HERBALIFE INTERNATIONAL OF AMERICA, INC.

Moderator: Alan Quan
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Operator: This is conference # 67375297.

Good afternoon and thank you for joining the fourth-quarter and full-year 2014 earnings conference call for Herbalife Limited.

On the call today is Michael Johnson, the Company's Chairman and CEO; the Company's President, Des Walsh; John DeSimone, the company’s CFO, and Alan Quan, the Company's Vice President Investor Relations.

I would now like to turn the call over to Alan Quan to read the Company’s Safe Harbor language.

Alan Quan: Before we begin as reminder during this conference call comments may be made that include some forward-looking statements. These statements involve risks and uncertainty and as you know actual results may differ materially from those discussed or anticipated.

We encourage you to refer to today's earnings release in our SEC filings for a complete discussion of risk associated with these forward looking statements and our business.

In addition, during this call, certain financial performance measures may be discussed that differ from comparable measures contained in our financial statements prepared in accordance with U.S. generally accepted accounting principles, referred to by the Securities and Exchange Commission as non-GAAP financial measures.

We believe that these non-GAAP financial measures assist management and investors in evaluating and preparing period to period results of operations in a more meaningful and consistent manner.

Please refer to the investor relations section of our Web site, Herbalife.com, to find our press release for this quarter which contains a reconciliation of these measures.

Additionally, when management makes reference to volume during this conference call, they are referring to volume points.

I will now turn the call over to our Chairman and CEO, Michael Johnson.

Michael Johnson: Thank you all for joining us today.

Let me begin by saying we recognize our calls have gotten a little long, so while Des will be here to answer any questions that you have are going to limit our prepared remarks to John DeSimone and me.

Our results 2014 reflect our ongoing transition to a more consumer focused organization. Our transformation which first began 2008 and will continue through 2015 is creating a stronger, more consumer friendly Herbalife. And one that is evolving and getting better every single day.

Critical to our transformation has been the focus of Herbalife and our members on daily consumption as well as artifices on bringing new sales leaders into a company in a more sustainable way than in the past.

This more gradual path to becoming a sales leaders working as all the data show that these leaders are more productive and stay with Herbalife longer.

2014 saw record-breaking retention rates for sales leaders. We achieved what we believe is an industry-leading and impressive retention rate of 54.2 percent. That's up from 51.8 percent in 2013. We are continuing to grow our customer base and have more customers in 2014 than any time in our 35 year history, and we reported record net sales for the year of $5 billion.

While 2014 was a record year in many respects, we certainly face unique challenges. The enhancements we started making toward a marketing plan at the end of quarter to last year as part of our broader transition had a greater short-term impact than anticipated on volumes and net sales in key markets.

But we are confident that these enhancements will deliver significant value over the long term. A strong foreign-exchange headwinds facing all global businesses also has affected our results for 2014 in our guidance for 2015. John will talk about this foreign-exchange landscape in more detail.

These impacts were felt most acutely in the fourth quarter where net sales of 1.1 billion were 11 percent below the fourth quarter of last year including the effect of currency.

On a constant currency basis, net sales were flat and volume points in the quarter were down 6 percent. For the full year net sales were up 3 percent or 8 percent on a constant currency basis and volume points were up 2 percent. We're not happy with these topline results. This is not what you are we expect from our Herbalife, and we can and will do better.

To this end you should expect to take away from today's call the reasons why we are so confident what we are doing to create a strong platform for continued growth and improved performance over the long-term.

On a regional basis we saw strength and geographies that have already gone through this transition and implement it the enhancements to the marketing plan. This includes EMEA where volume points were up 17 percent for the fourth quarter 20 percent for the year. In China which was up 15 percent for the quarter and 34 percent for the year.

Is our experience in these markets it gives us confidence that we have the right strategy and are executing effectively. And as we continue to roll out these changes globally the softness we are currently experiencing in the Americas and Asia-Pacific will begin to turn.

On the bottom line in the fourth quarter we more than offset the impact of lower volumes and net sales by the actions we took to reduce expenses as well three favorable effective tax rate and a reduced share count, compared to the last quarter of 2013. This resulted in an adjusted EPS for the fourth quarter of $1.41 up 10 percent compared to the fourth quarter of 2013 and above our guidance of a dollar $1.30 to $1.40. EPS for the full year was up 10 percent over to $5.93. We are focused on ensuring we continue to drive profitability this year and into the future.

