

Herbalife Ltd. (Q3 2025 Earnings)
November 5, 2025

Corporate Speakers:

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

Participants:

- William Reuter; Bank of America; Analyst
- Song Xue; Mizuho; Analyst
- Karu Martinson; Jefferies; Analyst
- Hale Holden; Barclays; Analyst
- Douglas Lane; Water Tower Research; Analyst

PRESENTATION

Operator^ Good afternoon. Thank you for joining the Third 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 morning. Good afternoon or good evening to everyone joining us. Joining us today are Stephan Gratziani, our 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 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 our CEO, Stephan Gratziani.

Stephan Gratziani^ Thank you, Erin. And good afternoon, everyone. When we met last quarter, I reiterated our vision to be the world's premier health and wellness company, community and platform. I talked about how Herbalife was in motion, honoring our 45-year legacy while transforming for the future. This quarter, we made great progress against our strategy and we're turning the corner. Disciplined execution, strong operating fundamentals and aligned leadership are accelerating momentum and strengthening confidence in our path forward. We have a clear vision and we're executing against it.

Let me walk you through the progress we made in Q3. The headline is clear. Herbalife returned to net sales growth in North America and on a worldwide basis. This is a significant milestone. For North America, it marks the first quarterly increase since the second quarter of 2021 and is a reflection of nearly two years of disciplined execution and foundational work across every level of the business.

On a worldwide basis, it is our first quarter of net sales growth since Q1 of 2024. Q3 net sales were \$1.3 billion, up 2.7% year-over-year and above the midpoint of our guidance range. On a constant currency basis, net sales were up 3.2% and towards the upper end of guidance. Adjusted EBITDA of \$163 million exceeded guidance. We fully repaid the 2025 notes in September, leaving no significant debt maturities until 2028.

We ended Q3 with a total leverage ratio of 2.8x, reducing our leverage beyond our 3x commitment. While these results are encouraging on their own, they are just one part of the story. Herbalife's more than 2 million distributors across 95 markets are driving execution globally, capitalizing on health and wellness trends and delivering personalized nutrition at scale.

With this foundation in place, we are moving faster, operating more efficiently and embracing technology to deepen engagement and drive growth. Importantly, this momentum comes even before the commercial release of Pro2col and other personalized nutrition initiatives slated for introduction in the coming quarters. Pro2col, our next-generation digital personalized health operating system, which elevates our heritage in personalized connection and coaching is designed to deliver tailored accessible wellness solutions through innovation and the strength of our global distributor network.

Since forming our beta group in July, which has grown to 7,900 distributors, we have seen strong engagement and enthusiasm. To date, thousands of app users have completed their Pro2scores, our proprietary personalized wellness scoring system. In addition, a large majority have set intended consumption schedules for Herbalife products, which are supported by automated reminders designed to drive consistency of product use. Simply put, the app can turn engagement into action and action into sales. Engagement metrics are encouraging.

In the short period since the beta release, users have logged approximately 32 million steps, scheduled over 200,000 instances of Herbalife product usage, logged 36,000 meals and scheduled 42,000 lifestyle hacks. In the past 30 days, AI-driven features have proven

popular including the AI health guide and an AI food scanner, which evaluates macronutrients of meals. Last week, we hosted a virtual protocol event and expanded beta access to retail customers of distributors in the beta group.

Alongside this expansion, we introduced key enhancements to the app including the full Herbalife product catalog, nutrition-linked product tracking and improved Pro2score functionality. We also launched a new coach dashboard, providing distributors with real-time customer insights to support more customers and more effectively. Plus, we rolled out customizable sales funnels for a variety of DMO flows.

Insights from this phase are informing refinements ahead of the commercial release of Pro2col Beta 2.0 in the U.S. and Puerto Rico by year-end and additional markets beginning in 2026. Building on the growing consumer demand for accessible health insights, we will be introducing at-home tests that deliver baseline blood biomarkers as an additional health and wellness service. U.S. distributors in the beta group will gain early access to the tests in the first quarter of 2026. Technology drives personalization, but accountability drives results. That's why our high-tech, high-touch model is so critical.

Studies consistently show that coaching improves adherence and outcomes and our global distributor network provides a proven, scalable way to convert digital engagement into lasting behavior change, a capability digital-only platforms can't replicate. Herbalife has always been about personalized nutrition, one-to-one guidance, curated product support and human accountability that drives behavioral change. It's a core capability and a clear competitive edge.

