

## Herbalife Ltd(Q1 2021 Earnings)

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### Corporate Speakers:

- Eric Monroe; Herbalife Nutrition Ltd.; Senior Director of IR
- John Agwunobi; Herbalife Nutrition Ltd.; Chairman & CEO
- Alexander Amezquita; Herbalife Nutrition Ltd.; CFO
- John DeSimone; Herbalife Nutrition Ltd.; President

### Participants:

- Wendy Nicholson; Citigroup Inc.; Research Division, MD & Head of Global Consumer Staples Research
- Unidentified Analyst; Bank of America; Analyst
- Douglas Lane; Lane Research; Principal & Director of Research
- Karru Martinson; Jefferies LLC; Research Division, Analyst
- Hale Holden; Barclays Bank PLC; Research Division, MD
- Sebastian Barbero; Jefferies LLC; Research Division, Equity Analyst

## PRESENTATION

Operator^ Good afternoon, and thank you for joining the first quarter 2021 earnings conference call for Herbalife Nutrition Limited.

On the call today is Dr. John Agwunobi, the company's Chairman and CEO; John DeSimone, the company's President; Alex Amezquita, the company's Chief Financial Officer; and Eric Monroe, the company's Senior Director, Investor Relations. I would now like to turn the call over to Eric Monroe to read the company's safe harbor language.

Eric Monroe^ Before we begin, as a reminder, during this conference call, we may make forward-looking statements within the meaning of the federal securities laws. These statements involve assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those discussed or anticipated.

For a complete discussion of risks associated with these forward-looking statements in our business, we encourage you to refer to today's earnings release and our SEC filings, including our most recent quarterly report on Form 10-Q.

Our forward-looking statements are based upon information currently available to us. We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any future events or circumstances or to reflect the occurrence of unanticipated events.

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 our performance and preparing period-to-period results of operations in a more meaningful and consistent manner as discussed in greater detail in the supplemental schedules to our earnings release.

A reconciliation of these non-GAAP measures to the most comparable GAAP financial measures is included in our earnings press release submitted to the SEC. These reconciliations, together with additional supplemental information, are available at the Investor Relations section of our website, [herbalife.com](http://herbalife.com).

Additionally, when management makes reference to volumes during this conference call, they are referring to volume points. I will now turn the call over to our Chairman and CEO, John Agwunobi.

John Agwunobi^ Good afternoon, everyone. Thank you for joining us on the call today. We followed up our record performance in 2020 by delivering the largest first quarter net sales results in company history. Reported net sales of \$1.5 billion increased 18.9% compared to the prior year.

5 of our 6 regions experienced net sales growth with 3 of our regions, North America, Asia Pacific and EMEA growing by more than 20%. Our year-over-year net sales growth rate accelerated compared to the prior quarter, and our 2-year stack growth rate of 28.1% is the largest since the first quarter of 2014. And we ended the quarter on a high note, with the month of March representing the single month worldwide net sales record.

Our sports nutrition product line continues to drive growth and expand our portfolio, with worldwide net sales in our energy, sports and fitness category increasing approximately 34% during the first quarter. Over the past year, we have rolled out additional products in our sports nutrition line to markets including China, Mexico, EMEA and Brazil.

Outside of sports nutrition, our core weight management product category grew by 16% in the quarter; and targeted nutrition, which includes our health and wellness product offerings, grew by 21%. Our strong performance in the first quarter gives us further confidence in our outlook for the remainder of the year.

As we announced in our press release, we have meaningfully raised and narrowed our full year 2021 guidance. Our new guidance calls for net sales growth to be in a range of 9% to 15%, up from our prior range of 6% to 14%. Additionally, the midpoint of our reported EPS guidance range increased by approximately 7%. Alex will take you through the details of the financials later in the call as well as provide a full update on our guidance.

Let me highlight a few of our regional results for the first quarter. Consumer interest in Herbalife Nutrition remains strong in the U.S., with net sales increasing 28% compared to the first quarter of 2020.

Our sales force continues to expand with new distributors increasing by approximately 15% compared to the prior year period and 24% sequentially. New preferred members grew 44% in the quarter compared to the prior year and 52% sequentially.

The Asia Pacific region had a record quarter with net sales growth of 22% versus the prior year. The region also had notable growth from India, which grew 37%; Vietnam, which grew 45%; Malaysia, which grew 55%; and Australia, which grew 62%.

