

Herbalife Ltd. (Q2 2025 Earnings)
August 6, 2025

Corporate Speakers:

- Stephan Gratziani; Herbalife Ltd.; Chief Executive Officer
- John DeSimone; Herbalife Ltd.; Chief Financial Officer
- Erin Banyas; Herbalife Ltd.; Vice President and Head of Investor Relations

Participants:

- Chasen Bender; Citi; Analyst
- Douglas Lane; Water Tower Research; Analyst
- Christina Xue; Mizuho

PRESENTATION

Operator^ Good afternoon and thank you for joining the Second Quarter 2025 Earnings Conference Call for Herbalife Limited. (Operator Instructions) As a reminder, today's conference call is being recorded.

I would now like to turn the call over to Erin Banyas, Vice President and Head of Investor Relations, to begin today's call.

Erin Banyas^ Thank you. And good morning, good afternoon, or good evening to everyone joining us. Joining us today are Stephan Gratziani, our Chief Executive Officer, and John DeSimone, our Chief Financial Officer.

Before we begin today's call, I would like to direct you to the cautionary statement regarding forward-looking statements on Page 2 of our presentation and in our earnings release issued earlier today which are both available under the Investor Relations section of our website. The presentation and earnings release 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 call and presentation will be governed by this language.

In addition, during today's call we will be discussing 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 earnings release and presentation materials for additional information regarding these non-GAAP financial measures and the reconciliations to the most directly comparable GAAP measure.

And with that, I will now turn the call over to our CEO, Stephan Gratziani.

Stephan Gratziani^ Thank you, Erin. And good afternoon, everyone. When I stepped into the role of CEO, I shared my belief that Herbalife's next chapter would honor our 45-year

legacy while redefining what's possible for health and wellness worldwide. Over the past three months, the progress we've made has only reinforced my conviction that Herbalife is uniquely positioned to lead in this new era of health and wellness.

Herbalife is in motion from our roots as a weight management company to becoming the number one active and lifestyle nutrition brand in the world, we are now well on our journey to becoming the world's premier health and wellness company, community and platform. This next chapter blends trusted human connection with personalized, data-driven solutions to meet the evolving needs of consumers around the globe.

Our transformation is underway and gaining momentum. We're taking bold steps, moving with speed and building on the strength of our brand, business model and science to shape the future of Herbalife. While these bold changes take time to fully reflect in sales, we are encouraged by clear signs of accelerating momentum.

Since our last earnings call, we've made notable strides in transforming Herbalife into a next-generation data-driven wellness company. Product innovation remains a key focus. We entered into a new category with our first healthy lifespan product, and we launched MultiBurn, a nonpharmaceutical weight loss supplement. At the same time, we continue to strengthen our core business through market and DMO-specific product launches while also evolving our product launch strategy, integrating real-time education, targeted digital engagement, and enhanced consumer accessibility.

We're also laying the groundwork for long-term differentiation through the integration of Link Biosciences, enabling truly personalized nutritional supplements through advanced algorithmic and goal-specific recommendations. With Pro2col as the connective thread across these initiatives, we're building a unique health and wellness platform and ecosystem that will define the next era of Herbalife.

I'll share more details about all of this in a minute. But first, let's look at our Q2 results. Net sales were \$1.3 billion, down 1.7% versus Q2 of 2024 and near the midpoint of our guidance range. On a constant currency basis, net sales were flat year-over-year. We delivered a solid adjusted EBITDA result that exceeded guidance, and we paid down \$55 million in debt in the quarter, maintaining our total leverage ratio at 3x as of June 30.

Occasionally, we provide updates on the subsequent quarter, and I'd like to turn to July's performance. In July, we delivered global year-over-year volume growth. And more notably, we're excited to report we marked a key milestone in North America. July was the first month of year-over-year volume growth in the region since April 2021, reflecting the region's continued momentum, and with this progress and growing confidence in our outlook, we've raised and narrowed our full year net sales guidance range. John DeSimone will give more details about our financial performance later in the call.

Our distributor growth initiatives drove strong engagement across the globe in Q2, fueled by the launch of the Herbalife Flex 45 Challenge and successful ongoing programs like the Herbalife Premier League and the Diamond Development Mastermind. Globally, new

distributor growth was flat year-over-year, which we expected given the tough comparison due to the initial spike in recruiting from last year's Premier League launch. That said, four out of five regions saw year-over-year increases, led by 16% growth in Latin America. Distributor engagement and enthusiasm was high in the quarter with nearly 38,000 attendees at Extravaganza training events in Hong Kong, Chile and the U.S. between May and July.

