

Herbalife Ltd. (Q4 and Full-Year 2023 Earnings)
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Corporate Speakers

- Erin Banyas; Herbalife Ltd.; Vice President and Head of Investor Relations
- Michael Johnson; Herbalife Ltd.; Chairman and Chief Executive Officer
- Stephan Gratziani; Herbalife Ltd.; President
- Alexander Amezquita; Herbalife Ltd.; Chief Financial Officer

Participants

- Chasen Bender; Citi; Analyst
- Robert Rigby; Bank of America; Analyst
- John Baumgartner; Mizuho Securities; Analyst
- Linda Bolton-Weiser; D.A. Davidson; Analyst
- Jeff Van Sinderen; B. Riley; Analyst
- Anna Lizzul; Bank of America; Analyst
- Hale Holden; Barclays; Analyst
- Douglas Lane; Water Tower Research; Analyst

PRESENTATION

Operator^ Good afternoon. And thank you for joining the Fourth Quarter and Full Year 2023 Earnings Conference Call for Herbalife Ltd.

(Operator Instructions) As a reminder, today's conference 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.

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

Joining us today are Michael Johnson, our Chairman and Chief Executive Officer; Stephan Gratziani, our President and Alex Amezquita, 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 2 of our presentation and in our earnings release issued earlier today, which are both available under the Investor Relations section of our website. The presentation and earnings release include a discussion of some of the more important factors that could cause results to differ from those expressed in any forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. 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 Chairman and CEO, Michael Johnson.

Michael Johnson^ Thank you, Erin, and Happy Valentine's Day, everybody. You guys, when I returned to Herbalife in late 2022, we met in Cairo immediately. It was the first of November and we set out a vision for Herbalife. And that vision is to be the world's premier health and wellness company, community and platform. We're working on it and we're working towards it and the results are getting very exciting.

Twenty-twenty-three, though, was a very challenging year. We all know that. So, we laid out a plan to have net sales growth by the fourth quarter, which we delivered. Our year-over-year net sales trend improved every quarter in 2023. We modernized our brand, we updated our look, and we modernized our digital atmosphere.

We enhanced our data management and transactional capabilities. We launched new websites in markets representing 70% of our sales. On the product front, we introduced 17 innovative products that supported our distributors' businesses, and we launched our first ever vegan line, and it was so successful, the demand higher than anticipated, we experienced out of stocks. Not proud of that but it's been a great line with great success. We had strong cash generation.

Our 2023 free cash flow exceeded 2022. We paid down debt ahead of schedule. Our transformation program. We took out \$115 million out of SG&A, which exceeded the \$70 million we set out to achieve. We did this through an aggressive back-office consolidation.

This helped us build out centers of excellence in Krakow, Guadalajara, Bangalore, and Kuala Lumpur. We employed an aggressive distributor engagement plan. Between corporate and distributor events were back in action. Our retention is up. Those are the news points from 2023.

So now, let's focus on where we're going in 2024. We know the road ahead. Our top line sales and recruiting of new distributors and customers is our #1 focus. Bringing Stephan in to work with an incredible team of executives here is helping Herbalife get closer to the market, dive into analytics and data to support distributor businesses for insights and opportunity. It's allowing us to maximize sales and business opportunities through customer and distributor acquisition productivity and retention.

We are deploying account management teams more aggressively in the field to work closely with distributors to support their distributor methods of operations in more aggressive manners. We are investing and positioning ourselves for growth through 2024. Based on our line of sight today, we are forecasting this year to be relatively flat. With that said, stay tuned. USA is our major focus. We get it, it's our home court. It's important to all of our stakeholders, to you, our investors, to our employees and our distributors. We are in this to succeed, to get growth back into North America. We need the top -- we need to drive top line growth here in the USA to get

deeper and closer to the market, which is what we are doing to create products for the market. I already mentioned the vegan line, which is an exciting product for us opening up new customers, new distributors and new opportunity. In the GLP world, we've just launched nutrition companion product combos. It is positioned to meet market demand. It's ready to support our distributors and respond to any demands they have from their customers in the marketplace.