Now we're taking that foundation to the next level with HBL Link BioScience. With Link BioScience and data from Pro2col, we will move from curated to formulated, delivering precision-made supplements tailored to an individual's needs and goals. Link BioScience brings proven proprietary manufacturing technology and positions us to bring one-to-one formulation to scale. This represents a step change in our value proposition. No one else in our space combines trusted human support, deep community reach and now the ability to deliver personalized supplement formulation at scale.

It accelerates our innovation cycle and firmly positions Herbalife at the forefront of personalized wellness. U.S. distributors in the beta group will have the first opportunity to access these personalized nutritional supplements in the first half of 2026. Herbalife's distributors remain at the center of everything we do. In the third quarter, three of our five regions reported year-over-year new distributor growth led by North America, up 17%.

On a worldwide basis, new distributor growth declined 2% versus Q3 of last year, which had the most new distributors of any quarter since exiting Covid in 2021. That said, momentum remains strong on a 2-year stacked basis with growth of new distributors up 11% and programs like the Flex45 Challenge, Herbalife Premier League and the Diamond Development Mastermind continuing to strengthen leadership pipelines and elevate performance.

Our Mastermind program celebrated its first anniversary in August, expanding to India this quarter. Approximately 10,700 distributors and service providers worldwide are committed to the program and participants report greater confidence in their core business and leadership skills. We plan to evolve and expand the program to additional markets in 2026.

Strong engagement and confidence were also evident at the five Extravaganzas we held in September, where approximately 57,000 attendees gathered in Tashkent, Mexico City, Delhi, Bengaluru and Budapest. Across all 2025 Extravaganza events, we welcomed nearly 142,000 participants, a 5% increase compared to 2024, demonstrating the continued strength, enthusiasm and engagement of our global community.

Notably, EMEA saw nearly a 25% increase in attendance year-over-year. But the engagement, excitement and commitment of our distributors extend well beyond our extravaganzas. Everywhere our team has traveled this year, we've seen firsthand our passionate distributors embracing our vision for the future and our shared purpose of helping more people live healthier, more active lives.

That purpose begins with our products, the cornerstone of our brand. Herbalife is a leader in global health and wellness because consumers trust our products and the results they deliver. This leadership is grounded in our dedication to innovation, science and quality. We recently strengthened our product innovation engine with the opening of our new state-of-the-art center of excellence, quality control and research and development labs in Torrance, California, a facility designed by scientists for scientists. This 8,600 square foot center, which is one of seven global state-of-the-art facilities, brings R&D, quality and sensory labs together, enabling us to move from idea to prototype to commercialization even faster.

With more than 40 scientists and experts, this facility supports over 300,000 tests annually across more than 90 markets and houses one of the world's largest botanical DNA reference databases to authenticate ingredients and ensure purity. Along with nearly 1,000 raw materials tested globally, we bring a level of scientific capability that we believe is unmatched in our category and that reinforces our commitment to product quality, integrity and effectiveness. This facility, along with every one of our labs worldwide, is where ideas become science, science becomes products and products change lives.

In Q3, that continuous innovation and commitment to quality was evident as we further expanded and elevated our portfolio and launched offerings that reflect the most relevant global health trends from functional nutrition and personalized wellness solutions to cutting-edge K-beauty innovations and science-backed self-care. These products not only reinforce our commitment to innovation, but also deepen our connection with consumers seeking tailored high-impact health solutions.

In EMEA, we launched HL/Skin, a new skin care line built on advanced South Korean science with K-beauty formulated ingredients. The HL/Skin range builds on Herbalife's science-backed approach to product development with the efficacy of each product supported by clinical studies.

What makes this launch particularly noteworthy is that we brought it to market in just 11 months, demonstrating both operational agility, product velocity and our unwavering commitment to innovation. HL/Skin is supported by an AI-powered skin assessment tool that delivers a personalized skin care analysis in less than 60 seconds. At the same time, it sends product recommendations directly to distributor dashboards. This helps consumers understand their skin needs and track visible improvements over time while giving distributors actionable insights for faster, more informed customer interactions.

By leveraging tech-enabled solutions, we are advancing personalized wellness and equipping our distributors with insights and guidance that strengthen trust and expand their value proposition. This enhances the customer experience and drives greater engagement and loyalty, helping to increase customer lifetime value while meeting the rising demand for products such as Korean skin care. The HL/Skin launch generated strong enthusiasm and immediate distributor engagement. We launched it alongside recommended DMO strategies, allowing distributors to integrate the line quickly into their businesses. Early activity is promising with skin care-focused events and product-led gatherings and we're evaluating opportunities to expand HL/Skin into additional markets.