That enthusiasm was especially clear in North America, where distributors are actively embracing the future of Herbalife, one defined by data-driven, personalized and accessible health and wellness solutions. Attendees at the North America Extravaganza previewed the beta version of the Pro2col app alongside the debut of our first healthy lifespan supplement. This is more than a beta program.

It's a signal of what's ahead. By integrating data, personalization, coaching and community, Pro2col gives customers greater insight into their health, empowers distributors with smarter tools and amplifies the connection between them, delivering deeper value in today's evolving health and wellness landscape. Our Pro2col beta is centered around four key pillars designed to guide users towards personal health outcomes.

First, what to measure. Through digital health inputs and assessments, users receive a proprietary Pro2score, which is a personalized wellness baseline, along with the plan for improvements and tools to track progress over time.

Second, what to do. AI-assisted daily lifestyle recommendations help shape healthier habits.

Third, what to take. Our adaptive algorithm tracks nutrition and specific product use and provides reminders to encourage following the recommended Pro2col. Finally, who to do it with. Building on our legacy of person-to-person connection and our distributor-driven model, Pro2col strengthens the connection between distributors, customers and community, providing ongoing encouragement and accountability.

Distributors at the North America Extravaganza were enthusiastic about the potential impact the Pro2col app can have on their businesses. Just over 7,000 distributors signed up to participate in the exclusive Pro2col beta group, which included the purchase of a 60-day supply of our first healthy lifespan supplement.

Let me say a few words about this product. Knowing that lifelong wellness begins at the cellular level, this supplement supports four key areas of cellular health and function. It includes Niagen, a patented ingredient that's clinically shown to increase levels of NAD, which is important for maintaining cellular energy. While the product name will be revealed when it's commercially launched in the U.S. and Puerto Rico in Q4, excitement is already building. That excitement extended beyond our Herbalife distributor base.

As we shared last quarter, we acquired certain assets of Pruvit, which we plan to integrate over the next 2 years. In the meantime we welcomed approximately 400 Pruvit distributors to our North America Extravaganza, with the majority opting into the Pro2col beta program. Pruvit distributors will have the opportunity to join Herbalife in Q4.

We believe Pro2col represents a powerful growth opportunity that builds on the strength of our \$5 billion business and global distributor network. It enhances our use of technology and data, and we believe it will attract more distributors with a business that's easier to start and scale. For customers, it delivers a more personalized, connected wellness experience, driving higher engagement, increased product usage, greater retention and community expansion, all leading to increased customer lifetime value.

With thousands of distributors as beta participants, we're actively gathering feedback to refine the user experience ahead of our planned Q4 launch in the U.S. and Puerto Rico with additional markets to follow beginning in 2026. Distributors who joined us in this first phase of the Pro2col beta aren't just getting early access to an exciting new technology and product. They're stepping into a multiphase innovation journey. Those in the initial beta group will have the opportunity to join the next phase in Q4, which will introduce access to at-home tests that deliver baseline blood biomarkers as an additional health and wellness service.

A subsequent phase launching in the first half of 2026 will take personalization even further with Link Biosciences customized supplement formulations tailored to individual needs and goals. This staged approach reflects our long-term vision for Herbalife to become the world's premier health and wellness platform by offering personalized, accessible wellness solutions, which provides the heart of our company, our distributors, with a front row seat in shaping our future.

With the distributor community of more than 2 million and a globally trusted brand, Herbalife is uniquely positioned to reach customers in ways few companies can match. We're amplifying that reach and effectiveness through stronger digital connectivity and by leaning into AI-assisted tools and the introduction of Pro2col is just the beginning. We're leveraging AI marketing to help our distributors deliver custom AI-generated content for social media and offering a new wellness AI chat assistant featuring our own Dr. Luigi Gratton. We're also leveraging AI to support distributors through our key account management program.

We're processing thousands of data points including actionable insights from the field about ideas, challenges, best practices and more. This helps us quickly identify knowledge gaps, create targeted content and improve the program's effectiveness in real time. While we focus on evolving how we work and innovate for the future, we remain committed to delivering products that align with global trends, resonate locally and meet the needs of diverse DMOs and customers.

