

HERBALIFE INTERNATIONAL OF AMERICA, INC.

Moderator: Alan Quan
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2:30 p.m. PT

Operator: This is conference # 82701587.

Operator: Good afternoon and thank you for joining the third quarter 2016 earnings conference call for Herbalife Ltd. On the call today is Michael Johnson, the company's Chairman and CEO; Des Walsh, the company's President; Richard Goudis, the company's COO; John DeSimone, the company's CFO; and Alan Quan, the company's Vice President Investor Relations. I would now like to turn the call over to Alan Quan to read the company's Safe Harbor language.

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

We encourage you to refer to today's earnings release and our SEC filings for a complete discussion of risks associated with these forward looking statements in our business. We do not undertake any obligation to update or release any revisions to any forward looking statements or to report any future events or circumstances or to reflect the occurrence of unanticipated events except as required by law.

In addition, during this call certain financial performance measures may be discussed that differ from comparable measures contained in our financial statements prepared in accordance with U.S. generally accepted accounting principles referred to by the Securities and Exchange Commission as non-GAAP financial measures.

We believe these non-GAAP financial measures assist management and investors in evaluating our performance and preparing period to period results of operations in a more meaningful and consistent manner, as discussed in greater detail in the supplemental schedules to our earnings release.

Please refer to the investor relations section of our Web site herbalife.com for additional supplemental information and to find our press release for this quarter which contains a reconciliation of these measures.

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

Michael Johnson: Thank you, Alan, and welcome everyone. Our President, Des Walsh, and our Chief Operating Officer, Rich Goudis, are joining us from Thailand where they are attending an important year end distributor event.

As you can see from our press releases today we have some great news and I would like to start by congratulate Rich who will succeed me in the role of chief executive officer next June. As we begin the process over the next six months to turn the management reigns to Rich, the board and I do so knowing that the company is in a very strong place and in steady and capable hands. This is an exciting milestone for Herbalife Nutrition.

When I first joined as the chief executive officer 2003 I knew that I was becoming part of a special company and whose mission I passionately believed. Thanks to the great work of our distributors, management team and employees we have literally changed people's lives across the world from providing an economic opportunity to our distributors, to helping millions of customers lead healthier lives through our quality nutrition product and our personalized community approach to health and wellness.

My passion for what drives our company has only grown stronger each year and as the executive chairman I look forward to furthering our thought leadership about the future of nutrition and the critical role it plays in addressing many of our global health issues. In this capacity I will be

traveling the world to our distributor events to share with them key nutrition issues and trends and to inspire and motivate them as they further our mission globally.

We have been planning the process and succession management over the past several years and have outlined a seamless transition plan that will provide for business continuity.

Rich has been a key leader since we hired him as chief financial officer in 2004. I promoted him to chief operating officer in 2010, so for more than a decade he and I have worked side-by-side and I have witnessed firsthand his tremendous leadership and vision. As chief operating officer Rich is responsible for dramatically expanding our worldwide operations to better meet the demand for our product. He increased our focus on product innovation and quality to the point that we now have over 300 employees with science degrees including 36 who hold a Ph.Ds.

Rich has championed our people, our values, and our culture around the world working with our distributors and our workforce which now exceeds 8,000 employees. The board and I are confident that Rich is the right person to lead Herbalife Nutrition well into the future and we know that the company will continue to thrive under his leadership when he assumes the CEO role in June.

You will hear from him in just a minute but let me now quickly turn to our financial performance.

Quarter three was another strong quarter. We had solid volume point growth across five of our six regions with six out of our top 10 countries experiencing double digit growth. For the quarter we grew worldwide volume points by 6 percent compared to the same period last year.

Reported net sales grew 2 percent to \$1.1 billion. This is our third consecutive quarter of positive year on year reported net sales growth despite the challenging currency environment. On a constant currency basis our net sales increased 5 percent versus the third quarter 2015. This growth combined with our continued focus on managing expenses has yet again resulted in our ability to exceed expectations on EPS. In fact for the quarter both reported

and adjusted diluted EPS exceeded the high end of our guidance. John will go over our financials in more detail.