That have an ongoing commitment to control costs without impacting our member sales capabilities. Cash flow from operations is over $500 million in 2014 and it's important to note that throughout 2014 we maintain a healthy balance sheet and a strong cash flow. We expect both of these to continue.

Turning to an update on the business transition a review of core metrics shows that the direction we are heading is the right one in 2014. Our member base is up 8 percent compared to 2013 and a record of 4 million of which we know the majority are discount customers.

Our average active sales leaders were up 8 percent in the fourth quarter 9 percent for the full year versus prior periods and sales leader retention rates were at an all-time high and 54.2 percent for the year.

This includes an impressive 68 percent in EMEA which is a key indicator of what to expect from those markets that are not as far advanced in this transition. Of all these positive metrics, what we're most excited about is our retention rates.

Because of what it signals for the long-term health of the Company. In 2003 when this management team joined Herbalife retention rates were hovering around 27 percent. Through our members emphasis on daily consumption in enhancements made to our marketing plan, combined with the efforts of our member leadership around the world we have more than doubled retention rates to today's level while continuing to grow our customer base significantly.

Retaining our members and their extreme passion and dedication is incredibly important. The personal relationships that develops between our members and our customers is unique and is what sets us apart from other companies.

It is this distribution network that is truly a disruptive model in the marketplace as Herbalife members are bringing a combination of products services and most importantly results to people in a way that does not exist anywhere else. Because of this consumers are becoming to Herbalife in greater numbers than ever before.

To put this in perspective in 2014 we sold over 65 million canisters of our very popular Formula One nutritional shake and as a number one Company in the meal replacement category with 31 percent of the global market we are well-positioned to benefit from the projected long-term growth of the meal replacement market.

What’s more today we have tens of thousands of Herbalife club's offices in the camps run the world faces were members and customers connect to share their journey to better health and fitness.

What this tells you is that Herbalife is about products experiences and the unique mentorship and support that our members bring to their customers.

The other focus of our strategy is increasing the quality of our sales leaders. By this we mean bringing in leaders who develop their businesses over time and as a result are more productive and successful and stay with Herbalife for the long-term.

As a reminder there were historically two ways to become a sales leader. A one-month path and a two-month path. In 2008 we began testing a third month that that in Russia that allowed people to take up to 12 months to qualify based on the results of that test, we began offering this third method globally in 2009. Different markets have adopted this third more sustainable method at different times over the last several years and all of our data has consistently shown that those who join our Herbalife over a period of 3 to 12 months and to take the time to understand our products while building a loyal customer base see greater success.

These individuals also demonstrate much higher ordering in activity levels one year after the joint and retention is subsequently higher.

For example, the first time requalification rate for leaders who initially took 3 to 12 months to qualify to 62 percent higher than those who came in as one or two-month leaders.

They are also 60 percent more active.

Last summer we accelerated formal implementation of a number of enhancements to promote global adoption of the more sustainable approach to qualification including standardizing the sales leader qualification at 4,000 volume points over a 12 month period, expanding the first-order program from 18 markets to all markets and eliminating field sales for qualification.

We did this because we could clearly see that the more gradual qualification draws tangible results over time and we are seeing more and more people entering the business through the three to twelve-month method as they too recognize the benefits of doing so this now accounts for 48 percent of all sales leader qualifications globally.

Turning to some of our key regions we have seen significant impact from our transition in four of our largest markets – U.S., Korea, Mexico and Brazil.

We are working closely with our member leadership to ensure that the changes are embraced quickly that we are implementing business growth initiatives designed to expand product awareness and usage.

One of those exciting initiatives will enable new customers who visit Herbalife.com to buy products direct from a member online. This ability to go through Herbalife.com will significantly streamline the customer acquisition process for members and should improve the conversion rate of those who show interest in our products.

This new capability follows on the heels of a period of transitioning members to our goal Herbalife.com online platform. We have worked with our members to ensure this new platform has all the functionality they need and expected the rollout of Go Herbalife.com has been hugely successful.

In Mexico we continue to expand our product access initiative which gives members who are geographically dispersed and without access to transportation the ability to pick up and pay for products through existing distribution partners.

