

**Herbalife Ltd. (Q1 2025 Earnings)**  
**April 30, 2025**

**Corporate Speakers**

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

**Participants**

- Chasen Bender; Citi; Analyst
- John Baumgartner; Mizuho Securities; Analyst
- Robert Rigby; Bank of America; Analyst
- Hale Holden; Barclays; Analyst
- Douglas Lane; Water Tower Research; Analyst

**PRESENTATION**

Operator^ Good afternoon. Thank you for joining the First Quarter 2025 Earnings Conference Call for Herbalife Limited.

(Operator Instructions) As a reminder today's conference call is being recorded.

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

You may begin.

Erin Banyas^ Thank you. And good afternoon, good evening, everyone.

Joining us today are Stephan Gratziani, our President and incoming Chief Executive Officer; and John DeSimone, our Chief Financial Officer.

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

The presentation and earnings release include a discussion of some of the more important factors that could cause results to differ from those expressed in any forward-looking statement within the meaning of the Private Securities Litigation Reform Act of 1995.

As is customary, the content of today's call and presentation will be governed by this language.

In addition, during today's call we will be discussing certain non-GAAP financial measures.

These non-GAAP financial measures exclude certain unusual or nonrecurring items that management believes impact the comparability of the periods referenced.

Please refer to our earnings release and presentation materials for additional information regarding these non-GAAP financial measures and the reconciliations to the most directly comparable GAAP measure.

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

Stephan Gratziani^ Thank you, Erin. And good afternoon, everyone. Thank you for joining us.

It's an incredible honor to be with you today as I transition into the role of CEO.

I take on this responsibility with a profound respect for Herbalife's 45-year history and with clear purpose to honor our past while redefining what's possible for the future.

I want to begin by expressing my deep appreciation for Michael Johnson, whose leadership and vision have been instrumental in shaping the strong foundation we stand on today.

His contributions to Herbalife's global impact are enduring, and I'm committed to building on that legacy.

I'm pleased that Michael will continue to support the company in his role as Executive Chairman. Herbalife's mission has always been to change people's lives through better nutrition, stronger community and an entrepreneurial business opportunity. That mission remains unchanged, but the way we deliver it is evolving because the world is changing. The gig economy, digital and social platforms and shifting consumer expectations are real forces.

We consider them not only an invitation for us to evolve, but an opportunity for us to lead.

Before we get into the Q1 results, I want to share with you three things.

First, my conviction.

I believe Herbalife is uniquely positioned, perhaps more than ever to lead in the new health and wellness economy.

With 2.1 million distributors and a brand trusted around the world, we have the human foundation, our network effect to reach customers in ways few companies can match.

Second, our transformation.

We are building on the strengths of our brand, our business model and our high-quality science-backed products.

We will maximize the power of direct selling and expand our reach through technology, personalization and tools that empower our distributors to connect more effectively with customers in more ways than ever before.

We will become a true global platform for optimized health and wellness.

Third, our path forward.

You will see us focus on innovation in products, in technology, in AI-powered solutions and how we empower our distributors to better serve today's customer and anticipate the needs of tomorrow. You will see us drive operational excellence, leveraging AI and data analytics to sharpen execution, improve alignment and increase efficiency across the organization.

You will see us measure success not just by short-term gains, but by the strength of the foundation we are building for sustainable, profitable global growth.

I'll tell you more about a significant step we've taken in that path forward through our recent asset acquisitions in just a minute.

But before I do, let's look at some of the Q1 financial highlights.

Our net sales of \$1.2 billion were down 3.4% versus Q1 of 2024, which was just above the midpoint of our guidance range.

On a constant currency basis, we delivered net sales growth of 1.4% year-over-year, our second consecutive quarter of year-over-year growth, excluding FX headwinds.

We delivered strong adjusted EBITDA results, exceeding our guidance.

Additionally, through continued debt repayment during the quarter, we reduced our total leverage ratio to 3x as of March 31, achieving the target we set a year ago when we exited 2023 at 3.9x.

We reached this milestone nine months ahead of plan.

John DeSimone will provide more on our financial results later on the call. Kicking off a new year at Herbalife is always energizing and the positive momentum that began last year is continuing in 2025 with the number of new distributors joining Herbalife worldwide, up 16% year-over-year. This is our fourth consecutive quarter of new distributor growth. Details about our new distributor and active non-sales leader growth are included in the appendix of today's presentation. That same positive momentum and enthusiasm was evident at our annual Honors event, where we brought together our top distributors from around the world.

Held in our hometown of Los Angeles, this year's event was especially exciting as we celebrated our 45th anniversary.

We hosted several leadership and development panels and announced our planned asset acquisitions of Pro2col Health, Pruvit Ventures and Link BioSciences.

As you can imagine, there was tremendous excitement among the approximately 2,600 distributor leaders in attendance as we unveiled these asset acquisitions and the important role they will play in the next era of Herbalife.

Since Honors, we've completed the transactions, and I want to take a moment to talk about what we acquired, why we made these decisions and how they collectively strengthen and align with our broader strategy and vision.

We acquired assets of both Pro2col and Pruvit.

Separately, we formed a new entity, HBL Bioscience, and obtained a 51% ownership interest. HBL Bioscience then purchased the assets of Link BioSciences.

Slide 5 provides a brief overview of each of the companies. Let's start with Pro2col. Pro2col is a health and wellness digital application company.

The assets we acquired center on the Pro2col technology platform.