In Q2, we expanded our Nutrition Club offerings in Mexico with the launch of Instant Coffee. We also introduced Sleep Enhance with saffron extract in India. In certain

markets in Latin America, we launched Nutri Muffin, a muffin mix that provides a convenient high-protein snack. In the U.S., we continue to see strong consumer demand for effective weight loss solutions. And in July, we introduced MultiBurn, an innovative nonpharmaceutical weight loss supplement designed to support metabolic health with a proprietary blend of clinically studied botanical ingredients.

For more information about the science behind MultiBurn, you can refer to the press release we issued on July 7. To support consistency and drive recurring revenue, MultiBurn and other select products are now available to customers and preferred members in the U.S. through automatic monthly subscriptions. While it's still early, the excitement we're seeing from distributors and customers about MultiBurn is encouraging, and the initial sales are outpacing our expectations.

Before I close, I want to give a brief update on Link Biosciences. We are currently focused on integrating Pro2col with Link Biosciences' proprietary personalization technology and manufacturing capabilities. This positions us to deliver data-driven personalized supplement formulations, which gives us a unique competitive advantage in the U.S. today.

We look to expand this competitive advantage globally with regulatory assessments underway in other key markets. We're confident in the long-term differentiation and growth that this new capability will drive. While this capability, along with other developments we've discussed today spans innovation in products, technology, AI, personalization and distributor engagement, all of it is built on the same foundation that has guided Herbalife from the very beginning.

From day one, our company has been built on trust, one-on-one relationships, community and results. What's different today is the scale and sophistication with which we can build upon that foundation. We are evolving into a technology-enabled data-driven wellness platform, one that empowers our distributors, personalizes the customer experience and uniquely positions us within the global wellness market, which is projected to reach \$5.8 trillion by 2028. This is only the beginning. As we roll out Pro2col globally, expand personalized wellness solutions, integrate Link Biosciences and harness AI across our business, we see a powerful and clear path to sustainable growth and long-term shareholder value.

Thank you for your continued trust and support. I'll now turn it over to John to walk through our Q2 financials.

John DeSimone^ Thank you Stephan. Turning to our Q2 financial highlights on Slide 11. We delivered another solid quarter with adjusted EBITDA exceeding guidance, reflecting our continued focus on operational efficiencies. Operating cash flows for the quarter were also strong at \$96 million. Net sales were \$1.3 billion, down 1.7% versus Q2 of 2024 and just below the midpoint of our guidance range of down 3.5% to up 0.5% year-over-year. Net sales on a constant currency basis were flat compared to the second quarter of 2024

and near the lower end of our guidance range. And while FX headwinds were less severe than expected, they still had a 170-basis point negative impact year-over-year.

Our Q2 adjusted EBITDA was \$174 million, exceeding the high end of our guidance range. Adjusted EBITDA margin of 13.8% was down 30 basis points from last year, driven entirely by unfavorable currency impacts. CapEx for the second quarter was \$23 million, slightly below the low end of our guidance range of \$25 million to \$35 million as we continue to optimize our capital spend, which you will see reflected in our revised full year guidance. Capitalized SaaS implementation costs were approximately \$4 million in the quarter. Gross profit margin improved 10 basis points to 78%, driven by approximately 70 basis points of favorable pricing, approximately 20 basis points of lower inventory write-downs, partially offset by foreign currency headwinds of approximately 60 basis points and input cost inflation of approximately 10 basis points.

Following our acquisition of a controlling interest in Link Biosciences, we are now separately reporting net income attributable to Herbalife. Second quarter net income attributable to Herbalife was \$49 million with adjusted net income of \$61 million. Q2 adjusted diluted EPS of \$0.59 included an \$0.11 FX headwind versus the second quarter of 2024. Our adjusted effective tax rate was 27.7%, down from 32.3% for Q2 of last year, contributing to an approximately \$0.04 favorable impact on adjusted diluted EPS. The decrease in the 2025 rate was primarily due to changes in geographic mix of income, partially offset by discrete events in the period. We now expect our full year 2025 adjusted effective tax rate to be in the range of 27% to 28%.

During the quarter, we paid \$25.5 million in connection with the acquisitions of certain assets of Pro2col, Pruvit and Link BioSciences and repaid \$55 million of debt, which included \$50 million redemption of the 2025 notes. As of the end of the quarter, our revolving credit facility remained undrawn. Credit agreement EBITDA for the second quarter was \$192 million. With our debt repayments during the quarter, we maintained our total leverage ratio of slightly under 3x as of June 30. For additional details regarding the adjustments between adjusted EBITDA and credit agreement EBITDA as well as the calculation of our total leverage ratio, please refer to the presentation appendix in the earnings press release.