We now have nearly 1000 of these distribution points across Mexico more than doubling the amount from last year. In Korea in Brazil a number of targeted promotions as well as more effective training and communication in the field of seeing our members embrace more fully the three twelve-month qualification method.

Member leadership engagement is gaining momentum and we are already seeing an improvement in key metrics with three to twelve-month qualification from January 2014 to January 2015 inKorea up from 39 percent to 70 percent and Brazil doubling to 60 percent.

I now want to highlight two regions that are performing incredibly well – EMEA and China. EMEA is a leading indicator for a number of the enhancements that are being adopted in other markets. The enthusiastic adoption of the three to twelve-month qualification method a number of years ago is generating results with over 75 percent now coming into the business in this way. Which in turn is driving the growth of the retention levels we see today.

We are also seen markets that were previously flat such as Germany and France returning to growth. China is equally encouraging showing double-digit growth again this quarter and for the full year as of the fourth quarter last year online ordering and home delivery are available in all provinces in municipal cities in which we are licensed to do business.

By the end of 2014 virtually all member orders were being placed online for home delivery or on-site pickup as we continue to invest in automating our distribution processes to increase efficiency and delivered the best customer experience.

We're also excited about the traction or customer loyalty program is gaining in China and the impact it's having on order volumes and conversion to service providers.

We added 370,000 customers to our loyalty program in 2014 an increase of 132 percent over 2013 and more than 55,000 of those loyal customers were converted to sales representatives in 2014, a 28 percent increase over 2013. We are also seeing a positive trend in order volume with monthly volume points from customers in the loyalty program up from just over 1 million in the month of January 2014 to an average of 10 million per month in the second half of the year.

This represents an increase from 4 percent of the total volume going through those in the customer loyalty program in January 2014 to nearly 20 percent per month at the end of the year.

Finally in China we are excited to announce that we have reached an agreement to lease and approximately 400,000 ft. manufacturing facility in the (Nan Jing) province. This will be our third and biggest facility in China and reflects our confidence in the continued growth of this import market.

This agreement is in line with our previously stated global commitment to our seed to feed a strategy that will see us manufacture 65 percent of our products in house by the end of 2015. Just last month we officially opened or 800,000 sq. ft. manufacturing facility in Winston-Salem North Carolina which by the end of this year will have created more than 500,000 new jobs and will be producing more than 150 million units a product per year.

Looking ahead we expect 2015 to improve sequentially throughout the year as we continue on our journey to the ideal combination of growth and sustainability. John will walk you through our updated guidance but let me share a couple of high level thoughts. Obviously currency will continue to be a headwind for us as it will be for many others.

Our updated guidance takes this into account. We've also adjusted our guidance to reflect the volume impact you see them as a result of the global rollout of our marketing plan enhancements.

Given implementation dates of the first-order program and the elimination of field sales this month we expect files to be hit hardest in the first quarter and begin up momentum through the course of the year as he twelve-month qualifiers come through their anniversary and the field sales phase out.

None of the changes we've implemented should have a material effect on the growth beyond the twelve-month periods post-implementation. We have no additional marketing plan changes for the future.

In the meantime we will continue to prudently manage our cost and expect our cash flow to remain robust. We remain confident in our business model and/or transition and we know we will be an even stronger Company in the years ahead.

35 years ago this month Herbalife began changing people's lives with a mission for nutrition and an opportunity for additional income.

As we celebrate this milestone with our members in the millions of people a benefitted from Herbalife and communities around the world, it is clear that Herbalife has undergone changes and is a different business today than it was at the beginning or even just a few years ago.

We know the transition we have embarked upon is the right one and took steps to accelerate it globally because we feel so strongly about the early results and the long-term benefits.

We are a Company that is first and foremost about results, results that come from great nutrition products and from the support and guidance of our hard-working and passionate members.

That is at the heart of what we do and will remain a key driver of our business in the future. We have a global team of dedicated employees supporting the continued evolution of our business and a group of members whose enthusiasm passion and commitment to Herbalife as never been greater.

I will now turn the call over to John for more detailed look at the numbers.

John DeSimone: Thank you Michael. First I'll review the Company's fourth-quarter and full-year 2014 reported and adjusted results. Then I will discuss first quarter full year 2015 guidance.

With respect to net sales, currency translation had a significant impact on our reported results for the fourth quarter and in fact accounted for the entire decline. Net sales in terms of local currency were essentially flat in the quarter.

