

# Herbalife Nutrition CAGNY Presentation

February 21, 2019





# Disclaimer

## Forward-Looking & Cautionary Statements and Non-GAAP Financials

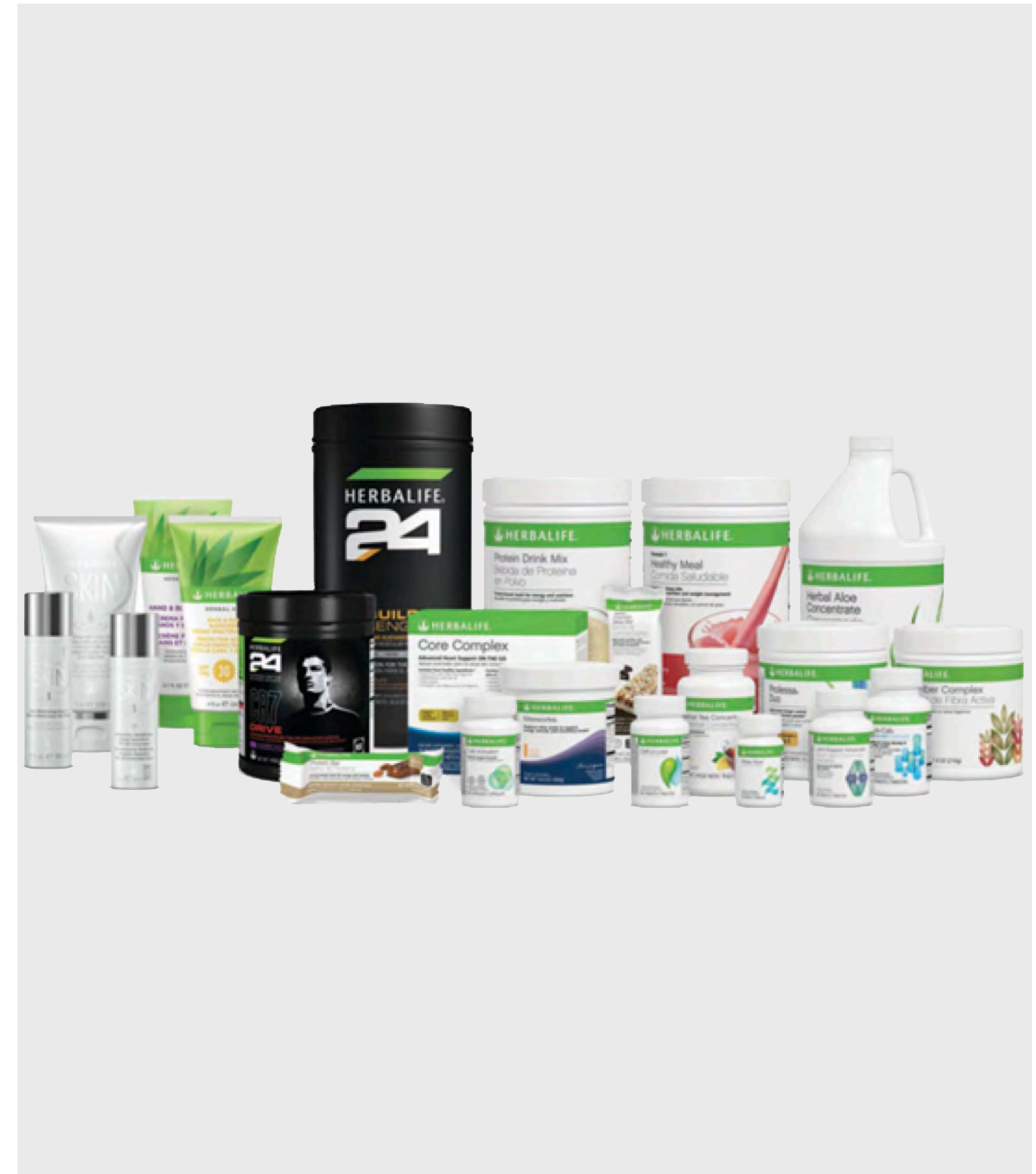
*This presentatin contains “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the Securities and Exchange Commission. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include, among others, the following:*

- our relationship with, and our ability to influence the actions of, our Members;
- improper action by our employees or Members in violation of applicable law;
- adverse publicity associated with our products or network marketing organization, including our ability to comfort the marketplace and regulators regarding our compliance with applicable laws;
- changing consumer preferences and demands;
- the competitive nature of our business;
- regulatory matters governing our products, including potential governmental or regulatory actions concerning the safety or efficacy of our products and network marketing program, including the direct selling markets in which we operate;
- legal challenges to our network marketing program;
- the consent order entered into with the FTC, the effects thereof and any failure to comply therewith;
- risks associated with operating internationally and the effect of economic factors, including foreign exchange, inflation, disruptions or conflicts with our third-party importers, pricing and currency devaluation risks, especially in countries such as Venezuela;
- uncertainties relating to interpretation and enforcement of legislation in China governing direct selling and anti-pyramiding;
- our inability to obtain the necessary licenses to expand our direct selling business in China;
- adverse changes in the Chinese economy;
- our dependence on increased penetration of existing markets;
- any material disruption to our business caused by natural disasters, other catastrophic events, acts of war or terrorism, or cyber-security incidents;
- contractual limitations on our ability to expand our business;
- our reliance on our information technology infrastructure and outside manufacturers;
- the sufficiency of our trademarks and other intellectual property rights;
- product concentration;
- our reliance upon, or the loss or departure of any member of, our senior management team which could negatively impact our Member relations and operating results;
- U.S. and foreign laws and regulations applicable to our international operations;
- uncertainties relating to the United Kingdom’s vote to exit from the European Union;
- restrictions imposed by covenants in our credit facility;
- risks related to the convertible notes;
- uncertainties relating to the application of transfer pricing, duties, value added taxes, and other tax regulations, and changes thereto;
- changes in tax laws, treaties or regulations, or their interpretation;
- taxation relating to our Members;
- product liability claims;
- our incorporation under the laws of the Cayman Islands;
- whether we will purchase any of our shares in the open markets or otherwise; and
- share price volatility related to, among other things, speculative trading and certain traders shorting our common shares.

*We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.*

# Herbalife Nutrition Today

- Global Nutrition Company - Founded in 1980
- FY 2018: Net Sales of \$4.9 billion; EBITDA of \$726 million
- Strong balance sheet
- Returned approximately \$5.1 billion of capital to shareholders since 2007
- Independent Distributor network with operations in more than 90 countries
- Approximately 8,900 employees worldwide
- High quality products to pursue an active, healthy lifestyle
  - Approximately 120 products encompassing over 4,700 SKUs worldwide
  - Weight Management, including the global #1 meal replacement product, Health & Wellness and Sports Nutrition products
- 4 manufacturing facilities, 8 quality control labs, botanical extraction facility





# Key Takeaways

1. Growth Company
  - A. Tailwinds
  - B. Ideally positioned
  - C. Strategy to Win
2. Strong Cash Flow Generation
3. Returning Cash to Shareholders





# Agenda

- 1. Global Trends
- 2. Demographic Alignment
- 3. Right Model
- 4. Attractive Category
- 5. Financial Strength
- 6. Key Growth Strategies





# Global / Emerging Trends - Tailwind for long-term growth

**Obesity &  
Overweight**

**Healthy  
Aging**

**Skyrocketing  
Healthcare  
Costs**

**Rise of  
Entrepreneurs**

**Social  
Selling**

**Fit & Active**

Global Trends



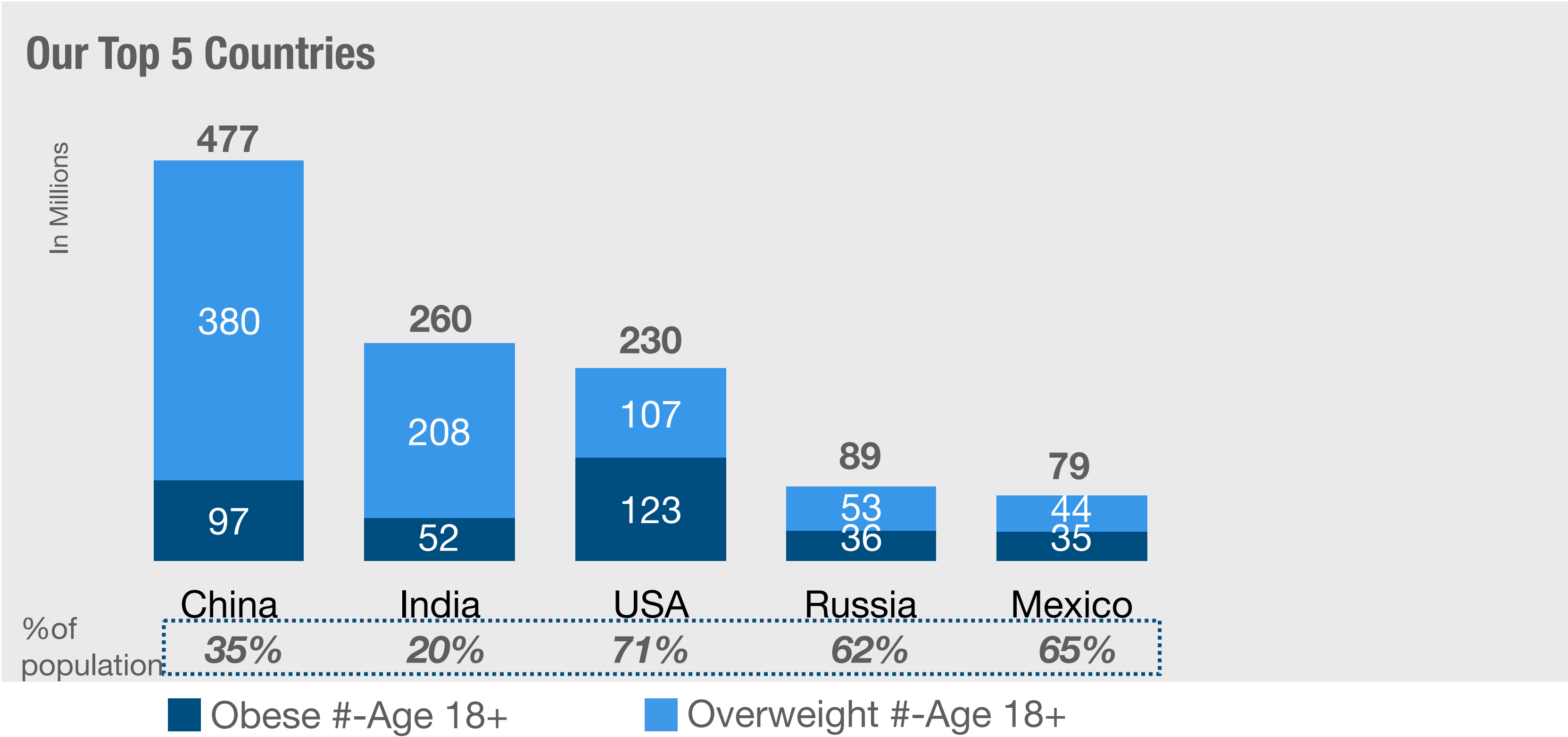
# Overweight & Obese Population - Large addressable audience

Global obesity rates have **doubled** since 1980

Type 2 Diabetes: US:10.8%, Mexico: 13.1%,India: 10.4%, China: 9.7%, Russia 6.2%

Sources: World Health Organization

Sources: IDF Diabetes Atlas 2017; Numbers represent age-adjusted comparative prevalence percentage for comparability across countries