As you can see from our results our business continues to perform well and we see important progress on several fronts. In EMEA third quarter volume points grew 15 percent as we continued to advance our product innovation. In September we launched exclusively in EMEA, Beta heart. Its key ingredient is clinically proven within the E.U. to lower and maintain blood cholesterol.

This is an important product for Europe because cholesterol levels there are among the highest in the world. We also launched our new Formula 1 Raspberry Blueberry with 20 percent less sugar than many of our other flavors and contains no artificial sweetener or colors. We are looking at further reducing our already low level of sugar in our range of great tasting shakes.

China this quarter was softer than we projected. We believe we have identified the reasons for this lower level growth compared to the prior quarters and are working with our local service provider to refocus their efforts on their face-to-face activities with customers on more targeted promotions and seasonal products and wellness campaigns.

This market remains a huge opportunity given the increasingly health-conscious consumer and demand for premium brands.

In the U.S. we reported a strong 9.5 percent volume point growth this quarter versus last year. The number of new members in the U.S. grew 7 percent this quarter versus Q3 last year. And the number of new sales leaders grew 29 percent. These extremely positive metrics are a testament to the dedication and focus of our distributors here in the U.S. and their confidence in their ability to thrive under the FTC settlement announced in July.

We will provide training and support for the adoption of the new procedures and believe that our U.S. business will emerge stronger than ever following the successful implementation of these new regulatory requirements. By collecting sales data we will gain tremendous insights into our customers' nutrition habits and this will allow us to further personalize their wellness experience. As we said in our last call we believe these changes will be good

for our company and for our distributors and support our growth down the road.

Rich was appointed to lead our implementation of the FTC settlement and I would like to recognize him and the team he has assembled for their impressive progress. They have accomplished a great deal in a short period of time and we are on track to meet all of our regulatory requirements by May 2017. I will turn the call over to him now to share more details but I want to reiterate how happy we are to have Rich stepping into the role of CEO next year. Congratulations, my friend.

Rich Goudis: Thank you, Michael. For over 12 years I've been committed to making Herbalife a great company. Initially, as its chief financial officer and most currently as its chief operating officer. I appreciate the board and Michael's trust in me to lead this great company into the future and am fortunate that Michael will remain by my side as our executive chairman. I think I speak for all of us when I say that we have tremendous opportunity ahead. As always our focus will be on supporting our distributors, providing our customers with the industry-leading nutrition and wellness products they expect from us and delivering value for our shareholders.

Now let's turn to the progress we've made related to the implementation of required regulatory changes in the United States.

One of the key requirements is the segmentation of our membership. Distinguishing those who wish to sell products who we will call distributors from those who become members in order to purchase at a discount. Who we will call preferred members. Being able to distinguish our discount purchases from our distributors provides us with great benefits because we will now have access to significant information about our customer base that we simply did not have before. With that data we can enhance our distributors ability to personalize and customize their service and support for their customers.

As Michael mentioned we are on track with the implementation timeline. We have been able to do this in large part thanks to the support from our U.S.

distributors who have overwhelmingly embraced the impending changes just as we knew they would.

Four weeks ago on October 4 we initiated a program that permitted existing members to self select and become preferred members if they had no interest in reselling product or building a sales force. Those that don't sell select become a preferred member will remain a distributor able to resell products and build a sales team.

Although very early in the implementation in the first few weeks, through last Friday we've had over 50,000 existing members elect to change their status to preferred members and the number of members converting has accelerated each week since the implementation. We are very happy with where we stand through the end of October.

With respect to the ability for new people signing up to self select into the appropriate category we expect that capability will be available in the near future. To support the segmentation of our member base we significantly enhanced our member portal with a preferred member version which is much more consumer centric incorporating many features found in top online selling sites.

We will continue to invest in this site and add features and functionality enhancements making it high touch and high-tech to bring the unique aspects of Herbalife into the purchasing decision.

In conjunction with the segmentation we initiated our first set of targeted communication for preferred members providing them with information about our products and how to use them. The open and click through rates of these messages were among the highest we've ever seen, which underscores the opportunity we see given the new ability to customize the customer experience and drive increased and repeat sales.