Distributors are looking at unique ways to work with their local markets alongside GLP-1 providers. There's going to be more news about this as the year unfolds. We are ready to support them, and their innovation and they bring it to us, and they enhance their markets locally. We have studied this market very, very closely. We're also excited about the CDC Diabetes Prevention Program, which allows our distributors to be more deeply trained in offering their customers a lifestyle change enhanced by weight loss and behavioral modification.

So, let's summarize North America, I'm spending a lot of time there because it's so important to us. Get recruiting up, get customers and distributors, get more of them into Herbalife with great products, with great business opportunity and with great innovation in our company. Get closer to our distributors and their methods of operations, deliver a robust suite of digital and data tools that will enhance distributors' business opportunity and deploy our events specific to DMO trainings. We are creating the distributor training unique to Herbalife that Stephan will detail. This will be something unique to our company and that we're very, very excited about.

Let's take a look at our other major markets were in China, we're back in action. We have reemerged past the pandemic -- post the pandemic and past the pandemic. There has been a large amount of time spent by Stephan, the China team and myself to engage with our China leadership, both distributors and executives to support our business there. We see good things on the horizon in China. India continues to grow.

We have a great management team there. Localization of product and business opportunity and a highly energized distributor organization that continues to push the business forward. In Mexico, we're moving forward from supply chain challenges experienced in the latter part of 2023. We limited the shortfall by working diligently, engaging with the Mexican authorities. And like North America, we're obsessively focused on both top line growth and margin expansion.

This week, we announced an incredible new relationship with the Mexico Olympic Committee. This is very exciting. It builds our brand and standing in Mexico. Some of our products will be branded with the Olympic logo. We are the supply and product partner for athletes.

We are providing our science and doctor support for the Mexican Olympic Committee and athletes. This is in addition to our partnerships with the National Olympic Committees of Israel, Vietnam, Greece, and Italy. These partnerships, along with our global athletic sponsorships, including Cristiano Ronaldo and Virat Kohli enhance our brand universally and are in line with our healthy active lifestyle values. These are great for our distributors, our customers, and our brand. So, before I turn it over to Stephan, let me reiterate our goals for 2024.

Sales. Sales, sales, sales, getting our organization more effective and deployed to enhance our distributors' acquisition of customers and new distributors. Margin, maniacal about cost

efficiency and proper alignment of resources. And finally, let me turn to the balance sheet. This year, we will refinance our senior credit facility and we will use our excess cash to continue to pay down debt.

Now, before I turn it over to Stephan, let me just do a quick introduction of him. When we brought Stephan in to work with this management team, our whole goal was to get closer to the market, to have a distributor voice, mind and mindset inside our company. His depot of experience and knowledge has helped us already massively. He's proved to be a transformative leader and I'm proud that we promoted him to President this year. So, Mr. President, on to you.

Stephan Gratziani^ Thank you, Michael. Well, it's been an exciting six months since I joined the company. Last quarter, we talked a little bit about the long-term vision of things for the company and really how we are going to be a sustainably growing company in the future. Michael has mentioned becoming the world's premier health wellness company, community and platform. And so, a little bit just to talk about that.

We have tens of millions of customers. We've got millions of distributors that work every single day face-to-face with customers adding value to their lives. They are teaching them better nutrition habits. They are involving them in healthier lifestyle habits. They're getting them on Herbalife products and helping them to get results.

As a company, many of those and most of those customers don't live on a platform with us. As a company, we can deliver a lot more value to them, and that's part of what the Herbalife One ecosystem is going to be about. As a company, delivering more value to customers and allowing those customers to be closer to the company live in a platform and with the platform that delivers value to them, that they want to be a part of and that they have many of their needs met, and they're stacked on top of the distributor's value, what they bring every single day. And so long term, this is where we're going as a company. In the future, the vision is to have tens of millions of customers and support millions of distributors and deliver value to both of these parties.

Shorter term, we have things to work on as Michael said. When I first came in, the focus was getting close to the markets with a specific attention on China, the U.S. and Mexico. We spend a lot of time working with the regional heads to better understand the business needs and the opportunities in front of us, in developing the strategy that we need to move forward with locally. An example of this is China, like Michael just mentioned.