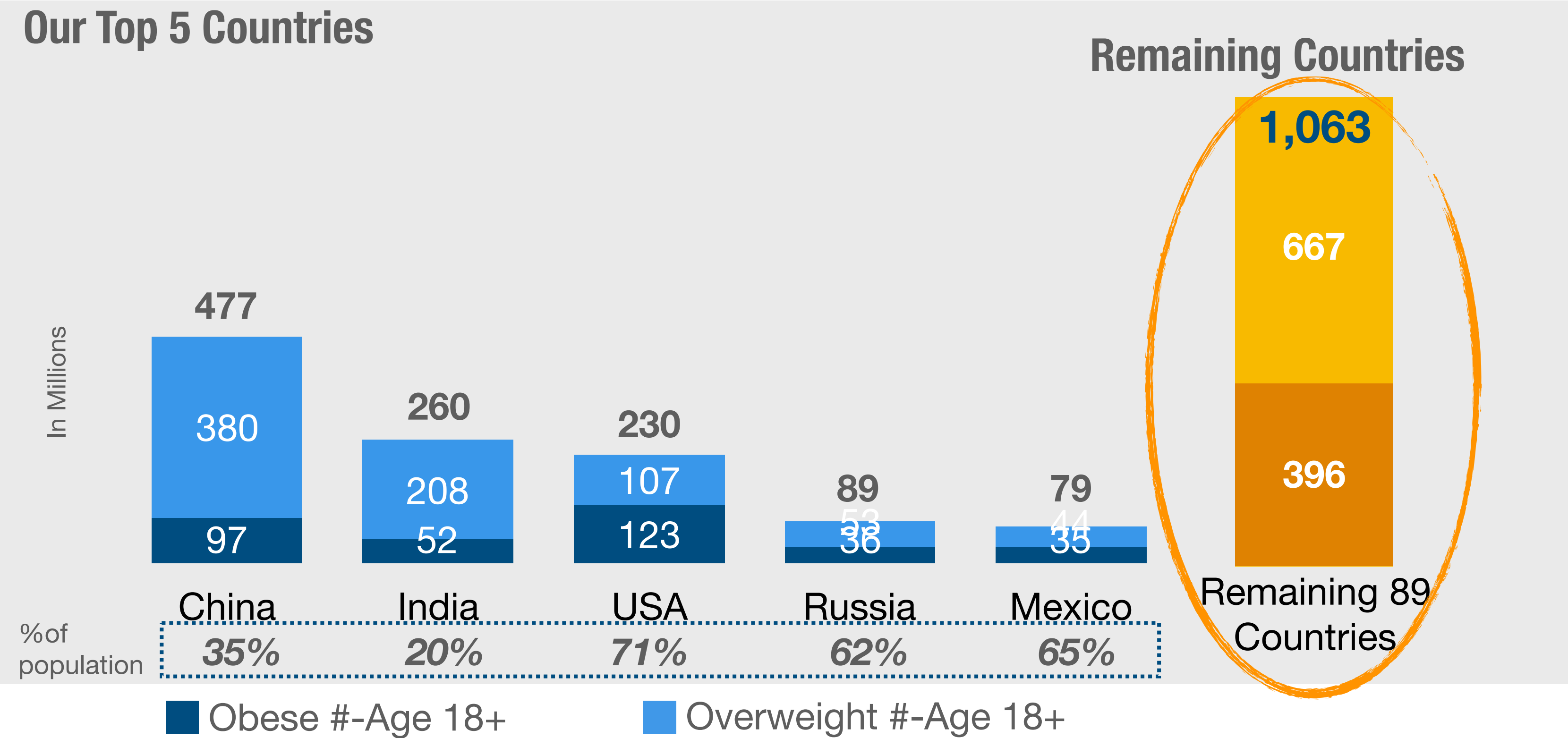
Sources: Euromonitor



# Overweight & Obese Population - Large addressable audience

Global obesity rates have doubled since 1980

Type 2 Diabetes: US:10.8%, Mexico: 13.1%,India: 10.4%, China: 9.7%, Russia 6.2%



Sources: World Health Organization

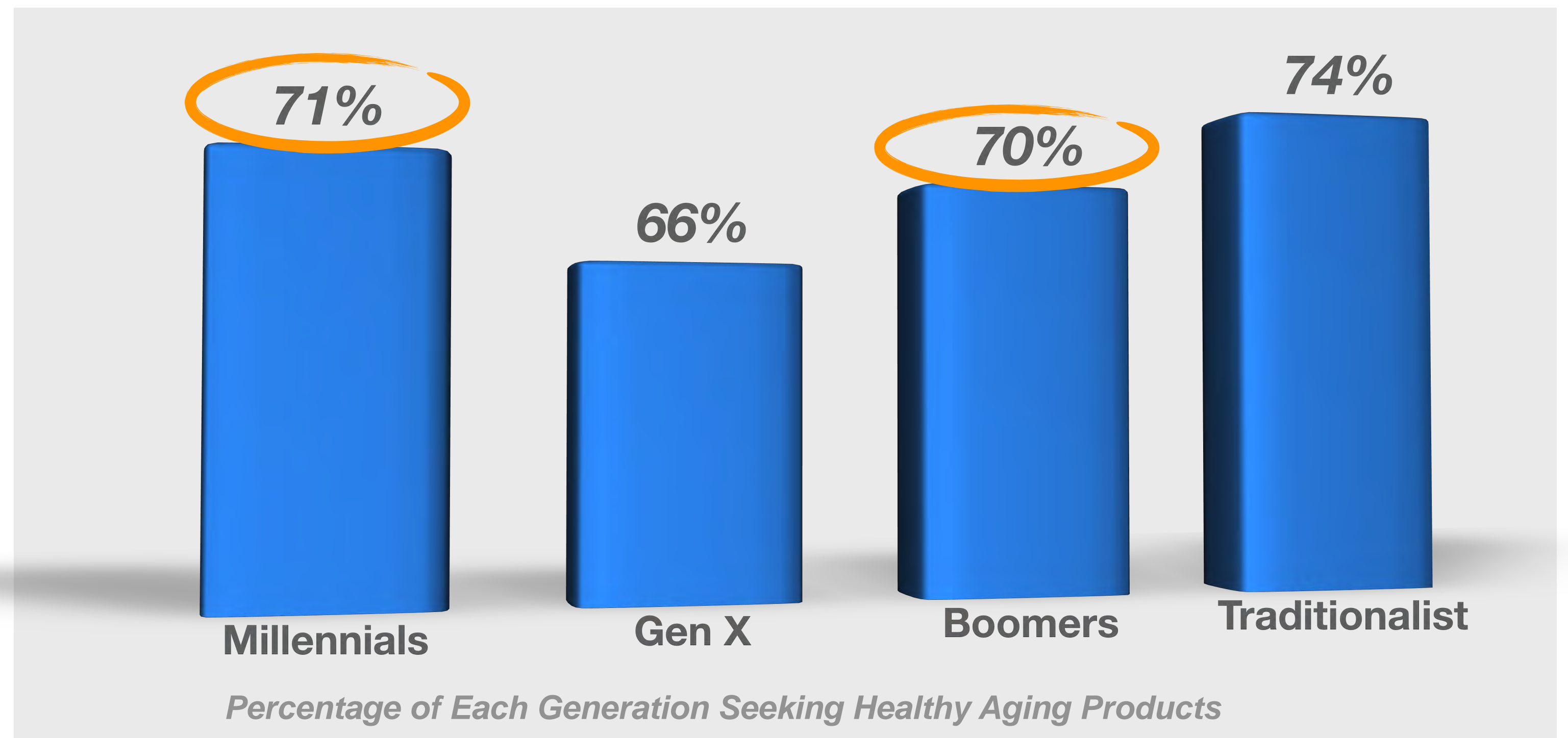
Sources: IDF Diabetes Atlas 2017; Numbers represent age-adjusted comparative prevalence percentage for comparability across countries

Sources: Euromonitor



# Healthy Aging - U.S. - Increasing desire for healthy aging

All generations are looking for products that have healthy aging qualities.



Source: Natural Marketing Institute

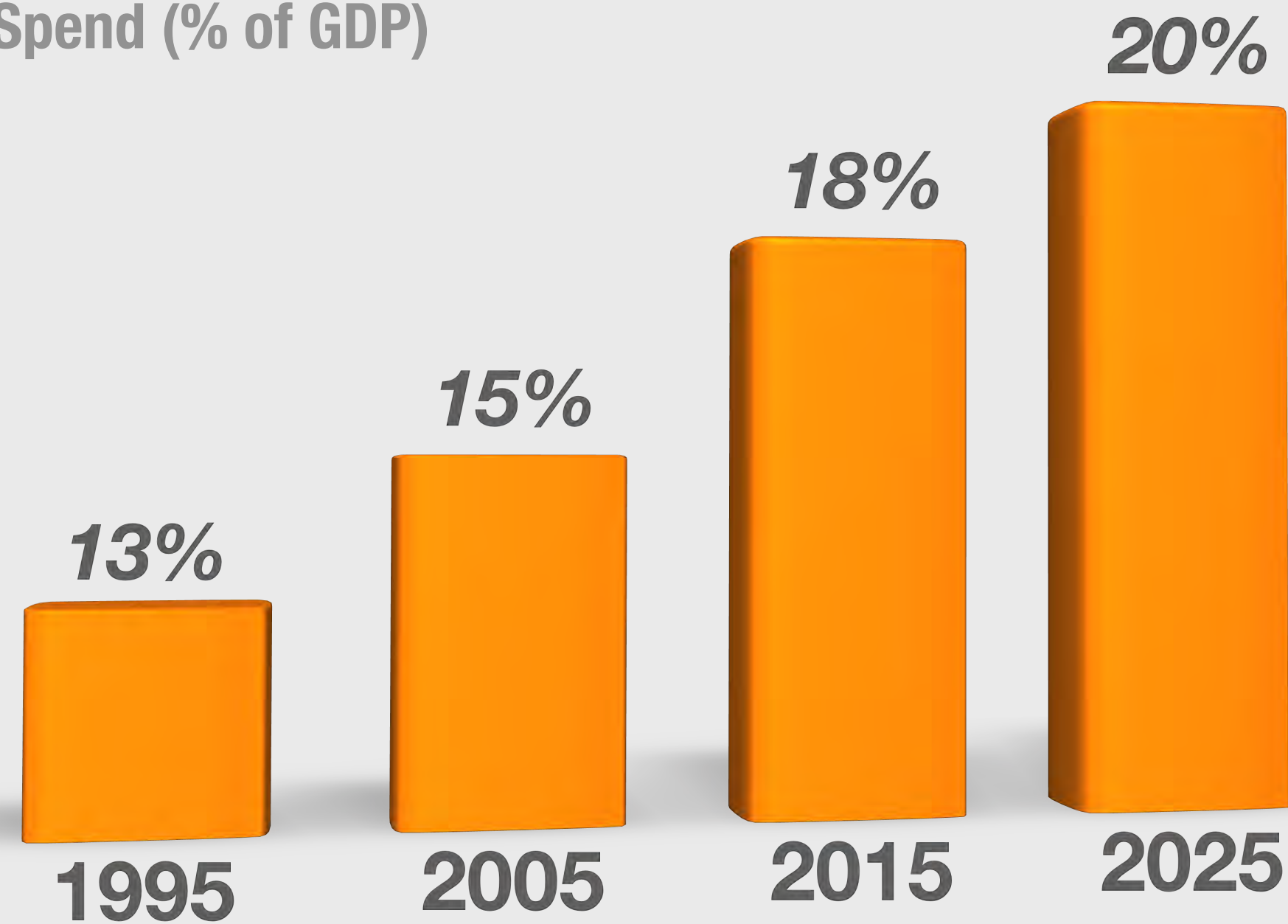


# Skyrocketing Healthcare Costs - Prevention is part of the solution

“Over 60 percent of healthcare spending is on ailments that are created by humans.”

Dr. Richard Carmona, 17<sup>th</sup> Surgeon General of the U.S. and Herbalife Nutrition board member

U.S. Healthcare Spend (% of GDP)



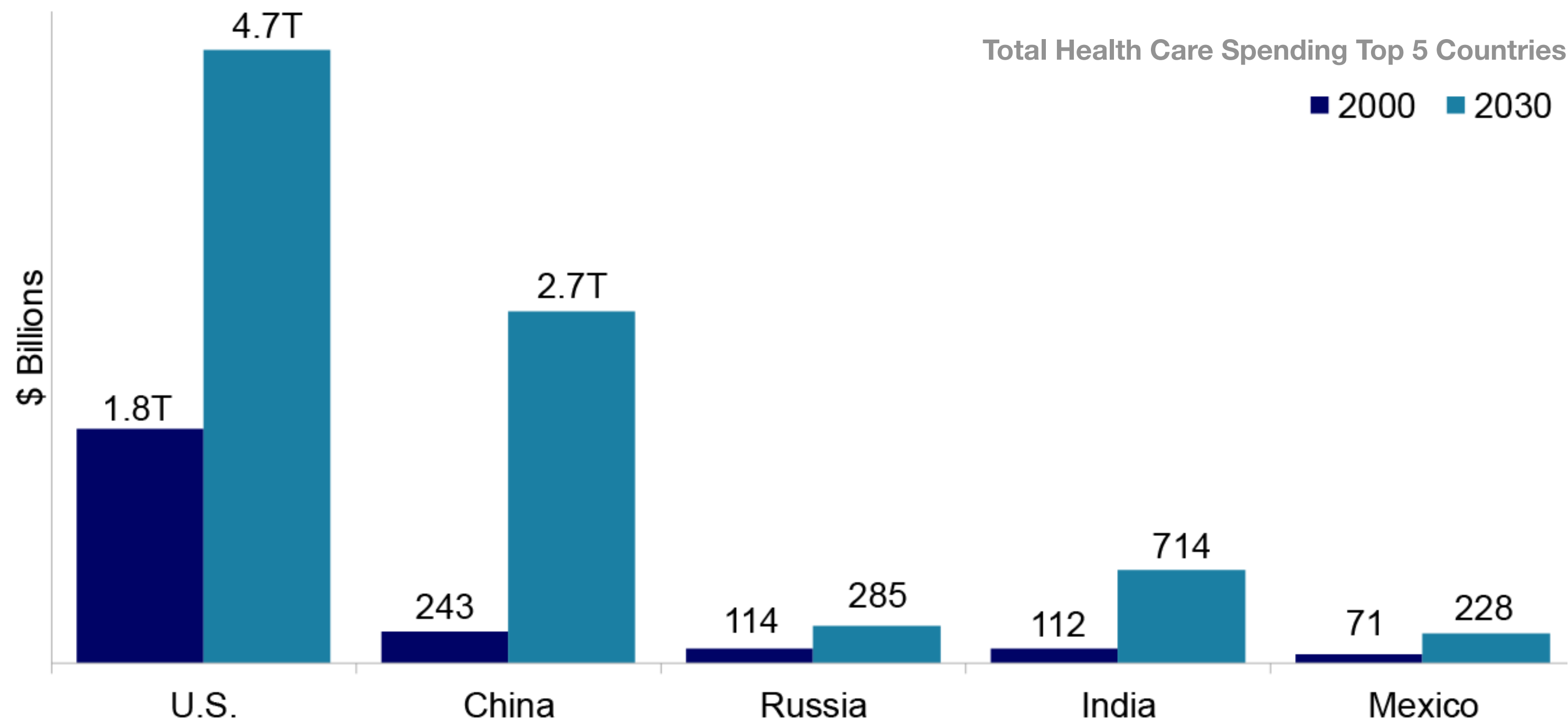
Source: Centers for Medicare & Medicaid Services



# Skyrocketing Healthcare Costs - Prevention is part of the solution

“ Global spending on healthcare is expected to increase to **\$18.28 trillion** by **2040.**”