Two weeks ago on October 17 we enhanced our distributor portal to incorporate many of the same functions as the member portal but more importantly implemented features that will be required for our regulatory compliance, specifically order, purpose, declaration.

Now when distributors place an order they must select one of three options. Number one, this order is for direct shipment to a customer. Number two, this product is for resale or number three this product is for personal consumption. Many of our investors are also members so you have likely seen the functionality of the online tools but for those who haven't we posted a short video demonstration of the tool on our investor Web site.

Finally, we will introduce our point-of-sale receipt tool next week. It's an iOS and Android mobile application and will allow distributors to number one place distributor purchase orders in the three categories I just mentioned.

Number two take payment and generate receipts for product sales to retail customers in the field. Number three take payment and generate receipts for club memberships and consumption and register nutrition clubs.

Number four, manage customer data and review customer activity wherever it occurs whether that be in a club, in the field, on goHerbalife or through myherbalife preferred member portal.

To provide our distributors with education material starting on November 7 and running through the end of May we will be hosting weekly webinars on the use of the new online ordering and receipt tools. Looking ahead by the end of December we plan to have the backend receipt repository completed. This is where all receipts will be stored. This will allow us to upgrade our distributor facing tools so that distributors will have full visibility into their levels of retail volume well ahead of the May requirement.

Lastly in January we will introduce a new retail customer loyalty program for those retail customers that transact directly with our distributors. This will be a valuable tool in helping distributors enhance the activity and retention of their customers.

So I just want to reiterate we are on track with our implementation timeline and appreciate the support of our distributors who have really embraced the segmentation of our member base and the new tools. With that let me to turn back over to you, Michael.

Michael Johnson: Thank you, Rich. I'm optimistic and confident about the future and I want to thank all of our Herbalife distributors and staff worldwide for their tremendous effort in delivering these great results. Our chief financial officer, John DeSimone, will now take you through the financial numbers and additional regional performance in more detail. John.

John DeSimone: Thank you, Michael. Today I will start by discussing the company's third quarter 2016 reported and adjusted results including key market highlights. I will then review our fourth quarter and initial full-year 2017 guidance.

For the third quarter we delivered another strong volume performance with worldwide volume points growing 6 percent compared to the third quarter of 2015. Five of our six regions and approximately 70 percent of our worldwide markets experienced volume point growth in the quarter.

Reported worldwide net sales for the third quarter increased 2 percent to \$1.1 billion and increased 5 percent on a constant currency basis compared to the prior year period. This marks the third consecutive quarter of year-over-year reported net sales growth and our seventh consecutive quarter of constant currency net sales growth. Reported and adjusted EPS for the third quarter 2016 both exceeded the high end of our guidance by \$0.17 and \$0.13 respectively. Reported diluted EPS was \$1.01 while adjusted EPS was \$1.21 compared to \$1.09 and \$1.26 in the same period last year. Third-quarter EPS included a \$0.21 negative impact due to currency fluctuations.

Moving on to our regional and market highlights, the U.S. maintained a good growth trend with volume points up 9.5 percent compared to the third quarter 2015. Members in the U.S. have demonstrated a strong focus and resiliency in preparation for the upcoming regulatory changes.

As Michael previously highlighted we have already initiated certain aspects of the implementation process and expect to release the new customer point-of-sale tracking tool in mid-November. Volume points in China increased 2 percent compared to third-quarter 2015.

We believe that the recent lower rate of sales volume increase is attributed to members testing new business methods through social media in China. Although social media has been an excellent complementary approach to reach new consumers, it's exclusive use as a primary business model is proven to drive increased level of trial but less repeat business.

Members are now refocusing their attention on proven business methods, increased customer segmentation, targeted marketing and product promotions. The market will continue to face challenging year-over-year comparisons as it refocuses its efforts.

Asia-Pacific volume growth exceeded expectations in the quarter with multiple countries showing strong volume performances. Volume points in the region increased 7 percent compared to the prior year period. Volume points in Asia-Pacific excluding Korea increased by 18 percent compared to the prior year while South Korea finished down 29 percent in the quarter. Mexico with volume growth of 13 percent marked its fourth consecutive quarter of year-over-year growth.

