

HERBALIFE INTERNATIONAL OF AMERICA, INC.

**Moderator: Amy Greene
February 20, 2013
11:00 a.m. ET**

Operator: Good morning and thank you for joining the Fourth Quarter 2012 Earnings conference call for Herbalife, Limited.

On the call today is Michael Johnson, the company's chairman and CEO, the company's president, Des Walsh, John DeSimone, the company's CFO, and Brett Chapman, the company's general counsel.

I would now like to turn the call over to (Brett Chapman) to read the company's Safe Harbor language.

Brett Chapman: Before we begin, as a reminder, during this conference call, comments may be made that include some forward-looking statements. These statements involve risk and uncertainty and as you know, actual results may differ materially from those discussed or anticipated.

We encourage you to refer to yesterday's earnings release at our SEC filings for a complete discussion of risks associated with these forward-looking statements and our business. 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 these non-GAAP financial measures assist management and investors in evaluating comparing period-to-period results of operations in a more meaningful and consistent manner. Please refer to the investor relations

section of our website, Herbalife.com, to find our press release for this quarter which contains a reconciliation of these measures.

Additionally, when management makes reference to volume during this conference call, they are referring to volume points. I'll now turn the call over to Michael.

Michael Johnson: Thanks, Brett. And good morning, everyone, and welcome to our Fourth Quarter 2012 Earnings conference call.

Today, I'm going to focus our commentary on four key areas. First, our record financial performance for the fourth quarter as well as for the full year 2012. Second, our positive momentum that is continued into the first quarter's evidence buyer increased 2013 guidance. Third, our commitment to continuous improvement.

At Herbalife, the goal of our 6,500 employees used to build it better every single day. And fourth, we are simplifying and better communicating our business model and metrics so that investors and the public can better appreciate what a truly great company Herbalife is.

As we reported yesterday, Herbalife enjoyed broad-based strength around the world. More specifically in 2012, we achieved the following record financial results: A record \$4.1 billion in net sales, a record \$4.7 billion in volume points, a record \$736 million of EBITDA, a record \$477 million in net income and a record \$4.05 of EPS.

For the fourth quarter we also achieved record results. A record \$1.1 billion in net sales, up 20 percent year-over-year, a record \$1.2 billion volume points, up 18 percent year-over-year, a record \$178.8 million of EBITDA, up 18 percent year-over-year, a record \$117.8 million of net income, up 12 percent year-over-year and a record \$1.05 of EPS, up 22 percent year-over-year.

Our record 2012 financial results have carried into 2013 and we are experiencing strong momentum in the business despite what we believe to be

unprecedented, untrue and unfair attacks on this company over the last 8 weeks. Our business continues to perform exceptionally well.

You will note from our earnings release yesterday that we have increased our 2013 revenue and earnings guidance. Over a year ago in January of 2012, we launched the Build it Better Program. Our mission is to be the best global nutrition company helping millions of people achieve their weight management and daily nutrition goals.

We do this every day by improving our products, building a recognized and respected brand, and developing our distribution capabilities. Distributors, employees and vendors all participate in building us better, which is reflected by the constantly improving quality of our business, the strength and consistency of our growth and the steady improvement in our financial results.

As we build Herbalife better, we realize there is a need for simplifying how we talk about our business in order to help investors and the public recognize our value proposition. We know that when people truly understand Herbalife, they see a great company with a tremendous future.

During the last two years, we've been developing two programs that will help with this simplification and we've accelerated the implementation of these programs. The first is a recently provided updated and expanded U.S. statement of average gross compensation. We believe this document sets a new disclosure standard for compensation in the MLM industry.

It is posted on our website and will be included in all U.S. start-up kits as was the prior disclosure; however, we are taking it a step further. We have decided to include this disclosure document in every new distributor application in the U.S. by the end of this month.

In April of this year, we will announce name changes for how we categorize distributors and customers that will more clearly delineate the portion of our 3.2 million distributors who are in fact wholesale customers versus those who are active distributors or sales leaders.

The goal of these changes is to have the categories more closely match the intent and the actions of our distributor base so that investors and the public can more easily understand our business. Finally, as we continue the Build it Better Program, we will be proactive in adopting additional improvements as necessary.