In China, net sales declined 11% compared to the first quarter of 2020. This decline for the quarter is in line with our expectations as our sales force continues to transition through the recent enhancement made to our China marketing plan. We had discussed that at our last quarter's call.

We continue to make progress on our digital transformation in China and anticipate our new middleware platform being developed with Alibaba will be deployed in the second quarter of this year.

The EMEA region set a new quarterly net sales record with year-over-year growth of 37%. Consumer demand for our products is driving the results, along with record increases in our local sales force. 9 out of the top 10 countries in EMEA had double-digit growth in the quarter. Performance was exceptionally strong in the U.K., up 157%; and Turkey, which was up 70%. Spain and Italy have displayed consistent growth that began in Q3 of 2020 and continued through the first quarter.

Our distributors have continued to use social media and messaging apps to engage and retain new customers. We have an acute focus on the retention of our customer base, a strategy we will be sharing with you at our upcoming Investor Day. We believe we have the right strategy in place to continue delivering results.

As such, we are eager to announce that we will host a virtual Investor Day in August, following our Q2 earnings release, where we'll be able to give you an even deeper dive into our company, our strategy and the initiatives that we have underway to continue to drive growth.

The global demand for better nutrition continues to rise, and more consumers than ever before are turning to Herbalife Nutrition. We are committed to finding innovative solutions to help people thrive, ensuring that they can have access to nutrient-rich foods and a support system, a community to help them live their best lives. I will now turn the call over to Alex to review the financials.

Alexander Amezquita^ Thank you, John. First quarter net sales of \$1.5 billion represents an increase of 18.9% on a reported basis compared to the first quarter in 2020. The growth was broad-based as over 50 of our markets grew by double digits or more.

We had net sales growth in 4 out of our 5 largest markets, consisting of the U.S., which grew 28%; China, which was down 11%; Mexico, up 3%; India, up 37%; and Vietnam, up 45%. For the first quarter, we reported net income of approximately \$147.4 million or \$1.33 per diluted share and adjusted earnings per share of \$1.42, which was a 61% increase over last year.

Currency had a mixed impact on our P&L. FX was a net sales tailwind of approximately 180 basis points in the quarter, excluding Venezuela. However, currency was a headwind to earnings, representing a negative year-over-year impact of approximately \$0.03.

Although the average FX rates were overall a weaker dollar during the first quarter of 2021, the comparison of the changes in rates during the first quarter of 2021 versus 2020 created an unfavorable impact to cost of sales and a net headwind that more than offset the favorable impact to the top line, resulting in the headwind to EPS.

Reported gross margin for the first quarter of 79.1% decreased by approximately 150 basis points compared to the prior year period. The decrease was largely driven by the unfavorable impact of foreign currency fluctuations as well as the increase in freight costs related to orders being shifted to home delivery as a result of COVID-19. Beginning next quarter, we will partially annualize the negative impact from freight costs, which began in the back half of the second quarter in 2020.

First quarter 2021 reported and adjusted SG&A as a percentage of net sales were 33.7% and 33.6%, respectively. Excluding China member payments, adjusted SG&A as a percentage of net sales was 27.3%, approximately 75 basis points favorable compared to the first quarter of 2020, which was largely due to general operating leverage on the high level of sales growth within the quarter, partially offset by a return to more normal levels of distributor event spending, which was significantly disrupted during the first quarter of 2020.

The result of the top line growth and expense leverage resulted in the largest quarterly EBITDA result in company history, with adjusted EBITDA of approximately \$254 million.

We are issuing guidance for the second quarter 2021 as well as increasing our full year 2021 guidance. For the second quarter, we estimate net sales to be in the range of 13.5% to 19.5% growth, which includes an approximately 200 basis points currency tailwind versus the prior year.

Second quarter reported diluted EPS is estimated to be in a range of \$1.17 to \$1.32 and adjusted diluted EPS to be in a range of \$1.22 to \$1.37. Reported and adjusted diluted

EPS include a projected currency benefit of \$0.19 compared to the second quarter of 2021.

For the full year, we are increasing our net sales estimates to be in a range of 9% to 15% growth on a reported basis. Currency remains a tailwind although moderated compared to last quarter's guidance as the U.S. dollar strengthened throughout the first quarter.

We now project an approximate 200 basis point tailwind due to currency compared to the expected 340 basis point tailwind from a quarter ago. Constant currency net sales are now expected to increase 7% to 13% for the year, up from the previous range of 2.6% to 10.6% growth.