Source: Lancet 2016



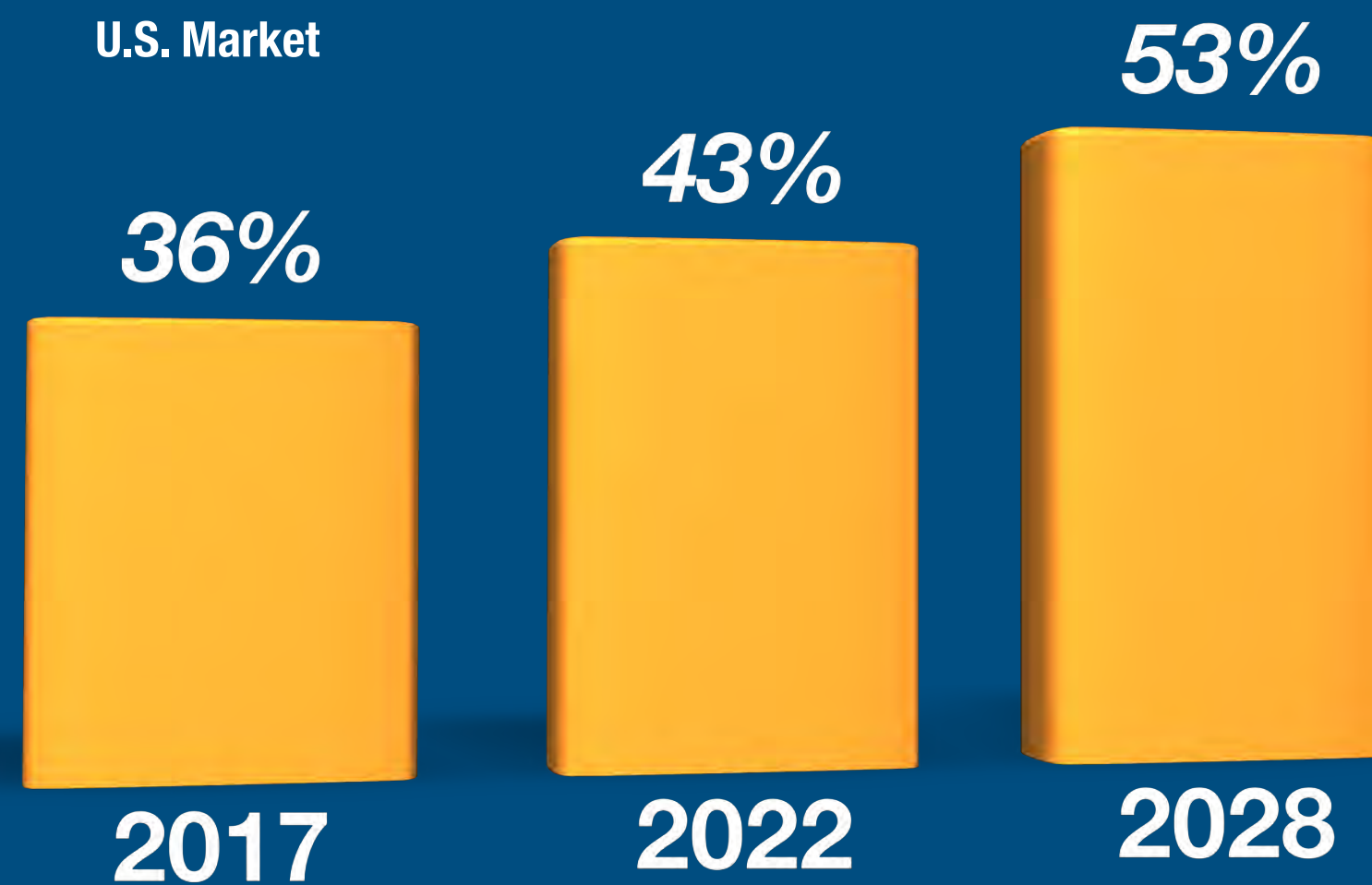
Source: Viz Hub Health Data from Institute for Health Metrics and Evaluation. Dollars represent 2017 Purchasing Power Parity dollars.



# Rise in Entrepreneurship Globally - Independent business opportunity

## Majority of U.S. Workforce will be Freelancers in 2028

U.S. Market



Source: Freelancing in America 2017

## India

“ The Indian freelance / gig market size is expected to grow to **\$20-30 billion by 2025.** ”

Source: [entrepreneur.com](http://entrepreneur.com) 8-27-18

## China

“ Since 2015, the Chinese government has introduced a host of incentives to push entrepreneurship. ”

Source: [china.org.cn](http://china.org.cn) 9-07-18



# Social Influence Supports Social Selling

“ Social selling is taking part in the community in which your customers participate to listen, understand, share and engage. ”

Source: Forbes - Death of a salesman 2017: The Rise of Social Selling 2017

**70%** agree a strong support system is critical to achieving diet goals

Source: Mintel Diet Trends September 2016

**More than 2X**

Number of people say influence from friends or family was the #1 factor in selecting an eating pattern / diet, opposed to a healthcare professional

Source: 2017 Food & Health Survey Report

**57%** of Millennials look to family and friends in determining the value of their food

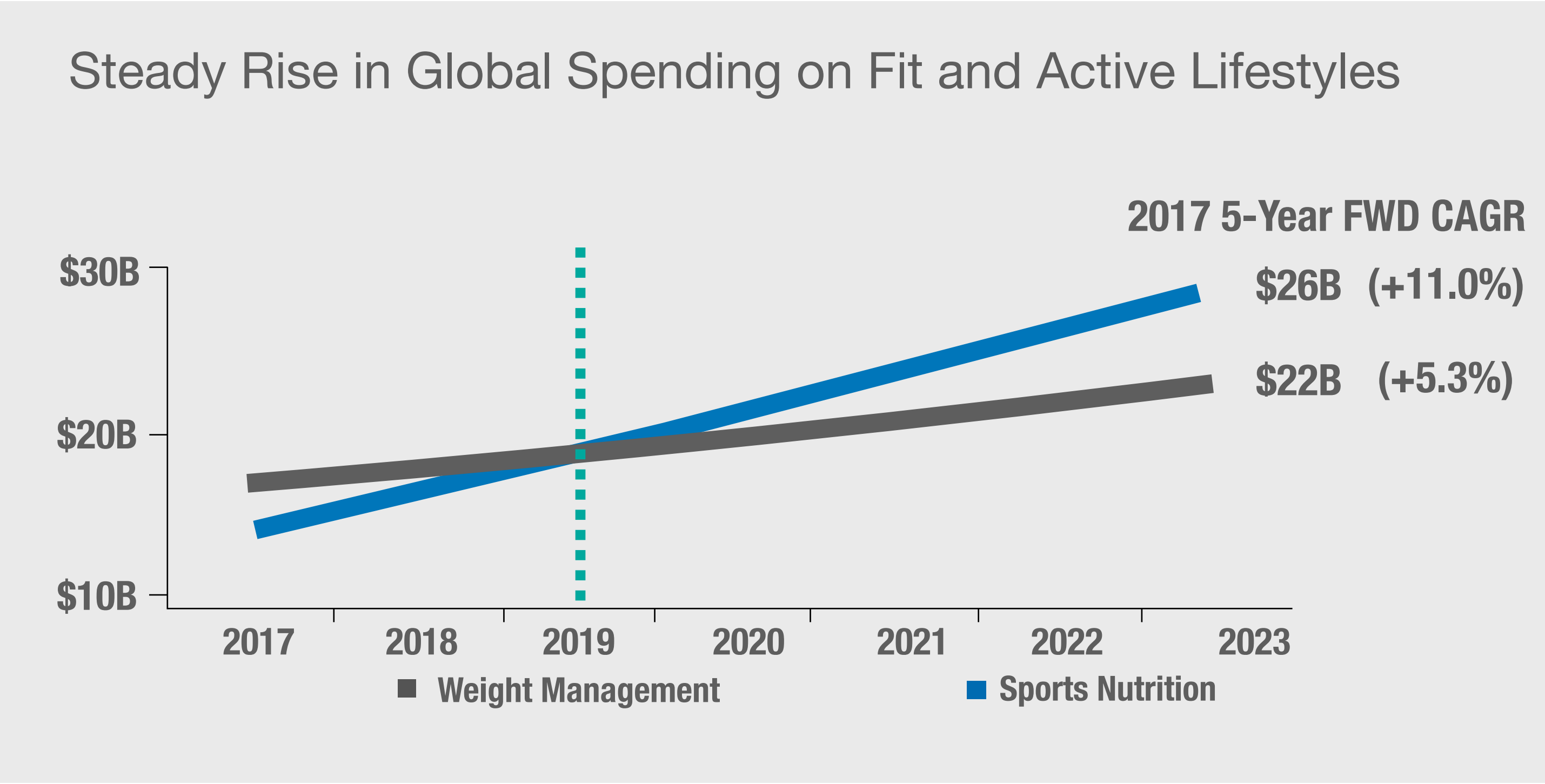
Source: The Halo Group



# Fit & Active - Large & growing addressable audience

The Bureau of Labor Statistics predicts that the number of fitness workers will grow by 10% between now and 2026 in the U.S.

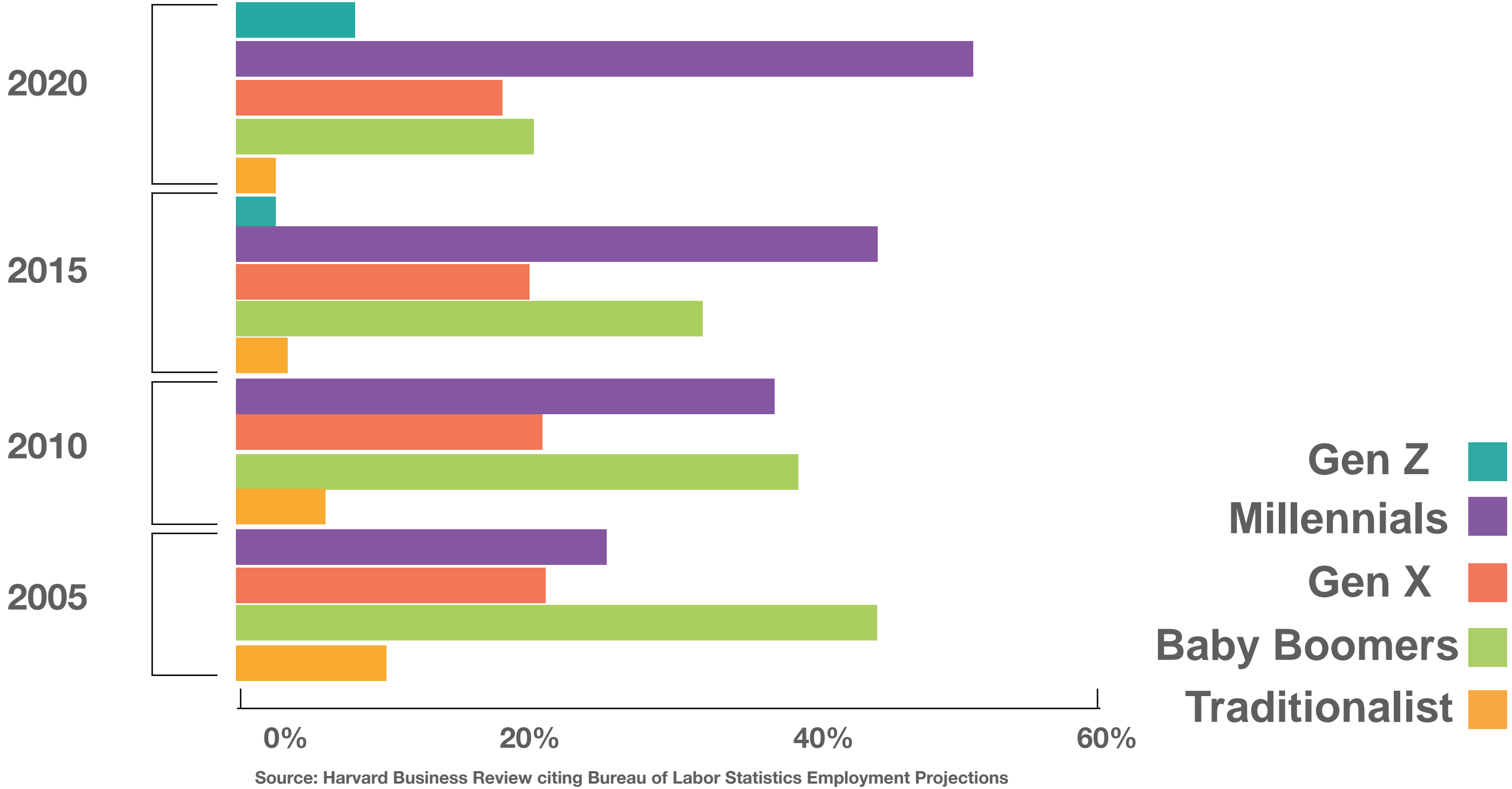
Source: Bureau of Labor Statistics



Source: Euromonitor 2017  
Weight Management includes: Meal Replacement, Slimming Teas, Supplemental Nutrition Drinks, and Weight Loss Supplements  
Sports Nutrition includes: Sports Nutrition

