

HERBALIFE INTERNATIONAL OF AMERICA, INC.

**Moderator: Eric Monroe
May 2, 2019
5:30 p.m. ET**

Operator: This is Conference # 6149836

Operator: Good afternoon, and thank you for joining First Quarter 2019 Earnings Conference Call for Herbalife Nutrition Ltd. On the call today is Michael Johnson, the company's Chairman and CEO; John DeSimone, the company's co-President and Chief Strategic Officer; Dr. John Agwunobi, the company's co-President and Chief Health and Nutrition Officer; Alex Amezcua, the company's Senior Vice President of Finance, Strategy and Investor Relations; and Eric Monroe, the company's 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 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 annual report on Form 10-K and 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 statements or to report any future events or

circumstances or to reflect the occurrence of unanticipated events except as required by law.

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 also available at the Investor Relations section of our Web Site, herbalife.com. Additionally, when management makes reference to volumes during this conference call, they're referring to volume points.

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

Michael Johnson: Good afternoon, everyone, and thank you for joining us on our first quarter 2019 conference call.

As you saw from our press release today, we delivered net sales growth in 4 of our 6 regions, which include a year-over-year growth in 7 of our Top 10 countries. Our geographic diversity is an asset that helps us deliver these results and geographic diversity is uncommon in the nutrition and direct selling industries. While we had significantly lower than expected results in China in Quarter 1, we reported the highest first quarter volume points in the company history. The Chinese government recently concluded the 100 day review of the health products industry. This review had an impact on both the company and our service providers ability to host meetings in normal gatherings.

During the last 6 months in 2018, attendance at activities hosted by service providers that were preapproved by the respective local government was approximately 650,000. This includes approximately 330,000 attendances at activities related to nutrition clubs. This type of meetings and activities were essentially unavailable during the 100 day review. In addition, many normal smaller nutrition club gatherings which do not require local government approvals were put on hold during this health products review. The good news in the short term is that the normal club activities have begun and the local government approvals for meetings in the month of May are ramping up since the 100 day review was concluded.

Also, the good news in the long term is that together with our service providers in China we will take this opportunity to implement strategic initiatives we believe will result in our business being less dependent on meetings. Without the impacts from China, we would not have reduced our guidance for the full year, and we are pleased with the positive momentum of our business globally.

Turning now to the U.S. where we continue to see strong results with net sales increasing 11 percent compared to the first quarter of 2018. This is the fifth straight quarter of year-over-year sales growth. The resilience in growth of the U.S. is reflective of our strong consumer-based business.

We are also encouraged by the overall broad-based strength of our business, which is driven by an opportunity worldwide to provide better nutrition in people's lives. We have a global team of dedicated distributors and employees whose enthusiasm, passion and commitment to Herbalife Nutrition has never been greater. All of us are working every day to propel the company toward the future and continue to enhance value.

Now let me hand this over to Alex, John and John who will talk in more detail about our results.

Alexander Amezcua: As Michael highlighted, we experienced net sales growth in 4 of our 6 regions in 7 of our Top 10 countries. However, first quarter net sales of \$1.2 billion was relatively flat on a reported basis compared to the first quarter in

2018. Excluding China, net sales increased 6 percent compared to the prior year period.

Volume points for the first quarter 2019 were approximately \$1.5 billion, which represented an increase of approximately 6.1 percent compared to the first quarter of 2018. This is the largest first quarter volume point result in the company's history and represents the fourth consecutive quarterly volume point record for the respective quarter.

We reported a net income of approximately \$96.3 million or \$0.66 per diluted share. Adjusted earnings per adjusted diluted share were also \$0.66. Note that our reported and adjusted results include expenses related to the China Growth and Impact Investment Program of approximately \$0.7 million that were excluded from our guidance.

The impact of currency fluctuations represented a year-over-year headwind of approximately \$0.11 on results for the first quarter, \$0.03 more than what we assumed in our guidance primarily related to changes in country mix of earnings. Reported gross margin for the first quarter of 79.4 percent decreased by approximately 20 basis points compared to the prior year period. The decrease was primarily driven by the impact of foreign currency fluctuations and changes in country mix, which were partially offset by the favorable impact of retail price increases, lower inventory write-downs and favorable cost changes related to self-manufacturing and strategic sourcing.