I'm extremely proud of the hard work and dedication everyone on team Herbalife who contribute to our continued success. And, of course, I want to say thank you to our customers, our distributors and employees around the world for another record performance.

The strength of our results is a testament to our ongoing commitment and success in being the best global nutrition company by helping millions of people achieve their weight management and daily nutrition goals.

I thank you and now, let me turn the call over to Des Walsh.

Des Walsh: Thank you, Michael. As you've just heard, we had another record quarter, our sixth consecutive quarter of more than 1 billion volume points and 18 percent higher than last year's fourth quarter results.

We continue to be very pleased with the momentum we see in the underlying trends in our business as all six regions posted strong double-digit volume point growth. And as further testament to the success of our business, our record number of 195,732 sales leaders were retained in 2012 compared to 163,605 the prior year, representing an increase of 20 percent.

Although the size of the group needing to re-qualify increased significantly in 2012, our overall retention rate remained essentially constant at 51.8 percent compared to 52 percent the prior year.

The main driver of our growth continues to be the consistent execution of the daily consumption business methods that we have been discussing with you

all for the past several years, which in turn leads to a natural and sustainable growth of distributors.

This is augmented with the expanded use of systemized training methods throughout our six geographical regions.

In 2011, we began implementing a localized focus on the business growth with our regionalization initiative working with distributor leadership to implement a city-by-city strategy. Over the past couple of years, we have been adding regional sales managers into key metropolitan markets throughout our six geographical regions.

These regional sales managers are in the field working with local distributor leadership. Mexico currently has 8 regional managers. North America has 6, EMEA has 9, Asia-Pacific has 47, the South and Central American region now has 23 and China has 14 regional managers.

This strategy is achieving increases in per capita penetration in those cities that have unified distributor groups who focus on best practices, brand development and systemized training. Out of the top 3,000 most populated cities in the world, 2,481 of them are located in urbanized markets.

At year-end, we had almost 600 cities with localized city leadership teams and we have the opportunity to double that number over the next few years. These city leadership teams are comprised of the most active distributors in these markets and they take a key role in planning local events, promotions and activities.

Driving engagement and activity local level is helping our distributors drive deeper engaging customers at a grass roots level. When we look at how our distributors take Herbalife product to customers, one method is daily consumption through nutrition clubs.

We estimate that we ended 2012 with approximately 48,600 commercial or non-residential clubs. Distributor engagement continues to be strong as

evidence by the average active sales leader growth of 20 percent this quarter. This is our eighth consecutive period of 20 percent or greater growth in this metric, which we believe speaks to the sustained momentum and distributor engagement in our business.

Before we move to discuss the specific regional results, it is worth mentioning how broad-based the growth for 2012 was throughout the year. Herbalized growth is being driven by our most established markets.

In new countries, those which have been open for five years or less, contribute an immaterial amount to our top line growth. For the fourth quarter, new markets opened five years or less contributed just seven percent to our overall top line growth and for 2012, that number was only six percent.

Now, let me provide regional highlights and color on some key regions. The North American region had another strong quarter posting almost 19 percent net sales and local currency net sales growth and 15 percent growth in volume points, each compared to the prior year period.

New distributors increased 6 percent in the quarter and average active sales leaders increased 14 percent in the North America region compared to last year's fourth quarter results. We estimate that there are approximately 4,500 commercial nutrition clubs in this region.

For the quarter, U.S. net sales in a market that is now 32 years old grew 20 percent and volume points increased 16 percent versus the same quarter last year. Compared to the prior year period, new distributors in the U.S. increased 6 percent and average active sales leaders increased 14 percent.

The growth in the U.S. continues to be driven by the expansion of daily consumption business methods. For the year, North America's net sales grew 20 percent and volume points increased 17 percent versus 2011.

New distributors increased 9 percent and average active sales leaders grew 16.4 percent. Sales leader retention in North America was 54.7 percent at 360 basis point improvement versus last year.

North America hosted their two extravaganzas early in the fourth quarter. We saw more than 10,000 distributors at both the Long Beach and St. Louis events. These events are the platform for facilitating training on products and daily methods of operation.