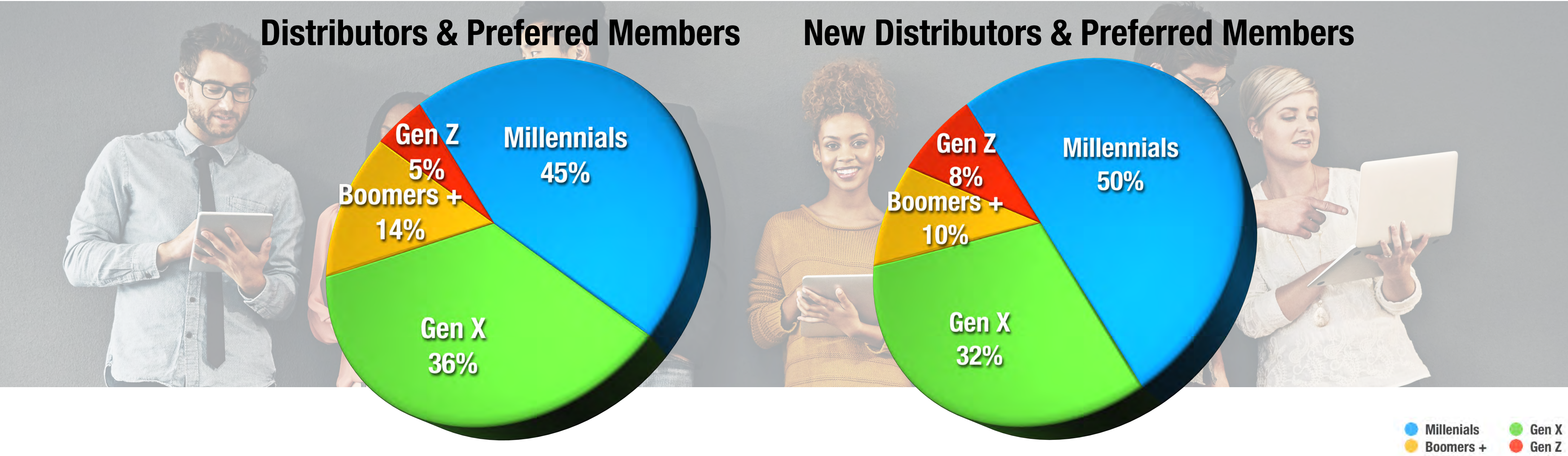


# Demographic Alignment - Rise of Millennials in the workplace





# Demographic Alignment



Source: Herbalife Nutrition Internal Data, FY 2018



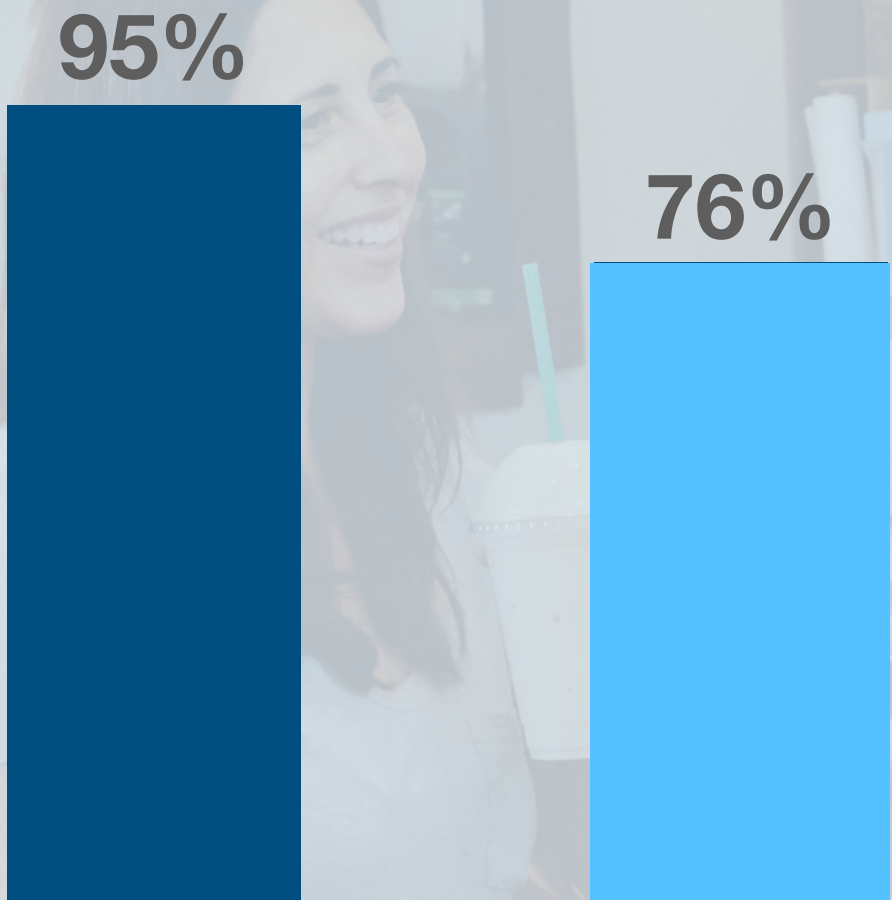
# Right Model - Strength of social support

University of Pennsylvania study results

**3X Success**

Participants who started a weight loss program with a group after 10 months.

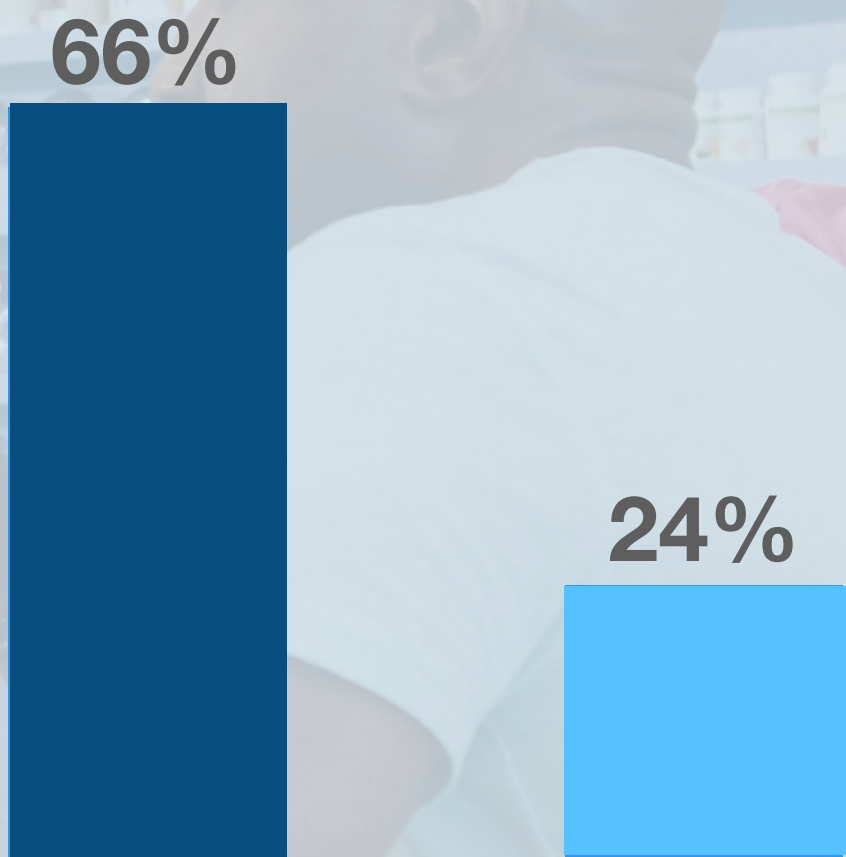
**Completed Program**



Started with friends

Started solo

**Maintained Results (after 10 months)**

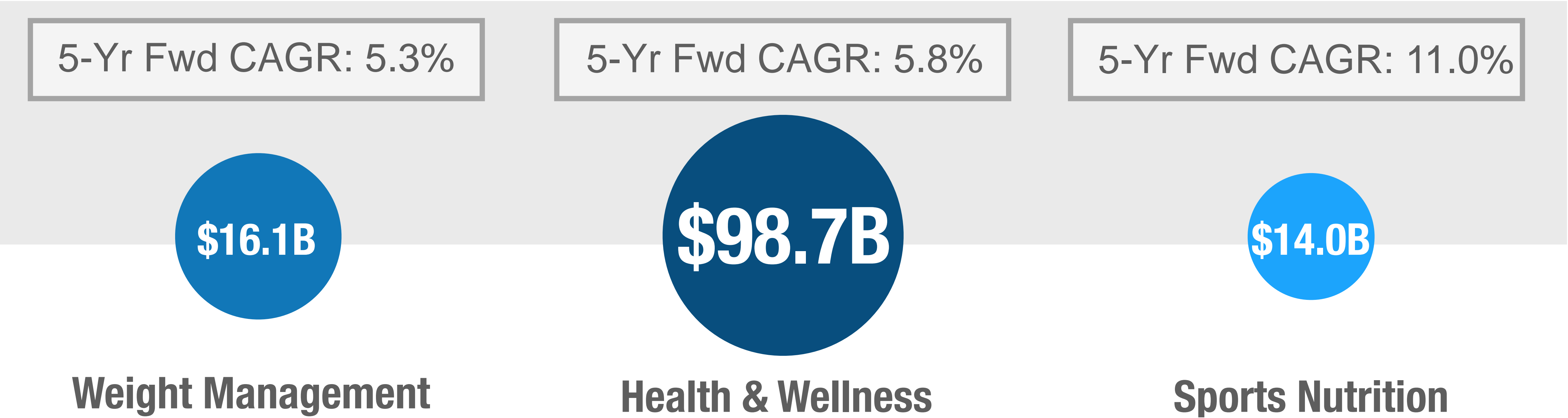


Started with friends

Started solo

Right Model

# Attractive Category - Growing 2-3x food industry



Attractive Category

Source: Euromonitor 2017  
1. Weight Management includes: Meal Replacement, Slimming Teas, Supplemental Nutrition Drinks, and Weight Loss Supplements  
2. Health and Wellness includes: Vitamins and Dietary Supplements  
3. Sports Nutrition includes: Sports Nutrition  
4. CAGR Projections



# Financial Update

1. Historical Performance
2. Attractive Cash Flow
3. Strong Record of Returning Cash to Shareholders
4. \$1.5B Buyback Program
5. Top Market Penetration Rates