Also this quarter, we launched a new product in Mexico that supports restful high-quality sleep. The product is formulated with chelated magnesium Bisglycinate, glycine and Affron, which is a clinically studied plant-based saffron extract shown to improve sleep quality. As we previewed in Q2, we initiated an early release in July of our new healthy lifespan supplement formulated with Niagen, a patented ingredient that's clinically shown to increase NAD levels, which is important for maintaining cellular energy. This product is now officially called Baseline, which will be launched commercially in the U.S. and Puerto Rico by the end of the year. These product launches showcase our ability to innovate and respond to emerging global health trends by blending science, personalization and innovation, we're expanding our portfolio, energizing distributors and building long-term value.

Before turning it over to John, I want to underscore the tangible impact of our disciplined execution. Strong cash flow, reduced leverage and targeted investments in innovation and technology are strengthening our financial position and laying the foundation for scalable growth and long-term shareholder value. We are moving fast and executing with precision. Let me give you some examples. Our new labs accelerate idea to market execution and strengthen our product pipeline. After nearly 2 years of focused execution in North America including renewed recruiting and business building efforts, a new key account management program, new products and technology, we have strengthened our business, which positions us for long-term growth.

Just months after acquiring the Pro2col assets, we are already beta testing with thousands of distributors, a reflection of our focus on technology and innovation. The Link BioScience asset acquisition will bring next-generation personalized supplements to market with manufacturing capabilities to deliver tailored formulations and we're moving quickly to bring these solutions to distributors and consumers. And products like Multiburn, Baseline and HL/Skin showcase our ability to quickly translate science and consumer trends into highly relevant and efficacious offerings.

Simply said, our differentiated strength lies in pairing scientific rigor and technology with the scale and trust of our global distributor network. Very few companies can combine personalized digital tools, advanced analytics and human connection. This allows us to bring targeted science-backed products to market faster, sharpen distributor execution with data-driven insights and deliver personalized consumer experiences, furthering our vision to be the world's premier health and wellness company, community and platform. Quarter-by-quarter, Herbalife is getting stronger. We're turning the corner. Today we are operating from a position of growing strength and increasing confidence in the path ahead.

Now I'll turn it over to John for a deeper dive into our financial results.

John DeSimone^ Thank you, Stephan. Turning to our Q3 financial highlights on Slide 10. As Stephan mentioned earlier, the headline for the quarter is that we returned to net sales growth on a worldwide basis and North America delivered its first quarter of growth since the second quarter of 2021. This is a strong validation that our strategy is working. The actions we've taken to reinforce our distributor base, drive engagement and strengthen our fundamentals are translating into measurable results.

We've now achieved year-over-year constant currency net sales growth in six of the last eight quarters. This quarter, we built on that momentum, achieving constant currency net sales growth of 3.2% year-over-year, our strongest performance since the second quarter of 2021. Our third quarter performance reflects disciplined financial, operational and capital execution, strategic clarity and a focused commitment to deliver shareholder value. Moving to the financial highlights for the third quarter. Net sales were \$1.3 billion, up 2.7% versus Q3 of 2024 and above the midpoint of our guidance range.

On a constant currency basis, net sales increased 3.2% and came in toward the upper end of our guidance range. FX rates moved unfavorably during the quarter versus our assumptions, creating a 50 basis point year-over-year headwind. Adjusted EBITDA was \$163 million, exceeding the high end of our guidance range of \$150 million to \$160 million. Adjusted EBITDA margin of 12.8% declined 60 basis points year-over-year, primarily due to approximately \$5 million in China government grant income recognized in the third quarter of last year that did not repeat this quarter, along with some FX-related headwinds. CapEx for the third quarter was \$21 million, at the low end of our guidance range of \$20 million to \$30 million.

Capitalized SaaS implementation costs were approximately \$7 million in the quarter. Gross profit margin was 77.7% for the quarter, down 60 basis points year-over-year. Pricing benefits contributed approximately 80 basis points, offset primarily by foreign currency headwinds of approximately 90 basis points and approximately 30 basis points of input costs. Q3 net income attributable to Herbalife was \$43 million with adjusted net income of \$52 million and third quarter adjusted diluted EPS of \$0.50 included an \$0.08 FX headwind versus the third quarter of 2024.

Our adjusted effective tax rate was 32.7%, up from 22.3% for Q3 of 2024, which drove an approximately \$0.08 unfavorable impact to adjusted diluted EPS. The higher effective tax rate in 2025 was primarily due to changes in timing of the geographic mix of income. For full year 2025, we continue to expect our adjusted effective tax rate to be in the range of 27% to 28%, which is slightly below last year's rate of 30.2%. Operating cash flows for the quarter were strong at \$139 million, up 40% from Q3 of 2024.