As you will see on slide 6, it's a system designed to deliver tailored health and longevity protocols using individual data and biometrics. Through AI, coaching and community, the platform will provide personalized nutrition recommendations, lifestyle plans and ongoing support. Pro2col takes today's fragmented and often confusing wellness landscape and unites it into one simple accessible platform, helping people measure what matters, make better decisions and achieve their health goals.

Slide 7 highlights initial key features of the Pro2col platform including daily intake tracking, AI-powered nutrition tracking and a personalized health dashboard.

These capabilities are critical for capturing a broad range of consumers, increasing personalization and driving long-term engagement.

In conjunction with this platform, we plan to expand our product portfolio by launching Pro2col-specific offerings. These new products, combined with our existing lineup, will give customers more personalized options than ever before to achieve their wellness goals, ultimately strengthening engagement and driving incremental growth.

We pursued this acquisition because Pro2col aligns perfectly with our vision for the future of health and wellness.

It accelerates our plans to offer a modern, holistic technology platform and, importantly, it allows us to put these powerful tools in the hands of our global distributor network, democratizing access to health optimization on a worldwide scale.

Combined with Herbalife distributor coaches, AI-driven health assistance in both online and in-person community connections, Pro2col will bring our high-tech, high-touch model to a new level, helping our distributors better serve existing customers, attract new customers and attract new distributors who are looking for a more modern tech-savvy business opportunity.

We're excited about the future this unlocks for Herbalife, and we're not the only ones. Cristiano Ronaldo understands the incredible opportunity we have, and he is partnering with us to further develop the platform. His personal commitment to nutrition and keen understanding of its impact on peak athletic performance makes him an ideal adviser.

We plan to launch a beta version of the Pro2col platform at the end of July during our North America extravaganza, making it available to select distributors in the U.S.

The commercial release in the U.S. is planned for the fourth quarter. This launch represents a significant opportunity for our distributors to reengage customers, increase customer lifetime value and tap into new customer segments.

It will also provide nutrition club owners with a powerful new offering for their customers, which we believe will drive higher conversion rates of club consumption customers to preferred customers. Beginning in 2026, we will start rolling out the Pro2col platform to additional markets.

By the end of 2025, we believe we'll have tens of thousands of users on the platform with hundreds of thousands by the end of next year.

Now let's talk about Link BioSciences. Based in Texas, Link BioSciences is a well-established manufacturing company that combines proprietary equipment, advanced technology and specialized software.

It analyzes data inputs including biometrics, biomarkers, lifestyle factors and genetics to formulate personalized products.

We're extremely excited about this unparalleled technology which provides us with a distinct competitive advantage in the U.S. and over time in markets around the world. Very few companies have the integrated capabilities that Link BioSciences offers, making it a truly strategic asset for Herbalife's future. Herbalife has 45 years of proven experience in using science and data to formulate high-quality products and deliver personalized nutrition and supplement programs to customers around the world. Building on that strong legacy, the assets from Link BioSciences will enable us to take personalization to the next level.

By leveraging the protocol technology platform, we will be able to formulate and manufacture personalized one-to-one supplements.

These custom formulated supplements, combined with the Pro2col platform and our global distributor network will enable us to deliver personalized, data-driven health and wellness

programs at an unprecedented global scale, empowering people to optimize their health outcomes like never before.

Now let's talk about Pruvit, which is a direct seller of patented ketone supplements. The assets acquired primarily relate to the intellectual property, and these assets give us the opportunity to expand our product offerings into a new product category. Pruvit will continue to operate independently under its current ownership for up to two years.

In the near term, Pruvit distributors in the U.S. will have the opportunity to join Herbalife and take part in the commercialization of the Pro2col platform and products. These acquisitions are an important step in our strategy centered on accelerated growth and building on our heritage of science, innovation and one-to-one support. That one-to-one support, of course is our distributors who are the heart of our business.

We have and continue to implement programs and initiatives designed to rebuild and strengthen our distributor base. These programs are focused on training, leadership, engagement and accountability and include programs such as the Herbalife Premier League, Diamond Development Mastermind Program and our recently launched all-new Herbalife Flex45 Challenge.

Another way we inspire, educate and motivate our distributors is through our extravaganza training events.

Our first events of 2025 were held in April with an Extravaganza in Shanghai, China and in India, which hosted its first two of four Extravanzas planned for 2025 in Bengaluru and Delhi.

We expect strong demand to continue for these trainings and development opportunities as distributors look to grow their businesses. Growing our business and achieving our vision for the future can only be realized with a strong, experienced executive team, and ours is one of the best.

I'm proud to work alongside talented executives like Rob Levy, our most tenured senior executive, who is stepping into his new role as President.

I worked directly with Rob as a distributor and now as an executive for almost 30 years. He is extremely well respected by our distributors and our employees, and his global leadership and expertise will help us continue to evolve and grow.

I'm also excited to be working with Blake Mallen, who recently joined Herbalife as our Chief Strategy Officer and President of Pro2col. He has more than two decades of experience as an entrepreneur and direct selling executive and is the Co-Founder of Pro2col Health and previously served as the President of Pruvit. Blake shares our vision for the future of health and wellness, and he will continue to lead the development and implementation of the Pro2col platform as well as provide strategic direction as we enter this new era at Herbalife.

On our last earnings call I said Herbalife is destined to become one of the world's most important health and wellness platforms and that you would start to see this expressed more and more

through our digital tech stack, our products and our services. You're beginning to see it now through these acquisitions, which are just one piece of a broader strategy. There's so much more to come as we continue to make bold moves and deliver on what we've been saying for more than a year, that Herbalife will be the world's premier health and wellness company, community and platform.