First quarter 2019 reported an adjusted SG&A as a percentage of net sales were 37.1 percent and 35.9 percent, respectively. Excluding China member payments, adjusted SG&A as a percentage of net sales was 29.4 percent approximately 30 basis points higher than the first quarter 2018, primarily driven by investments in technology and particularly the shift to cloud-based infrastructure.

Our first quarter reported effective tax rate was approximately 28.9 percent and our adjusted effective tax rate was 26.2 percent, which was lower than our expectations primarily due to the impact of discrete items including

approximately \$2.4 million of excess tax benefits from the exercise of equity grants.

As Michael mentioned earlier, our first quarter results in China fell below our expectations. The Chinese government's 100-day review of our health products had an impact on our business. Namely, we and our service providers were unable to hold our standard business meetings and our nutrition club operators faced increased scrutiny that created an overall hesitation in their activities. The 100-day review period ended on or about April 18, and we expect to ramp up meetings in May, as Michael already stated.

Without the impact from China, we would not have taken down our guidance for the full year. Fortunately, we have a growth and investment fund in China, which we'll utilize to advertise and promote our business in China over the next few months to help our distributors recover from the impact of the 100-day review. John will speak more about the strategic plans in China shortly.

Now let me share the updated guidance. Worldwide volume point guidance for 2019 has been updated to a range of 0.5 percent to 6.5 percent growth. Net sales guidance for the full year has also been updated and we are now expecting a range of down 1 percent to up 5 percent. This range is reflective of the volume point adjustments and country mix as well as a 210 basis point impact from foreign currency fluctuation, which is 40 basis points unfavorable compared to prior guidance.

Full-year reported diluted EPS is now estimated to be in a range of \$2.19 to \$2.64 and adjusted diluted EPS guidance is expected to be in the range of \$2.50 to \$2.95. Full year reported and adjusted diluted EPS includes a currency headwind of approximately \$0.26, a \$0.04 increase from the \$0.22 included in our previous guidance excluding the impact of Venezuela. Our effective tax rate guidance remains unchanged at 29 percent to 33 percent on a reported basis and 27 percent to 31 percent on an adjusted basis. For the second quarter 2019, we estimate volume points to be in a range of down 1 percent to up 5 percent. Net sales are expected to be in the range of

down 3.5 percent to growth of 2.5 percent, which includes an approximate 340 basis points currency headwind versus the prior year.

Second quarter reported diluted EPS is estimated to be \$0.53 to \$0.68 in adjusted diluted EPS in the range of \$0.65 to \$0.80. Reported and adjusted diluted EPS included a projected currency headwind of \$0.08 compared to second quarter of 2018 excluding the impact of Venezuela.

Our effective tax rate guidance for the second quarter is 30 percent to 34 percent while the adjusted effective tax rate is expected to be in a range of 27 percent to 31 percent.

I will now turn the call over to John DeSimone.

John DeSimone: Thank you, Alex. Today I will be sharing an update on our recent performance.

The strength of our U.S. business continued into first quarter with volume increasing 9 percent compared to the first quarter of 2018 and that sales increasing by 11 percent. This is the fifth straight quarter with year-over-year volume point growth and the sixth straight quarter with accelerating volume point trends on a two year stack basis. The volume point value text we began last year on a few products benefited the comparison in the quarter by approximately 160 basis points.

I think there something special about the strength of Herbalife that's illustrated by the ability of the U.S. market to not only overcome the challenges of the past few years, but to build it better and thrive. The thing that's special about Herbalife is that our distributors and the company work together to always build it better. We have a collective purpose; our products solve a real need for the consumer and together we can overcome almost anything. While the comparisons are obviously getting harder the foundation of the business in the U.S. is strong and distributor movement of the marketing plan is equally strong.

Turning to Mexico. Volume points grew 1 percent. This is a little bit below our expectations. One of the reasons was the implementation of a 2 percent

price surcharge we instituted during the quarter to mitigate the impact of tariffs enacted by the Mexican government in 2018 on products imported from the United States which are applicable to significant portion of our product line. This surcharge actually results in a 4 percent out of pocket increase for our distributors and has impacted the business slightly. Importantly, there's reason to believe that these tariffs could partially or fully be eliminated in the near future as new trade agreements are worked between the U.S. and Mexico.

The Asia Pacific region reported a 29 percent year-over-year increase in volume points, which was the fifth quarter in a row the region has set annual all-time record high volume point performance. In a moment, Dr. Agwunobi will provide additional details on India, one of the region's growth drivers. But I want to highlight a few other markets we are excited about.