In addition, we fully repaid the 2025 notes in September, leaving no significant debt maturities until 2028. Credit agreement EBITDA for the third quarter was \$184 million and our total leverage ratio was further reduced to 2.8x, outperforming our 3x commitment as we continue to focus on reducing our debt.

For additional details regarding 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 11. Reported net sales for the quarter increased 2.7% year-over-year, while constant currency net sales were up 3.2%. We also achieved year-over-year volume growth on a worldwide basis for the first time since the second quarter of 2021. The volume increase reflects the early impact of our initiatives. Pricing benefits were approximately \$43 million in the quarter. FX had a negative impact of approximately \$6 million in the third quarter, representing a year-over-year headwind of 50 basis points.

Turning to Slide 12. We have the regional net sales results for the third quarter. Four of our five regions delivered year-over-year net sales growth in the third quarter on both a reported and local currency basis. These same four regions also showed sequential improvement on both a reported and local currency basis. Latin America delivered another solid quarter. Reported and local currency net sales were both up 11% year-over-year, primarily driven by favorable year-over-year pricing impacts, improved sales mix and approximately 2% increase in volume. FX had a minimal impact on results.

For Mexico, reported net sales were up 12%, while local currency net sales were up 10%, primarily driven by favorable year-over-year pricing and an approximately 3% increase in volume. EMEA net sales increased 4% on a reported basis and 2% on a local currency basis. Higher year-over-year pricing and FX tailwinds were partially offset by approximately 2% decline in volume and unfavorable sales mix.

In Asia-Pacific, reported net sales were relatively flat, while on a local currency basis, net sales were up 3%. Pricing benefits and approximately 2% increase in volume were

partially offset by unfavorable sales mix and FX movements. In India, net sales increased 4% on a reported basis and 8% on a local currency basis, primarily due to favorable year-over-year pricing and an approximately 5% increase in volume, partially offset by FX headwinds. North America, which outperformed our expectations in the quarter, returned to growth with net sales up 1% year-over-year in both reported and local currency. This was primarily driven by favorable pricing year-over-year on flat volumes.

On a sequential basis, North America's year-over-year net sales trend improved by approximately 480 basis points with volume trends improving by approximately 570 basis points. China net sales were down 5% year-over-year on both a reported and local currency basis, primarily due to a 12% decline in volumes year-over-year, partially offset by favorable sales mix. Moving to Slide 13.

We see the drivers of the third quarter year-over-year changes in adjusted EBITDA. Adjusted EBITDA for the quarter was \$163 million, slightly below the prior year, driven entirely by unfavorable foreign currency impacts. As mentioned earlier, the non-repeat of the China government grant income recognized in the third quarter of last year drove an approximately \$5 million headwind to adjusted EBITDA.

On a constant currency basis, adjusted EBITDA was \$175 million for the third quarter, demonstrating the continued underlying strength of our business. Looking at the bridge, the drivers of gross profit margin changes were primarily a pricing benefit, partially offset by input cost inflation, mainly due to higher raw material costs. The \$6 million headwind in salaries reflects employee merit increases implemented in the first quarter of 2025, which was more than offset by the \$7 million tailwind from lower employee bonus accruals.

It is important to note that the full 2024 bonus was entirely accrued by the end of Q3 2024 and there was no additional bonus expense recognized in the fourth quarter of last year. In 2025, the bonus accruals have been recognized much more ratably each quarter, which we expect will result in a significant year-over-year headwind in Q4.

In addition, we expect 2025 bonus achievement levels to be normalized compared to the elevated levels seen in 2024. Promotional-related spend increased approximately \$4 million year-over-year, primarily related to two additional extravaganza events in the current quarter versus the prior year. And lastly, unfavorable year-over-year FX movements resulted in an approximately \$12 million reduction in adjusted EBITDA.

Moving to Slide 14. I'll provide an update on the capital structure. As I stated earlier, we have fully repaid the remaining \$147 million principal balance on the 2025 notes and the scheduled \$5 million amortization payment on the Term Loan B. We ended the quarter with \$25 million outstanding on our revolving credit facility and a leverage ratio of 2.8x. We remain committed to reducing our gross debt to \$1.4 billion by the end of 2028, a \$1 billion reduction from the end of the second quarter of last year when we first made the commitment. Since announcing that goal five quarters ago, we have repaid \$343 million in debt. Since the beginning of last year, we have paid down over \$500 million in debt.