This year, we launched the Formula One Meal Bar, which has been very well received by the market. The events are designed to foster and cultivate an environment where distributors can share tactics, ideas and business plans.

The excitement and level engagement of the distributors at these recent events was impressive as they trained on various elements of daily consumption and the successes that are being experienced through implementation of these strategies in the marketplace.

Moving on to Mexico. Local currency net sales for the quarter increased 18 percent and volume points increased 13 percent each as compared to the prior year period. For the fourth quarter, new distributors increased 2 percent compared to the prior year and average active sales leaders increased 18 percent for the quarter.

For the year, local currency net sales in Mexico increased 20 percent and volume points increased 16 percent compared to 2011 results. New distributors increased 6 percent and average active sales leaders grew 21 percent compared to 2011.

Sales leader retention in Mexico was an impressive 58 percent. The non-residential club model continues to grow in Mexico and is a driver of greater access to our products for consumers across the country.

In Mexico, we estimate that there are currently about 19,500 non-residential nutrition clubs. During 2012, we launched Herbalife 24 in Mexico and as we

have seen in the markets that have had the Herbalife 24 products for a few quarters, the excitement generated by the line is attracting younger distributors more focused on building a customer-base around a healthy, active lifestyle.

The Asia-Pacific region continues its strong performance. During the fourth quarter, local currency net sales increased 18 percent and volume points grew 18 percent, each as compared to the prior year period.

For the fourth quarter, new distributors increased 21 percent versus the prior year. The growth within the region continues to be driven by the expansion of daily consumption business methods and a high degree of distributor engagement.

Average active sales leaders increased 26 percent in the quarter over the same quarter in 2011. The success of daily consumption in the early adopter markets within the Asia-Pacific region has led to the proliferation in clubs in countries throughout the region including India, Malaysia, Indonesia and Vietnam.

Within the Asia-Pacific region, we estimate that there are about 11,000 non-residential nutrition clubs. For the year, local currency net sales in the Asia-Pacific region increased 26 percent on volume point growth of 25 percent.

New distributors increased 32 percent and average active sales leaders grew 31 percent. Sales leader retention in this region remained at approximately 40 percent for the year.

Local currency net sales in the South and Central America region increased 39 percent and volume points in the region were up 34 percent each as compared to the fourth quarter of 2011. Average active sales leaders in the region increased 28 percent over last year's fourth quarter.

Venezuela continues to grow strongly with an increase of 43 percent in new distributors compared to fourth quarter 2011. One of the things that we continue to be pleased with in the South American region is that daily

consumption is moving out of the early adopter markets in the region and is now driving sales throughout numerous countries in the region.

We estimate that there are approximately 9,400 non-residential nutrition clubs in the region. Within the South and Central America region, we need to mention the stability we are continuing to see in Brazil. Brazil experienced volume point growth of approximately 20 percent in the fourth quarter as both nutrition clubs and traditional business methods continue to experience growth.

In the fourth quarter, Brazil held a world team event in San Paolo which saw about 4,700 attendees and tonight, we will fly to Bogatek, Columbia, for the South America Extravaganza where we will see more than 15,000 distributors.

For the year, local currency net sales growth in the South and Central America region increased 33 percent, driven by volume point growth of 30 percent.

New distributors increased 16 percent for the year and average active sales leaders increased 29 percent. Sales leader retention in the region was 54 percent down slightly compared to 2011. Turning to EMEA, during the fourth quarter, local currency net sales increased approximately 11 percent and volume points in the region grew 14 percent compared to the same period in the prior year.

New distributors for the fourth quarter were down 8 percent compared to the prior year period. Average active sales leaders in the region were up 13 percent in the quarter compared to the fourth quarter 2011.

We estimate that there are approximately 2,000 non-residential clubs at the end of the fourth quarter of which approximately 50 percent are located in Russia. The potential for further growth in nutrition clubs around the region remains very high as we are seeing more distributors in areas around the region interested in the fifth club concept.

Within EMEA, Russia had another impressive quarter. Compared to the fourth quarter 2011, this quarter's volume points were up approximately 55 percent. Russia continues to be a market that exemplifies the benefits of a market built on daily consumption, systemized training, a unified distributor leadership group and a city-by-city focus.