Indonesia's volume was up 26 percent in the quarter and has continued to strengthen by focusing on a customer based business and daily consumption through nutrition clubs and training activities, supported by increased product access points in this expensive market. Vietnam continues to show strength as volume grew 54 percent year over year in Q1. As I mentioned on previous calls, Vietnam's sales in the quarter were benefited by distributor activities in advance of new regulations that were partially implemented in Q1 and additional regulation expected to be implemented in Q2. And finally, in South Korea we had growth in the market for the second straight quarter.

Turning to EMEA, the region grew volume points by 11 percent in the first quarter taking the number of consecutive quarters with growth in EMEA up to 36. The volume point increases in the quarter were very broad based reflecting we believe efforts to enhance the quality and activity of sales leaders, including member training, brand awareness, product line expansion, as well as enhanced technology tools for (ordering), business performance, and customer (retailing). The growth in the period was led by Spain, South Africa, Turkey and United Kingdom.

Finally, circling back to China, in the near term we are encouraged by the new meeting approvals that are coming in. Additionally, we are implementing initiatives to reduce our reliance on meetings in the long term. Namely, we

are improving the economics to service providers with a focus on enhancing the profitability and activity of Nutrition Clubs to allow for smaller footprint clubs.

We are also working on a new technology platform that we hope to launch in Q3. We have narrowed our partner choice in China to lead the digital transformation to either Alibaba or Tencent.

I will now turn the call over to Dr. Agwunobi to provide an update on India and to share some strategic highlights for the quarter

John Agwunobi: Thank you, John.

Twenty-eighteen was an amazing year and as you've just heard, we're off to a strong start in 2019. I'd like to take a moment to provide an update on 1 of our growth markets, share some of our innovation related to our product strategy and provide an update on our marketing plan achievements.

Over the past few years, we've demonstrated exceptional growth in India. Since Q1 of 2016, India's volume points increased at a 3 year compounded annual growth rate of approximately 35 percent. And compared to Q1 of 2018 India's volume grew over 47 percent year-over-year. There are several factors that we believe are contributing to this performance.

First, we continued to broaden our presence in the market, adding product access points including pickup locations in additional cities. The number of access points in India has increased to 742 in the first quarter of 2019 compared to 454 in Q1 of 2018. This includes third party drop off points, which have increased over 75 percent in only 1 year to 651 in Q1 of '19 versus to 368 in Q1 of '18. This increase in our product access ensures our products quickly reach the hands of our distributors and improve customer satisfaction. We continue our focus to expand access points in tier 2 and in tier 3 cities to improve delivery timelines.

The underlying distributor metrics we see in the market give us confidence India will continue to see future growth. The activity rate of Sales Leaders in Q1 of 2019 increased approximately 7 percent compared to the prior year, up

to approximately 63 percent. And our most recent annual supervisor retention rate was 61.7 percent, a record high, and it improved from 54.7 percent in the prior year.

We have also continued to see steady growth in our preferred customer segment in India. With over 52,000 new preferred customers in Q1, a record high and a 29 percent increase compared to the prior year. Additionally, we continued to expand our product line and have demonstrated success in localized products and flavors in India. Last year, we discussed the Formula 1 coffee flavor similar in taste a popular Indian frozen dairy dessert that exceeded launch sales expectations. We are pleased to see this product continue in popularity and has now become our number 2 selling SKU in India satisfying the local flavor palate of the Indian consumer.

In the first quarter of this year, we launched a new probiotic sachet in the market. This product can be conveniently added to a shake, aloe or tea and promotes the growth of beneficial bacteria in that intestines for those who want to maintain a healthy digestive system. A healthier micro-biome. It is specifically formulated with a shelf-stable probiotic strain that can survive the acidic gastric passage to germinate in the intestines, not in the stomach like so many other common probiotics.

Outside of India, during the first quarter, we launched some exciting new products around the world. In the U.S, we introduced the Select Line extension of our top-selling Formula 1 meal replacement shake as well as to first ever Select version of our protein drink mix. These new offerings help us attract new customers who seek clear labels and ingredients and are more natural and easy to recognize. The Select product addresses these consumers' desires big benefits such as alternate plant based proteins with pea, quinoa and rice, non-GM and vegetarian ingredients, no artificial flavors, sweeteners or added colors, and they are non-dairy and gluten-free. Additionally, our data shows these consumers spend more money with us. This is the second Formula 1 product in the Select platform following the Q3 2018 launch in Australia and New Zealand and in addition to the PRO 20 Select, which we launched in EMEA.