Turning to Slide 15. We will review our outlook for the fourth quarter and full year 2025. Given currency volatility, we are continuing to provide our net sales and adjusted EBITDA guidance on both a reported and constant currency basis. For the guidance on a reported basis, we use the average daily exchange rates for the first two weeks of October 2025. For the fourth quarter, FX will impact our top and bottom lines differently when compared to the prior year. We expect approximately \$12 million positive effect on net sales, but an approximately \$10 million negative effect on adjusted EBITDA. We expect net sales growth in the fourth quarter on a reported basis of 1.5% to 5.5% year-over-year, which includes an approximately 100 basis point tailwind from currency.

On a constant currency basis, we expect net sales to be up 0.5% to 4.5% year-over-year. We expect adjusted EBITDA for the fourth quarter to be in the range of \$144 million to \$154 million, while in the range of \$154 million to \$164 million on a constant currency basis. The change from the implied Q4 guidance last quarter is primarily a result of FX movements since last quarter. Our planned capital expenditures for the fourth quarter are in the range of \$18 million to \$28 million.

Let's move on to our full year guidance. We have revised our outlook based on year-to-date performance, updated Q4 expectations and recent currency rates. With three quarters now behind us, we've narrowed our full year ranges. We've raised the low end across all metrics and raised the midpoint for constant currency adjusted EBITDA. We now expect full year net sales to range from a slight decline of 0.3% to growth of 0.7% year-over-year.

On a constant currency basis, we anticipate net sales to increase between 1.2% and 2.2% year-over-year. Adjusted EBITDA is now expected to be in the range of \$645 million to \$655 million or \$700 million to \$710 million on a constant currency basis. Regarding tariffs, our 2025 guidance includes a preliminary estimate of the impact from tariffs enacted through yesterday which are immaterial.

Looking ahead, on an annualized basis, we continue to believe that the enacted tariffs will not materially impact our overall performance. With respect to capital expenditures, we now expect full year spend to be in the range of \$80 million to \$90 million. We continue to expect capitalized SaaS implementation costs to be in the range of \$25 million to \$30 million, which is incremental to our planned CapEx. Our expectations for depreciation and amortization including the amortization of SaaS implementation costs, remain unchanged at \$140 million to \$150 million. And for the full year 2025, we continue to expect our adjusted effective tax rate to be between 27% and 28%.

Before moving to Q&A, I want to close my opening remarks with one final comment. Q3 was another step forward in the company's transformation. The combination of growth, cash generation and continued debt reduction reflects both the resilience of our distributors and the strength of our operating model. We are confident in the direction we're heading, grounded in execution, focused on shareholder value and energized by the momentum we are seeing in our business.

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 William Reuter with Bank of America.

William Reuter^ My first question is a little bit of a housekeeping one or maybe not so much housekeeping. But capital allocation, you're now below your targets. You still continue to reduce debt by the end of '27 by, I don't know another \$600 million, \$600-something million. How are you thinking about other uses of cash and allocation of that?

John DeSimone^ Yes. To be clear, there were two debt goals. There was a short-term debt goal and a longer-term debt goal. The short-term debt goal that we announced last year -- early last year was that we wanted our leverage ratio to be below 3x by the end of this year. That's a short-term goal. And the reason is we -- I don't think we should ever be higher than 3x and we got there for a number of reasons.

So we wanted to get that as a baseline. Then we further said, that's not our end point. That's our short-term goal. The longer-term goal is to pay down debt by \$1 billion from the time we set it a year ago until the end of 2028 because we generate a lot of cash and we continue to expect to generate a lot of cash. And that's our number1 use after our internal investments is to buy down cash. So are we tracking ahead of -- obviously we track ahead of the leverage goal. We achieved 2.8x already.

On the long-term goal, we paid a lot back and we're probably tracking ahead of that goal, too, which means we have some additional cash that we're likely to generate beyond the needs to pay down the \$1 billion. What we do with that will, first and foremost, be how can we drive value in the business and other opportunities to invest in certain things in the business. Then beyond that, we'll make decisions circumstantially.

William Reuter^ Got it. Then secondly, with these new product introductions, they certainly sound extremely exciting. You're spending a lot of time on them. I'm wondering if there are going to be costs associated with getting your distributors up to speed on the usage of them that will result in elevated SG&A next year that will have returns in subsequent years? Or if you think that kind of your natural distributor event cadence or extravaganza cadence will be sufficient to educate them?

Stephan Gratziani^ There's nothing outside of the normal scope of distributors learning about the products and through the education format that we have that they're able to go to market with. So yes, I don't see any type of an increase.

Operator^ Our next question comes from the line of Christina with Mizuho.