Now I'll turn it over to John for the in-depth financial review.

Over to you, John.

John DeSimone^ Thank you, Stephan. Turning to our Q1 financial highlights on slide 9.

We are very pleased with our strong first quarter results. Net sales were \$1.2 billion, down 3.4% versus Q1 of 2024 and just above the midpoint of our guidance range of down 1.5% to down 5.5% year-over-year.

On a constant currency basis, net sales were up 1.4% versus Q1 of last year, a little below the midpoint of our guidance range of flat to up 4% year-over-year.

FX rates had a negative 480 basis point impact on year-over-year sales, which is slightly better than expected as there has been a small improvement in FX rates versus the rates used in our Q1 guidance. Moving to adjusted EBITDA.

Our first quarter adjusted EBITDA was \$165 million and above our guidance range of \$140 million to \$150 million. Adjusted EBITDA margins were 13.5%, up 260 basis points versus Q1 of last year, marking another quarter of strong operating performance, primarily driven by cost savings initiatives implemented in 2024. CapEx for the quarter was \$18 million, significantly below the low end of our guidance range of \$30 million to \$40 million, primarily due to the delay and reprioritization of certain projects with some being shifted to later in 2025.

Capitalized SaaS implementation costs were approximately \$5 million in the quarter.

First quarter gross profit margin improved to 78.3%, up 80 basis points compared to Q1 of 2024. The increase in gross profit margin was primarily due to pricing actions we took over the past year, which provided approximately 80 basis points of benefit, along with approximately 50 basis points of favorability from reduced input costs, mainly related to lower raw material costs. These benefits were partially offset by 50 basis points of headwinds from higher inventory write-downs year-over-year.

First quarter net income of \$50 million includes approximately \$5 million of noncash net deferred income tax related to the \$147 million deferred income tax benefit we recognized in the fourth quarter of 2024 due to changes that we made to our corporate entity structure, which was excluded from our adjusted results in the period.

As I stated on our Q4 earnings call beginning this quarter, the net deferred tax effects related to the Q4 benefit will be excluded from our adjusted results. Q1 adjusted diluted EPS of \$0.59 includes a \$0.13 FX headwind versus the first quarter of 2024.

Our first quarter adjusted effective tax rate was 21.8%, down from 27.1% for the first quarter of 2024, which had an approximately \$0.04 favorable impact on adjusted diluted EPS. The lower 2025 rate was primarily due to changes in the geographic mix of income and tax benefits from discrete events in the period.

We now expect our full year 2025 adjusted effective tax rate to be approximately 28% to 30%.

Operating cash flows, which were neutral for the first quarter, came in ahead of our expectations.

As we previously communicated, our first quarter tends to be the lowest cash flow quarter of the year due to the payments of the annual Mark Hughes distributor bonuses, which were approximately \$74 million and in line with last year's payment.

In addition, we paid our 2024 annual employee performance bonuses during Q1, which was about \$35 million greater than last year due to a much higher bonus achievement level in 2024 versus 2023.

We repaid approximately \$70 million of debt during the quarter including the redemption of \$65 million of the 2025 notes in February. And as of March 31, our revolving credit facility remained undrawn.

Credit agreement EBITDA for the first quarter was \$192 million, and combined with our debt paydowns in the quarter, we further reduced our total leverage ratio to 3x as of March 31, a target we set to achieve by the end of 2025, and we have achieved it three quarters in advance.

For additional details regarding the adjustments between adjusted EBITDA and credit agreement EBITDA as well as the calculation of our total leverage ratio, please refer to the presentation appendix in the earnings press release.

Turning to slide 10.

We see the drivers of our year-over-year net sales performance.

On a reported basis, first quarter net sales were down 3.4% year-over-year, while up 1.4% on a constant currency basis.

Overall volumes were down 2.3% or \$29 million year-over-year, which was more than offset by approximately \$46 million of favorable pricing. FX was an approximately \$60 million headwind year-over-year or 480 basis points, which was slightly better than the 550 basis point headwind we had anticipated in our Q1 guidance provided in February. The FX improvement since January was primarily due to the broad-based weakening of the U.S. dollar.



While on a year-over-year basis, the dollar is still much stronger than it was a year ago.

Turning to slide 11.

We have the regional net sales results for the first quarter.

On a local currency basis, Latin America, EMEA and Asia Pacific all reported net sales growth in the quarter, with FX negatively impacting each of these regions on a reported basis.

In Latin America, net sales were down 4% on a reported basis, while up 11% on a local currency basis. Favorable year-over-year net pricing and an approximately 4% increase in volumes were more than offset by unfavorable FX headwinds, primarily due to the Mexican peso.

In Mexico specifically, net sales were down 10% year-over-year on a reported basis, whereas on a local currency basis, net sales were up 8%, primarily due to favorable pricing on flat volumes year-over-year. EMEA net sales were down 2% year-over-year on a reported basis, while up 3% on a local currency basis. Favorable year-over-year pricing and sales mix were more than offset by an approximately 5% decline in volume as well as FX headwinds. Year-over-year results were generally mixed across the market in the region.

In Asia Pacific, net sales were down 2% on a reported basis, while up 2% on a local currency basis.

Favorable year-over-year pricing impacts were more than offset by unfavorable FX movements and sales mix, with volumes nearly flat year-over-year.

In India, net sales were up 3% on a reported basis and up 7% on a local currency basis, primarily due to an approximately 5% year-over-year increase in volumes and favorable pricing. These benefits were partially offset by FX headwinds.