It has had strong volume growth for the past 11 quarters and new distributor growth for the past 9 consecutive quarters. The strength of these core metrics illustrates the benefits created by building a business on a strong stable foundation grounded in daily consumption coupled with systemized training and a local focus city-by-city.

We continue to monitor the impact of the automated sales centers that we have put into the field and will evaluate the potential to expand this program in the future. We are encouraged by the continued success of weight loss challenges throughout countries in Western Europe and the growth of nutrition clubs in more southern markets, and like the U.S., we believe that we are seeing a more athletic distributor group in Western Europe embrace the Herbalife 24 product and brand through adaptations of daily consumption that embrace the healthy, active lifestyle.

The U.K. continues to be a good example of how daily consumption can begin to drive market change. This quarter, we experienced 54 percent growth in volume and a 72 percent increase compared to the prior year period in new distributors in the U.K., our oldest market in the EMEA region largely driven by the success of the weight loss challenge concept and the distributor's focus on a healthy, active lifestyle.

Distributors have also taken the fit club concept and begun implementing it throughout the U.K. Many distributors are also achieving success with shared office approaches. The U.K. highlights the fact that our business opportunity offers many and varied approaches to achieving business success, all of which are focused on consumer-led daily consumption.

In the EMEA region, annual local currency net sales increased approximately 10 percent and volume points grew 11 percent. New distributors increased 2 percent and average active sales leaders grew 14 percent.

Sales leader retention in the region remained flat at 61 percent. Now, let's turn to China where local currency net sales increased 12 percent and volume points grew 17 percent in the fourth quarter compared to the prior year period.

While we continue to believe that our sales leaders in China are making progress at acculturating the concept of daily consumption, we are still working to fine-tune the nuances of this model that will work best in this market. We continue to see more nutrition clubs open and while we are pleased with the progress of the business in China, we remain cautious about expecting too much too soon from this market.

We are focused there on building a sustainable business on a solid foundation of long-term customers and we are prepared to move more slowly and take time to achieve the desired results.

We estimate that there are approximately 1,700 nutrition clubs in China after the fourth quarter. One of the key drivers of the growth in the region during the fourth quarter was an increase in productivity of the existing clubs through the expansion of the customer base. During the fourth quarter, China held an anniversary rally in Xiao Men with approximately 13,400 attendees. And for the year, China's local currency net sales increased 29 percent and volume points grew 34 percent.

Before I turn the call over to John, let me take a moment to applaud our distributors for another very strong year. This year's results were a testament to their engagement, their resilience and their continued focus on creating and mentoring new customers for our products everyday and over time converting many of these product users to distributors who go on to do the same.

We believe that the positive momentum we see in our business is due to the tremendous daily consumption base performance of our distributors supported

by enhanced systemized training. Our realization initiative will continue and we continue to believe that there is a long runway or opportunity ahead of us.

Now, let me pass the call over to John to review the financials.

John DeSimone: Thank you very much, Des. I'll first review the company's fourth quarter and full year 2012 results, then provide an update on our share buyback program before moving on to Q1 in 2013 guidance.

For the fourth quarter, we reported net sales of just under \$1.1 billion, an increase of 19.8 percent compared to the fourth quarter of 2011. For the period, foreign currency had a small headwind of 60 basis points. All 6 regions had double-digit volume point increases and 5 of 6 regions also had double-digit net sales increases.

For the full year, we reported net sales of just over \$4 billion, an increase of 17.9 percent. Currency with a net headwind during the year negatively impacting year-over-year net sales by 470 basis points.

Similar to the fourth quarter results, all six regions experienced a double-digit volume point growth with five or six regions also experiencing double-digit net sales increases for the year.

Des has already walked you through the details of our volume and net sales results by region. So I'll move on to gross margin.

During the fourth quarter, gross margin of 80.1 percent declined slightly sequentially compared to Q3 about 10 basis points, but was slightly higher than our expectations. Compared to the prior year, Q4 gross profit percentage decreased by approximately 60 basis points driven mostly from foreign currency and country mix partially offset by the benefits from net sourcing savings and lower inventory write downs.

On a full-year basis, gross margin declined by approximately 20 basis points. Similar to the quarterly variance, this full-year change was caused by an

unfavorable impact from foreign currency, country mix and other costs partially offset by the benefit of net sourcing savings and lower inventory write-downs.