Turning to Slide 12. We see the drivers of our year-over-year net sales performance. As I stated earlier, reported net sales for the quarter declined 1.7% year-over-year, while constant currency net sales were flat. Overall, volume was down 3.1% or \$39 million year-over-year, which was nearly offset by approximately \$38 million of favorable pricing. FX impact in the second quarter was approximately \$22 million or 170-basis point headwind year-over-year, but this was better than the 300-basis point headwind we anticipated in our Q2 guidance.

The improvement since April was largely due to broad-based weakening of the U.S. dollar. However even with the dollar weaker than anticipated, it was an overall headwind for the quarter on average. While we are pleased with our performance in Q2, our underlying trends continue to strengthen.

As Stephan mentioned, Q3 is off to a strong start, driven by our July sales performance. This positive trend is reflected in the guidance we shared earlier today which projects year-over-year net sales growth for the third quarter of 0.5% to 4.5% on both a reported and constant currency basis.

Turning to Slide 13. We have the regional net sales results for the second quarter. Sequential trends improved across all five regions. For the second quarter, Latin America delivered another strong performance. While reported net sales were down 1% year-over-year, constant currency net sales were up 9% favorable year-over-year net pricing and an approximately 3% increase in volume were more than offset by unfavorable FX headwinds, primarily due to the Mexican peso.

In Mexico specifically, reported net sales were down 4%, but local currency net sales were up 9%, primarily driven by favorable pricing and an approximately 4% increase in volume year-over-year. EMEA net sales were flat on a reported basis and down 1% on a local currency basis. Favorable year-over-year pricing and FX tailwinds were more than offset by approximately 5% decline in volume.

In Asia Pacific, reported net sales were down 2% and constant currency net sales were down 1%. Favorable year-over-year pricing impacts were more than offset by an approximately 3% decline in volume, along with unfavorable sales mix and FX movements. In India, net sales were down 0.5% on a reported basis, but up 2% on a local currency basis, primarily due to an approximately 1% decline in volumes year-over-year and unfavorable FX headwinds, partially offset by higher pricing. In North America, net sales were down 4%, primarily driven by approximately 6% declines in year-over-year volumes, partially offset by favorable pricing.

On a sequential basis, the year-over-year net sales trend improved by approximately 50 basis points with volume trends improving by about 230 basis points. In July, we saw strong momentum in North America, supported by the recent launch of MultiBurn and the Pro2col beta release at the North America Extravaganza. Based on current trends, we continue to expect sequential quarterly improvement in both North American net sales and volume trends for the remainder of the year. China net sales were down 2% year-over-year on both a reported and local currency basis, primarily due to a 6% decline in volumes year-over-year, partially offset by favorable sales mix.

Moving to Slide 14. We see the drivers of the second quarter year-over-year change in our adjusted EBITDA. Adjusted EBITDA was \$174 million, slightly below last year, driven entirely by unfavorable foreign exchange. On a constant currency basis, adjusted EBITDA increased to \$190 million for the second quarter of 2025, reflecting the continued underlying strength of the business.

Looking at the bridge, the impact of gross profit margin improvement can be seen in the pricing benefit, partially offset by lower volumes and input cost inflation, primarily related to manufacturing overhead. The slight increase in salaries is primarily due to

employee merit increases in the first quarter of 2025. Lower employee bonus accruals reflect a reduction in headcount as well as normalized bonus achievement levels expected in 2025 compared to the high levels achieved in 2024. The increase in promotional related spend primarily reflects lower spending in Q2 of 2024 due to restructuring activities at the time as well as a shift in timing of spending from Q1 to Q2 of 2025. Unfavorable year-over-year FX movements resulted in approximately \$16 million reduction in adjusted EBITDA.

Moving to Slide 15. In April, we paid \$25.5 million in connection with the acquisitions of certain assets of Pro2col, Pruvit and Link BioSciences. As Stephan noted in his opening remarks, we achieved a key milestone in July with the release of the beta version of the Pro2col technology platform at our North American Extravaganza. As previously disclosed and in accordance with the terms of the agreement, the related \$2 million contingency payment has been earned and will be paid in the third quarter of 2025. In addition, we remain subject to an incremental contingent payment of \$3 million, which could become payable in the fourth quarter upon the commercial release of Pro2col technology platform in the U.S.

Also during the quarter, we paid approximately \$55 million of debt, which included the \$50 million redemption of the 2025 notes at the end of June and \$5 million of the Term Loan B scheduled amortization payment.