Members in Mexico continued to focus on building sustainable businesses aided by improvements in product pickup and payment capabilities from our third-party distributor partners. The devaluation of the Mexican Peso continues to be a challenge as reported net sales finished down 1 percent in the quarter despite 14 percent growth in constant currency.

EMEA continues to pose consistent volume growth with approximately 3/4 of the markets in the region showing growth. This has resulted in a regional volume point increase of 15 percent compared to the prior year period. Russia volume points were up 10 percent compared to the third quarter of 2015.

Lastly third-quarter volume decreased 15 percent in South and Central America region compared to the prior period. The region continues to be impacted by Brazil which declined 28.5 percent compared to the third quarter 2015.

Our management team in Brazil is extremely focused on developing strategies to further mitigate the impact of depressed consumer spending driven by the

challenging macroeconomic and political conditions in the country.
Excluding Brazil and Venezuela volume points in the region were flat.

Continuing with our financial highlights for the third quarter, as previously mentioned in the third-quarter worldwide volume points grew 6 percent while reported net sales grew 2 percent to \$1.1 billion and grew 5 percent on a constant currency basis both as compared to the third-quarter 2015.

Third quarter reported net income was \$87.7 million a \$1.01 per diluted share which exceeds the high end of our guidance range of \$0.84. Third-quarter results include a \$0.21 currency headwind compared to \$1.09 per diluted share for the third quarter 2015.

Our reported EPS continues to include items we consider to be outside of normal company operations but we believe will be useful to investors when analyzing period over period comparisons of our results. Please refer you to our third-quarter earnings press release for details of these adjustments.

Third quarter 2016 adjusted diluted EPS was \$1.21 per diluted share which exceeded the high end of our guidance of \$1.08 and compared to \$1.26 per diluted share for the same period a year ago. Similar to reported EPS our adjusted EPS in the third-quarter was negatively impacted by approximately \$0.21 due to currency fluctuation.

Gross margins for the third quarter 2016 when compared to the third-quarter 2015 included among other items the favorable impact of cost savings through strategic sourcing and self manufacturing from 114 basis points, retail price increases of 29 basis points both were partially offset by the unfavorable impact of currency fluctuations of 143 basis points.

For the third quarter reported SG&A as a percentage of net sales was 39.3 percent which was essentially flat compared to the prior-year period. Excluding the impact of non-GAAP items which I have disclosed in today's press release SG&A was 38.2 percent of net sales a decrease of approximately 20 basis points compared to the prior-year period. Excluding China member payments adjusted SG&A as a percentage of net sales was 29.3 percent approximately 40 basis points above last year.

Reported third-quarter effective tax rate was 32.2 percent while adjusted effective tax rate was 31.5 percent approximately 100 basis points worse than the adjusted tax rate in the third quarter 2015. At the end of the quarter we had \$788.3 million in cash of which approximately 48 percent was held in the U.S.. Looking ahead to guidance, starting with the fourth-quarter 2016 we estimate volume points to be in a range of a decline of 1.5 percent to growth of 2.5 percent.

Volume point growth in the quarter will be negatively impacted by 120 to 170 basis points as a result of the timing of price increases in India and Indonesia, primarily due to price increases in Q4 of last year that we believe had the effect of pulling forward volume from Q1 of this year. The full-year 2016 we estimate a range of 4.5 percent to 5.5 percent growth of volume points. Net sales will continue to face currency headwinds. For the fourth quarter we estimate reported net sales to be in a range between a decline of 2.5 percent to growth of 1.5 percent and for the full year growth of 1 percent to 2 percent.

On a constant currency basis we estimate net sales to be within a range of negative 0.5 percent decline, 3.5 percent growth for the fourth quarter and in a range to 6.3 percent to 7.3 percent growth for the full-year 2016. Reported EPS for the fourth quarter is estimated to be in a range of \$0.90 to \$1.10 and adjusted diluted EPS guidance is estimated in the range of \$0.80 to \$1.00 per share, which includes the projected currency headwind of approximately \$0.12 per diluted share versus the fourth quarter of 2015.

