

June 4, 2017



# **Herbalife Nutrition Announces That in the Month of May 90% of Sales in the United States Were Documented Purchases by Consumers, Far in Excess of the 80% Threshold Called for in its Agreement With the U.S. Federal Trade Commission**

**Company Recognizes its Distributors and Approximately 400,000 Preferred Members in the United States**

**Company Collected More Than Three Million Receipted Retail Transactions in the United States in May**

**Company Provides Updated Guidance**

LOS ANGELES--(BUSINESS WIRE)-- Premier global nutrition company, Herbalife (NYSE:HLF), today announced that due to the dedication and diligence of its distributors, in May, 90 percent of United States sales were documented purchases by consumers, comprised of more than three million receipted retail transactions. These results far exceed the 80 percent threshold called for in the Company's agreement with the U.S. Federal Trade Commission. The Company also announced that approximately 400,000 customers have converted or signed up as preferred members in the U.S. since the program began in October 2016.

"These figures should put an end to any questions regarding demand for our nutrition products and the strength of our go-to-market business model," said Richard P. Goudis, CEO, Herbalife Nutrition.

In the past ten months, Herbalife Nutrition created industry-leading technology and tools in partnership with its distributors to help them efficiently document retail sales. The flexibility of the tools, built on a robust scalable infrastructure, has allowed the Company to track retail sales of products to end-users thereby allowing the Company to collect new marketing data, such as pricing, buying preferences and consumer purchase trends. This critical information, most of which is new to the Company, will help create significant competitive advantages as Herbalife Nutrition leverages data analytics to provide enhanced, industry-leading personalized support to its distributors and customers.

While the 80 percent threshold is an annual test, the Company believes this one-time off-cycle announcement is important to share with distributors in order to recognize their significant role in achieving this May 2017 milestone. The Company notes, however, these

results are based on the Company's records and are subject to the review of the independent compliance auditor.

### Guidance Update

The Company's distributors have successfully utilized the full array of new tools and processes necessary to document retail sales transactions. Yet, as is typical with any change, the new technology and processes have taken time for distributors to learn, then teach and implement in their organizations. This acute focus on learning has impacted current period sales as distributors adapted to these new protocols. The Company expects as these new processes become even more efficient and more routine, the current sales trend will be a short-lived cycle followed by a sequential acceleration of growth.

The Company further believes that this situation is similar to what the Company has experienced in markets when changes of this magnitude have been introduced. In fact, other protocol changes made by the Company in 2014 and 2015 had a similar short-term sales impact but then contributed to record performance in 2016.

As a result of current sales trends during the transition in the US, combined with softer trends in Mexico, the Company is updating its volume, net sales and EPS guidance for the second quarter and the full year 2017. The updated guidance reflects an increase in diluted EPS and adjusted diluted EPS but a decrease in volume and net sales.

Finally, the Company believes that the second quarter of 2017 will be the most challenging quarter of the year from a comparative perspective given that last year's second quarter volume was the largest in the Company's history.

The updated guidance is reflected in the following chart:

|                                     | Three Months Ending<br>June 30, 2017 |             | Twelve Months Ending<br>December 31, 2017 |             |
|-------------------------------------|--------------------------------------|-------------|-------------------------------------------|-------------|
|                                     | <u>Low</u>                           | <u>High</u> | <u>Low</u>                                | <u>High</u> |
| Volume Point Change vs 2016         | (8.0%)                               | (4.0%)      | (1.0%)                                    | 2.0%        |
| Net Sales Change vs 2016            | (6.0%)                               | (2.0%)      | 0.5%                                      | 3.5%        |
| Diluted EPS (a)                     | \$0.75                               | \$0.95      | \$3.30                                    | \$3.70      |
| Adjusted <sup>(b)</sup> Diluted EPS | \$0.95                               | \$1.15      | \$4.10                                    | \$4.50      |

(a) Excludes any potential impact of ongoing tax effects from exercise of equity awards and share repurchases that took place after April 30, 2017.

(b) Adjusted diluted EPS, for the purposes of 2017 guidance, excludes the impact of expenses relating to challenges to the company's business model, the impact of non-cash interest costs associated with the company's convertible notes, FTC settlement implementation, and expenses related to regulatory inquiries.

The following is a reconciliation of diluted earnings per share guidance, presented in accordance with U.S. generally accepted accounting principles, to adjusted diluted earnings per share guidance for certain items.

|                                                                                           | Three Months Ending<br>June 30, 2017 | Twelve Months Ending<br>December 31, 2017 |
|-------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------|
| Diluted EPS Guidance <sup>(1)</sup>                                                       | \$0.75 - \$0.95                      | \$3.30 - \$3.70                           |
| Expenses incurred responding to challenges to the company's business model <sup>(2)</sup> | 0.02                                 | 0.08                                      |
| Non-cash interest expense and amortization of non-cash issuance costs <sup>(3)</sup>      | 0.14                                 | 0.55                                      |
| FTC Consent Order Implementation <sup>(4)</sup> <sup>(5)</sup>                            | 0.04                                 | 0.12                                      |
| Expenses related to Regulatory inquiries <sup>(6)</sup>                                   | 0.03                                 | 0.11                                      |
| Income tax adjustments for above items <sup>(7)</sup>                                     | (0.02)                               | (0.06)                                    |
| Adjusted Diluted EPS Guidance <sup>(8)</sup>                                              | <u>\$0.95 - \$1.15</u>               | <u>\$4.10 - \$4.50</u>                    |

(1) Excludes any potential impact of ongoing tax effects from exercise of equity awards and share repurchases that took place after April 30, 2017.