As I noted earlier, our revolving credit facility remained undrawn as of June 30, and we remain on track to reduce our principal amount of debt outstanding to \$1.4 billion by the end of 2028, which is a \$1 billion reduction from where we stood at the end of Q2 2024 when we first made the commitment. We plan to repay the \$147 million outstanding on the 2025 notes at or prior to the September 2025 maturity, leaving the next meaningful debt maturity not due until 2028.

Moving to Slide 16. We will review our outlook for the third quarter and full year 2025. Given FX movements over the past year, we are continuing to provide net sales and adjusted EBITDA guidance, both on a reported and constant currency basis. For the guidance on a reported basis, we use the average daily exchange rates for the first two weeks of July 2025.

We expect net sales growth in the third quarter of between 0.5% and 4.5% year-over-year, both on a reported and constant currency basis. We expect adjusted EBITDA for the third quarter to be in the range of \$150 million to \$160 million, while in the range of \$155 million to \$165 million on a constant currency basis. Our planned capital expenditures for the third quarter are in the range of \$20 million to \$30 million.

Shifting to our full year guidance. We have revised our outlook based on our year-to-date performance and updated expectations for the remainder of the year including updated estimates for tariff impacts and currency movements since we provided guidance in April. Most notably, we've narrowed and raised our full year net sales range to now be in

the range of down 1% to up 3% year-over-year, whereas on a constant currency basis, we expect net sales to be flat to up 4% year-over-year.

We are also raising our expectations for full year adjusted EBITDA to a range of \$640 million to \$660 million, while in the range of \$685 million to \$705 million on a constant currency basis. Regarding tariffs, our 2025 guidance includes a preliminary estimate of the impact from tariffs enacted as of yesterday. We do not believe that the impact will be material to our full year 2025 expected results. And looking ahead on an annualized basis, we continue to believe that the enacted tariffs will not have a material impact on our overall results.

With respect to capital expenditures, we are reducing our expectations for the year to now be in the range of \$75 million to \$95 million, primarily due to reductions in our overall projected technology-related spend as we continue to optimize our capital spend plans, as I mentioned earlier. We continue to expect full year capitalized SaaS implementation costs to be in the range of \$25 million to \$30 million, which is incremental to our planned CapEx. Depreciation and amortization including amortization of SaaS implementation costs, is expected to be in the range of \$140 million to \$150 million. For full year 2025, we expect our adjusted effective tax rate to be between 27% and 28%.

Now before moving to Q&A, I want to close my opening remarks with one final comment. Over the last year, we've shared many strategies and initiatives that we put in place to strengthen our distributor base and drive engagement. With projected net sales growth in Q3 as announced earlier today we believe those initiatives are starting to inflect on the top line. While we remain grounded in the work still ahead, we're encouraged by the progress and energized by the direction our net sales trends are heading.

This concludes our opening remarks. Operator, please open the call for questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Chasen Bender with Citi.

Chasen Bender^ I wanted to ask about the commercial release of Pro2col planned for later this year. I know you called out that distributors were able to get access to Pro2col at the beta by purchasing that 60-day supply of the healthy lifespan supplement. I was wondering if you could share your latest thoughts on the monetization strategy for the app when it launches. And if you are planning on using the same bundled package with the healthy lifespan supplement, are the unit economics of that product meaningfully different than, call it, the existing portfolio?

Stephan Gratziani^ I'll let John answer the last part of it. Let me just talk to the first part. So as you mentioned, we started with the beta, and I think this is a really important point. Number one, obviously our business model goes through our distributors. Their input, feedback and how they are going to promote it, how they're going to use it, position it

with their customers, is really important, which is one of the reasons why doing this through a beta first and foremost is a really important step for the company.

So number one, we have a lot of different distributors, different models, as you know in North America through nutrition clubs to people doing social media, running challenges and different flows within even those particular models. So working alongside the distributors so that in Q4, when we do the launch, they exactly know how they are going to go to market, position things and start onboarding customers into Pro2col is very important.

So number one, that's really the first point of the beta. So we actually have around just over 7,000 distributors that opted in, which quite honestly it was beyond the expectations that we had. It was literally 50% more of the distributors that were present at Extravaganza. And over the next three months, we will be working with them on a weekly basis, going through strategies of how they're going to implement this with their customers into their businesses.

From a monetization standpoint, I think it's important to look at two pieces. One is that Pro2col is designed as a tool, right, to be able to help distributors do more, sell more of what they're currently selling. So it's going across the board. Although we launched this new healthy lifespan product, really we look at this in two ways: one, supporting the \$5 billion business that we currently have, meaning whatever distributors are working with whatever customers and whatever they're selling them, Pro2col, the application will be a value add, okay, to the existing customer into the business.

