for a company that's growing volume, growing net sales, has 23% free cash flow yield, has historically generated free cash every year since I've been here in 18 years. We now have a buyback program.

So, we generate – first of all, the business is generating a lot of cash. Undervalued. Second is we're using that cash – we've been using it – to pay down debt, which transfers value from debt holders to equity holders. And now we're looking for an incremental way to create value for equity holders through buyback.

So, you've got a business performing well, generating a lot of cash, using that cash to pay down debt and buy back stock. I mean, it's a big – I personally think it's a big opportunity. Even if you just look at our cash flow yield and we just keep buying back stock or paying down debt and that just increases the equity value, that alone has a big opportunity for us.

Hale Holden: All right. Thank you, guys.

John DeSimone: Thank you.

Samantha Holway: Thank you.

Scott Schaefer: Thank you.