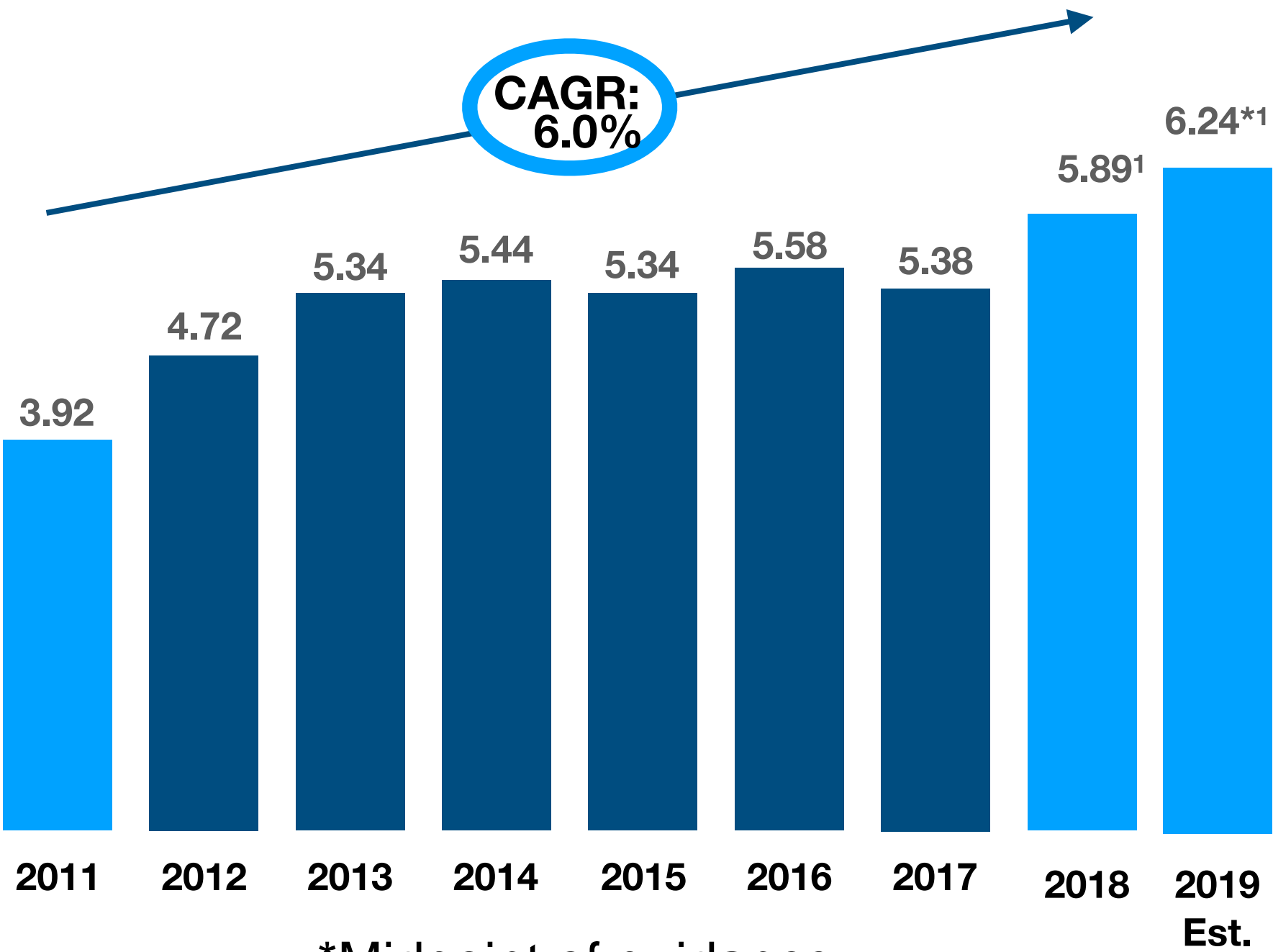
Financial Strength



# Historical Performance

## Volume Points

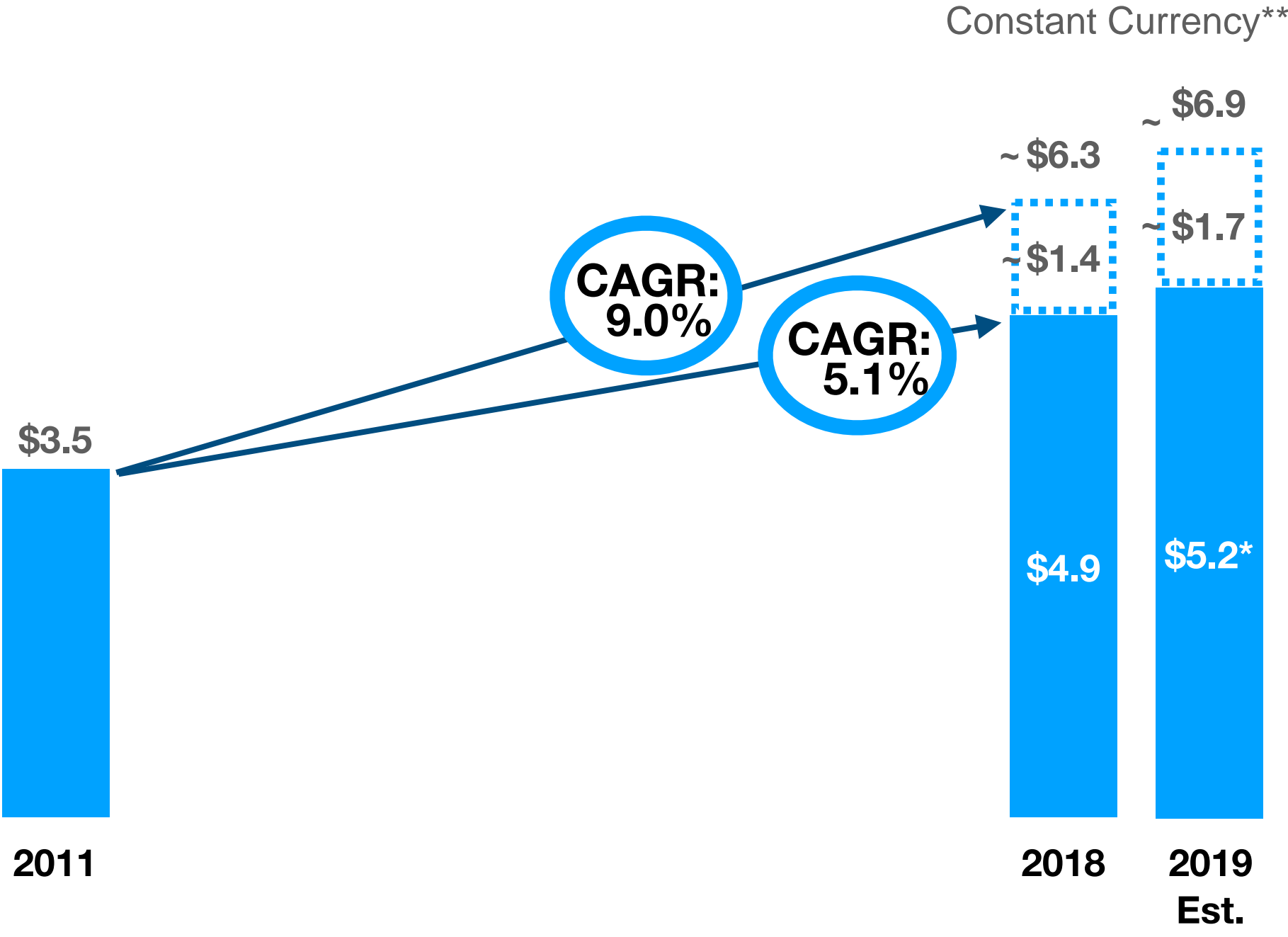
(in Billions)



\*Midpoint of guidance

## Net Sales

(in Billions)

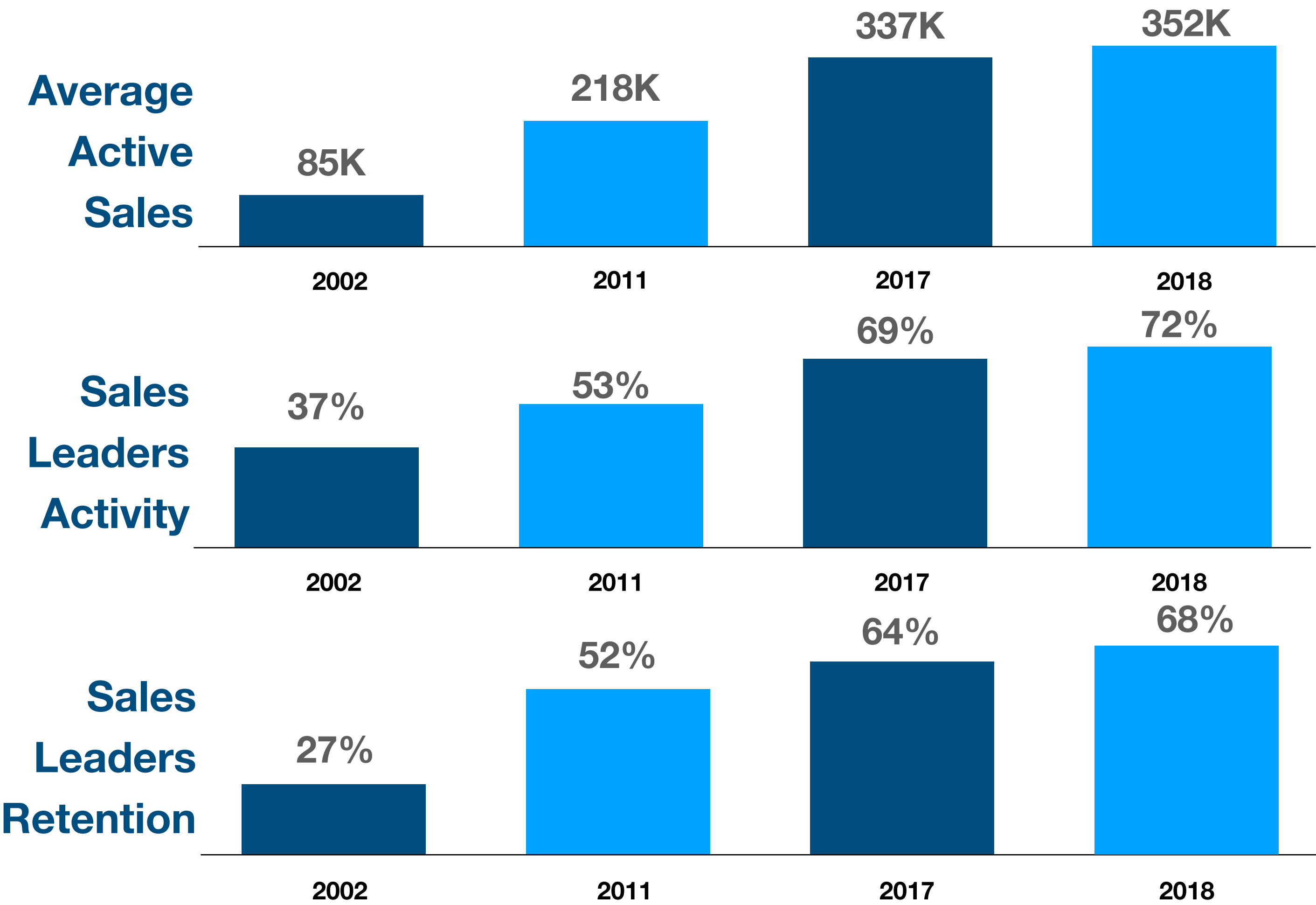


Financial Strength

Source: Herbalife Nutrition Internal Sales Data  
\*\* 2018 and 2019 Net Sales restated at 2011 average currency rates, excluding Venezuela  
<sup>1</sup> During 2018, the Company adjusted volume points values for certain products in Mexico, North America and South & Central America.



# Supported by Improved Underlying Key Metrics

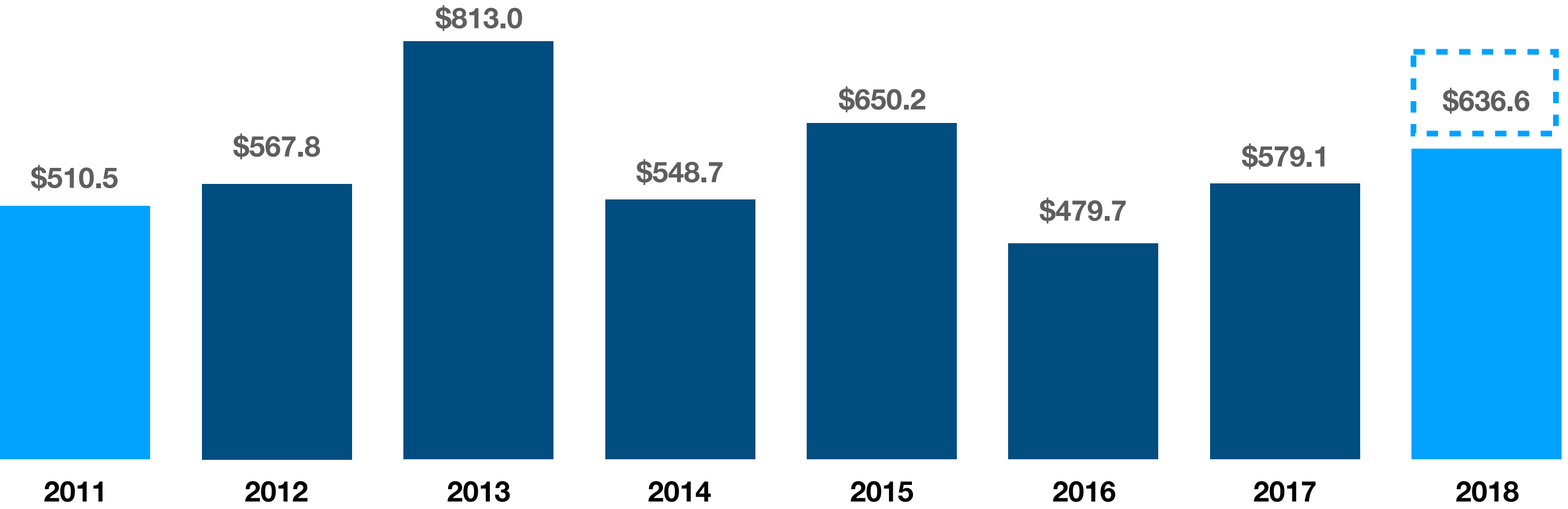


Financial Strength

Source: Herbalife Nutrition Data  
Note: Data for Worldwide excludes China

# Powerful Cash Flow Generation

Adjusted<sup>1</sup> Operating Cash Flow - Levered (in Millions)



} ~ \$320m Constant Currency\*\*

Adjusted<sup>1</sup> Operating Cash Flow (2011-2018):

**\$4,785.6M**

Reported \$4,597.5

Total Capital Expenditures (2011-2018):

**\$939.1M**

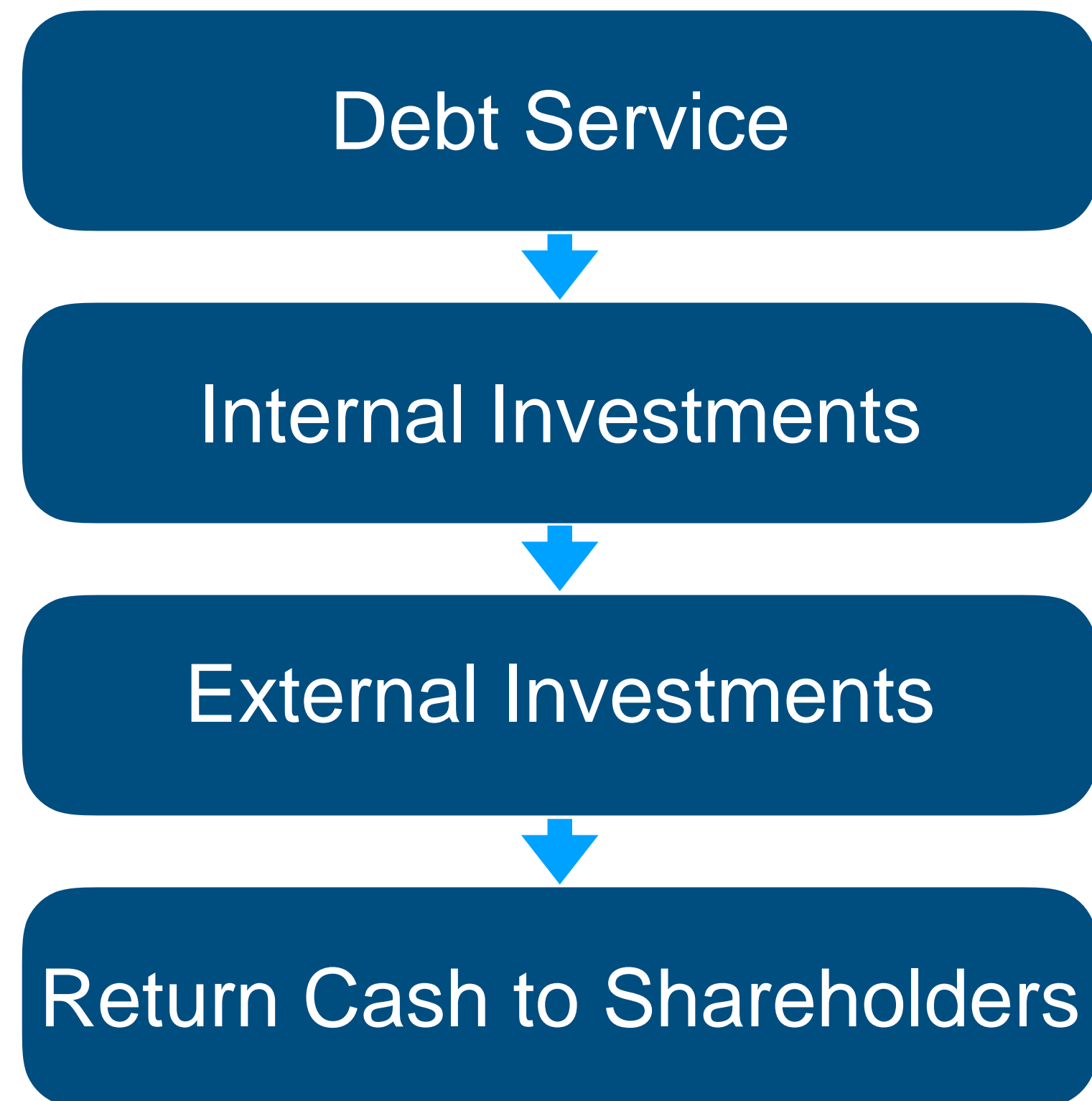
Cash Interest\*\*\*



1. Non-GAAP Financial Measure. See the appendix of this presentation for a definition thereof and a reconciliation thereof to the most comparable GAAP measure.  
2. Capital Expenditures from 2011-2018  
\*\* 2018 Net Income adjusted at 2011 average currency rates (estimate)  
\*\*\* Calculated by reported GAAP interest less non-cash interest