The second piece is really coming with a new premium, I would say just from a more digitally enabled brand standpoint, attracting a customer that is probably not for most of our distributors, their main core customers. So it's getting us into a new segment and an opportunity to bring a new story, a new narrative to the market.

So these two focuses are really important. There's going to be options for the distributors. I'm sorry for taking a long time at this, but it's something that is new, and it's important to understand. There are going to be some distributors that simply are going to want to use it as a tool to engage with their customers and to add value. Others are going to want to build a business and a model and flow, and I'll just kind of talk about this, because one of our main business models in the United States is our nutrition clubs. It is more of a daily consumption transactional business, and we've been talking about over the last 1.5 years, wanting to shift from a transactional business to a transformational business.

Having Pro2col as an opportunity to simply get someone engaged in a conversation to be able to start -- to do something, download an app, answer some questions, some wellness assessment and to get into a conversation about the benefits of Herbalife products and having a digital support tool to help them make positive lifestyle behaviors, it is going to add a new model and a new opportunity to our business that we currently do not have.

So I shared this kind of high level of the two things. John, maybe you want to talk about a little bit the different monetization strategies?

John DeSimone^ Yes. I'll talk about -- I mean the economic model is not materially different, but it is slightly different. And it's different in two ways. So one, we have a concept called earn-based, which is what percent of retail our distributors earn on, and that will be a little different for this product. That's one, again not materially different, but a little different.

The second concept is this is a subscription-based model and that first shipment, the cost of that first shipment is more expensive than the second, third and fourth, which are refill shipments. So there are certain assumptions we made on the life of the subscription to get a blended rate that meets our hurdle. If that ends up changing a little, then it could have an impact on the economics for us.

Having said that, none of that will be material, certainly not in the near term, because it's been launched in one country. But as we go globally, we'll have a lot more data for which to base that -- those assumptions on.

Chasen Bender^ And just one point of clarification on that. What, if anything, have you assumed in guidance in terms of sales contribution in 4Q from the Pro2col commercial release?

John DeSimone^ Very little at this point. Mostly it's just mostly upside. That's our -- you'll get a little in Q3. That's included because we launched it in July. There will not likely be much incremental beyond July in Q3 because the commercial launch is not until Q4, but there'll be a slight benefit in Q3.

Chasen Bender^ Then my second main question is just on pricing. You've continued to take prices here in several markets around the world. I was hoping you could just offer some perspective on your price gaps versus competitors and how you're thinking about that and the competitive environment into the second half of the year, particularly in context of a pressured consumer who, frankly, we've heard from a number of CPG companies are exhibiting value-seeking behavior and in some cases, trading down.

John DeSimone^ Yes. So our strategy on pricing hasn't changed, which is to take pricing commensurate with what we're seeing in the marketplace. So when we talk about our products versus the competitors, that differential should not be meaningful. We're not seeing a lot of pressure from that end. We are taking much lower price this year in many of the countries than we took last year.

That's one of the reasons why the delta between volume and net sales was much greater in Q1 than Q2 because this year, the price increases have been lower. But we'll continue to take price, but we'll take it at a level that's limited risk, consistent with what's going on in the marketplace. We have not seen a negative impact from that because, again our

volume trends have been heading in the right direction in most of our markets, and we've got a lot of momentum. especially in the U.S.

Stephan Gratziani^ Chasen, just on this one, there is a value add to the products and someone can offer a digital application that is going to help them to be more compliant, use their products more seriously more consistency, help them get better results. So I think this is an important piece because the core offer gets elevated just with the simple fact of now having something that can be a digital support tool and can connect the distributor with the customer. So again, from a pricing standpoint, not directly, but definitely from a value proposition.

Chasen Bender^ Got it. Appreciate that color. Thanks so much, guys.

Operator^ (Operator Instructions) Our next question comes from the line of Doug Lane with Water Tower Research.

Douglas Lane^ Just on the Pro2col and at Extravaganza, the distributors did buy the 60-day supply of the supplement and got to beta test the app. So I guess my question is, when you commercialize this in the fourth quarter, are they going to continue to be connected? Will you buy the supplement and the app? And will you buy both on subscription? Or can you do one or the other?