While reported net sales of $1.1 billion represented a decrease of 11 percent compared to Q4 2013. I'll provide additional information around currency in a moment.

During the quarter, approximately 60 percent of the countries in which we operate had increases in local currency net sales compared with Q4 2013. And about 60 percent had growth in volume during the quarter.

However, while sixty percent of the countries experienced volume growth during the quarter, trends in some of the top markets noted by Michael had impact and were a drag on the overall consolidated net sales and volume results of the Company Venezuela had the most significant impact on volume and reported net sales during the quarter.

Venezuela's volume was down 70 percent compared to the fourth quarter of 2013 and reported net sales were down 90 percent. Venezuela represented less than 1 percent of the copies net sales in Q4 2014. Consolidated volume and net sales for the quarter were negatively impacted by Venezuela's results by 300 and 700 basis points respectively.

Excluding Venezuela, consolidated volumes would've been down 3 percent and 6 percent and reported net sales would've declined four percent instead of 11 percent. On a positive note, the volume impact from Venezuela has now cycled through and should not be a material drag going forward in 2015. From a net sales standpoint however Venezuela should continue to effect consolidated results through much of the year due to exchange rate differentials.

In addition to Venezuela, our consolidated results were also negatively affected by the impact I've declines in for markets to U.S., Mexico Brazil and Korea.

For perspective can excluding these for markets and Venezuela the rest of the world combined had volume point growth of 5 percent in local currency revenue growth of 9 percent. Each of these four markets is being impacted slightly differently by the marketing plan changes discussed by Michael.

And importantly we anticipate these changes will cycle through in 2015 and as result we expect a return to consolidated volume and local currency net sales growth later in the year. I'll provided more information on this later in my comments when I discuss guidance.

For the fourth quarter, adjusted EPS was a $1.41 up 10 percent compared to the fourth quarter of 2013 and above our guidance range of a $130 to a $1.40. Adjusted results finished above or guidance range due to lower expenses including bonus expense, a decrease in the effective tax rate, partially offset by lower than expected topline. Like many companies significant currency headwinds had a meaningful impact on our results in the fourth quarter.

And we expect this to continue in 2015. Currency negatively impacted Q4 adjusted EPS by $.31 compared to Q4 2013. On a reported basis, Q4 EPS increased 5 percent to $1.21 per diluted share in the quarter compared to $1.15 per diluted share in Q4 2013. Our Q4 reported EPS includes additional items we consider to be outside of normal operations of the Company and we believe will be useful to investors when analyzing period to period comparisons of our results.

$0.13 from non-cash interest costs associated with our outstanding convertible debt offering; four cents and three cents respectively for expenses incurred in response to attacks on our Company and expenses incurred related to the FTC inquiry.

Lastly, our adjusted results exclude a two cent impact from nonrecurring expenses associated with member payments related to Venezuela. Moving onto gross margins, our reported gross margin for the fourth quarter was approximately 80.6 percent about 50 basis points higher than the fourth quarter of 2013. The increase was driven primarily by the impact of price increases in country mix partially offset by the unfavorable impact of currency.

Moving onto effective tax rate our fourth-quarter adjusted tax rate was approximately 410 basis points lower than our effective tax rate of Q4 2013 and approximately 140 basis points lower than the low end of our guidance range.

In both cases the decrease was due primarily to changes in our country mix.

Moving to the full-year results, reported record volume points of 5.4 billion and increase of 2 percent over 2013 and reported record net sales of 5 billion dollars in increase of 3 percent over 2013. On a constant currency basis, net sales were 5.2 billion an increase of 8 percent over 2013. Full-year adjusted EPS for 2014 was up 10.4 percent over 2013 over to $5.93. For the full year currency headwinds negatively impacted adjusted EPS by $0.72 compared to full year 2013 of which $0.44 was due to Venezuela.

The full-year 2014 adjusted effective tax rate of 28.2 percent was approximately 210 basis points higher than the adjusted effective rate and 2013 primarily due to the decrease in net benefits from discrete events and the availability to realize tax benefit on our interest expense partially offset by favorable changes in geographic mix of a net income.

Moving onto cash flow for the full year 2014, our cash flow continued to be robust we generated cash flow from operations that exceeded $500 million for the year. We paid dividends of $30.4 million and invest 156.7 million in capital ventures including our new facility Winston-Salem.