Song Xue^ Just want to ask about, can you share some of the early responses from the Pro2col beta group? Any interesting takeaways from the testers so far?

Stephan Gratziani^ It's been really a great process with the beta group. Obviously these are distributors who are engaging. So they're kind of like our super users and when you hear about the number of miles or steps logged and the amount of meals and they're engaging at a very high level with the app. The process for us is really to get their feedback. That was -- that's been step one because they're helping us to formulate the features so that when we go to market, it's things that they can leverage and things that they're already doing with coaching and understanding how to actually engage with the customer to be able to get the biggest opportunity, as many sales as possible, a stickier customer, upgrading customers on to other products.

So the takeaway for us has really been the process has been amazing. The feedback that they're giving, the suggestions. When you aggregate close to 8,000 distributors and their ideas and how they're interacting with it, it's just there's a certain level of richness in the information and the data. Next step for us is obviously to move towards customers. That's why we opened up the beta now for customers of those distributors in the beta because customers are different than distributors. They experience different things. The distributors will be interacting with them. So we'll be having insights from customer data, but also the distributors who have their customers who are participating in the protocol app as well. So it's been a great process for us.

Song Xue^ Yes. Then maybe another one on the new distributor growth, which is pretty strong in the quarter for North America. So did you kind of see some kind of early signs of progress on the productivity side?

Stephan Gratziani^ Yes. I don't -- from a productivity standpoint, I think it's in line with traditionally what's happening. I think the growth in the new distributor, it's coming from the excitement that they have, number one, about what's coming in the future and the way things are looking. It's also a lot of work that's been taking place, all of the things that we mentioned, the Diamond Development Mastermind, the key account management program where we're working with the leaders. They are figuring out in their DMOs.

There's been this reengagement with the Herbalife Premier League of getting people back focused on business building as well. So it's really an excitement, obviously about the product launches that we've had. Multiburn was, I would just say very, very well accepted and it's creating kind of a new focus really and I would say around weight loss, where quite honestly, we've been probably more of a healthy active lifestyle. And having this product really brought a focus on weight loss, which has seen -- we see it as an added benefit.

Song Xue^ Okay. Maybe last one for me. So on the new skin care product, can you share like how the AI was developed? Was it like built in-house? Or is it kind of through a partnership? And do you see that kind of like AI interaction expanding across the rest of the product line?

Stephan Gratziani^ Yes. So it was in partnership. We customized based on our products and our needs as well. It's really interesting to watch the engagement. We -- I don't have the exact figures, but I know in the first few weeks, we were over 100,000 scans actually, which was quite impressive. And it's something that when people see the data and especially when they are going to use a product and come back and scan to see the difference, it just gives a way of interacting, which is very effective. Obviously technology today is very important and leveraging it is one of the key pillars that we're building on.

Operator^ Our next question comes from the line of Karru Martinson with Jefferies.

Karru Martinson^ When we look at the volume growth, which is encouraging to see you guys return, are there product categories that are driving it? And how should we think about that against kind of like the traditional mix of products that you used to be selling?

John DeSimone^ Yes. I'll take that one. I mean there's a little bit of skewing mix toward healthy active lifestyle products, fit products and a little bit toward -- and this is a global comment and a little bit toward targeted nutrition and a little less on weight loss. That's been a trend now for a few years. That's still the trend globally. But in the U.S., with the launch of Multiburn, it brought some of that focus on weight loss back and it took a little share in the U.S. versus our kind of historical rate. But it's not a revolutionary shift.

Karru Martinson^ Okay. Then when we think about the sales mix that you called out, just a modest decline there. I mean are some of these categories more profitable than others? Or how do you look at the mix going forward?

John DeSimone^ Some product lines are more profitable than others. Some countries are more profitable than others. I mean when you run a global business with net-net thousands of SKUs, there's always a profit differential. So I wouldn't say -- it can be significant, but there's nothing specific to call out.

Karru Martinson^ Okay. Then there was talk a couple of quarters ago, we had been looking at GLP-1, certainly incorporating it into the thought process. Is there anything that we should be highlighting there? Or how has that thinking kind of evolved?

Stephan Gratziani^ Karru, I would say it's still the same thinking, right? So if people want -- they don't want to go down the GLP-1 route, we want to give them a natural alternative, right? So that's Multiburn as an example. If people want to go down the GLP-1 route, we want to be able to help them and make sure they're getting the protein, they're supporting their muscle mass, their bone density. So we want to be there to accompany them down that road. If they've been on GLP-1s and now they want to transition off and they don't want to just fall back into the same situation and gain the weight back, we want to be there on the off-ramp, supporting them to get on a better nutrition, better lifestyle so they can have a sustainable result. That remains the way that we are approaching the GLP-1 in the marketplace. I would say that that has been something that's been a great

strategy so far. It continues to be a great strategy. Obviously with Multiburn now we're seeing an uptick in the focus of people that are interested in losing weight and our distributors are gaining some market share there.