Now, let's turn to operating margin. Fourth quarter operating margin as a percentage of sales was 15.1 percent and was in line with expectations and approximately 10 basis points below Q4 of 2011. For the full year, operating margin of 16.3 percent was essentially flat with prior year.

Moving to SG&A, fourth quarter SG&A as a percentage of sales excluding China sales representatives and service providers, improved by approximately 80 basis points compared with a year ago.

Included in the fourth quarter's SG&A, it was approximately \$5 million of recognized F.X. loss. This compares to a \$2.3 million F.X. loss in the prior year's fourth quarter. On a full-year basis, SG&A's percentage of sales excluding China sales representatives and service providers improved by approximately 40 basis points compared to 2011.

Recorded foreign currency losses this year were \$16.7 million compared to \$11.4 million in 2011. Moving to the effective tax rate, the Q4 rate was higher than a year ago, but better than expected in our guidance.

The full year 2012 effective tax rate of 26.7 percent was approximately 40 basis points higher than last year's full-year rate. This change was primarily due to lower net benefits from discrete events and increased accruals for tax contingencies partially offset by country mix.

Fourth quarter diluted earnings per share of \$1.05 was 6 cents better than the midpoint of our guidance range provided in October. As we cited in our pre-release on January 17th, the 6 cent beat was primarily driven by both higher volume and a lower than projected effective tax rate.

With respect to cash flow for the full year 2012, the company generated cash flow from operations of approximately \$568 million, an increase of 11 percent

compared to 2011. Free cash flow for the year, net of approximately \$122 million of capital expenditures, was \$446 million.

During the fourth quarter, we purchased \$50 million in common stock representing 1.1 million shares, and for the full year 2012, we purchased just under \$528 million in common stock representing 11 million shares.

In addition to last year's repurchases, since our January 17th pre-announcement last month, we have repurchased an additional 4 million shares at a total cost of \$162 million. We currently have approximately \$788 million remaining on a \$1 billion share repurchase authorization.

With respect to guidance for 2013, we are raising both our revenue and earning guidance compared to our previous guidance.

We have increased net sales outlook for the full year by 2 percent to both the high and low end of the range. We now expect net sales to increase by 12 to 14 percent on volume point increase of 8 and a half to 10 and a half percent. For the first quarter, net sales is expected to increase by 15, 17 percent on 11 and a half to 13 and a half percent volume growth.

With respect to EPS, we are raising our full-year diluted EPS guidance range adding 5 cents and 10 cents to the low end and high end of the previous range respectively resulting in a new 2013 full-year guidance range of \$4.45 to \$4.65.

The increase in EPS guidance is a result of higher volume forecast, slightly improved F.X. rates, and the impact of the Q1 buyback partially offset by a higher effective tax rate.

The full-year 2013 EPS guidance includes an approximate 17 cent tailwind from currency compared to 2012. With respect to 2013 guidance, let me note one key currency assumption. Recently in Venezuela, there was an official devaluation of the (Bolivar) from 4.3 to a dollar, up to 6.3 (Bolivars) to a dollar.

We are monitoring and evaluating this new currency environment in Venezuela including the accessibility of this new 6.3 rate. For accounting purposes, if we remeasure our net monetary assets and liabilities denominated in (Bolivars) at this new 6.3 rate, we will incur a one-time charge of approximately \$14 million; however, this one-time charge could be higher if an applicable alternative rate of worst than 6.3 is used.

Our guidance does not include one-time charges from the change in the remeasurement rate in Venezuela or other possible one-time write-downs associated with our Venezuelan operations.

Additionally, as noted in our press release, our guidance excludes certain one-time costs, mostly legal and advisory services associated with our response to information put forward by our short-seller. The costs are currently expected to be between \$10 and \$20 million.

My last point regarding guidance is that similar to prior quarters, guidance only includes approximately \$50 million in incremental share buyback per quarter for quarters 2 through 4, but actual amounts could significantly exceed guidance depending on the circumstances.

Thank you and that ends the prepared comments. We will now open up the call for your questions.