In North America, net sales were down 4% year-over-year, primarily driven by an 8% reduction in volumes, partially offset by higher pricing. China net sales were down 14% year-over-year on a reported basis and down 13% on a local currency basis, primarily driven by a 14% decrease in volumes year-over-year.

Turning to slide 12.

We see the drivers of the \$27 million or 19% year-over-year increase in our first quarter adjusted EBITDA.

Our adjusted EBITDA remained strong at \$165 million with margin at 13.5%, a 260 basis point improvement year-over-year.

Looking at the bridge, the impact of the gross profit margin improvement can be seen in the pricing benefit and favorable input costs, partially offset by lower volumes and unfavorable sales

mix. The reduction in salaries is primarily due to the restructuring initiative implemented during 2024, partially offset by employee merit increases in the first quarter.

Lower employee bonus accruals reflect a reduction in headcount as well as reduced bonus achievement levels expected in 2025 compared to the high levels achieved in 2024. Unfavorable year-over-year FX movements resulted in approximately \$17 million reduction in adjusted EBITDA. Moving to slide 13, I'll provide an update on our capital structure.

During the first quarter, we paid down \$70 million of debt including \$65 million of the 2025 notes redeemed in February and \$5 million of the Term Loan B scheduled amortization payment.

As of March 31, our revolving credit facility remained undrawn.

Importantly, we further reduced our total leverage ratio to 3x as of March 31, a target we had originally set to achieve by the end of 2025. Cash at the end of March was \$329 million.

With the steps we have taken over the past year to optimize our in-house bank, which enables us to centralize our cash management and reduce cash holdings in certain countries, we now have more flexibility to maintain an overall lower minimum cash balance. Going forward, some quarters may see higher or lower cash balances depending on the circumstances.

We remain committed to reducing our principal amount of debt outstanding to \$1.4 billion by the end of 2028, which is a \$1 billion reduction from where we stood at the end of Q2 2024 when we first made the commitment.

We remain on track to repay the \$197 million outstanding on the 2025 notes at or prior to the September 2025 maturity, leaving the next meaningful debt maturity not due until 2028.

As Stephan noted in his opening remarks, we recently completed the asset acquisitions related to Pro2col, Pruvit and Link BioSciences. Total cash consideration paid in April relating to these acquisitions was \$25.5 million.

In 2025, contingent payments of up to \$5 million in total are payable upon the successful launch of the beta version of the Pro2col technology platform in July and the commercial release in the U.S. in the fourth quarter of 2025.

Moving to slide 14.

We will review our outlook for the second quarter and full year 2025.

We continue to expect FX to be a significant headwind for the remainder of 2025 despite the recent weakening of the U.S. dollar. Therefore, we are providing net sales and adjusted EBITDA guidance based both on a reported basis, which uses the average daily exchange rates for the first two weeks of April 2025 as well as constant currency for both the second quarter and full year 2025.

For the second quarter, FX is expected to have an approximately \$40 million negative impact to our net sales and approximately \$17 million negative impact to our Q2 adjusted EBITDA.

We expect second quarter net sales to be in a range of down 3.5% to up 0.5% year-over-year, which includes an approximately 300 basis point headwind from currency.

On a constant currency basis, we expect net sales to be down 0.5% to up 3.5% year-over-year.

We expect adjusted EBITDA for the second quarter to be in the range of \$160 million to \$170 million, while in the range of \$177 million to \$187 million on a constant currency basis.

Our planned capital expenditures for the second quarter are in the range of \$25 million to \$35 million.

Now moving to our full year guidance, which we have updated given our first quarter performance and the revisions to the outlook for the remainder of this year, which include our preliminary estimates of tariff impacts, currency movements since we provided guidance in February and the estimated operating costs associated with the recent acquisitions.

With all of this, we are raising our adjusted EBITDA guidance for the year.

With respect to tariffs, our 2025 guidance includes a preliminary estimate of the impact of the incremental tariffs that have been enacted as of yesterday. The estimated impact of these tariffs is not material to our full year 2025 expected results.

On an annualized basis, we do not expect the enacted tariffs to have a material impact on our results.

Turning to FX.

We now expect currency to drive an approximately \$150 million negative impact to our full year 2025 net sales, reduced from an expected \$200 million headwind based on the FX assumptions included in our February guidance.

In addition, we now expect currency to drive an approximately \$65 million negative impact to our 2025 adjusted EBITDA, reduced from an approximately \$70 million anticipated FX headwinds in the guidance we provided in February.

We've narrowed our full year net sales range to now be in the range of down 2.5% to up 2.5% year-over-year. whereas at constant currency, we expect net sales to be up 0.5% to up 5.5% year-over-year.

As I stated, we are raising our expectations for the full year adjusted EBITDA to a range of \$625 million to \$655 million, while in the range of \$690 million to \$720 million on a constant currency basis.

We are reducing our expected capital expenditures for the year to now be in the range of \$90 million to \$120 million, which includes the incremental spend related to the further development and launch of the Pro2col platform.

We continue to expect full year capitalized SaaS implementation costs to be in the range of \$25 million to \$30 million, which is incremental to our planned CapEx. Depreciation and amortization including amortization of SaaS implementation costs, is expected to be in the range of \$140 million to \$150 million.

For the full year 2025, we expect our adjusted effective tax rate to be between 28% and 30%.

Now before moving to Q&A, I want to close my opening remarks with one final comment. 2025 is off to a strong start as we continue to pay down debt, improve margins and drive greater distributor engagement.

It's an exciting time at Herbalife as we made bold strategic moves to position ourselves for the future of health and wellness.