Stephan Gratziani^ So there'll be options. As I mentioned earlier, some distributors, they're already selling certain products and programs to customers. They will have an option just to offer the app as a support tool. Others will have an option to offer the product that we're going to launch the name and everything in October. I almost want to tell you now but first, we need to tell our distributors and actually, it's not going to take until October. So -- but that will be an option also. So it is fitting current models, and it's going to also create a new model.

So the answer is both. I think what's important is just to -- we are supporting the \$5 billion business, and we're also entering into a new category, and as John mentioned, new models for monetization as well.

Douglas Lane^ Fair enough. That makes sense. I guess I'd like to also follow up on the whole idea of subscription, which is a very attractive model in which the new product, the healthy lifespan product is suited for. How have you dealt with subscriptions in the past? And what do you think -- how do you think that will change going forward?

Stephan Gratziani^ I think it's going to change a lot. I think it's going to take a bit of time. We have had a subscription model in the past, which was, I would say not very consumer friendly. And a very small percentage of our business comes from subscription. When we look at other companies and especially not only just in our industry, but just in general, the subscription model business is huge. And I think you're right. I think this product, in particular, lends itself very well to a subscription model. I think we have other

products as well. MultiBurn, for example, lends itself very well to a subscription model as well.

So without giving you projections, we believe that adding this element is going to be an important element for the future for us. And it's new. So it's going to take time and we're going to work with our distributors through the process. As I mentioned, they are the best ones to position this within the market. So -- but yes, you're absolutely right.

Douglas Lane^ And you've been consistent talking about the Pro2col beta test in North America and then the commercialization in the fourth quarter, and then it just sort of drops off from there. So I don't want to talk about 2026 and guidance or anything. But what -- how do you envision Pro2col assuming everything continues to go well rolling out in the rest of the world? Is that something that could take a quarter or two, a year or two? Just what are you thinking from a high level?

Stephan Gratziani^ Well we have plans for expansion in 2026. So I can tell you that we are looking at different markets, regulatory environments and what it would take to launch. Our goal is to globalize this as quickly as possible, and you're going to see in 2026 that we're already entering other markets.

Douglas Lane^ Then, John, on the balance sheet, where you're deleveraged at that 3.0 and you reiterated your 2028 target. What -- and you don't have maturities due much until a couple of years out, but you have some high-cost debt out there. What are your plans for the high-cost debt in the meantime?

John DeSimone^ So we closed the new debt deal last April, a good chunk of that. The bond had a 2-year no-call protection, which means you really can't redo that part of the debt deal until April of next year. But at that point, we'll actively consider refinancing if the conditions are right because we went to market at a time where there wasn't a lot of visibility into what was going on here, we come off a tough 2023 year. Our leverage ratio in the prior public quarter was 3.9. Now we're under 3. We're in a much different financial position than we were 1.5 years ago with much more visibility and trending entirely in the correct direction.

So our margins -- our EBITDA margins were 11.3% in 2023 and 13.8% this quarter on an adjusted basis. So things are just in a much better spot. So we'll look at the economics and do it as soon as it makes sense. That's our objective.

Operator^ (Operator Instructions) Our next question comes from the line of Christina Xue with Mizuho.

Christina Xue^ So on the Pro2col, if I understand it correctly, so there are going to be some benefit and started in 3Q and then more in 4Q, but the constant currency guidance for fiscal '25, the midpoint of it is slightly reduced. Can you talk about like what's driving that?

John DeSimone^ Yes. That's a great question. So our trends are good, but we did come in below our constant currency midpoint for Q2. That's the majority of the reason why the year -- the midpoint for the year has come down. But again we've got net sales growth projected in Q3. We actually have net sales growth, if you do the math. We're not directly projecting Q4 in guidance, but Q1 and Q2 are in the books, Q3, we're not giving you guidance. If you do the math, Q4 also has growth. So we narrowed the range a little bit. It got moved a little bit to the left because of what happened in Q2, but still expecting strong performance.

Christina Xue^ And on the EBITDA guidance, so you have a beat and then you're going to have a beneficial currency tailwind for the year. But I guess the raise was not as much as the currency tailwind and the beat in the quarter. So can you talk a little bit about that as well?

John DeSimone^ Well it was as much as the beat in the quarter. It wasn't -- the tailwind doesn't hit the bottom line until about next year, hit the very end of the year. I think that needs a little explanation. So currency impacts top line right away because that's all translation.

On the gross profit line, we have a lot of transactions that are denominated in dollars. And like we saw last year when the dollar strengthened, we get a onetime one inventory turn benefit at COGS. When the dollar weakens, we actually get hurt from currency on the gross profit line for one inventory turn. So the actual impact from currency year-over-year for Q3 and four are still slightly negative. And maybe there needs to be just a little more description on that.