The executive team has spent more time on the ground in China with our service provider leaders and local team last year than we did in the last three to four years. We appointed Stella Tsai as Managing Director. She's one of our top leaders who ran North Asia and has more than 20 years' experience, and she will report directly to me. The business is stabilizing, we have positive momentum and a clear plan for 2024, and we're excited. Another market of focus has been the U.S.

Again, we spend a lot of time analyzing the business and all of the growth that happened over the last six to seven years, the post-pandemic market and the macro situation. As you know, Nutrition Clubs in the U.S. are the most important part of our business. It's also what

differentiates us from almost any other business in the MLM industry and also the nutritional supplements industry. It's an incredible business, and we're seeing lots of opportunities to leverage and build upon that foundation.

I'm going to give some high-level numbers for the first time to illustrate this, but first, I want to give a bit of background. If we go back 10 years ago in the U.S., our Nutrition Clubs were primarily service-based Nutrition Clubs. What does that mean? Meaning almost all of the clubs, they were offering different types of services. Distributors were doing wellness valuations, teaching people about nutrition, personal coaching, offering different types of workouts, running weekly weight loss challenges.

And all of this was to help people learn about the nutrition product -- the Herbalife nutrition products, make lifestyle changes and ultimately get results. In the U.S., for a few reasons, the clubs started shifting and moving to more of a foodservice offering, by the way, which opened an entire new vertical of business for us and created tremendous growth, especially during the pandemic, where food services were seen as essential. That model gained a lot of momentum and some of the other models -- the service models kind of moved out of focus. I'll say that it's really mostly a U.S. phenomenon.

The rest of the clubs around the world, they really remained primarily the same service-focused clubs that we've had for so many years. But when you consider that just 10 years ago, we didn't have a foodservice business, the numbers are quite impressive. And so, in 2023 we had 4.4 million unique customers in our U.S. Nutrition Clubs. They generated around 55 million transactions with an average transaction amount of \$16.50.

That's \$900 million in retail business for our clubs. It's an incredibly strong foundation and we believe we have lots of opportunities there. For example, our preferred customer conversion rates are as low as 1% in some clubs. So just to give you a bit of context, people that are walking in, if you have 100 people walking in to buy a healthy shake, an energy tea, some type of a food item that they're just basically consuming and then leaving, only 1% of them actually become Herbalife customers that get on the program or ordering supplements, using them at home. It's a huge opportunity for us.

We have other clubs that are doing more multi-service, that are still doing the types of services that the clubs were doing years ago, and the conversion rates for those clubs are north of 10%. So, there's a big delta there and a big opportunity. We believe that the upside there can be very big. And our job is going to be helping the clubs, giving them the tools, the understanding, making accessible what they need to be able to offer all of the services that are out there that can add value to the club. We see some clubs, by the way, already there starting to do this that weren't doing it three to six months ago.

An example of that would be clubs that are now participating in 21-day challenges like the WeDo challenges. As Michael mentioned, we also just launched our GLP-1 companion packs, and it's already getting attention. We've got some distributor leaders that are actually reaching out to different providers of GLP-1s and who have patients that are looking for nutritional

support and supplement. As that market continues to grow and more people are using GLP-1s, there'll be an even bigger opportunity for us. Michael also mentioned the CDC program.

In March, we have over 100 distributor leaders who are starting a training program to become certified life coaches to be able to help people in their communities and clubs by delivering the CDC Diabetes Prevention Program. We believe by building off the strong foundation of Nutrition Clubs in the U.S. and offering additional services presents a huge opportunity for us. There's a lot more that I can say about that but I'm going to leave it at this. Another focus -- another area of focus is really how are we going to bring the most value possible to our distributors?

In my experience as a distributor for 32 years, there were some things that helped me successfully to build my organization. One of them was focusing on leadership development and constantly upskilling the teams. Whatever they were missing, whatever they needed at whatever level they were at, was being able to deliver them the things that would make a difference. One-on-one coaching made a big difference. Any time that I could get, and my leaders could get spending time one-on-one with people going over the business metrics, going over the models that they were operating, going over the plans and the goals for the future and how they were going to get there made a huge difference.