We are raising full year 2021 guidance for reported diluted EPS to a range of \$4.41 to \$4.81, along with adjusted diluted EPS to a range of \$4.65 to \$5.05. This \$0.35 raise to the midpoint of our prior adjusted EPS guidance is primarily driven by the quarter 1 beat and our increased sales expectations for the remainder of the year.

EPS guidance continues to exclude the impact of any future China grant income and expenses related to the China growth program, future share repurchases and excess tax benefits from equity exercises.

Turning to our cash position and our share repurchase activity. Coming off of full year 2020, where we generated \$629 million of operating cash flow, we began 2021 by generating \$110 million of operating cash flow in the first quarter. This was lower than our cash flow generation in quarter 1 of 2020.

However, for the full year, we anticipate cash flow will be stronger than the \$629 million we generated in 2020. We currently have \$612 million of cash on hand. This cash balance is after our execution of approximately \$621 million in share repurchases during the first quarter, which consisted of \$600 million completed in January as part of our structured transaction and an additional \$21 million in the open market.

We continue to believe the repurchase of common shares is consistent with the company's long-term goal of maximizing shareholder value. We remain committed to return our excess cash flow to shareholders through share repurchases, a strategy that has resulted in approximately \$5.3 billion in buybacks over the past 10 years.

We currently have almost \$1.5 billion remaining in our existing share repurchase authorization. This concludes our prepared remarks. Operator, please open up the line for questions.

## QUESTIONS AND ANSWERS

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

Wendy Nicholson^ My first question, the guide for the second quarter, I think you said 13.5% to 19.5% growth on the top line. That's a really wide range, which I totally get, because there's a lot of volatility out there.

But can you give us a sense for maybe what April looked like and kind of what you're expecting for some markets like India that seem to be going in the wrong direction and, I would think, would be a real headwind for you in the short term?

Alexander Amezquita^ Thanks, Wendy. Thanks for the question. So regarding the range of the 13.5% to 19.5%, that is correct, the 6% range. It's actually not as wide as we have had in the past. We continue to narrow that range as we continue to get comfortable with the consistency that we've seen now 3 quarters post the onset of COVID-19. So we continue to narrow on a quarterly basis.

It is still wider than sort of pre-COVID terms, but we continue to narrow as we move forward here. In terms of April results, I'm just going to comment on the first quarter. I don't want to get into April quite yet, and we'll be happy to give you an update on all of that when we report our second quarter results.

Wendy Nicholson^ Got it. That's fair. I appreciate that. My second question has to do with the growth, the really strong growth that you're seeing in sports nutrition. Do you think that the customers or the consumers of those products are the same consumers who are purchasing your weight management product? Or do you think you're appealing to kind of whole new group of consumers at this point?

Alexander Amezquita^ So the sports nutrition line has been part of our strategy that we've launched a few -- a handful of years ago. I think there is a combination of people that come into the business, looking for a weight management solution that then migrate into other goals as they stay with the business -- stay with Herbalife Nutrition, such as entering into sports nutrition when they have more fitness-related objectives.

But the objective is also to attract a different demographic, to attract a different customer segment that is a more discerning segment as it relates to what they put in their body from a performance standpoint. So it really is trying to achieve 2 objectives: one, it's looking to provide a path for those that come in with one goal but have those goals shift; and it's also looking to attract a different demographic that is looking for that specific solution.

John Agwunobi^ Yes. This is John Agwunobi. I would also add just to that excellent answer the fact that it's also -- it's drawing in a younger customer, a customer that has grown up, more active, more engaged in sports, more engaged in fitness.

And we're seeing -- the launch of that product line and the strategy to take it into more countries is pulling towards us a new demographic, not in weight management, although that is true. Those that come to us for weight management regularly kind of graduate up

to our sports line. There's also this distinct group of young, active consumers around the world that are drawn to that product line.

Operator^ And our next question comes from the line of William Reuter with Bank of America.

Unidentified Analyst^ This is [Mary] on for Bill. Can you touch on any raw material inflation you're seeing and how you're thinking about pricing for the year in light of higher input costs?

Alexander Amezquita^ So we have long-term contracts for our material -- raw material ingredients. So we don't see the sort of fluctuations that you might see in, say -- the soy market, for example, isn't something that translates to our raw material increases in any sort of a real-time kind of a way.

Our raw material contracts are long-dated in nature, sometimes spanning more than a year. So we're not seeing that at present in our input costs at this point.

Operator^ And our next question comes from the line of Doug Lane with Lane Research.