Operator: And at this time, ladies and gentlemen, if you would like to ask a question, please press star, then the number one on your telephone keypad. Your first question comes from the line of (Tim Ramey) with D.A. Davidson.

(Tim Ramey): Thanks and congratulations on a great quarter. John, still trying to kind of better understand the Venezuelan cash situation. I think I read in the cue where it had jumped up to 4 percent of sales. So it's more meaningful if I'm right about that, but I know you've been trying to repatriate cash for a while and there's still, you know, a pretty good balance sound there.

Can you talk about, you know, why you weren't more effective of – in getting cash out?

John DeSimone: Yes, it's not a very accessible exchange market right now. Prior to the devaluation, there were two government-controlled rates. There was the (kadevi) rate, which is the official rate, which was 4.3, which was completely inaccessible, and then there was a secondary government rate called, (Sitny), that was 5.3, and that was limited to just a couple of hundred thousand dollars per month.

And then any other exchanges had to take place outside the borders of Venezuela and it's not a very liquid market and I think the current devaluation will hopefully increase liquidity in the market and will be able to exchange some of the cash, but right now, we can't get the cash out.

Hopefully, that changes during the year. In all likelihood, it'll be worth some 6.3 official rate, but we don't know that for sure. We don't know how accessible the government makes that rate. When they had their last devalue in 2010 when they went from 2.15 to 4.3, they made that 4.3 rate very accessible for a short period of time and we were able to take out a lot of money and that may be the case now. So we just don't know. It's developing as we speak.

(Tim Ramey): And if I can follow-up with Des, you know, I know at the analyst day last March, you emphasized how well organized Russia was and how it was somewhat of a model for other markets and, you know, you're continuing to see incredible growth there, but with relatively low numbers of nutrition clubs and so on.

What can you learn -- what have you -- what have you learned from the Russian model for, you know, maybe the rest of EMEA or the rest of the world or are there other, you know, kind of learnings about what's going right there?

Des Walsh: Yes, (Tim). So obviously we continue to monitor Russia because the performance there is tremendous, 55 percent up in the fourth quarter. I guess there's three elements that are driving the Russian business.

First of all, it's the same thing that's driving the business around the world. It's focused on daily consumption. You combine that then with the 5K supervisor qualification program where people achieve supervisory over a period of 12 months. That has been a huge contributor to the performance of the business and the incredible retention rates in excess of 70 percent.

And in the last element is our regionalization and city-by-city initiative where in Russia we have a very high percentage of the major cities in Russia have formed distributor leadership groups and those leadership groups work with our local management to take responsibility for their city. That drives best practices. It drives brand awareness and improvement and it drives focused systemized training.

So those three factors are factors that are common throughout Russia and obviously we're very engaged in expanding those best practices now around the world.

(Tim Ramey): Thanks so much.

Des Walsh: Sure. Thank you, (Tim).

Operator: Your next question comes from the line of (Mike Floor) with SunTrust.

Male 1: Hi, (Mike).

(Mike Floor): Hey. Good morning, everyone. Maybe you could just touch on the retention rates in North America. I think you said they were up over 300 basis points year-over-year and maybe you can flush out, you know, what's behind that. That's a pretty big increase. So any color will be helpful.

Des Walsh: Yes, (Mike). So obviously, 54 percent plus retention and North America and basically it's indication of the strength of our business the focus on daily

consumption, and again, the same things as we've spoken up in the past is daily consumption and systemized training, it's providing better support structure, and frankly our distributor leaders highly engaged, highly focused and mentorship program in relation to new distributors coming into the business.

And then, of course lastly, it's a testament to the power of our products and the results that our customers have on those products every single day.

(Mike Floor): And just kind of viewing that through the -- through the lens of, you know, where your retention rates are in Russia, you know, around 70 percent I mean, is that something that you think you can get to over time and, you know, not only North America, but some of your other markets?

Des Walsh: So there's no reason why that shouldn't be possible, (Mike), because the elements that are present in Russia we are now vigorously engaged in working on with our distributor leadership. As you know, we have our major worldwide event coming up in a few weeks, our president summit in Paris and our key focus there is on our realization, our city-by-city initiative because what we want is we want distributor leaders around the world coming together taking responsibility for their cities introducing more and more customer-focused initiatives to expand our customer base to drive deeper into communities and then to have systemized training in place in individual cities.