On behalf of our entire team, we're excited to welcome Stephan as our new CEO and to usher in the next era of Herbalife. This concludes our opening remarks.

Operator, please open the call for questions.

## QUESTIONS AND ANSWERS

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

Chasen Bender^ Stephan, to start, I was hoping you could expand a little bit on the monetization strategy of Pro2col.

I realize it's still pretty early. But given the expectations for adoption that you were highlighting earlier, how do you anticipate that the ROIs will evolve through '25 and '26?

And related to that, it's been almost a year since I think you first discussed the conversion opportunity at U.S. Nutrition Clubs. Could you just give us a sense how the conversion rates have evolved over the last year and how the Pro2col integration or launch could potentially influence those conversion rates going forward?

Stephan Gratziani^ Yes. So Chasen, thanks for the questions.

So first of all, I appreciate the fact that you said it's a bit early to start talking about the ROI.

Obviously, this is a new era for us as a company, launching a digital platform that supports our business supports more product consumption, longer product consumption, sales of new products

and supports distributors in helping their customers achieve the best results possible and create a stickiness to the company that we've never experienced before in this way.

So I'll let John talk a little bit about kind of how we've modeled things out.

But again, it's very new. We will be launching the beta in July, and in October, starting commercialization.

So again, I'll let JD talk a little bit about that.

On the Nutrition Club conversion, it's a huge opportunity for us.

You're right, it has been probably just over a year that we've been talking about it.

If we look at the 2024 data of unique consumers purchasing from U.S. Nutrition Clubs, it's almost 4 million people.

I mean if you think about that in the United States, it's a huge amount of people. And as you mentioned, we've been talking about conversion, 1% to 2% conversion as preferred customers. And part of it is the people that are distributors and the people that are working in the clubs that are selling to consumers because it is really a consumption-based, more of a food service model, they're not taking the time specifically to sit down with someone and ask them what their goals are and to explain the products to them or to go through and evaluate how they're eating.

And so, to have a technology that is as simple as saying, hey, download this QR -- scan the QR code, download, do a digital diagnostic, they may promote it and say you'll get \$5 off your next visit here at the club. You take the 4 million people, and we will be looking at different A/B testing, different conversion models, it's clear that we are going to go beyond the 1%, 2% conversion.

So again, early days, but we see that there's a huge opportunity for us, and that's just the United States.

I mean we can then talk about the 65,000 clubs around the world, but your points are very important. These are huge upsides for us.

And yes, it's early, but I think logic would tell you that this is going to have a very positive impact on conversion.

This is, again, new territory. Let me pass it over to John to talk a little bit more about the modeling in terms of the memberships and the users.

John DeSimone^ Yes. So Chasen, thank you. This, I think is an important question. When it comes to ROI and creating value, there's three main components and there's some subcomponents of a couple of them.

So first, the app itself could generate revenue.

And I say could because there's likely to be a fee for that unless you buy product.

So itself can have some revenue-generating attributes. That's one. Two, the app will help us sell more product.

I kind of put that into three buckets.

So there's the ultra-personalized bucket that's tied to Link BioScience, which is very much a product unique to you with your name on it based on your biomarkers and how you've answered questions and whatnot.

So that's one subset of it. Two is there will be products specific to the Pro2col app that are not in our portfolio today that will get launched over time.

We'll get into more details next quarter as to what that looks like, and that should be incremental revenue.

Then three, the app should help us sell more of our Herbalife product.

Then -- so that's -- those are three subsets of the product value.

Then there's new distributors and new customers.

That comes -- I'll put that in two buckets.

So really, there is the Herbalife bucket.

We think there will be -- this will be really a new DMO for our distributors that can bring in new distributors and generate new customers.

But also Pro2col was originally being developed for Pruvit and for their distributors and now the distributors have an opportunity to sign up for Pro2col and become Herbalife distributors, and that will help us.

So hopefully, that kind of buckets it. Lastly, I'll tell you, there's not -- in terms of the 2025 projections that we use for guidance, we included the cost of Pro2col.

We have not included revenue yet because when we launched the app in beta, it will be July, maybe there'll be some revenue for some product at that point, but it will be small and the commercial launch is October.

We'll know a lot more by then, and we'll start including more into our guidance as the year progresses.

Chasen Bender^ Got it.

Then secondarily, on North America, the trend on a lot of the distributor number KPIs and volumes too has taken a sequential step backwards.

So I was hoping you could provide some additional perspective on what's driving that and your expectations for the market in context of 2025 guidance?

John DeSimone^ Yes. I'll take it from a high level.

So when we think about net sales and just overall volume in the U.S., the U.S. finished the quarter very strong.

It actually started the quarter strong. It had a weak February, which I think we overcome.

And there could be a few reasons why including there was a lot of noise in the world back then that kind of slowed things down and the consumer was pretty weak in February in general. And also, we were launching a lot of new technology in the first week in March including our new ecommerce platform in the U.S., our digital IBP, which is the kit you have for signing up, which was much less expensive because it was digital leads. There's a whole host of different actions we took at the beginning of March that may have slowed things down in February, why distributors waited for the new stuff to come in March.

So -- but I will tell you, we finished the quarter strong, and we expect the North American region to improve Q2 versus Q1 sequential trends and continue to improve during the year.

Chasen Bender^ Then if I can just sneak one last one in. The guide for the constant currency sales guidance for 2025 came down by about 1% at the midpoint, which is more than just the flow-through of 1Q.

This is happening when broadly new distributor growth ex North America, ex China still looks pretty healthy. You're getting pricing in a number of markets and the overall trend in active sales leaders and non-sales distributors is headed in the right direction.