The last thing was helping to ensure that as time progressed and markets shifted, that the leaders have the most effective DMOs in place to be able to maximize market opportunities. Those areas of focus as a company, as we move forward, are going to have us doing some things differently. One of them is that we're going to be putting into place, as Michael mentioned, we're going to be formalizing and standardizing an account management operating model, which is going to bring one-on-one support (inaudible) wait for -- we will have literally hundreds of people within the company, eventually thousands, that will be interacting with tens of thousands of distributor leaders in the market, sharing with them the metrics, standardized, formatted, done in a way that they can see what's happening in their businesses, the upside opportunities that they have, learning about the DMOs that are making the biggest difference and being connectors for them. This is something that will make a huge impact in the company, I believe, in the future. It's something that I personally did in my own business and was a huge part of why I and my teams became successful.

That's one thing. The other thing is we're also going to be redesigning our training and defense to deliver more value and benefit the needs of the distributors and the leaders. As a bit of background, historically, our training structure has been kind of generic, meaning that when we do monthly events or quarterly events, we bring people in from all different types of DMOs, all different types of demographics and we train them on pretty generic things. The company marketing plans, product trainings, we do recognition, and we will touch on and show different DMOs, but we don't do a training for DMOs. The impact is that people get a good vision for what's going on.

But they don't have the details and the specifics of how to drive in their models and get the best results. And so, there's a shift that's happening now. We are going to be moving from giving more generic training, as we've been doing, to very specific GMO training. Over the past two

months, we have things that have never happened in the history of the company. We have master classes and DMO-specific training that's happening at levels that, quite honestly, is impressive.

We've had three DMO specific trainings over the past two months and we have one coming up this next week. In the United Kingdom, we had a Breakfast Budget Club master class. We had over 1,200 distributors from 32 countries there. This club is one of the best performing DMOs actually in the entire region of Europe, and it is something that is an amazing fit for that region. So, to have those numbers of people that are in an event specifically, entirely for a day or two, learning all of the details gives them the capacity to go back to their markets with enough knowledge to implement and make the DMO happen.

We also had just very recently a Marathon class last weekend in Belgium, where we had 1,800 participants from 34 markets, again focused on one DMO and how to put this DMO into action specifically to go out and drive business. One of the top growing distributors in the whole European region also is using this specific way of going to market, Marathon. Just last month, we had a WeDo Transformation event in Las Vegas. We had almost 4,000 people in-person and virtually. This is another model that's helping people to go out, whether they have a club or whether they're working through social media, at home and to be able to go out, talk to people, get them into a challenge, get them on Herbalife products, help them to get results and to drive business.

And so, we are going to see more and more of this as we go through this year. We are still going to have events where we give the vision, and we help people to understand what the opportunity is with Herbalife. But we need to go more specific into trainings that people can take the knowledge, the information and go and put it into action to drive top line sales. The last thing that I want to talk about that Michael referred to is something that quite honestly, I've never seen in our industry. I think it's unprecedented.

I don't think there's ever been a company that's done this in this way and with this individual that I believe is going to give huge value to our company. We are going to and have entered into an agreement with the leading expert in the multilevel marketing business, someone that has written a book that has helped millions of people through the book, through courses to learn what it is to become a professional distributor with a multilevel marketing company. This person has, for over 15 years, developed his skill set. He has trained more people in different companies. He has more knowledge about different companies in the industry, what are the things that's working today, what are the things that distributors have to navigate as they start from the very first day until they reach the highest levels within any company.

We're very excited to have Eric Worre be a part of Herbalife and partnering with us in a very special multiyear contract. And he is going to be delivering for our distributor leaders content that some distributor leaders are paying tens of thousands of dollars for. Now, I just kind of want to put it into context. We have some of our top leaders that are actually in programs with him and are getting tremendous value. As a company, to be able to take someone that's making that type of an impact and have him train not just a few distributors but tens of thousands of distributors and potentially hundreds of thousands at different levels, we believe that this is a game changer.