We also repurchased approximately $1.3 billion in common shares outstanding under our share repurchase program. During the fourth quarter, we had a one-time increase in inventory of approximately $40 million in local currency which we will work off during 2015. The build was a result of planned increases from the ramp up of our new manufacturing facility plus a temporary build from the impact of lower than expected sales.

Moving onto our guidance for 2015, for all currency assumptions except Venezuela, we have used the average closing exchange rate during the first three weeks of January consistent with our historical practice.

Overall, the currency rates assumed in our current guidance have a negative impact on 2015 full-year EPS of $0.61 compared to the previous guidance provided in the early November and approximately $1.19 negative headwind in 2015 compared to 2014. Approximately 2/3 of the impact from currency since our last guidance came from for markets, Mexico, Russia, Brazil and Colombia.

With Mexico having the biggest impact of approximately $0.20. With respect to Venezuela, our guidance assumes a rate of 50 Bolivar's to one dollar for the year and excludes the potential impact of any devaluation of the Bolivar and any future repatriation of existing cash balances in the country.

Recently, the SICAD two rate of 50 to 1 was terminated and a new commodity was introduced to Venezuela. Based on what we know today if we moved to the commodity rate which opened approximately at 172 to one we would incur an additional charge of approximately $35 million.

We are so assessing whether the commodity exchange mechanism is a viable mechanism for Herbalife to use. With respect to volume, we expect sequential improvement throughout 2015 as we believe the impact of our marketing plan changes will cycle through during the year.

Accordingly, we expect the greatest impact to be felt in Q1 and that the impact will diminish throughout the year. We're not planning to make any additional changes to our marketing plan and we expect to return to growth during Q3 and Q4. Net sales in our guidance reflect the volume forecast and the impact of currency.

Currency headwinds will have a negative impact of approximately 800 basis growth rates in both Q1 and full-year 2015. Our adjusted EPS guidance for the first quarter of 2015 is in the range of $1 to $1 which includes currency headwind of approximately $.28 of which about $.10 from Venezuela. For full-year 2015, we now expect adjusted EPS to be in the range of $4.10 to $4.50. This full year guidance includes a currency headwind of approximately $1.19 of which about $.45 is from Venezuela.

Compared to the prior full year 2015 EPS guidance, as I stated earlier, currency had an unfavorable impact of approximately $.61. The balance of the reduction in guidance of due to lower volume partily offset by expense control.

Moving on to cash flow we expect to generate free cash for 2015 of $430 million to $460 million which includes improvement in inventory which I noted earlier. Our priorities for our use of cash as always are to pay down our debt and invest in our business.

However, we continually evaluate our capital structure options to ensure maximum flexibility and maximum value for our shareholders.

So as Michael said, we are disappointed that our 2014 topline results were below our expectations but we are confident in our strategy, and we look forward to demonstrating positive momentum throughout 2015. I will now turn the call back over to Michael.

Michael Johnson: Thanks John.

Before we open it up for your questions I want to underscore how confident we are in our future; we are confident in the strong fundamentals of our business model; confident that the changes we are implementing will deliver long-term value and confident that we are well-positioned to benefit from several important long-term macro trends such as climbing obesity rates, aging populations, and stubbornly high underemployment rates.

We embarked on a journey to transform our business several years ago because we knew it was the right thing to do for Herbalife, our members consumers and investors in the long term.

The short-term impact of the changes we have made an accelerated recently are a necessary part of making Herbalife a stronger more sustainable business in the future.

Our theme with our members in this anniversary year is 35 years of inspired results. We continue to be a result driven business and are confident that all we are doing will create greater long-term value for members, customers employees and shareholders.

Yet we know it will take more than words and a plan and that ultimately we must demonstrate that we have the winning recipe. Our track record over the years demonstrates that we do and we now must approve that once again. I'm confident that will do this, my team is confident we will do this and now we have to show you.

With that, we would now be happy to take your questions.

Operator please open the lines.

Operator: I would like to remind everyone that in order to ask a question. Please press star then the number one on your telephone keypad. Once again, if you would like to ask a question please press star then the number one on your telephone keypad.

Your first question comes from Scott Van Winkle with Canaccord Adams.

Scott Van Winkle: Thanks guys so a couple questions.