So they're kind of pointing in opposite directions.

So curious if you can elaborate on why the reduction to the midpoint of guidance.

John DeSimone^ Yes. I mean, so what you're saying, it is slightly in a different direction, right?

It's not materially in the different direction, right?

I mean you take the Q1 trend, if you annualize it, yes, we took the year down by slightly more than what the annual number would be for the first quarter but not much.

So it really was basically rolling in what we saw in the first quarter.

We had a little bit of weakness in Asia Pac, and we rolled that into the back half of the year.

We're not expecting a lot out of China, although we are expecting improvement.

I think we've launched -- we're very cautious on China.

We've been through a roller coaster ride over the last five years in China, and we have a lot of initiatives.

We're very hopeful.

But we're going to wait and see on China before we roll any meaningful upside into our projections.

Operator^ Our next question comes from the line of John Baumgartner with Mizuho Securities.

John Baumgartner^ Maybe first off, building on the last line of questioning, I wanted to come back to the Link to BioSciences. And Stephan, could you elaborate a little bit on your sort of intentions for that business?

I mean the offering seems maybe a bit more advanced and maybe a bit more expensive relative to the needs of the average person looking to drop a few pounds or maintain a healthy weight.

So is this something that you're looking to tap into athletes, a more specialized audience with the NSF certified for sport and have it slide into energy sports fitness category?

How are you thinking about the audience for Link?

Stephan Gratziani^ Well, I think there's a few audiences. Definitely, athletes and without going into details, we actually in the last couple of weeks have spent good amount of time with some of our partners that work with very high-level athletes.

This is something that is of high interest to them. So we're looking at opportunities and programs there.

I think if we look overall and to Chasen's question a little bit in terms of kind of the U.S., the U.S. market is becoming more and more sophisticated.

It has more and more access to information. I think there's more and more competition in terms of what's being offered by companies.

So Link BioSciences offers something that is really unique and differentiates us from almost every other company out there. To be able to formulate on a one-to-one basis for someone and not just on a one-to-many basis, it's just something that is not very -- it's not common at all.



I mean look at what's in your cupboards, how many of those products were formulated one-to-one for you.

So we believe that there's going to be a category of customers that are the more sophisticated that, number one, are looking for something and having something unique for them, that's more customized, that's going to bring customers in, that don't have anywhere else to go because we have it, number one, first of all.

So the second is the technology.

So having this technology and being able to build upon it, we believe over time what's going to happen is, yes, now it's hyper customized, but we actually think the world is going to go in that direction also.

So if we go down the road five or 10 years from now I think that the population overall that's going to be looking for hypercustomization, it will be bigger.

And so, being ahead of this and especially having acquired this technology and being able to build on it and expand it internationally, it's going to position us in markets ahead of, I don't want to say any competitors, but I would say almost any competitor.

So it's going to bring different levels of customers now.

Yes. You're right. It's more of a premium customer and athletes definitely fall into that category.

But we believe over time this will become more generalized, and we will be at the right place at the right time because of the moves that we're making today.

John Baumgartner^ Then, John, if we could dig a bit more into Asia Pacific. That region has seen some pretty good growth in the active nonsales leader distributors for a couple of years now and yet the volume isn't really converting.

Can you elaborate a bit in terms of what you're seeing on the ground?

And maybe it's India versus non-India. But is it macro? Is there an upskilling need that you haven't really implemented yet?

Just any thoughts on Asia Pacific would be appreciated.

John DeSimone^ Yes. Sure.

So Asia is still performing well by the way right?

And India is a big part of that, and it's still growing, but the numbers have gotten big and the growth rates have decreased, as expected.

That has an overweighting impact on the consolidated APAC numbers that you're probably looking at. So there's still a lot of strength in APAC.

But there was a few markets that had some weaknesses in the quarter. Korea was a little weak. Some of that is timing of price increases.

We expected to launch a price increase in March, which we thought would pull a little bit of volume into Q1. That didn't happen until April.

So we'll make up the -- I think we'll make up the Korea volume in April. Taiwan had a number of promotions last year, and it's got some tough comps. It's not doing great.

Indonesia has got a little bit of weakness.

So some of that was Ramadan that the timing was March of this year and it was April of last year.

There's nothing major negative going on APAC. There's a lot of good stuff going on in APAC.

It's just slightly under our expectations in the quarter, and we rolled some of that forward into the year, into the year.

Stephan Gratziani^ Yes, well I was just going to add that we've talked about the 3-year decline in recruiting, right?

So that there's a tail to that. And as we've now had our fourth consecutive quarter of new distributor growth, what ends up happening is that we've got to find the end of the tail, and it's got to have that moment of capitulation. It's a mixed basket, right?

You've got certain markets dealing with certain conditions and individual situations. So it's a timing. This is why we've been very clear, it's quarter-by-quarter.

I think overall, the company, and I spoke a little bit about it in the opening comments, the distributor leadership with these acquisitions and the vision and the tools of the Pro2col platform and this new manufacturing capability and technology, it's created a new vision for everyone around the world in the future and where we're going as a company.

So I just, again, it's -- we're in this period of time where -- look, we want to be able to come on these calls and say growth, growth, growth.

We've done a great job over the last year.

Recruiting is up. The tail of the three years prior, we're quarter-by-quarter closer to the point of capitulation.

It's just quarter-by-quarter.

John DeSimone^ And again, just to put it in perspective, right, APAC on a constant currency basis was up, right?

We expect it to continue throughout the year. So we're not looking at declines in Asia Pacific, right?