So -- and I'm going to give you just a hypothetical example that I hope you can describe the situation. I'm going to use -- let's use the Mexican peso, and I'm going to use inventory that was purchased at a rate of 20:1. So it was purchased at a rate of 20:1 a few months ago.

Let's just say the rate dropped to 10:1. I know that's extreme, but that makes the math easy. If the inventory cost a dollar because it's priced in dollars, when it was purchased, it was paid for at MXN 20. Today it would have been paid for at MXN 10, but it's on the books at MXN 20, and that's what hits the P&L. So what hits gross profit on any transaction is the translation rate when the inventory was purchased. So there is a lag to the effect of translation on the bottom line, which is why you don't see it as much in Q3 and Q4 as you might expect without building in that lag. The good news is, if it stays this way we will see it in Qs one and two of next year in the whole year.

Operator^ Ladies and gentlemen, at this time I would now like to turn the call back over to Stephan for closing remarks.

Stephan Gratziani^ First of all, I want to thank everyone for attending today. As I approach 100 days as CEO and just celebrated two years as part of the executive team and before that 32.5 years as a distributor, I've been reflecting a lot on the current

situation and basically my life and the choices that I've made and what drives me to do what I do.

I can share with you that for 32.5 years from starting as a distributor in 1991, I had the opportunity face-to-face every single day of my life for 32.5 years to be in front of people that I saw the impact that Herbalife made in their lives, whether that was a customer that was looking to lose weight or looking to improve some aspect of their well-being, whether it was a distributor that was in need of an opportunity, looking for something part-time to improve their personal situation, to improve something for their family, to believe in something that they could invest their life into to build a career, to have certain limits that's outside of our business and our industry were created for them that they found and especially with Herbalife an opportunity that they wanted to invest themselves into.

And for 32.5 years, I built friendships, family, and community and was part of something and it was extraordinary for me. And for 32.5 years over time one of the things that became clear was that Herbalife in my role in my life and my every single day there was a reason why and a purpose behind what we were doing and who we were. It's a purpose that I believe that not everyone understands.

I'll just share this with you because when we talk about becoming the premier health and wellness company, community and platform, it's not just words. I understand that there's a big paradigm shift. Herbalife, 45 years, public direct seller, the largest in the world, nutritional products sold through a multilevel marketing distribution channel. I understand that there's a paradigm shift. When you think about, when consumers think about -- when people think about becoming and what it means to be the world's premier health and wellness company community and platform, I can see that they would have a little bit of difficulty sometimes in understanding because it is a big paradigm shift.

What I will tell you is that as someone that was 32.5 years as a distributor, two years as an executive and part of the executive team and now 100 days in the seat of CEO that everything that we are thinking about and working towards every single day is about becoming that company, community and platform.

One of the things that I can tell you that the acquisitions that we made that we announced in March, on March 12 that we acquired on the 11th, and then at Extravaganza just a couple of weeks ago, launched and onboarded over 7,000 distributors into a platform. This is something that I'm very proud about. I'm proud from a distributor lens and how quickly and how they see the opportunity and how willing they are to venture with us into this future. I'm very proud as an executive of the team internally and the 9,600 or 8,600 employees that we have that all live for the same mission and purpose.

I'll tell you that personally, I don't think there's anything that's going to stop us from becoming the company that we're talking about for the future. I think with 2 million distributors that live the same purpose every single day that operate out of some of them over 60,000 nutrition clubs that makes us very unique in the marketplace that now when

we talk about platform and the launch of Pro2col, just in a very short amount of time with approximately 4,600 distributors, we have over 140,000 data points on health and wellness of these individuals.

These are the distributors. We have 31,000 products that they've scheduled into the application in 146,000 instances of how and when they're using the products. We have 8,200 different things that they do outside of that we would call wellness hacks that they do, whether it's cold plunging or meditation or breath work, stretching, for 68,000 instances of when they are going to do it. Not only that, we have a lot of data as a company that for the first time only in 45 years, we now have access to, and we can track the improvements in their lifestyle, in their wellness and in their health. This is going to empower us in a way and it's just one clear sign and something that we have very quickly executed on of how we will become that company and platform for the future.

So we look forward to quarterly giving you the updates. We thank you for being on this journey with us. And -- we believe you're also part of this purpose. So we thank you for your support. And we'll talk to you next quarter.

Operator^ Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.