Before the Q&A I'd like to highlight that we continue to see incredible distributor engagement on top of the tremendous marketing plan performance in 2018 which included doing a distributorships qualifying for our prestigious Chairman's Club, we continued this progression with two new Chairman's Club qualifiers already in 2019. It's remarkable that we've had for Chairman's Club qualifiers in less than one year, which is 4 times the average of the prior 3 years. We are grateful for the hard work and the relentless passion our distributors and employees bring each and every day to make Herbalife Nutrition the premier nutrition company in the world. I'm proud of what we've done together and I'm confident in our bright future.

Now this concludes our prepared remarks. Operator, please open the lines for questions.

Operator: Ladies and gentlemen, if you'd like to ask an audio question, you may do so by pressing star followed by the number one on your telephone keypad.

Our first question is from the line of Tim Ramey from Pivotal Research.

Timothy Ramey: Thanks so much. John, am I right in understanding that Nutrition Clubs were essentially dark in China in the first quarter or during the 100 day period?

John DeSimone: I mean that's a good way to think about it. I wouldn't say exactly dark but a lot of the normal activities were -- I'll say prohibited, but prohibited means it wasn't legally prohibited but it was recommended that gatherings just don't take place during this review and those gatherings aren't just meetings that the government has to preapprove. It was meetings of all sizes. And again, this was not a direct selling review, it was a health products review and our Nutrition Clubs aren't even direct sellers, right, but they are smack dab in the middle of the other health products. And so they actually had a number of government visits to clubs, a couple of hundred, I believe, just early on in this and it was -- nothing major that came out of it. Just that the kind of result was a hesitation from clubs to do anything.

Michael Johnson: Got it. And as you probably saw Nu Skin had pretty good growth in customers but really based on their digital efforts in the 1Q. Would you -- you mentioned new digital tools becoming available in the 3Q in China, would you say that

you're, I don't want to say late to the party but are you behind the curve a little bit there and have some catching up to do?

John DeSimone: Well, yes. I guess, I'd first say, we have a focus on clubs in China as you know and there's a huge amount of benefit that comes from clubs. For this particular episode, that wasn't the case but in general clubs are a big asset in China. Having said that, balance is needed. Our technology platform was entirely based on selling to service providers and to sales reps and not a platform which their customers can order from us. And that's the partnership we're dealing with either Alibaba or Tencent. We're in negotiations right now. So that is something that (we're learning now) but keep in mind we don't have the benefit of (scheme here) to kind of move away from health products during this episode like Nu Skin. But other than that, there was definitely some learnings out of this and I think our key takeaway was, we need to create balance and we're not as reliant on meetings and gatherings in the future.

Timothy Ramey: And just finally, is there anything odd that I need to think about for SG&A ex-China, member payments? I guess, you mentioned some spending there but also just what was the impact of the slowdown in the China business on member payments? Was it commensurate? Was it kind of ratable?

Alexander Amezquita: Tim, thanks for the question. So it was ratable. So the SP payments that we make as a percentage of the sales in China, that ratio didn't materially change. So you'll see it come down pretty significantly when you go through the queue and you can see the numbers there; as a percentage, it's about the same.

Timothy Ramey: Terrific, thank you.

Operator: And our next question is from the line of Doug Lane from Lane Research.

Douglas Lane: Hi, everybody. So trying to understand the numbers here. The first quarter was largely in the middle of your range, volume points and EPS. So the issue is not so much the first quarter; it's that you entered the second quarter with very little momentum in China. So you're allowing yourself from time period to recover that momentum coming out of the 100 day review. So I guess my

question is, is it just a second quarter thing or do you think it will take the remainder of the year to get China reramped?

(Alexander Amezquita): Doug, thanks for the question. So we do think that we'll return to growth in China in 2019. The timing of that is a little uncertain, right. So we're seeing positive momentum from the government in improving meetings in that market, but there's still uncertainty towards how that will translate into getting back the business as normal. So we're still in a little bit of a wait and see to see how fast it comes back but we do anticipate at some point to be back in growth mode in 2019.