But they just -- the numbers are just lower relative to what they were the prior year because India was growing at such a hyper rate that it had an overweighting impact on the consolidated APAC numbers.

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

Robert Rigby^ This is Rob Rigby on for Bill.

So first one from us. Regarding the current economic environment, do you think that it's -- that it could be a tailwind given that consumers may be seeking a second job?

John DeSimone^ So this is John.

I won't answer it directly, but I think indirectly, history has shown direct sellers do pretty well in this countercyclical environment when people are looking to make extra money. That's gone on - - I mean that's a century worth of data that supports that.

So you can make your own determination whether you think it will help us or not this cycle. I mean there's just a lot of noise in the world right now.

So I don't know if it will happen or not, but historically, that's been a benefit to our company and other direct sellers.

Robert Rigby^ Then second one from us.

I appreciate all of the color regarding tariffs and understand that it's not a very material portion or won't materially impact '25 results.

I guess do you have any sourcing from China into the U.S.?

Then do you think -- or do you have an idea of if others within the industry may source from China into the U.S.?

John DeSimone^ I can speak for us.

I don't know where the other companies source their ingredients.

So we have some botanicals that we source from our own manufacturing facility in China.

It's at the ingredient level. There is an impact from that.

Now half the imports end up getting reexported out. They come from China, the ingredients, they get manufactured here and they get shipped out.

So there is a duty drawback. That's about 50% of the duties we have to pay.

That's why in total, like with all the -- on an annualized basis in 2026, if nothing changes, except for the duties that have been announced, it's a \$10 million to \$15 million impact.

It's not material after the duty drawback. Most of that is coming from China.

But again that's our impact and that takes -- China is the majority of that impact, but it's just not overall material because look, big picture, we're a U.S. manufacturer and most of the ingredients we use in our manufacturing facility come from the U.S., not all of them, but most of them.

So at least for the tariff -- the U.S. tariffs that have been enacted, it's just not much of an impact to us.

Robert Rigby^ Then just one last one from us. Are there any additional -- or is there any additional CapEx that's associated with the recently acquired assets?

Then regarding the CapEx guidance, I was just wondering what the rationale was for lowering the guidance there.

John DeSimone^ So the rationale for lowering guidance is we spent less in Q1 as we reprioritize our spend, right?

So all the reduction taken down -- all the reduction that's inherent in the full year guidance is a result of what happened in Q1. Actually, the next nine months goes up slightly because we underspent the midpoint of guidance in CapEx in Q1 by around \$17 million, and we took the full year down by \$10 million.

But I will tell you that the next nine months includes all the CapEx necessary for Pro2col for the acquisitions, too.

So there's nothing we're expecting from an operating cost standpoint or from a CapEx standpoint that's not included in the guidance we provided.

Operator^ Our next question comes from the line of Carolyn Popelka with Barclays.

Hale Holden^ It's Hale from Barclays. John, it was great to see the EBITDA increase for the year despite what sounds like some additional SG&A costs associated with Pro2col and launch costs.

So I was wondering if I was thinking about that correctly because it wouldn't have been in the number that you gave at the beginning of the year.

John DeSimone^ That's correct.

Hale Holden^ Is that a material spend for you to get that off the ground in the U.S. or not?

John DeSimone^ I mean I guess I don't know the definition of material.

I would say it's not material from a company our size, but it's meaningful money to get that up and launched.

There's a lot of effort to get it both the beta launch in July and the commercial launch in October.

Hale Holden^ Then the second question I had for you was you did a pretty good job of outlining the increased cash costs in the first quarter with the John Hughes payment and then the bonus payments from the fourth quarter that carried over.

But your cash conversion was pretty good.

So I was wondering what worked in your favor in the first quarter that kind of offset this?

John DeSimone^ Well, we took our cash balance down. I'll go back a year, maybe five quarters ago.

We ended 2023 with a cash balance north of \$500 million. When we did the debt deal last year, we communicated that we think we can get it to \$350 million and maybe better with some initiatives that we had planned.

I think what you're seeing now and what we're seeing is the benefit of those initiatives that was able to get our minimum cash needs to a point where we could draw our cash down to below \$350 million.

I don't know that there's much more room to go in some quarters based on whatever circumstances going on and the ability to move money around.

Some quarters may go up or may go down.

But that was one of the reasons why we were able to pay down our debt and have all these cash needs from an operating standpoint but still lower our leverage ratio.

Hale Holden^ Congrats on the acquisitions.

I look forward to ordering my bespoke vitamins and pills.

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

Douglas Lane^ John, staying on Pro2col here.

I'm more interested, I think in the out years and capital investment there.

I mean it seems to me you're basically building a company inside a company here and taking what is now a very early-stage operation and taking it to maturity.

So will we see sort of a permanent elevation in capital spending over the next three to five years as you do that?

John DeSimone^ Well, I think -- so when you say elevated, I mean there is some CapEx associated with Pro2col.

But we're not going to elevate our capital expenditures above and beyond what we ordinarily would have done.

We're actually just reprioritizing our internal spend away from things that we were going to have to do that we now don't have to do because of Pro2col.

So I'm going to step back and just take a kind of a big picture approach.

We spent a lot of money in tech over the last 2.5 years. We said that there was a flex to do that and then the spending would come down. That's what we're seeing.

We flexed up, spent a lot of money, built this integration layer, which Pro2col is leveraging. And maybe that's the piece that's missing is the development of the app, that's money we have to spend. The integration of it into our operating systems and our different databases, that's really leveraging the work we've already done and the money we've already spent.