So, I'm going to leave it at that. Let me turn it over to Alex.

Alexander Amezcuita^ Thank you, Stephan. I'll begin my section with the key financial highlights. Our fourth quarter revenue was \$1.2 billion. This is up 2.9% versus the fourth quarter of 2022 and is the fourth consecutive quarter of improved year-over-year net sales trends. And while we know there is a lot more work to do in several of our key markets, delivering on the expectation of net sales growth in the fourth quarter is an important step as we move forward.

For the year, we achieved \$5.1 billion of net sales, which is down 2.7% versus 2022. Our current expectation is that we will improve our full year net sales trends to relatively flat versus 2023. For fourth quarter, we held gross profit margin flat versus Q3 at 76.3%. Compared to Q4 of 2022, gross profit margin was down 120 basis points.

While the pricing actions we have taken over the past year provided an approximately 100 basis point benefit, we continue to face headwinds from input cost inflation and unfavorable manufacturing absorption rates on lower production volumes, which drove an approximately 210 basis point negative impact.

As we look forward to full year 2024, we expect gross profit margin to be relatively flat to 2023 levels. We have seen input cost inflation stabilize and now trending at levels at or below our ability to price in 2024. Q4 adjusted diluted EPS was \$0.28. On a year-over-year basis, the fourth quarter was negatively impacted by higher input cost inflation, the nonrepeat of \$9 million of non-income tax items and an increase in our technology spend as we continue to enable capability in our Herbalife One platform. Our 2023 adjusted effective tax rate was 25.3%, and we anticipate our full year 2024 adjusted effective tax rate to be slightly elevated versus full year 2023.

Full year 2023 operating cash flows exceeded 2022, and 2023 free cash flow was up \$26 million year-over-year to \$223 million.

During 2023, our cash flow significantly benefited from the working capital optimization. Our operations team executed well in rightsizing inventory now that the global supply chain has stabilized. Full year 2023 adjusted EBITDA was \$571 million, which represents a margin of 11.3%. Our pricing actions over the past year resulted in an approximate 270 basis point benefit, which outpaced the approximate 220 basis point headwind from higher input costs.

Currency continued to be a headwind throughout most of 2023, driving an unfavorable year-over-year impact of approximately 90 basis points. Unfavorable sales mix and increased promotional spend due to a further increase of in-person events also negatively impacted full year margins. In 2023, we have been sharply focused on productivity initiatives to best manage margin while also investing in the modernization of Herbalife. Our transformation program, which is primarily focused on better effectiveness of our internal support functions, has significantly exceeded our original expectations. Based on the actions we have taken through the end of 2023, we are now expecting the program to produce at least \$115 million of benefit in 2024, much higher than our expectations when we met a year ago today.

In 2023, the program delivered approximately \$70 million of cost benefit with approximately \$27 million realized in the fourth quarter.

During the fourth quarter, we recognized an incremental \$12 million of pretax expenses in SG&A related to the program, primarily related to employee retention and separation costs, bringing our total program to date pretax cost to \$79 million. These expenses are excluded from our adjusted results. Securing our balance sheet and managing our debt capital structure has also been a key focus area. We continue to be on track to address our upcoming maturity of our 2024 convertible notes with cash liquidity, and we have initiated a process to refinance our senior credit facility, which matures in 2025.

Moving to slide 10. Reported net sales for the fourth quarter were \$1.2 billion, up approximately \$34 million or 2.9% versus the fourth quarter of '22. On a constant currency basis, net sales were up 2.5% year-over-year on lower volume points. Adjusted EBITDA for the fourth quarter was \$109 million, down approximately \$22 million from Q4 of '22. Adjusted EBITDA margin for the fourth quarter was 9.0% and was impacted by higher input costs, unfavorable manufacturing absorption and nonrepeat of certain non-income tax-related benefits in Q4 of '22, partially offset by higher pricing and continued cost savings initiatives.