Full-year 2016 EPS is now estimated to be in a range of \$2.77 to \$2.97 on a reported basis and on adjusted basis EPS guidance is expected to be in the range of \$4.65 to \$4.85. Full-year 2016 currency headwinds are projected to be \$0.96 per share compared to 2015 which is \$0.06 higher than the guidance the company provided a quarter ago. Capital expenditures for the fourth quarter are expected to be in a range of approximately \$33 million to \$43 million and for the full year we are now projecting a range of \$145 million to \$155 million, a decrease from the previous full-year guidance of \$160 million to \$180 million.

Fourth quarter effective tax rate guidance is 25 percent to 28 percent. Our full year 2016 effective rate guidance has been updated to a range of 28 percent to 30 percent compared with the previous range of 27.5 percent to 29.5 percent. Moving ahead to guidance for full-year 2017 worldwide volume points are estimated in a range between 2 percent and 5 percent growth coupled with worldwide net sales of 3.5 percent to 6.5 percent growth – on a reported basis 3.9 percent to 6.9 percent growth on a constant currency basis.

Full-year 2017 guidance for reported diluted EPS is in a range of \$3.95 to \$4.35 with adjusted diluted EPS guidance in a range of \$4.60 to \$5.00. On a constant currency basis adjusted diluted EPS guidance would be in a range of \$4.75 to \$5.15 per share. Adjusted diluted EPS guidance includes a projected currency headwind of \$0.15 per diluted share compared to the full-year 2016 results. Our effective tax rate guidance for next year is 27.5 percent to 29.5 percent. Capital expenditures for 2017 are estimated in the range of \$130 million to \$160 million.

Moving on to capital structure, our current portion of our debt includes a \$410 million revolver that is due March 2017. As discussed on last quarter's earnings call we have begun the process to explore capital structuring alternatives. That process is still ongoing, with nothing specific to announce at this time.

It is a priority for the company but one that will be based solely on economics and executing what the Board of Directors believes will be in the best long-term interest of the company and its shareholders. If and when there's something more definitive to announce we will certainly do so. I will now turn the call back to Michael for some remarks before taking questions.

Michael Johnson: Thanks, John. Before we take questions I wanted to bring further attention to our global partnership with the Special Olympics that we announced in September.

This is the second year we are working with them and our employees, distributors, and customers and they're all excited about the continued collaboration. We will bring greater awareness to the Special Olympics

through our specially marked boxes of products and anticipate that our distributors will once again sponsor many of the athletes around the globe.

You will recall that at the last world games in Los Angeles our distributors sponsored approximately 10 percent of all the athletes. Additionally we intend on using the expertise of our sports scientists to assist the Special Olympics with nutrition and fitness education resources. The Special Olympics does so much around the world. we are extremely proud of our association with them. Let's go onto the Q&A.

Operator: As a reminder to our audience over the phone, if you'd like to ask an audio question, you may do so by pressing star then the number one on your telephone keypad. Again, that is star then the number one. We'll wait for just one moment (inaudible) Q&A roster.

And our first question is from Tim Ramey from Pivotal Research.

Tim Ramey: Good afternoon and thanks a lot. And congratulations, Rich, it makes me very pleased to hear that news.

Rich Goudis: Thanks Tim.

Tim Ramey: We discussed the balance sheet recast – we discussed the balance sheet recast in August and also at the second quarter call and it just didn't seem like that heavy a lift. I'm surprised that you don't have more to say about it today or actually implement or report today. Can you give us some sense of what the sticking points or what's holding back this process works?

John DeSimone: This is John. So nothing's holding it back. I think what we tried to communicate and I hopefully we did communicate that while it is a priority that we are not rushing through this process and we're looking for the best economics we're going out to look at all the alternatives available and pick what collectively from capital structure standpoint we want to implement and begin implementing it.

And when we have something definitively signed and done is when we will announce. We don't need to announce in advance. But we're still working

through that process. Nothing has changed other than I think just the time it's taken to get this thing done right. Again, I think the most important thing for investors to take away is that we are focused on the economics of the deal. More importantly than the timing of the deal and we are still moving down that path.