Douglas Lane: Right, and you're coming at it from a perspective of literally 2 weeks since the review period ended. Is that right?

(Alexander Amezquita): Exactly. Exactly.

Douglas Lane: So very early days. OK, and just 1 last thing. Can you give us an update on...

John DeSimone: If I can just add. It's -- while it's even, you might say it's 2 weeks since it ended, the meetings all start in May, so it's actually 1 day since any meetings have taken place, right, because once the 100-day period ended then we start applying for permits. And those permits started allowing for meetings since start yesterday.

Douglas Lane: OK. So there's even a lag for net. So OK, we really are in the early days of it. OK. I get it. All right. Just lastly, can you give us an update on the CEO status? Is there any kind of timing goals, how far down the path did you go on or Michael if you move back in and this will be it for a while?

Michael Johnson: I've fully moved back much to probably the stress and the happiness of some of my team members here. But no we don't have an update on that yet. We've got a lot of work to do. As you saw from China, we are completely focused on building the company out, focused on succession. I'm working with John and John here very, very closely to make sure that we've got a really strong team built for the future here. So we'll give you an update at the right time on that, Doug. Thanks for the question.

Douglas Lane: OK. Thank you.

Operator: And our next question is from the line of Beth Kite from Citi.

Beth Kite: Terrific, hi, everyone, hello. Alex, very good to hear you on the call. Welcome. I was wondering if we could begin with talking about a little bit of what's been spoken to so far in the Q&A but around local currency sales growth for the full year it and insomuch as the range expanding from 4 points to 6 percent. Is that totally a function of China and just giving yourself more flexibility there or are there any other markets that drove that?

Alexander Amezquita: So both the update to guidance and widening of the range is predominantly because of China. There -- we don't -- had it not been for the impact of the 100-day campaign, it's unlikely we would have updated guidance -- we certainly wouldn't have updated guidance down and the range would probably have been more at the historical levels.

Beth Kite: Got it. So I could take then or could you speak to, I guess I should say, do you still feel confident now that we're 2 quarters in with South Korea posting growth year-over-year 2 quarters in a row? Are you more worried about Brazil? It seems like that had a pretty bad quarter? And then in the U.S. can you speak to the growth there and was it -- it looks like the preferred member growth was good, was it preferred member growth? Was it the ice coffee launch? Was it a few things in total? Could you just talk us about those 3 markets, please?

John DeSimone: Yes, Beth, hey.

So Korea we're thrilled. It's not only (grown for the second) straight quarter; it's accelerated at double-digits. We just had some executives down in Korea meeting with distributors over the weekend working on initiatives to enhance the growth. And so I think (it hit the level for which we can now build) and increase sustainable businesses over the long term. Not that it won't be spiky. Growth usually is in this business but we're quite pleased and actually another shout out to all of northern Asia for us because Taiwan also grew in the quarter.

Brazil has been a challenge for a long time. I think the key opportunity for us is segmentation, which launches I believe later this month -- end of this month launches segmentation in Brazil. So Brazil was down but it was down like we expected it to be down. No surprise in Brazil.

And the U.S. it's (strengths) across-the-board. When I look at not just the financial numbers but all of the nonfinancial metrics that we track around new members in terms of volume points, preferred members, total member sales leaders with volume points. Everyone in the black, they're all very strong and I think most impressively for us -- and this is really unique to those that know us well is (tremendous movement of the marketing plan).

Now having said that, (Q2 comps get tough) for U.S., but the broad-based strength across the U.S. is something we're quite proud of and I think that distributors deserve a lot of credit for overcoming everything (they have to in the U.S.).

Beth Kite: Great. And I have one more on the U.S., (just want to ask) one more question, if I may. That is did the new POS tool or the enhanced POS tool roll out to the distributors per plan in April?

John DeSimone: Yes, it rolled out and it's ramping up. So it rolled out but it rolled out in a coordinated fashion to not -- so we could tap the system and not overload it with -- so it wasn't a big bang. I think it rolls out to everybody May 18th but it rolled out to a control group in April. And then I'm equally excited about the customer app that is the second launch of the Nutrition Club Tool that launches in (Extravaganza) where customers will be able to order their product before they even show up at the club similar to the way I do when I go to Starbucks in the morning.

Beth Kite: Perfect, and then, if I may, I'd like to go back to China. Can you remind us at this point how much in total you received in the China grant money. I think you got some more this particular quarter 1Q '19 and then how much you've spent back of it. I think is a small amount has been spent back so far, is that right?