So again, those elements that are present in Russia that we see impacting our business in the U.S. and elsewhere, we want to accelerate the adoption of those practices because that's the key to improving our retention rates from the -- from the 50s into the 70s on a worldwide basis.

(Mike Floor): Thanks for that color, Des. And then just one follow-up for John. Maybe you could touch on why -- I guess why the bump in the tax rate versus your prior expectations. I mean, is there anything baked in there for repatriation of cash that's held overseas?

John DeSimone: Now, we -- just so you understand that we assume that our cash overseas will always be repatriated and we accrue for the tax implications of that through

ABP23 every year. So there's no incremental tax incurred when we actually repatriate the cash.

There's a cash impact, but the P&L's already been accounted for. The only change in expectations in tax rates is the country mix and a little bit of the incremental interest expense with higher debt as we buy back stock.

(Mike Floor): OK. Great. Thanks for the color.

Operator: Your next question comes from the line of (Scott Vanwinkle) with (Kenacore Genuity).

(Scott Vanwinkle): Hi. Thank you much. Can you -- can you talk a little bit more about the, you know, comments about simplifying the business models? Is there any kind of sneak peak that you can give us as to what's coming?

Des Walsh: So (Scott), this is Des. I would say it falls into a number of areas, (Scott). I think the first was our revised income disclosure statement. We previously had an industry-leading standard in this respect, but now we think we've set the bar even higher with a new simpler to understand disclosure statement.

The next area that we're focused on is our nomenclature. There is a misperception in the market that frankly, you know, people have sought to capitalize on because when a person hears the term, "distributor," then they naturally assume that that is somebody that is distributing Herbalife products.

What we, of course, know from our research is that a very significant percentage of people who become distributors do so in order to receive a wholesale price on Herbalife products because they are avid Herbalife users.

So what we want to do is that we want to simplify matters by breaking out that group and identifying them separately so that they're clear that this is a group that are not distributing product, but rather are engaged as wholesale customers.

I think there's other elements that we're going to be looking at in relation to some of our charges in various areas. So it's part of an ongoing program.

And the other thing I'd mention is this, (Scott), we began what we refer to as the Build it Better Program, you know, in January 2012. So this simplification process is something that has been happening since then and what you're seeing today is simply part of those ongoing methods that have been placed now for 14, 15 months.

(Scott Vanwinkle): Great. Thanks. And then, you know, you called out, you know, some expected one-time expenses this year for the, you know, recent activities. Can you talk a little bit about one of the things you said at the end was that in January is that you engaged, you know, marketing firms to help, you know, communicate with distributors and, you know, respond to negative publicity.

What's been done in that regard?

Des Walsh: So what we spoke of there, (Scott), is that we are actually -- we've engaged a search firm to bring on-board a vice president-level head of research. We believe that having better understanding regarding the motivation behind our purchases the issue of who is our customer, understanding our customers better.

We think this will actually help us in terms of expanding our business and also help some of the misperceptions that exist out there. So that's what we referenced and, in fact, that search is currently taking place and we hope to fill that position within a couple of months.

John DeSimone: Yes, let me -- hey, (Scott). This is John. Let me add first that the research executive will build a global research department to do similar research to what Lieberman did, but on a more coordinated global basis.

It provides good insight into the business and good validation of statistics that we have internally, but those costs are in guidance, not -- that's not part of the one-time costs that we've excluded.

(Scott Vanwinkle): Great. And then, you know, John, do you have an update on, you know, an estimate of volume going through nutrition clubs? Are we still in that, you know, 33 to 41 percent range?

John DeSimone: Yes, I have no further update at this point.

(Scott Vanwinkle): Great. Thank you much.

Operator: Your next question comes from the line of (Rummel Dionecio) with (Fred Bush Securities).

(Rummel Dionecio): I wonder if you guys could just update us on some of the product access initiatives in India/Russia you guys have talked about the last several months, to what extent those initiatives are having an impact and, you know, to what extent you might think about expanding some of the similar initiatives in other countries.