Tim Ramey: On the conversion to preferred members, can you further contextualize what 50,000 members means? What would you ultimately expect that to be in the U.S. in terms of number of preferreds? And is that a better result than you thought going into the conversion process or about in line?

(John DeSimone): Let me see if I can take that Tim. First I think it's better than we expected let me give you some context.

More important than the number of people that we expect to convert it's the amount of sales we expect to come from that group. We're about one third of the where we want to be in terms of the amount of sales coming from that group. So we've got a ways to go.

But we just started in October I think importantly as Rich said in his opening remarks the conversion rate has accelerated through October and so we still have a number of months left to get people to convert. I think the biggest challenge is to the people so that they understand what and how to convert and that's going to take time.

Tim Ramey: OK. And just one more. You mentioned in earlier meanings that you thought you would be on track to giving the markets metrics relative to kind of the post FTC operating environment. At some point maybe in the fourth quarter and maybe in the first quarter. How do you feel about your progress to having more information you can report on an ongoing basis about the post FTC?

(John DeSimone): Great question. In October beginning of October I think is October 4 is when we began the conversion process. So that's one element. And we provided an update which is a 50,000 people and the third of the way want to go from a percent of sales standpoint.

The second implementation was the implementation of the online tool for which customers – excuse me distributors can order products either for resale

or for sale consumption. That was launched October 17. That trend is still ongoing but in the near term in your future will have some statistics around that.

Further in a few weeks we will launch the POS tools. So the POS tools in field sales too for clubs to use when they have consumption. So that by the end of this quarter we should have some statistics around that.

And lastly, new members joining in a couple of weeks should be able to self select through the current process – meaning get directed into the preferred member bucket. Not the most streamlined approach but they will be able to self select as either preferred customer or distributor.

Come January 1 it will be very streamlined image easier for them to do so with that little bit of work to do on that it certainly will be next seven earnings call we will have a lot of statistics and a full month of complete statistics in January or near completes statistics for which we can track how we are comparing to some of the statistics that we hope to be tracking towards to being in compliance with dir – in compliance is the wrong word but needs to be pay our full marketing plan out under the new regulatory rules.

Tim Ramey: Great. I hope the construction is going well there. Thanks.

Operator: Once again ladies and gentlemen, in order to ask an audio question, please press star then the number one on your telephone keypad. Our question is from the line of Mike Swartz from SunTrust.

Mike Swartz: Good evening. Just wanted to touch on the commentary around China. By my math it was the slowest rate of growth in I think around five years. Can you help us understand when did this whole social media selling method or phenomenon start to take place? Is this the first quarter that you actually saw that? Or is this something that you seem build over several quarters?

John DeSimone: This is John. I'm going to pass it to Des. He knows in Thailand. But let me start by saying it's not uncommon for China if you look at their growth in the last five years in other markets to have spiky growth. So I will start with that and pass it over to Des for details.

Des Walsh: We started to see the impact in the second quarter and is something that obviously has been developing. We have some younger emerging service providers who really have embraced social media but unlike some of our older leaders where they've used social media as a supplement to their club activity, what we've seen is that some of these other service providers have really focused on core business method.

And what we are now seen of course is that social media alone has less stickiness in terms of retaining that customer base. But whenever we have a group of leaders achieved tremendous success than what has to happen is that other leaders tend to follow that and essentially that's what we saw happen in China predominantly in the third-quarter.

What we're now doing of course is we're actually engaging with our service providers and actually allowed with the leaders had previously sought to focus exclusively on social media they are now getting the message out there that says social media should be used as a supplement in order to attract customers to the clubs but not used as a sole business method in of itself.

Mike Swartz: Thanks for the color. When should we see maybe that rebound of growth? It sounded like from the prepared comments it may be several quarters. Do you have any insight into that?

Des Walsh: Anytime you have a group of members shift to a different way of doing the business, it always takes a little while before you actually shift them back so it's a pendulum swinging. But having said we are very actively engaged with this group this group have recognized publicly that they over focus in that particular area so that message is getting out there.