So it's only a subset of what you might think. The CapEx of Pro2col is only a subset of what you might think if we were actually genuinely starting a new company because we already have Oracle.

We already have the integration layer.

We already have our MCS, which is a members' compensation plan. All we now do is taking the applications, creating websites and integrating it into that platform and that middleware that helps the integration is now built.

Douglas Lane^ That's good color. And can we talk a little bit about the Flex45 challenge, which was launched with great fanfare at your Honors back in March.

We should be starting that program now if I'm not mistaken.

So can you give us an early read on the distributor response to Flex45?

Stephan Gratziani^ Yes, Doug, I'll cover this.

First of all, lots of excitement at different levels. Number one, distributor engagement because the seven elements that they're actually engaged in every single day for the 45 days are things that are positive for themselves personally, their product use, the activities that they're going to be doing personal development, exercising.

So we had 200,000 -- over 200,000 distributors that actually preregistered for this, and we have tens of thousands of them that are participating.

I would say the level of excitement around the program, just as an initial feeling for what's going on, it's quite incredible.

I mean they've taken this on as an idea, and now they're implementing it in their organization.

So again this is a very simple program. There was no cost to this. This was something that distributors could engage, engage their customers and engage their organizations.

So we are following it very closely.

But overall, I think it was just, I would say a little bit of genius in a simple program, but they can have a really long-lasting impact over time.

It's something that we think that they're actually going to -- once the 45 days are up, actually keep it in terms of kind of not a DMO, but something that helps new people, new customers and new distributors come in and just be a part of getting right on board and getting focused, and it will impact the results.

So we're pretty excited about it.

Douglas Lane^ And this is happening all in this quarter, right?

So we'll have more to talk about when you report the second quarter and into the challenge, right?

Stephan Gratziani^ Yes. But just so you're clear, this is something that distributors are doing amongst themselves and for themselves, right?

So we had a kind of a preregistration for them to be able to register and commit to it.

It was really more for them to commit to the program. How it actually gets expressed in their own organizations, with their customers, with their down lines, that's not something that we are tracking.

We're going to track the productivity, obviously but we're not tracking, per se, all of the participants and what they're doing on a daily basis.

Operator^ Ladies and gentlemen, I'm showing no further questions in the queue.

I would now like to turn the call back over to Stephan Gratziani for closing remarks.

Stephan Gratziani^ Thank you. So before closing, I'd like to share just a little bit of -- from a personal standpoint.

As many of you know I signed up as a distributor in 1991. And as a 22-year-old living in France, who had really no idea of what my future was going to be and being introduced to this community and this opportunity and the products and the vision of Herbalife at that time it was life-changing for me.

I remember certain elements, whether it was hearing a story of someone that had started the business and it had changed their life or whether it was Babet, who in France, in Paris, I saw an event and who had lost 54 kilos and was standing up in front of the room and crying, and it touched me to the core.

It's hard not to get emotional about this because it has been my life for the last 34 years. Mark Hughes started the company and his whole mission was to help people lose weight naturally because he had lost his mother to medication, trying to lose weight. Funny enough, 45 years later, people are still taking medication. They're just injecting it now and not swallowing it and maybe now swallowing it. The problem still exists.

And so when Mark started in 1980, that was his mission. That was his vision. 20 years later, Herbalife became the world's weight loss program, probably the premier in the world. Then we had Michael Johnson, who joined and his heart and spirit and his professionalism, number one, an athlete, and he birthed an entire community of healthy active lifestyle-focused individuals. Not only did he make sure that the company was vertically integrated, that the products were science-backed, that people started to pay attention to their lifestyle and not just focus on losing weight but actually integrate a holistic healthy active lifestyle.

And for 22 years, that was the vision and the mission of Herbalife.

So if you look at the results of that as per Euromonitor, well today we're the number one weight management brand in the world.

So Mark Hughes, 20 years, 1980, Herbalife became the number one weight management brand in the world. Michael Johnson, 22 years, healthy active lifestyle focus, affiliations with some of the greatest athletes in the world.

Well guess what, as per Euromonitor, we're the number one active lifestyle and nutrition brand.



We're also the number one protein shake in the world with 25% of the market share in meal replacement.

So the vision and the mission of two incredible leaders that have built Herbalife to what it is today. And now I have the honor of taking on this next role and opportunity.

So I share this with you because it's not a job for me.

It was never a career path to become an executive of Herbalife.

I told Michael 14 years ago that I wasn't interested in that.

But changing people's lives and seeing for 32.5 years in meetings, people telling their story about how Herbalife changed their lives and many of them saying that it saved their lives, it's impossible not to have that become your purpose over time.

So I take on this role and my purpose is to make sure that our company becomes the premier health and wellness company community and platform for the world because my purpose, and I believe Herbalife's purpose is to impact humanity's health and wellness, and that is the reason that our company exists.

So I don't know what to tell you about the next 10 to 20 years.

But if history has a way of repeating itself, Mark's vision of weight loss, Michael's vision of healthy active lifestyle, it became who we are today.

The vision of becoming the world's premier health and wellness company, community and platform, that's our vision for the future. The acquisitions that you've seen I think you could kind of get a sense that this is leading us to that future, and that's the future that we're all going to be working for. And lastly, I just want to say thank you because many of you have been for a long time following us or participating, partnering, believing. And every single one of us, we have a responsibility.

Our responsibility is to grow this company and to have it make the impact that we know it can have in the future.

So thank you all very much for participating.

We'll talk to you next quarter.

Operator^ Ladies and gentlemen, this concludes today's conference call. Thank you for your participation.

You may now disconnect.