(2) Excludes tax impact of \$0.5 million and \$2.0 million for the three months ending June 30, 2017 and the twelve months ending December 31, 2017, respectively.

(3) Relates to non-cash expense on our convertible notes and prepaid forward share repurchase contract.

(4) Excludes tax impact of \$1.0 million and \$3.0 million for the three months ending June 30, 2017 and the twelve months ending December 31, 2017, respectively.

(5) Includes \$3.0 million of product discounts related to preferred member conversions for the twelve months ending December 31, 2017.

(6) Excludes tax impact of \$0.8 million and \$2.8 million for the three months ending June 30, 2017 and the twelve months ending December 31, 2017, respectively.

(7) Aggregates the individual tax impacts of each item as described in greater detail in footnotes 2, 4 and 6 above.

(8) Amounts may not total due to rounding.

## **About Herbalife**

Herbalife Nutrition is a global nutrition company whose purpose is to make the world healthier and happier. The Company has been on a mission for nutrition - changing people's lives with great nutrition products & programs - since 1980. Together with our Herbalife Nutrition independent distributors, we are committed to providing solutions to the worldwide problems of poor nutrition and obesity, an aging population, sky-rocketing public healthcare

costs and a rise in entrepreneurs of all ages. We offer high-quality, science-backed products, most of which are produced in Company-operated facilities, one-on-one coaching with an Herbalife Nutrition independent distributor, and a supportive community approach that inspires customers to embrace a healthier, more active lifestyle.

Our targeted nutrition, weight-management, energy and fitness and personal care products are available exclusively to and through dedicated Herbalife Nutrition distributors in more than 90 countries.

Through its corporate social responsibility efforts, Herbalife Nutrition supports the Herbalife Family Foundation (HFF) and its Casa Herbalife programs to help bring good nutrition to children in need. The Company is also proud to sponsor more than 190 world-class athletes, teams and events around the globe, including Cristiano Ronaldo, the LA Galaxy, and numerous Olympic teams.

The company has over 8,000 employees worldwide, and its shares are traded on the New York Stock Exchange (NYSE:HLF) with net sales of approximately \$4.5 billion in 2016. To learn more, visit [Herbalife.com](http://Herbalife.com) or [IAmHerbalife.com](http://IAmHerbalife.com).

The company also encourages investors to visit its investor relations website at [ir.herbalife.com](http://ir.herbalife.com) as financial and other information is updated and new information is posted.

### **Forward-Looking Statements**

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

- our relationship with, and our ability to influence the actions of, our Members;
- improper action by our employees or Members in violation of applicable law;
- adverse publicity associated with our products or network marketing organization, including our ability to comfort the marketplace and regulators regarding our compliance with applicable laws;
- changing consumer preferences and demands;
- the competitive nature of our business;
- regulatory matters governing our products, including potential governmental or regulatory actions concerning the safety or efficacy of our products and network marketing program, including the direct selling market in which we operate;
- legal challenges to our network marketing program;

- the consent order entered into with the FTC, the effects thereof and any failure to comply therewith;
- risks associated with operating internationally and the effect of economic factors, including foreign exchange, inflation, disruptions or conflicts with our third party importers, pricing and currency devaluation risks, especially in countries such as Venezuela;
- uncertainties relating to interpretation and enforcement of legislation in China governing direct selling and anti-pyramiding;
- our inability to obtain the necessary licenses to expand our direct selling business in China;
- adverse changes in the Chinese economy;
- our dependence on increased penetration of existing markets;
- contractual limitations on our ability to expand our business;
- our reliance on our information technology infrastructure and outside manufacturers;
- the sufficiency of trademarks and other intellectual property rights;
- product concentration;
- our reliance upon, or the loss or departure of any member of, our senior management team which could negatively impact our Member relations and operating results;
- U.S. and foreign laws and regulations applicable to our international operations;
- uncertainties relating to the United Kingdom's vote to exit from the European Union;
- restrictions imposed by covenants in our credit facility;
- uncertainties relating to the application of transfer pricing, duties, value added taxes, and other tax regulations, and changes thereto;
- changes in tax laws, treaties or regulations, or their interpretation;
- taxation relating to our Members;
- product liability claims;
- our incorporation under the laws of the Cayman Islands;
- whether we will purchase any of our shares in the open markets or otherwise; and
- share price volatility related to, among other things, speculative trading and certain traders shorting our common shares.

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

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