We actually, as Michael mentioned at the outset, a number of us are actually in Asia at the moment and we're going to be going on to China from here. We're actually having a meeting with our top leaders in China. But is also referenced we have some challenging (counts) ahead in that's reflected in our guidance.

Mike Swartz: Thank you. John, with regards to some of the expenses around the implementation of the new rules, any update there? I think on the prior call you had said \$35 million to \$50 million is that still the number and how should we think about that playing out over the next few quarters until this go live date?

John DeSimone: Yes, I think there were two buckets. There was a capital bucket 15 to 20 and then there was operating costs – the one-time operating cost of 20 to 30. That 20 to 30 is likely to come in toward the lower end. More like 20. We spent around \$5 million in Q3, probably similar amounts in Q4 and Q1 and trending down to May. Much closer to the 20 than the 30.

Mike Swartz: OK. With regards to the earnings revenue and volume was in line with expectations what can we attribute that to? Is that simply cost savings? Or was there any kind of shift in the expenses between quarters we should think about?

John DeSimone: There was a \$0.04 shift between quarters. Other than that it's just expense control. Nothing unusual.

Mike Swartz: Is that \$0.04 out of the third quarter into the fourth quarter?

Male: Correct.

Mike Swartz: OK. Thank you.

Operator: Once again ladies and gentlemen, in order to ask an audio question, please press star, then the number one on your telephone keypad.

Our next question is from the line of Bill Leach from Tidal Bore Capital.

Bill Leach: John, I just had a question on the guidance. If you look at the current – midpoint of the current (C-Neutral) guidance, it suggests EPS will be down 14 percent in the fourth quarter and grow only 4 percent next. And you posted 11 percent currency neutral gains for the third quarter. Why would you expect things to slow down so much are you just being conservative?

John DeSimone: So next year we have a \$0.15 headwind from currency compared to this year.

Bill Leach: I'm looking at currency neutral.

John DeSimone: There is an \$0.08 headwind from ongoing costs. This is not one-time costs (is) about an \$0.08 from ongoing costs of complying with the regulatory requirements.

We had said last quarter that's \$5 million to \$10 million and that's settling in right now closer to the 10, so it's about an \$0.08 headwind. If you adjust for that, you pretty much normalize out the margin swing from year-to-year.

Bill Leach: Why would the fourth quarter EPS decline currency neutral?

John DeSimone: Fourth-quarter decline from ...

Bill Leach: The midpoint of your fourth-quarter guidance is (a dollar two) currency neural versus \$1.19.

John DeSimone: Oh beyond the – I got you beyond the – we'll we are – you've got currency neutral is \$0.12. That's (90 dada two) midpoint. So you've higher – a little bit higher expenses in Q4 this year than we had a year ago.

And that's really all that strikes me as an impact. We have \$0.03 of FTC ongoing costs. So those \$0.03 of it. We have \$0.04 from a tax rate. So if you look at the tax rate guidance it's \$0.04 higher than a year ago. We negative mix around \$0.04 in Q4 and then just some run rate on expenses.

Bill Leach: OK. Seems conservative to me. Thank you.

John DeSimone: Thank you Bill.

Operator: And At this time I'm showing no further audio questions. Presenters I turn the call back over to.

Michael Johnson: Thank you very much. This is Michael. Today we announced that Rich will become Herbalife's new CEO next June. For distributors and employees and especially for shareholders. This is really great news.

Since Rich has been around Herbalife has grown considerably. We built an industry-leading product capability and increased the business opportunity to have more people making a full-time living and a part-time living as a Herbalife distributors than in any time history.

We employ over 8,000 people. We operate in 90 markets. Our product it's based in health and nutrition and we give people an opportunity for extra income. No other company speaks to bettering people's lives like we do.

We're proud of this company. We're proud of the seamless change of Management and succession. This is a great company. We're looking forward to great things in the future. Thank you all for being with us. We'll see you next quarter.

Operator: Ladies and gentlemen this does conclude today's conference call. We thank you for your participation today and you may now disconnect. Presenters, please hold for one moment.

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