Operator^ Our next question comes from the line of Hale Holden with Barclays.

Hale Holden^ I just had three quick ones. The Mastermind rollout to India, that's been a pretty successful program for you. In other parts of the world, can you just give us a sense of what you're looking for or what you think success would look like there?

Stephan Gratziani^ Well I was personally there in India when we launched. It's kind of interesting. I think this is the first time that we've ever had a program like this. India, as you know has grown substantially over the last decade. Huge influx of leaders and never having this level of training, especially in this format before, I think it was very impactful. The feedback from the leaders there was that this was something that was really needed to be able to continue the growth that they've experienced in the past and to see the continuing sustainable growth there.

So I can just tell you, personally, there was a lot of feedback and energetically, it was really an amazing event. They're already very motivated, excited. They value the opportunity. They're very hard working. So it was something that was hugely beneficial. We are going to evolve the program. Obviously we've been doing this now since August of 2024. So the content, the structure, the support, the tools that we're using, it's evolving and we'll continue to expand the program. So we have some additional markets coming online this year. And it's, I'd say something that's fundamentally and foundationally that's supporting the growth that we're having.

Hale Holden^ Okay. The beauty slide that you guys flagged, it's certainly exciting. I think it's just been a while since I've seen you highlight things in that category. Is the intention there to bring it to more countries? Or you're just highlighting it because it's working in South Korea?

Stephan Gratziani^ Yes. It's interesting. We actually launched it in EMEA. There was a demand. Actually, to your point, it's not a product line or category specifically that we've focused on a lot. But when you have over 2 million distributors who are all using, for the most part, skin care and interested, you start to have certain markets where they just are like, listen, as a company, we need to do something. The way we do things here is we do it and we go out and find the best technology, the most clinically proven. That's what led us to South Korea. The launch in EMEA, again this is also part of the dynamics of our business, it didn't take very long for that ripple effect to kind of spread around the world. So we have got another market that's coming online very quickly and we have other markets that are already -- they're asking for it.

Just the one thing that I would say is that there's also within the distributor network in certain markets, pockets of distributors who like to focus on this specifically as a DMO. Notably in Turkey, as an example, they've been doing -- we do nutrition clubs around the

world. They actually implemented skin clubs. So it's also one of the things that led us down this pathway. But I could say that the launch was very successful and the demand is there. So this will be something that we will be expanding. We're going to evaluate, obviously timing and everything. But yes, it is our goal to expand this around the world.

Hale Holden^ So I guess the reason I was asking is because it's a very different product line than the Pro2col launch. I was wondering if it -- if you have the ability, I guess to walk and chew gum at the same time or if it would distract distributors or if it's just different markets?

Stephan Gratziani^ Yes. No. It's -- so here's what I would say. Consumption is one thing. Again when you have 2 million distributors that are consumers, much rather have them consuming our products than in the category than buying them anywhere else, number one. Number two, our model is predicated on people getting results, liking something and wanting to share it. So we know that there will be a benefit to having especially an advanced product like this in skin care line, just in terms of the usage and the sales that will happen like accessory sales. Then you have distributors certain that are going to do it as a DMO. So we don't see this as a distraction. We think certain distributors and markets are going to naturally gravitate towards this and figure out in their models.

By the way, we've had this in the past. Brazil was a very -- out of all of our markets are very focused on skin care. There's just countries and certain leadership that it's part of their market. But we don't see it as a distraction at all or something that's going to be too difficult in terms of what we're trying to accomplish overall with Pro2col.

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

Douglas Lane^ The one number that did stand out for me was that North American number. I mean you mentioned the 480 basis points acceleration sequentially, but just going back beyond that, it was down 4% in the first quarter, 3%, 6%. So it's just kind of was steady state in that mid-single digit decline and all of a sudden it jumped up to 1%. So I'm wondering, a, did you expect that? And b, what was driving that?

John DeSimone^ This is John. Let me start and if Stephan wants to add, he can. But as you said, U.S. has been getting stronger now quarterly for two years, but the numbers were pretty weak. We had a really big jump in the third quarter, both from a net sales standpoint, also a volume standpoint. That actually exceeded our expectations, right? Some of that is -- it was elevated because of the event in July. We launched a lot of products in July.