# Capital Allocation Policy - Disciplined Approach



Financial Strength



# Long Track Record of Returning Capital to Shareholders

2007 - 2018

Net Income (Reported)	\$3.9
Change in Net Debt <sup>1</sup>	\$1.3
Total Available Cash	\$5.2

(Billions)

2007 - 2018

Buybacks	\$4.5
Dividends	\$0.6
Total Cash Returned Since 2007	\$5.1

(Billions)



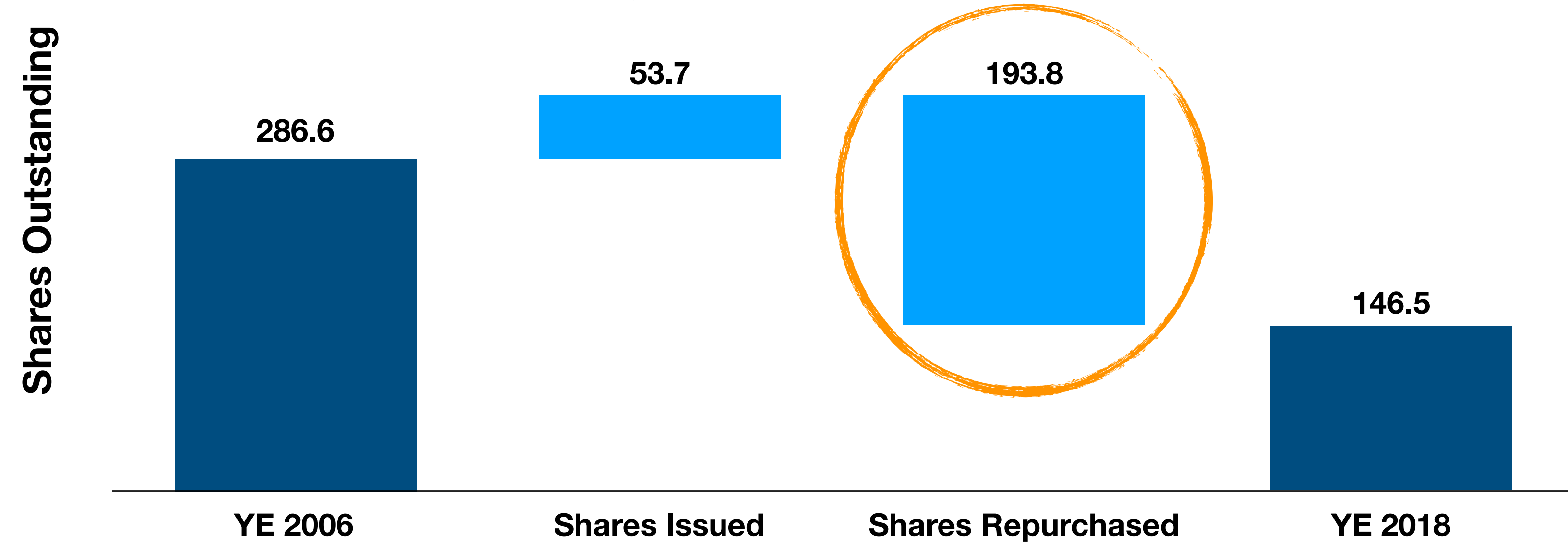
Financial Strength

1. Non-GAAP Financial Measure. Calculated by total debt less cash.



# Buyback Program Reduced Share Count by ~50% Since 2007

Since 2007, we have repurchased 194 million shares for \$4.5B  
at an average price of \$23.24 (split adjusted)





# **Buyback Program Reduced Share Count by ~50% Since 2007**

**Current \$1.5 Billion,  
5-Year Share Repurchase Program**

# Efficient Capital Structure

## Leverage Profile

Cash: \$1,198.9M

FY 2018 EBITDA (Rep.): \$726.2M

Net Debt / Bank Adj.<sup>1</sup>  
EBITDA: 1.4x

Debt: \$2,453.8M

FY 2018 Bank Adj.<sup>1</sup> EBITDA: \$878.0M

Gross Debt / Bank Adj.<sup>1</sup>  
EBITDA: 2.8x

Net Debt<sup>2</sup>: \$1,254.9M

Note: As of Q4 2018  
1. Non-GAAP Financial Measure. See the appendix of this presentation for a definition thereof and a reconciliation thereof to the most comparable GAAP measure.  
2. Non-GAAP Financial Measure. Calculated by total debt less cash.



# Efficient Capital Structure

Debt Profile Provides Flexibility In Capital Allocation Strategy

## Leverage Profile

Cash: \$1,198.9M

Debt: \$2,453.8M

Net Debt<sup>1</sup>: \$1,254.9M

FY 2018 EBITDA (Rep.): \$726.2M

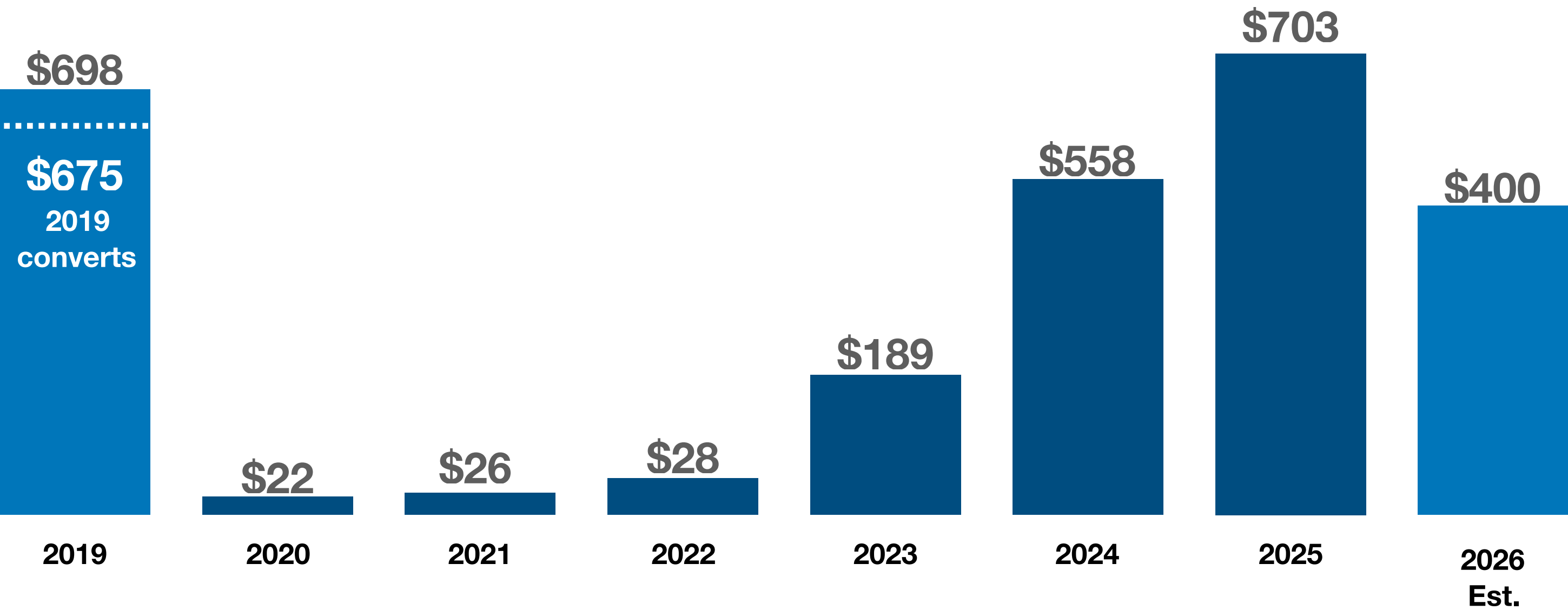
FY 2018 Bank Adj.<sup>2</sup> EBITDA: \$878.0M

Net Debt / Bank Adj.<sup>2</sup> EBITDA: 1.4x

Gross Debt / Bank Adj.<sup>2</sup> EBITDA: 2.8x

Sufficient Cash On Balance Sheet  
To Address 2019 Converts

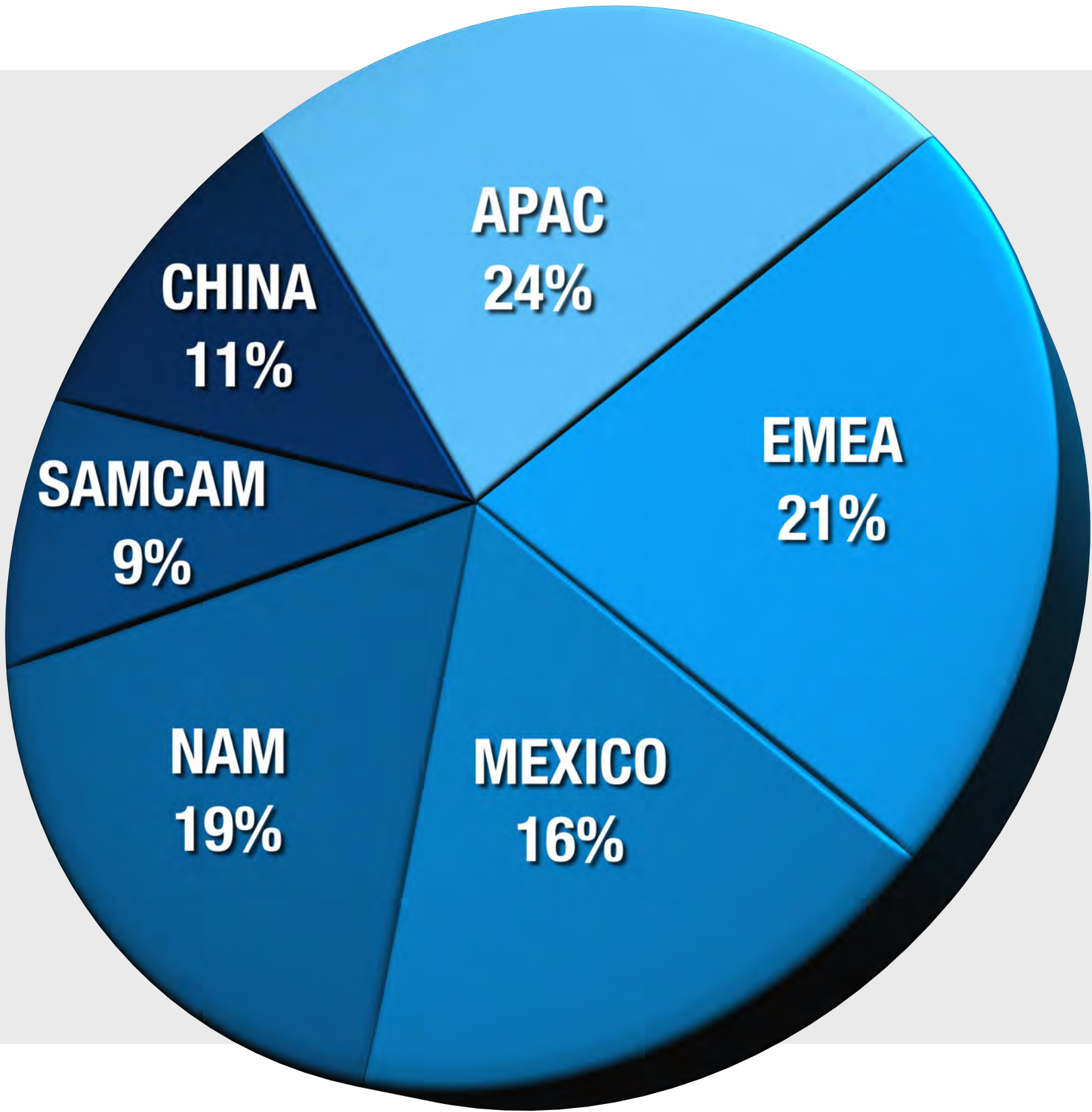
## Long Dated Maturities



Financial Strength

Note: As of Q4 2018  
1. Non-GAAP Financial Measure. Calculated by total debt less cash.  
2. Non-GAAP Financial Measure. See the appendix of this presentation for a definition thereof and a reconciliation thereof to the most comparable GAAP measure.