Douglas Lane^ I just wanted to ask about China a little bit further because your volume point performance has been really strong in the mid-teens for the last 2 quarters, with China down in the high teens.

So it seems to me that, that would be a really important inflection point to the overall growth rate if you could get that market back on the right track. So I know you talked a lot about the new marketing plan there, but what about from a forward-looking standpoint, when do you expect to see some sort of traction from the marketing plan? And what should we be looking for there?

John DeSimone^ Yes. Doug, this is John. So let me just see if I can break that down into 2 components. So look, China is a relatively small component of our overall volume points, right, single digits. I say that because that's, I think, uncommon with a lot of our peers. So by turning the growth trajectory around, which we will do, it will help the overall growth rate.

But my point is it's not hurting as much with some other companies. That also means it's a huge opportunity for us in China, right? But the inverse of that is how do we now go out and make China a greater percent of our sales or a greater percentage of our volume.

And China, for us, and a lot of other companies has been pretty inconsistent, right? I mean if you look at the last 20 quarters, we've had 10 up and 10 down and with no long run, right?

It's like changed directions many times. We're trying to build consistency within China for the long term. And we're doing that through a lot of consumer-based initiatives, which

both include the marketing plan change and actually the personal store. I mean the personal store is a success for us right now.

I'll give you some stats around the personal store. So the personal store, the total volume in Q1 that came from the personal store of our service providers was over 50% of our sales. Now some of that is skewed by Chinese New Year in February, but even January and March were in the high 40s.

So we got a good run rate. An absolute volume point growth from the personal store is 40% higher than it was in Q1 of last year. And so there's a lot of transactions now that are consumer-based transactions that we have visibility into that I think will create more consistency.

The other thing we're trying to do is, of course, with the marketing plan change, which is driving our service providers to have transactions of their customers be with the company, that takes time, right?

Now in the U.S., when we made a more complicated transition to something similar, it took 6, 7 months for it to integrate before we started seeing things come back. So we made this change in late December. So somewhere in that trajectory is what we're hoping for.

China is a little more complex in some things in terms of licensing as people become service providers. So I certainly expect that sometime this year, we'll see this thing turn around in China and create some consistency over the long term.

John Agwunobi^ And this is John Agwunobi. I would just add that we continue to have a lot of confidence in our China business. And over time, we fully expect China to play a much -- as John was saying, to contribute a much bigger part of our total kind of global numbers. China is a good market for us.

And if you look back, John talked about the fact that over the last 10 quarters, we've had -- over the last 20 quarters, we've had some up and some down. I mean it's split back and forth. But the facts are that China as a business today is much larger today than it was 10 years ago for us, and it will continue to grow out into the future.

John DeSimone^ And lastly, let me just make sure you're aware -- I think you are because it was in the prepared remarks, that China slightly exceeded our expectations this quarter. So it's heading in the right direction, we believe, from -- at least from what we anticipate.

Douglas Lane^ Okay. That's helpful. Now with all the changes you've been making to the marketing plan there and the introduction of technology, how important do you think it is to have just blocking and tackling live, in-person events in that market, where it looks like that could happen in the back half of this year?



John DeSimone^ Look, I think that could help transition, right? I mean what we're doing is transitioning to a lot of changes, including some [rural] Nutrition Club changes. There's lots of changes going on within the way service providers perform in China, and they're doing that without the cover of having these big meetings. So having the cover of these big meetings, I think, can help smooth out the transition.

Douglas Lane^ Okay. And just lastly, you spent a lot of time on the last call talking about how you're rapidly expanding the segmentation and I think maybe 9 markets last year and 21 this year. Can you give us an update on the early read on the success of the segmentation strategy in your new markets?

John DeSimone^ Yes. I mean everywhere where we're launching, it is getting traction, right? I mean let me just give you some of the stats on the markets for us, right? So as of right now, we have 18 markets that have segmentation. There's another 17 coming on this year. That will be 35.

There are 32 planned for next year, right? So that will be 67 of our 95 markets. So a lot of the markets now will have -- more than 2/3 will have segmentation by the end of next year. By the end of this year, the 35 markets, we expect to have segmentation in -- represents over 80% of our volume, right?

So it's -- an overwhelming, vast majority of the business we do will be coming from market segmentation. And in the markets where we've launched it, we see an uptick in members. It's still early, right?

I mean you get this uptick in customers now signing up, which is by design, and it's been very helpful but it's still early, right? I mean we know, by the way, based on the activity we've seen in the U.S. that having preferred customers and customer transactions, having that data helps us understand customer behavior better.