John DeSimone: Sure, (Rummel). So, you know, having seen our presentation multiple times, you're obviously aware of the importance of creating access to our products for distributors, especially in developing markets where there's not a sophisticated shipping infrastructure.

India and Russia are two test cases that we're working on, new concepts. Well, actually, Russia's an entirely new concept which are the automated pick-up centers where a distributor, and only a distributor, can go into a fixed location and pick up their product from a machine and then we can replenish the machine at night when there's limited traffic and it's actually a pretty effective replenishment mechanism in a -- in a country that has significant traffic and access problems.

That -- there's a couple of machines running right now in Russia. They're hitting our expectations, but it's early. So I don't want to get out ahead of it. And then in India, we are trying to find a model in India that mirrors what we've done in Mexico, which is to partner with the retail already has a fixed infrastructure and we can leverage that to make our products accessible to our

distributors and create a cross-benefit to that retailer by driving foot traffic to their stores.

So we are in some stores right now in India. It's still in the test phase and we should have an update on both initiatives over the next three to six months.

(Rummel Dionecio): OK. Thanks very much, John.

Operator: Your next question comes from the line of (Bill Leach) with TIAA-CREF.

(Bill Leach): Hi. Good morning.

John DeSimone: Hi, (Bill).

(Bill Leach): Hi. I was wondering, can you just verify your statement in the 10K about the SEC? Did you contact them or did they contact you or both? Where does that (inaudible)?

John DeSimone: Sure. As we disclosed as part of our filing yesterday and we confirmed that our investor day on January 10th following the events in the marketplace in December and subsequent meeting that we, Herbalife, requested with the staff of the SEC, the staff requested some information regarding our business and our operations and consistent with its policy, the company is and will cooperate with these inquiries.

Other than that, there's nothing to disclose.

(Bill Leach): And do you have any thoughts about your new big shareholder (inaudible)? Perhaps having the company use its balance sheet more aggressively, even going private? Have you had any discussions with him which you can share with us?

Michael Johnson: Hi, (Bill). It's Michael. You know, we don't, and you wouldn't expect to, I believe, comment on specific investors, but we, you know, will continue to believe obviously that the stock represents a compelling investment opportunity.

And so all the results we put forth today, you know, we put that together with anyone who's legitimate, you know, we welcome them that are interested in learning anything and more about our company.

And yes, we've had, you know, short discussions with Mr. (Ikon), but beyond that, nothing concrete to report.

(Bill Leach): All right. Thanks very much.

Michael Johnson: We'll take one more question.

Operator: Your next question comes from the line of (Olivia Tong) with Bank of America.

(Olivia Tong): When you -- when you -- hi. When you talked about share purchase, you mentioned that within the outlook for Q2 to Q4 you're pacing at -- you're -- you've got about \$50 million built-in, but there's a potential to significantly exceed that.

So other than obviously the price of the shares in the market, what else could impact your decision to exceed that \$50 versus, quote/unquote, "significantly exceed that" given the size of your repurchase authorization?

John DeSimone: Well, (Olivia), what I -- what I point to is, first, you know, we have a history of a commitment to share repurchase. Since 2007, we've repurchased over \$1.7 billion. In the last 12 months, we've repurchased over \$700 million. And in the last 4 weeks, we've repurchased \$162 million.

And we have a longstanding commitment of returning our excess cash to investors to a sustained share repurchase approach and to that extent, you know, there are opportunities to repurchase stock at the current levels in the future and we anticipate that we'll continue to repurchase stock in excess of the \$50 million that's included in guidance.

And the specifics around how and when we'll execute that is not something we're prepared to disclose at this time.

(Olivia Tong): Right. Thank you very much.

Michael Johnson: I just wanted to say thank you, everybody, for being on the call, you know? This was a great fourth quarter that we had. A great year, its great momentum, and our business and our guidance reflects our confidence.

In the effort to improve public health and create business opportunity for our distributor entrepreneurs who are motivated and work hard, build businesses, to really positive customer experiences, personalize service and through the daily consumption of Herbalife products that we're getting out into the market and building a better infrastructure for that every single day.

So I want to say thank you for joining us today. We look forward to sharing our fabulous next quarter expectations with you in April. Thank you, everyone.

Operator: This concludes today's conference call. You may now disconnect.

END