# Volume Points by Region – Q4 2018

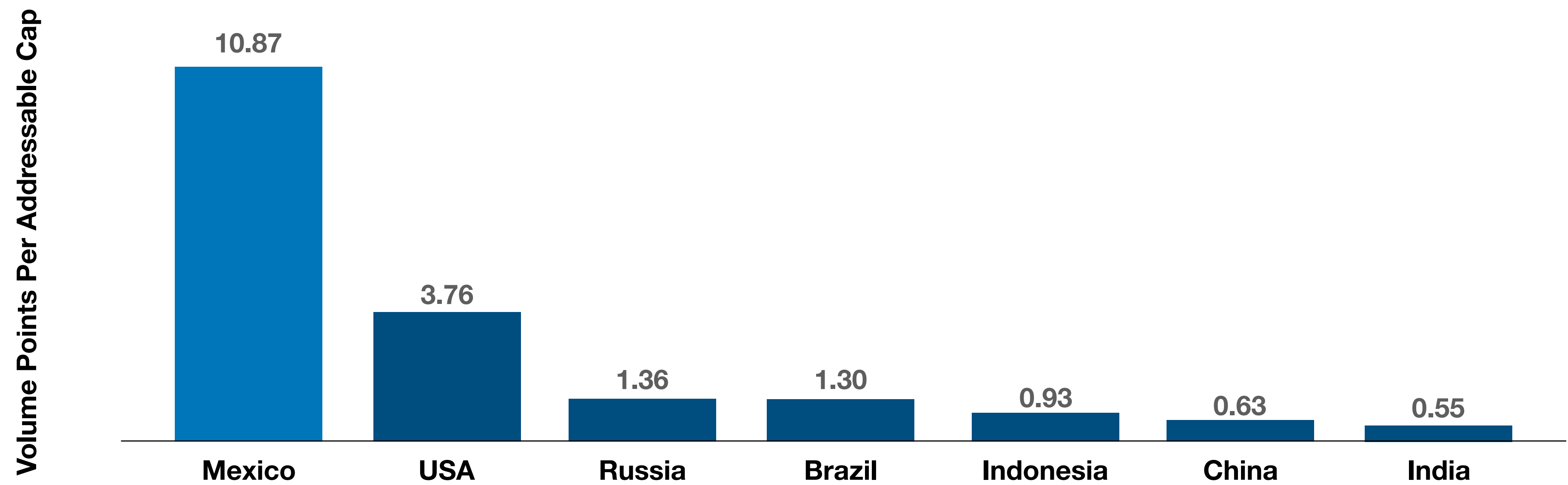


Region	Volume Points	
	4Q'18(mil)	Yr/Yr % Chg
Asia Pacific	355.5	29.8%
EMEA	302.6	11.3%
North America	280.5	11.8%
Mexico	228.6	10.1%
China	155.2	3.7%
South & Central America	138.6	(9.4%)
Worldwide Total *	1,461.0	11.8%

As of Dec 2018  
Source: Internal Herbalife Nutrition Data  
\*During 2018, the Company adjusted volume point values for certain products in Mexico, North America & South & Central America. Excluding these adjustments, the worldwide total year over year change in volume points would have been an increase of 11.1%.



# Significant Opportunity To Penetrate Existing Markets

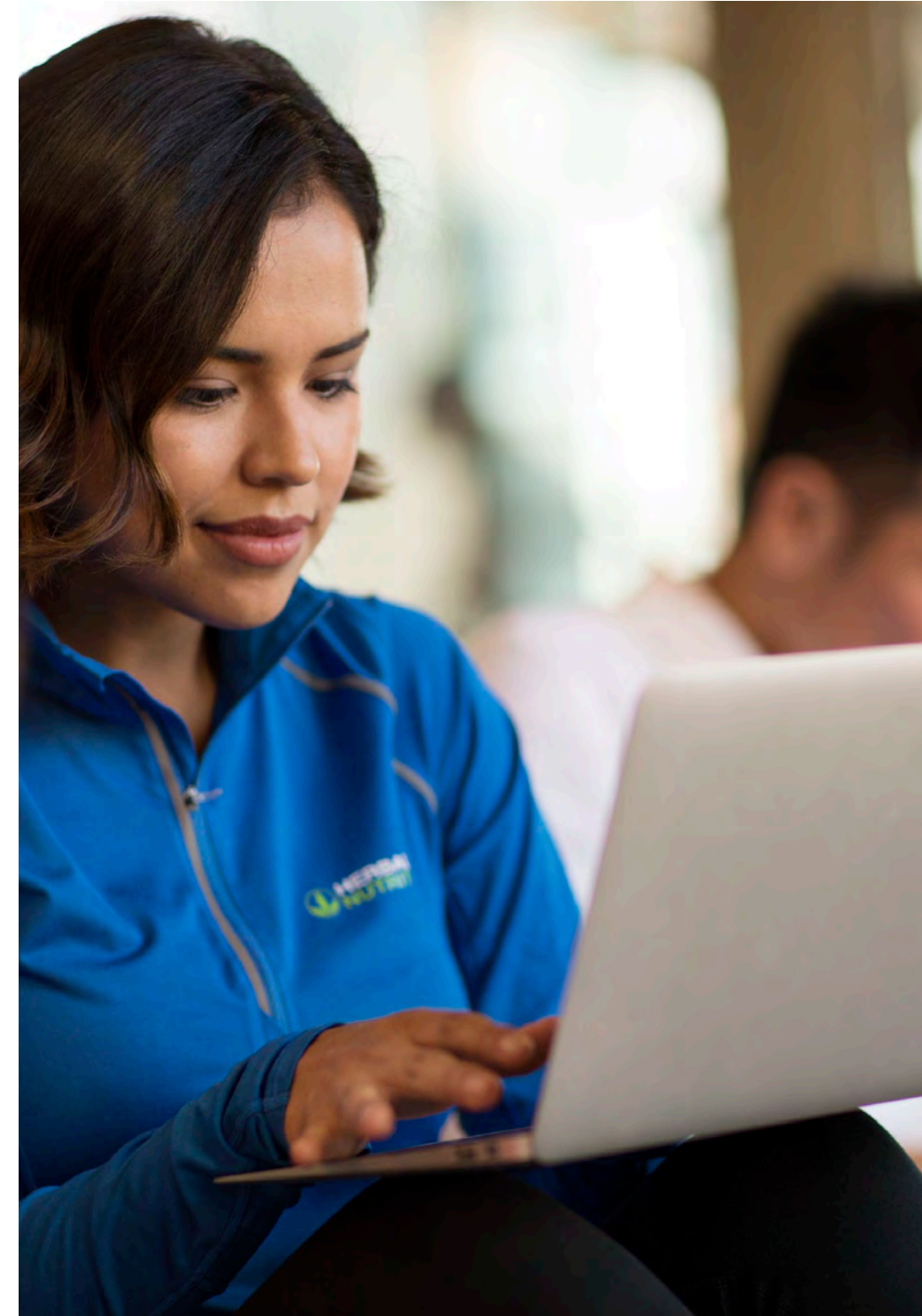


Source: Addressable Population calculated as (1 – Poverty Rate) \* Total Population. Total Population from Euromonitor. Poverty Rates from World Bank, tiered for each country based on income classification: India (60%), Indonesia (27%) [Lower Middle Income Countries: \$3.20 PPP], Brazil (19%), China (27%), Mexico (35%), Russia (3%) [Upper Middle Income Countries: \$5.50 PPP], USA (13%) [High Income Countries \$21.70 PPP]. Volume Points based on Herbalife Nutrition Data 2017.



# Key Growth Strategies

1. Products
2. Technology
3. Distributor Difference





# Products



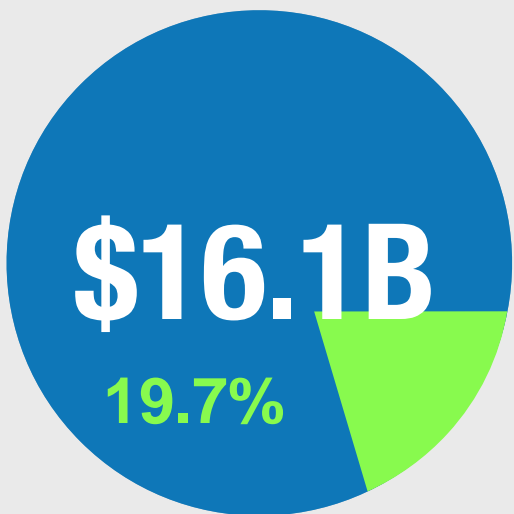


# Market Size & Opportunity

5-Yr Fwd CAGR: 5.3%

5-Yr Fwd CAGR: 5.8%

5-Yr Fwd CAGR: 11.0%



Weight Management



Health & Wellness



Sports Nutrition

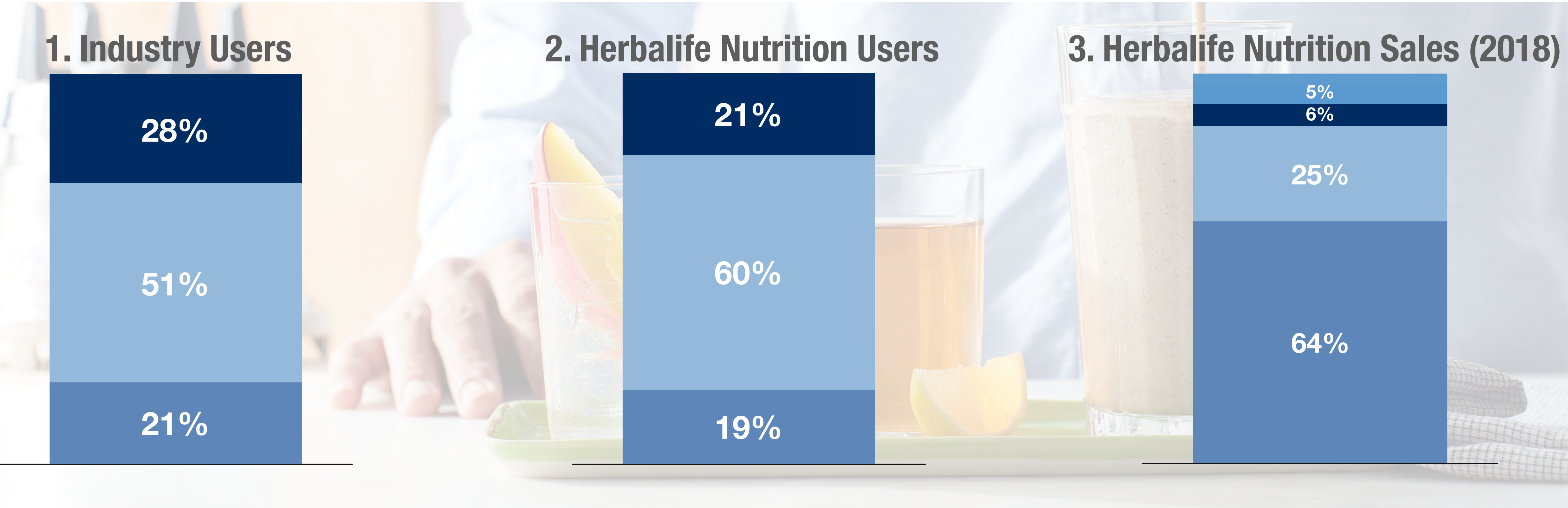
Herbalife Nutrition Market

Source: Euromonitor 2017  
1. Weight Management includes: Meal Replacement, Slimming Teas, Supplemental Nutrition Drinks, and Weight Loss Supplements  
2. Health and Wellness includes: Vitamins and Dietary Supplements  
3. Sports Nutrition includes: Sports Nutrition  
4. CAGR Projections

Growth Opportunity



# Consumer Profile - Opportunity to Expand Beyond Weight Management



Source:  
Internal Study Conducted In Conducted in China, Korea,  
Taiwan, India, Indonesia, Italy, Mexico, Brazil, Colombia  
and Russia  
Herbalife Nutrition Internal Sales Data

■ Weight Management   ■ Health & Wellness   ■ Sports Nutrition & Fitness   ■ Misc

Growth Strategies

# Product Strategy

**1. Increase Value of Existing Customers**

**2. Attract New Customers**

- A. Fill Gaps
- B. Add Flavors
- C. Increase Convenience
- D. Expand Dayparts
- E. Enter New Categories
- F. Offer More Choices
- G. Expand Sports Line





# Product Strategy – Increase Value of Existing Customers

## A. Fill Gaps





# Product Strategy – Increase Value of Existing Customers

## B. Add Flavors





# Product Strategy – Increase Value of Existing Customers

## C. Increase Convenience





# Product Strategy – Increase Value of Existing Customers

## D. Expand Dayparts





# Product Strategy – Attract New Customers

## E. Enter New Categories





# Product Strategy – Attract New Customers

## F. Offer More Choices





# G. Expand Sports Line





# Industry Recognition



Herbalife24 Rebuild Strength  
Best Whey Protein

Herbalife24 Rebuild Strength  
Best Muscle Builder

Herbalife24 Formula 1 Sport  
Best Pre-Workout

Herbalife24 Hydrate  
Best Health Product

Liftoff  
Best Energy Drink





## WIN A £100 AMAZON VOUCHER

Tell us your favourite sports nutrition supplements to enter

The voting for the Sports Nutrition Awards 2019 has begun! Let us know your favourite whey, BCAA, pre-workout, muscle builder or other product that helps you perform to the best of your ability – and as a thank you, we'll enter you into a draw to win £100 to spend on Amazon. We don't have to tell you that buys a lot of your favourite supplements!