And by understanding customer behavior better, we can then do programs with our distributors to increase activity, productivity and retention of customers, which is a new initiative for us. The customer retention is something we'll talk about a little bit more at Investor Day in August.

Douglas Lane^ And also, it should be a driver for more rapid advancement into the supervisor ranks, right? Isn't the qualification quicker?

John DeSimone^ Qualification is not -- if you're talking U.S., that's completely different, okay? What we're saying is if you want to base your qualifications on consumers that we can see, right, then there was a quicker pathway, but that is really just a North American initiative.

Operator^ Your next question comes from the line of Karru Martinson with Jefferies.

Karru Martinson^ Just looking at the U.S. market here, it's a nice pickup in terms of distributors. What was the impact of -- or if you can tease out the impact of the stimulus benefit. And what's driving the growth in new distributors for you?

Alexander Amezquita^ So -- that's a good question on the stimulus benefit. We haven't really seen those pops in our daily sales. We have daily sales. So we have that type of visibility.

And we haven't seen those tied or correlated to the stimulus checks, where I think you've seen that in IRI data or in Nielsen data and some of the other -- in some of the other channels. We just haven't seen that in our business. So unclear if that -- if there is some impact, but we're just not seeing it in any way that we can really comment on it definitively.

Karru Martinson^ Okay. And when you look at SG&A, which certainly came in better than we were expecting, as you return to spend for the promotional events and the outreach, how should we think about SG&A given the top line growth that you're going to have? Should this be something that we're carrying forward?

Alexander Amezquita^ Yes. So I don't think we're quite at a normalized run rate yet in our operating margins. So for example, this quarter is still comparing against a quarter that didn't have a material impact like it does now in a broad scale way with the COVID-19 impact.

So we're still seeing things, for example, like significant savings in T&E, et cetera. With that said, our advertising event, basically our promotional activity, has returned to normalized levels.

So what I would say is from a margin perspective, our first quarter, 15.1% operating margin, if you take the China grant outcome, it's about 14% operating margin. That margin level, probably running a little full but much closer to a normalized run rate than where we were for much of 2020.

So we'll continue to keep our eye on it, but there is some investment that we are going to have to do behind all of the significant growth that we've seen over the past -- even beyond the past 4 quarters that we're going to have to invest in the business. But like I said, we're approaching an operating margin that is more of a normalized run rate this quarter than we have for much of 2020.

Operator^ Your next question comes from the line of Hale Holden with Barclays.

Hale Holden^ I just had one question. For -- I mean you have markets around the world. Some are in various stages of reopening or reclosing.

And I was wondering for the reopening markets, if there was any change, line and trend, from kind of what you've seen in the last year, either benefit from Nutrition Clubs being

open or a greater sense for weight loss or distributor engagement, however you want to sort of define the question.

Alexander Amezquita^ Yes. I think globally, we see the demand for our product in virtually every market. I don't think there is much of a variation -- I would say there's not a dramatic variation from one market to the other even for markets that are performing very differently on the demand side. It's still -- I think it's still a story of how specific markets are reacting to COVID-19.

So for example, you saw the performance in India despite a lot of the challenges that I'm sure you've read in the headlines. So you sort of have that on one side. You have -- on the other side, you have a market like Indonesia, who is a very face-to-face kind of a market, and technology isn't something that is culturally embedded as much in that market.

So you're starting to -- you're seeing a continued challenge with COVID-19 there, where you don't have a plan B or plan C to compensate for some of the in-person. And then you have markets like Brazil, which is having a second wave of -- well, sort of a second material wave.

We saw a pretty severe impact to Brazil in the middle of last year. Things were lightening up and getting a bit better, KPIs improving at the end of 2020. But then again, despite all of that business recovery, again, this latest wave having a significant impact on that market.

So I think it's really a case-by-case story rather than any generalizations that I can make. I think the thing we get comfort in is the demand is there and it's just a matter of how those markets can then react to that demand.

Operator^ And our next question comes from the line of Sebastian Barbero with Jefferies.

Sebastian Barbero^ Congrats on the quarter. My first one, I just wanted to ask about the consumer health landscape, which appears to remain supportive at least in the midterm.

Given that you operate a global business, I was curious to understand how product demand patterns are changing, if at all, in regions where the economy has to be open. So for example, are you witnessing higher demand for sports nutrition products in the U.S. today than you were 6 months ago as people are returning to the gym?