Alexander Amezquita: Yes, so we received this quarter an additional \$21 million from the China grant income and as you know we carve that out. We've spent this last quarter about \$0.7 million. So obviously, with the 100-day impact it was a little unclear about where that spend, what we would do. I think going forward there is a lot of the add-in promos spend to get past the 100-day impact I think -- we'll be doing a -- significantly more spending in the future. And in total, that brings the growth and investment fund to about \$135 million.

Beth Kite: Got it. With the vast majority of that though for --still yet to be used?

Alexander Amezquita: With the vast majority available. That's right.

Beth Kite: OK. Perfect. One question on the P&L. For the year it was nice to see the operating margin expansion in this quarter. Do you expect understanding that you want to spend a lot back in some markets like Brazil and China but are you expecting operating margin to continue to expand as you go through the year?

Alexander Amezquita: So a little bit of that would depend on how fast China comes back. China as it is a smaller percentage of our net sales this quarter actually was a bit of a headwind to us in gross margin and operating margin. As that comes back, that should give a bit of a benefit to operating margins. So a little bit of that answer will just depend on how quickly -- how quickly China does come back.

Beth Kite: Great. And one last one on the converts due in August, I understand (I assume we're) still waiting for a decision on whether to refinance or (to) pay that off. If you do refinance would the objective be in -- yet here in '19 or into '20 to use the cash assuming you've had a bit at that point of a billion to use that for buybacks?

John DeSimone: Yes. This is John. I'll take that. So in kind of bullet point form first we are comfortable at our current leverage ratio. We've said that for a long time. From a timing standpoint we may pay off this debt in August and our plan is to do that and at some point in time we'll finance either before or after depending on the circumstances. And the entire purpose of all of that capital

structure is to buy back stock. We have \$1.5 billion buyback program. I think we bought, I don't know, probably close to \$5 billion over the last 12 years since this started. That's what we believe the appropriate capital structure is for this company and (that's the likely use) of the cash.

Beth Kite: Wonderful. Thank you all so much.

John DeSimone: Thanks, Beth.

Operator: Once again, ladies and gentlemen, that's star one to ask an audio question.

Our next question is from the line of Hale Holden from Barclays.

Hale Holden: Hi, thanks for taking my call. Just 2 questions. Just as a follow up on the converts. The current plan is to hold off on stock repurchases until you find a solution for the converts? Is that still correct?

John DeSimone: Well, the priority has always been to be in a position to pay off the converts until we refinance or if we refinance and if we decide to refinance, then at a later date we'll level back up and that's been the priority.

Hale Holden: OK. And then just as a follow up on China if you sign an agreement with Alibaba or Tencent, does that change your selling margin structure in the market at all?

John DeSimone: No, I don't anticipate a change in the margin structure by signing a deal for a platform that allows our sales reps and service providers customers to order directly from the company on their behalf. I don't anticipate that having any meaningful impact on margins.

Michael Johnson: It'll be a capital -- I'm sure the developing cost -- if you roll in the development costs it might but that's built in. And we do have \$130-plus million in China from this growth initiative fund that we can use to invest in this platform.

Hale Holden: OK. Thank you very much.

Operator: And at this time, I'm showing that we have no further questions. I'd like to turn the call back over to Michael Johnson for closing remarks.

Michael Johnson: Thanks and thanks, everyone, for being on the call. I'm looking my notes that John and Alex prepared for me for the call here the experience back in the company of a quarter that's actually pretty sensational. (Net sales) of \$1.2 billion growth and (4.4 of the 6) regions year over growth, 7 of the Top 10 markets, \$1.5 billion in volume points, the highest quarter in Q1 in company history. It's up 6 percent over 2018 the first quarter and our fourth consecutive record quarter. So those are all really good; those are fantastic.

But we understand the focus on China and we are focused on it. We'll get through. Thank god our business is global, we know our products are great, our employees and distributors are passionate about what we bring to the marketplace and we are all confident about Herbalife. We're confident also that we'll get through this in China and we'll see better days ahead.

Looking forward to seeing you. With that said, it's back to work we'll see you next quarter.

Operator: Ladies and gentlemen, this does conclude the conference. I think you greatly for joining us for our Herbalife first Quarter 2019 Conference Call. You may now disconnect.

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