► Visit [coachmag.co.uk/awards2019](http://coachmag.co.uk/awards2019) to cast your vote



### BEST PRE-WORKOUT



**Herbalife Nutrition**  
H24 Formula 1 Sport



**Live Lean**  
Live Limitless



**Science in Sport**  
GO Caffeine Shot



**Battle Ready Fuel**  
Pre-Workout

### BEST WHEY PROTEIN



**Myprotein**  
The Whey



**Herbalife Nutrition**  
H24 Rebuild Strength



**Science in Sport**  
WHEY20



**Bio-Synergy**  
Whey Better

### BEST BCAA/INTRA-WORKOUT



**Myprotein**  
My Amino Energy



**Science in Sport**  
BCAA Perform



**Muscle Moose**  
Moose Juice



**Battle Ready Fuel**  
BCAA Intra-Workout

### BEST MUSCLE BUILDER



**Herbalife Nutrition**  
H24 Rebuild Strength



**LA Muscle**  
Norateen Gold



**Fit Stamp**  
Functional Testosterone



**Bodytronics**  
Mass Attack Juggernaut

### BEST HEALTH PRODUCT



**Herbalife Nutrition**  
H24 Hydrate



**Pukka**  
Lean Matcha Green



**LA Muscle**  
Liver And Colon Detox



**Linwoods**  
Milled Organic Flaxseed

### BEST ENERGY DRINK



**TENZING**  
Natural Energy



**Herbalife Nutrition**  
Liftoff



**Muscle Moose**  
Moose Juice Extreme Energy



**Vitabiotics**  
Wellman Vitamin Drink

### BEST PROTEIN BAR/SNACK



**Myprotein**  
Carb Crusher



**Herbalife Nutrition**  
Protein Bar



**Bio-Synergy**  
Rebel Bar



**BULK POWDERS**  
MACRO MUNCH

### BEST FAT BURNER



**Bio-Synergy**  
Thermogen



**LA Muscle**  
Fat Stripper Intense



**Battle Ready Fuel**  
Thermogenic Metabolism  
Booster



**Direct Nutrition**  
Fat Metabolisers

### BEST VEGAN PRODUCT



**Bio-Synergy**  
Lean & Green  
Hazelnut Flavour



**Tom Oliver Nutrition**  
Vegan Protein Bar  
Chocolate Caramel



**Form**  
Performance Protein  
Chocolate & Peanut Flavour



**BULK POWDERS**  
Vegan Protein Powder



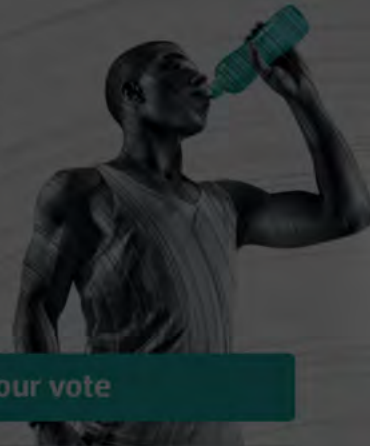


## WIN A £100 AMAZON VOUCHER

Tell us your favourite sports nutrition supplements to enter

The voting for the Sports Nutrition Awards 2019 has begun! Let us know your favourite whey, BCAA, pre-workout, muscle builder or other product that helps you perform to the best of your ability – and as a thank you, we'll enter you into a draw to win £100 to spend on Amazon. We don't have to tell you that buys a lot of your favourite supplements!

► Visit [coachmag.co.uk/awards2019](http://coachmag.co.uk/awards2019) to cast your vote



### BEST PRE-WORKOUT



**Herbalife Nutrition**  
H24 Formula 1 Sport



**Live Lean**  
Live Limitless

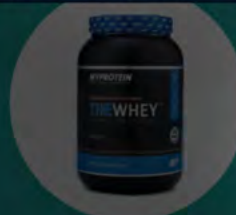


**Science in Sport**  
GO Caffeine Shot



**Battle Ready Fuel**  
Pre-Workout

### BEST WHEY PROTEIN



**Myprotein**  
The Whey



**Herbalife Nutrition**  
H24 Rebuild Strength

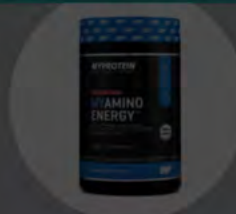


**Science in Sport**  
WHEY20



**Bio-Synergy**  
Whey Better

### BEST BCAA/INTRA-WORKOUT



**Myprotein**  
My Amino Energy



**Science in Sport**  
BCAA Perform



**Muscle Moose**  
Moose Juice



**Battle Ready Fuel**  
BCAA Intra-Workout

### BEST MUSCLE BUILDER



**Herbalife Nutrition**  
H24 Rebuild Strength



**LA Muscle**  
Hokenah Gold



**Fit Stamp**  
Functional Testosterone



**Bodytronics**  
Mass Attack Juggernaut

### BEST HEALTH PRODUCT



**Herbalife Nutrition**  
H24 Hydrate



**Pukka**  
Lean Matcha Green



**LA Muscle**  
Liver And Colon Detox



**Linwoods**  
Milled Organic Flaxseed

### BEST ENERGY DRINK



**TENZING**  
Natural Energy



**Herbalife Nutrition**  
Liftoff



**Muscle Moose**  
Moose Juice Extreme Energy



**Vitabiotics**  
Wellman Vitamin Drink

### BEST PROTEIN BAR/SNACK



**Myprotein**  
Carb Crusher



**Herbalife Nutrition**  
Protein Bar



**Bio-Synergy**  
Rebel Bar



**BULK POWDERS**  
MACRO MUNCH

### BEST FAT BURNER



**Bio-Synergy**  
Thermogen



**LA Muscle**  
Fat Stripper Intense

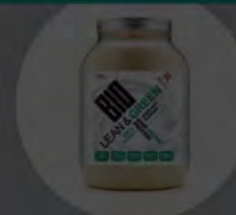


**Battle Ready Fuel**  
Thermogenic Metabolism  
Booster



**Direct Nutrition**  
Fat Metabolisers

### BEST VEGAN PRODUCT



**Bio-Synergy**  
Lean & Green  
Hazelnut Flavour



**Tom Oliver Nutrition**  
Vegan Protein Bar  
Chocolate Caramel



**Form**  
Performance Protein  
Chocolate & Peanut Flavour



**BULK POWDERS**  
Vegan Protein Powder



A close-up, side-profile shot of a young Black woman with curly hair, looking intently at a laptop screen. She is resting her chin on her hand, which is adorned with a silver ring. A green water bottle is visible in the background, slightly out of focus. The word "Technology" is overlaid on the image in a bold, sans-serif font, with a green underline.

**Technology**



# Robust Technology Infrastructure



\*Oracle is a registered trademark of Oracle Corporation and/or its affiliates.



# Robust Technology Infrastructure



## Capacity to Support Growth

Upgraded to Oracle R12 ERP

5 Data Centers (2 Mirror Mirror)

Cyber Security/PCI Compliant

## Capability to Support Global Business

Single Instance ERP

Deliver Quality Products Faster

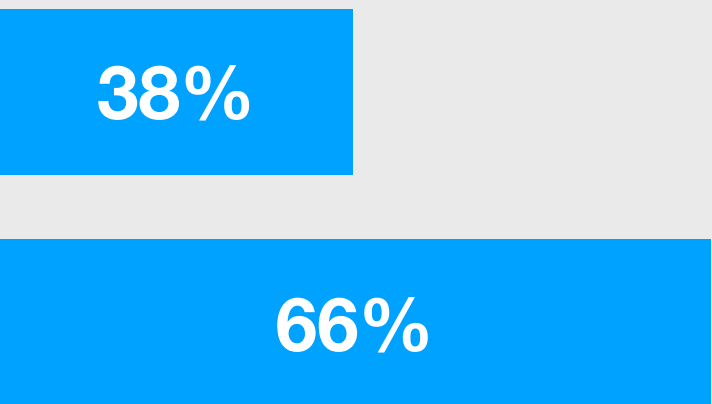
Financial Oversight & Visibility



# Enhance Distributor Productivity Through Technology

GOHerbalife  
Distributor to Customer eCommerce

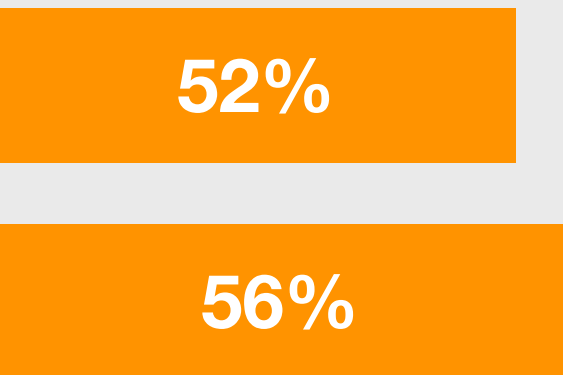
% Coverage



As of YE2017

As of YE2018

myHerbalife  
Mobile Ordering



As of YE2017

As of YE2018

Source: Internal Herbalife Nutrition Data



## Distributor Scalability

- Organizational Analytics
- Distributor-to-Customer eCommerce
- CRM & Digital Marketing Automation



## Increase Distributor-to-Customer Connectivity

- New Nutrition Club Apps
- Point of Sale



## Enhance Customer Experience





# Distributor Difference



# Distributor Difference



Education & Training



Nutrition Products



Supportive Community



Healthy Active Lifestyle



Personal Coach

Growth Strategies

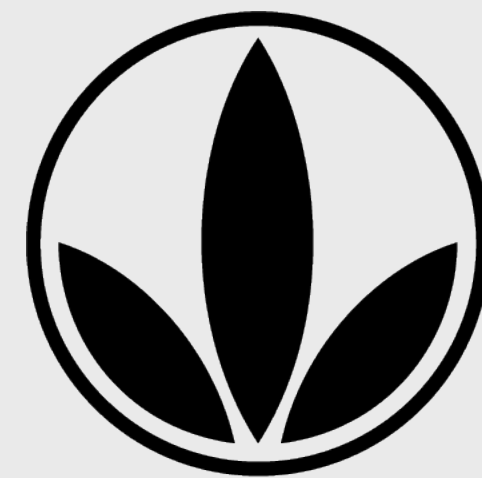


# Key Takeaways

1. Growth Company
2. Strong Cash Flow
3. Demonstrated discipline to return excess cash to shareholders







**HERBALIFE  
NUTRITION**

**Making the World Healthier and Happier**



# Appendix

Herbalife Ltd.		
Credit Agreement Reconciliation of Presentation Amounts to Reported Amount per US GAAP		
(Dollars in Millions)		
	FY 2018	
EBITDA		
Net Income	\$	296.6
Interest expense, net		161.6
Taxes		167.6
Depreciation & Amortization		100.4
EBITDA	\$	726.2
Interest income		19.4
EBITDA, including interest income	\$	745.6
Expenses related to regulatory inquiries		10.4
Contingent value rights revaluation		8.8
Loss on extinguishment of convertible debt		13.1
Loss on extinguishment of 2017 senior secured credit facility		35.4
Venezuela devaluation		4.7
Inventory write-down		17.4
Share-based compensation		35.5
Other expenses <sup>1</sup>		7.1
Credit Agreement Adjusted EBITDA	\$	878.0

EBITDA represents net income plus net interest expense, income taxes and depreciation and amortization. Credit Agreement Adjusted EBITDA represents EBITDA plus certain items permitted under our Senior Credit Facility.

<sup>1</sup> Other expenses include certain severance, non-cash bad debt expense, unrealized foreign currency gains and losses, and other non-cash items



# Appendix

Herbalife Ltd.  
Non-GAAP Reconciliation: Reported Net Income to Adjusted Operating Cash Flow (Levered)  
(Dollars in Millions)

	2018	2017	2016	2015	2014	2013	2012	2011
Reported Net Income	\$ 296.6	\$ 213.9	\$ 260.0	\$ 339.1	\$ 308.7	\$ 527.5	\$ 464.0	\$ 415.0
Expenses related to regulatory inquiries	9.4	9.0	10.8	14.2	9.4	-	-	-
FTC Consent Order implementation	-	11.7	7.1	-	-	-	-	-
Expenses incurred responding to attacks on the Company's business model	-	3.8	9.1	13.8	16.6	24.5	-	-
China Grant Income	(21.2)	(36.2)	(24.4)	(4.6)	-	-	-	-
Regulatory Settlements	-	-	133.0	-	-	-	-	-
Expenses incurred for the recovery of re-audit expenses	-	-	2.6	1.3	0.4	15.6	-	-
Arbitration award related to the re-audit	-	-	(25.8)	-	-	-	-	-
Manufacturing Equipment Recovery	-	-	-	(2.0)	-	-	-	-
Legal Settlement Reserve	-	-	-	(1.2)	10.9	-	-	-
Adjusted Net Income (Cash Impact)	\$ 284.8	\$ 202.2	\$ 372.4	\$ 360.6	\$ 346.0	\$ 567.6	\$ 464.0	\$ 415.0
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	100.4	99.8	98.3	98.0	93.2	84.7	74.4	71.9
Excess tax benefits from share-based payment arrangements	-	-	-	-	(10.4)	(15.6)	(29.7)	(26.2)
Share-based compensation expenses	35.5	42.1	40.2	44.9	45.7	29.5	27.9	24.1
Non-cash interest expense	63.8	60.2	55.7	56.2	43.5	2.6	1.8	1.9
Deferred income taxes	(8.1)	97.8	(36.4)	(38.2)	(84.8)	(24.9)	(7.8)	(21.3)
Inventory write-downs	17.4	20.7	15.8	25.3	24.5	29.8	11.4	-
Foreign exchange transaction loss	8.0	2.4	3.7	26.6	(6.2)	5.8	2.1	9.4
Foreign exchange loss and other changes relating to Venezuela	-	-	-	-	227.8	15.1	-	-
Loss on extinguishment of debt	48.5	-	-	-	-	-	-	-
Other	7.1	1.9	(11.7)	10.8	6.1	0.6	0.7	2.2
Changes in operating assets and liabilities:								
Receivables	2.8	(22.2)	-	(6.2)	6.0	9.2	(28.2)	(9.7)
Inventories	(83.3)	37.9	(71.6)	(30.5)	(99.4)	(54.8)	(93.6)	(84.9)
Prepaid expenses and other current assets	(5.1)	38.3	0.8	19.8	(34.9)	(9.4)	0.2	3.2
Accounts payable	21.7	(5.0)	(1.3)	6.0	(5.2)	10.8	17.0	15.4
Royalty overrides	22.8	6.0	20.9	21.6	6.7	28.8	41.9	44.0
Other current liabilities	106.8	(17.1)	12.4	73.5	21.1	134.8	85.2	75.8
Other	13.5	14.1	(19.5)	(18.2)	(31.0)	(1.6)	0.5	(10.3)
Adjusted Net Cash Provided by Operating Activities	\$ 636.6	\$ 579.1	\$ 479.7	\$ 650.2	\$ 548.7	\$ 813.0	\$ 567.8	\$ 510.5
Cash Interest	\$ 97.8	\$ 86.1	\$ 37.7	\$ 38.8	\$ 35.7	\$ 16.0	\$ 8.7	\$ 0.6