Alexander Amezquita^ Yes. Sebastian, thanks for that question. I think on the demand side, I don't think we can discern with that level of granularity in our product portfolio from one product to another product in terms of what's the macro demand equation. I think we see demand across our portfolio.

If you look across our portfolio, we're up significant double digits in weight management and sports nutrition and in targeted nutrition. Our sports nutrition and targeted nutrition

categories are growing faster than the weight management category, but I would say that, that is probably more a result of our strategic initiatives rather than the demand side of the equation.

As you know, we've commented on expanding our portfolio in sports nutrition on making that an emphasis. As John A. mentioned, it attracts a younger demographic, something that is good for the long term for both our customers and the company.

So I think if you look at the different growth trajectories of our different product categories, I think it's a little bit more of a function of our strategic initiatives rather than seeing any demonstrable difference on the demand side.

Sebastian Barbero^ Got it. And is it your sense that customers in sports nutrition or targeted nutrition are stickier than, say, weight management? I don't know if you have that data available.

Alexander Amezquita^ Yes. We have seen that data that suggests that customer lifetime value for the sports nutrition customers is significantly higher than weight management customers. It's a discerning customer.

So once they subscribe to a particular nutrition program, they tend to stick to that nutrition program longer, which is why, generally speaking, we encourage a healthy active lifestyle as part of a long-term solution rather than any sort of short-term solution in terms of just losing a few pounds for a few weeks. We really look to help our customers find long-term solutions, whatever their goals might be.

Sebastian Barbero^ Got it. And I wanted to shift gears, talk a little bit about China. Is it your sense that we have witnessed the trough in Q1? Is -- and is your outlook for the year unchanged in the sense that as the year progresses, trends start getting better?

John DeSimone^ Well, I think sequentially, the business will get stronger. So I wanted to make sure I use the right words because the comps will get a little more difficult in May and June and even July in China.

So I don't want to speak specifically to the growth rates, but we're seeing the business strengthen. We're seeing the trends that we were hoping for, which is some of the consumer transactions that we've talked about, interacting with the company more frequently.

So I like where it's going. I don't want to kind of give you expectations that might give you the wrong idea about China. It's a journey. We're on the right path. I think you'll see sequential improvement in the strength of the business even if the comps get a little difficult, a little more difficult.

Sebastian Barbero^ Okay. And last one from me. You recently appointed Joe Miranda as your Chief Digital Officer. I was wondering if you could talk a little bit about his

onboarding and also the key focus points in the near term as you continue to invest behind tech.

John DeSimone^ Yes. That's a great question, right? So this -- I mean the digital office is obviously the front-end tech. We've got an incredibly strong back-end technology group. And I think you're familiar -- we've talked a lot about some of the strategies within the tech organization.

On the front end, we're looking to increase productivity and activity of our distributors through a number of methods that create scale and ease of use, and Joe has been tremendous in his onboarding. I mean he's really got credibility. He -- I think he recognizes the value of interacting with distributors to be able to learn what's best for them.

He's jumped right in. Of course, the most important thing is building his team now. That's the part of the strategy that we're in. It's to build the team. And I think you'll see a big investment in the digital office this year. It's embedded in our forecast. But the specifics, we'll talk more about on Investor Day in August.

Operator^ Thank you. And now I'll turn the call back over to Dr. John Agwunobi for any closing remarks.

John Agwunobi^ Thank you, everyone, for joining us. I'll start by expressing my deepest gratitude to all of our staff and our distributors around the world who continue to just exceed expectations. They're all working extraordinarily hard, as you all know, under some extraordinary circumstances on a country-to-country basis. We're very pleased with the results, as you've heard.

I want to acknowledge that -- speaking of the pandemic here, that while there's encouraging news in many countries, vaccination rates, for example, in the U.S. are extraordinarily high and many countries are doing quite well in the fight against the pandemic, I just want to point out that there are still many countries around the world that are struggling, India, for example, where a humanitarian crisis is just on fire even as we speak.

It's devastating to individuals, to families, to communities. And I just -- I think it's important that I close by saying that our thoughts and our prayers are with everyone as they work hard to provide for their communities and for their families.

The company is looking to see how we might help by partnering with not-for-profits around the world and where there are hot spots, we believe, that the company has a role to play as well. So we're looking forward to future announcements in that regard. So with that, I'd like to thank everyone for joining us. I'll turn this back to Eric.

Eric Monroe^ Thank you all for joining. We'll speak to you again next quarter.

Operator^ Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.