First on the change in volume assumption – you brought your guidance down $1.20 something half of that coming from currency, half coming from volume – wondering what over the last three or four months kind of give you a better clarity on what sales leader response would be to the new implementations?

John DeSimone: I'll take that one and Des can jump in to add any more color – but time for one – we've had a history I think of modeling this business pretty well, but the models didn't necessarily account for the changes that we implemented. But we're now seven months smarter in being able to adjust the model for what we've seen so that's why we have more confidence in our current guidance.

And you know as you can see in our release, outside of Venezuela there's been four countries where we where we performance has been below our expectations has been Mexico, U.S., Korea, Brazil.

Scott Van Winkle: Did that began – I mean obviously the third-quarter results you saw some weakness and you called it out and you announced the planned changes. In the fourth quarter I think some of the first planned changes, at the qualification level – there were a couple changes I believe in November. Did those change from behavior when they were implemented?

Des Walsh: Scott, this is Des. No I don't you change the behavior I think what we recognize is that it represents an additional distraction of our members as they disappointed change. And obviously that took place – the first element of the marketing plan changes took place in November where we streamlined the sales leader qualification to 4000 volume points regardless of the period

And then the second element of those marketing plan changes take place this month and hence our conservatism regarding the impact of those changes in the revised guidance.

Scott Van Winkle: Great, so if I think about how it flows through, and I understand volume building throughout the year. In the first quarter all the volumes that normally would've called out of the 5K method you're only expected to maybe get a quarter of that volume because that was over 12 month periods rather than say one or two months. And in the second quarter your kind of half the level rather than the quarter and then three quarters of the level in Q3. That's simplified but is that a way to think about the impact going to a 12 month qualification for one to two?

John DeSimone: Yes Scott this is John will take that. I think there's two impacts.

One is timing which is exactly what you're speaking to which is somebody who may become a sales leader under the first two pathways that existed for a long time will now take longer to achieve that level.

And that's if pipeline fill and we have to get through that. The second is that people who may have achieved sales leader will start out slowly still never get there and that's a permanent one time adjustment that we have to cycle through and we'll we'll cycle through that this year two

Scott Van Winkle: And the four markets you called out, is the reason that they're more impactful because there was a higher percentage of the volume going through the 5K method in those markets may be some more so than other markets or is there some other reason why those four specific markets seem to have more of an impact other than being larger?

Des Walsh: So I think there's two factors Scott. One is the size of the market because obviously in each case if it's either a region and of itself or it is the largest individual market in a region so that has a disproportionate impact. And then the second factor that certainly in two of those four we had markets where historically – that is Brazil and Korea– we had very low retention rates lower levels of 5K our accumulate supervisor qualifications and therefore the changes in those particular markets additives had a disproportionate impact.

Scott Van Winkle: John, did gross margin impact on currency stronger in the fourth-quarter and you called out why, can you give us the magnitude of what the impact is on gross margins and currency?

John DeSimone: Yes so a little set up if I can. We've created some natural hedges, and I just want to point those out so people can understand the impact of gross margin a little better. Most of our product from that we sell in Europe is made in Europe and denominated in Europe so there is somewhat of a natural hedge their about 60 percent of our product is sold in Brazil is made in Brazil and then in China all the products sold in China is made in China and India most of the product sold in India is made in India.

A lot of the remaining product is actually made in the U.S. and denominated in dollars and that creates a transaction risk and that's got about 100 basis points maybe not quite on the gross margin line that's baked into our guidance

Scott Van Winkle: Great, thank you

Operator: Your next question comes from Mike Swartz of SunTrust.

Mike Swartz: Hey good afternoon guys.

Maybe just talk about the impact of pricing. It looks like you took about three, 4 percent last year excluding Venezuela and that's kind of I guess the outlook at least in your guidance for this year and maybe talk about even by geography how you think about pricing in terms of inflationary pressures or just currency changes and if you're seeing any kind of sensitivity to the price changes?

John DeSimone: Thanks. This is John. I'll take that.

Overall philosophy base you just needed to start with philosophy. Price increases is driven by inflationary conditions in the marketplace.

That's our really are sole focus on we determine whether we should take a price increase are not. Now currency has an impact on inflation but we don't take a price increase strictly from a changing currency because quite frankly there's volatility in currency and who knows what happens over the long period of time.