If you remember on the last call we said July actually had volume growth in the U.S. For the quarter, the U.S. ended up flat with volume, which means we had a great July. We had a tremendous August and September, not quite flat, though. So that's kind of the new baseline. I think we did make a jump. I'm not sure Q4 will exceed Q3 or maybe even be

at the levels of Q3, but meaningfully higher than the run rates we had prior to our July extravaganza. So I think we've hit a new baseline in the U.S. and so that's exciting.

Douglas Lane^ Okay. Then looking at the cash generation here, you've got cash from operations going up, you've got CapEx going down. You're ahead of your debt reduction targets. Is there any room to accelerate stock buyback, maybe not be at the pace it was in the past, but maybe more than it's been recently?

John DeSimone^ It's not a priority right now Doug. Our priorities are pretty well laid out. One is support the new strategy of the business. Two is continue to pay down debt. We want to get our net debt down to under \$1 billion, which is really getting our gross debt down to \$1.4 billion by the end of 2028. That's our goal. We are tracking ahead of that. What we do with the excess cash that we're generating beyond what's needed to pay that goal is something that we will determine over time but buybacks are not a priority right now.

Douglas Lane^ Okay. You've been fairly consistent with that message. And just one last thing. You talked a lot about the products, which are very exciting, but also the opportunity for subscription revenue. How is the move towards building up a subscription revenue base going?

Stephan Gratziani^ Yes, Doug, I'll take that one. We believe that there is a big place in the future for subscription revenue. So for that, obviously we've introduced Multiburn in the U.S. now. We have certain products that are available for subscription within the Pro2col app. Obviously when we move to personalized formulated, it would be based on subscription also. We just look at companies in the industry and subscription is just a huge part of businesses today. So for us, where we are -- this is part of our vision. This is part of where we're going. We're building all of the things that are needed for that in terms of the commerce capabilities and the products and having it all tied to the service. So I'll just say it's en route. It's a big part of what we believe is going to bring a lot of value in the future and we are just going to keep building quarter-on-quarter to where we want to go.

Douglas Lane^ Okay, that's helpful. Thank you.

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 for closing remarks.

Stephan Gratziani^ Thank you. Number one, I just want to say that if you don't know it and I imagine that you do if you're listening, is that Herbalife is a very special company. I can say this because it's been 34 years of my life that I've been a part of this company. I've been on the side of building a business and interfacing and interacting with customers on a daily basis and distributors and across many, many markets and seeing the passion and the mission and the drive that they have to be agents of change to actually, because of their own individual experience, want to share and impact other people's lives.

So number one, special company, 45 years, over 2 million distributors, 60,000-plus nutrition clubs, physical brick-and-mortar locations around the world. We are different than, I would say every other company in the direct sales channel. We are not only bigger, we're diversified and we have probably the largest network effect and more reach than any other company in the world.

Now having said that, we are a direct sales company. That is a super power when it comes to selling products to people that are going to be ingesting something, changing some behavior that's going to help them to become healthier and having the support of a coach, a distributor, someone that cares about them, this is something that's very special to Herbalife.

What we're doing as a company is we are technically and technologically enabling our distributors, aggregating personal data information supported by AI and analytics, personalizing and empowering support through technology in a way with the things that we're launching, the new coach dashboards to be able to give distributors even more capability of following up their customers and helping them reach their goals than they've ever had in the past, delivering tools for all of those 2 million-plus distributors to go out and build bigger businesses like the sales funnels and the functionalities that we're delivering now that we've just launched for our distributors in beta.

Then you think about personalized curated products and solutions. Herbalife, this huge network, the quality, the science, the innovative products and we have been doing that for 45 years. We offer a personal solution through a personal coach and distributor supporting someone and we're about to take that to the next level and move from curated to actually formulated.

So again, looking to the future, these are things that will set Herbalife aside from every other not only direct sales company in the world, but we believe actually other health and wellness companies in the world. We're expanding the products and services beyond just selling products. And so when we look to the future, we know that this foundation and the strength of our business through our distributors, it has gotten us to where we are today. We know where we're going in the future.

So we believe that with time quarter-by-quarter, the potential of what Herbalife can and will become in the future will become evident. We believe last quarter was us turning the corner. We believe that we will do things that, quite honestly and I'll just say from a personal level, from someone who was a distributor for many years are things that we would like to show the world that we are just not great as a company that works in direct sales, but we will be one of the companies that impacts the health and wellbeing of humanity in a way that very few companies could ever do. So we thank you for your support and joining us on this journey and we look forward to speaking with you next quarter.

Operator^ Ladies and gentlemen, that concludes today's conference call. Thank you for your participation. You may now disconnect.