So provided that our products can drive the value that's necessary with the price increase and by the price increases along the lines of inflation we've been successful in taking price increases.

Mike Swartz: OK and then maybe just touch on the Cap Ex reduction versus prior guidance is that just due to shifting of investment or is it something else?

John DeSimone: It's shifting timing of investment push in some of the 2016. Some of that is the new factory that we acquired in China that won't be built out until mostly 2016 in there might be a little in 2015 but not a lot

Mike Swartz: OK great thanks.

Operator: And your next question comes from Tim Remy of Pivotal Research Group

John DeSimone:: Hi Tim

Tim Remy: Hi there good afternoon.

So one of the positive surprises was the retention rate it's very important number I think and I'd be interested in your thoughts on whether that was driven by say changes in EMEA that were implemented earlier or whether the more recent round of changes had an impact positively on that number. Can you speak to that?

Des Walsh: Hi Tim this is Des so obviously Tim were very pleased with the approved rate of retention around the world, that we see this as an indication of our members committed to Herbalife their confidence in the good they do in the communities, their confidence in the future. So obviously you know we're very pleased to see it. In terms of what's driving it, it's our focus on growth and sustainability and that is driven significantly by this transition to a 3 to 12 month sales leader qualification.

So certainly the to be a experience is indicative of what we expect to see in the future around the world. As you know in EMEA we had record retention of 60 percent driven by a cumulative supervisor qualification now in excess of 70 percent. So EMEA for us is a leading indicator of where we are going in all regions. They've actually completed the transition that we see happening in the U.S. and other markets and so I think as we see that transition to the accumulated qualification take place, we're going to see continued improvements in our retention rates year by year.

Tim Remy: And John correct me if I'm wrong it might've been the first time I thought I saw a call out on the expenses incurred on the re-audit fees – and I think that continue to about their as a potential meaningful recovery for you. Any color on that or update on that?

John DeSimone: We’ve called it out every quarter we also called cost of the re audit out last year what we're going through because were going to call the recovery whatever ultimately ends up being. As far as what process wherein we generated in the middle of a process. I don't have a timing update it's a process and were going through it, it's a legal process.

Tim Remy: OK and do you have any comment on the (Bostic) class rejection. How should we think about that?

John DeSimone: It wasn’t rejected. The court granted preliminary approval the settlement and December. The period the file claims now been is now expired and the fund that was put in place is satisfactory for all the claims that have put in place. So I think there is just normal boys that you get from a consumer products class action around some people objected or some people opting out but this is commonplace

Tim Remy: Great, OK. Thanks

Operator: I would like to remind everyone that in order to ask a question press star then the number one on your telephone keypad.

John DeSimone: I don't think we have any more questions.

This is John. I'm going to turn it over to Michael for closing in a moment. Let me just say I noticed a lot of people were late getting on, I think the queue is kind of backed up. We will post a recording of this call on our Web site shortly, so please listen if you have time. I’ll pass it back to Michael

Michael Johnson: Yes just want to say thank you to everybody for being on the call and kind remind you that our business is and always has been built on building and built on customers. And we are expanding product access, we mentioned that today. We've got bigger and more active distributor touch points. We're increasing retention by focusing on bringing business opportunity to members along at a more steady pace. We're creating programs that bring in more customers and we are creating longer-term customers in more successful business opportunity members in our Company than ever before.

We've seen results for these methods in Russia and EMEA and China, and we know that when adopted and adapted by our members these methods are going to create a long-term sustainable growth and like any business there is an adjustment period to new methods and we will bring our business through these as quickly as possible to return Herbalife to top and bottom-line growth it's our commitment to you.

We are as I said in my prepared remarks, we are not comfortable with a Company that is not growing, and we are going to get this Company growing stronger than ever before. And we will emphasize more growth in Herbalife into the future. We've got an online ordering opportunity that was mentioned in our discussion today.

It's something that we feel very confident will create huge opportunity for this Company deep into the future, we've got some kinks to work out of it, we're going to get it better and we're going to return Herbalife to the place that you all expected to be. So thank you very much for being on the call today, we appreciate it, and I want to just shout out to Alan Quan today whose white wife deliver the baby and he's our new head of Investor Relations and Company. I'd just say congratulations down to you and your wife and look forward to talking to you all very soon in May. Thank you.

Operator: That concludes today's conference call and thank you for joining. You may now disconnect.

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