We had strong cash generation in the quarter. Free cash flow was up \$50 million year-over-year primarily due to favorable working capital changes in the fourth quarter versus the prior year. Cash on hand was up \$80 million from September 30 to \$575 million at the end of the year. Moving to slide 11. We see the drivers of our year-over-year increase in net sales.

While overall volume was down 2% year-over-year, it was more than offset by approximately 410 basis points of pricing in the period as a result of price increases implemented over the past year in a majority of our markets. The price increases were instituted to address region- or market-specific conditions and were generally in line with local CPI. Favorable country mix drove a 40-basis point benefit, primarily due to increased sales in China, partially offset by higher sales in India and lower sales in the U.S. relative to our overall net sales portfolio. Favorable currency movements primarily for the Mexico peso versus U.S. dollar resulted in an approximate 40 basis point FX tailwind year-over-year.

Moving to the adjusted EBITDA margin bridge on slide 12. Q4 adjusted EBITDA was \$109 million with margin at 9.0%. Adjusted EBITDA margin benefited by approximately 130 basis points from the pricing increases we implemented year-over-year. However, elevated raw materials, labor and manufacturing overhead costs continue to negatively impact our results, which drove an approximate 210 basis point margin headwind versus the fourth quarter of 2022.

Within SG&A, we benefited from an approximately 80 basis point improvement in promotional spend, primarily driven by event cost optimization initiatives. Also, within SG&A, salaries and bonus provided a 10 basis point benefit, reflecting the cost savings achieved in the period as a result of our transformation program, partially offset by increased wages and bonus accruals in the current period, which were essentially zero in the fourth quarter of '22. Other includes an approximately 50 basis point headwind due to increased technology costs and the unfavorable impact of one-time items that are related to non-income tax items in the fourth quarter of '22

versus the fourth quarter of '23. Turning to our regional results. Four of our five regions reported net sales growth in the fourth quarter.

In addition, China, Asia Pacific and North America reported improvements in year-over-year net sales trends from the third quarter to the fourth quarter of '23. We are encouraged by China's results in the fourth quarter, reporting year-over-year double-digit growth on both a reported and local currency basis, up 16% and 17%, respectively. This is the first time since the third quarter of 2020 that China has had quarterly year-over-year net sales growth. Michael and Stephan have spent a lot of time with the China leadership this year, and the turnaround plans are progressing well as reflected in the Q4 results. Asia Pacific was up 9%, led by India, which continues to outperform in the region.

India's net sales were up 26%, which was partially driven by a difference in timing from a price increase in '22 versus '23. EMEA was up 1% with year-over-year results generally mixed across the markets in the region. In Latin America, reported net sales were up 3% with low currency net sales down 1%. The favorable FX impact was primarily due to the Mexican peso. Mexico's net sales were up 3% year-over-year on a reported basis while down 8% on a local currency basis.

The year-over-year volume declines in Mexico, which were primarily driven by the importation delays we experienced in the fourth quarter of this year, were partially offset by the price increases implemented in the market. As we stated during the third quarter earnings call, we began experiencing importation delays in Mexico in September as a result of the government delaying timely approval of importation permits. The hold is not unique to Herbalife and apply to all food supplements entering Mexico. This impacted products making up approximately 70% of our sales in Mexico. In November, the importation hold was lifted and permits began to be processed.

We believe the supply chain should be stabilized with the full product portfolio back in stock by mid-March. Despite the tireless effort by our operations teams to minimize the impact from the importation hold, we believe there was an approximately \$14 million loss of volume or approximately \$11 million of net sales in the quarter. In North America, the year-over-year trends have improved from the third quarter to the fourth. However, the recovery has been slower than anticipated. Stephan provided color on this key market, and we will look forward to continued improvement in 2024.

Moving to slide 14. We have continued to use excess cash generation to reduce the total debt levels of the company. In 2023, we paid down \$155 million of our senior credit facility in 2024 converts, which included the \$60 million reduction in our revolver in the first quarter and the repurchase of approximately \$66 million of our 2024 convertible notes in the third quarter. We ended the quarter with a 3.9 gross leverage ratio. Cash at the end of December remained strong at \$575 million, up \$67 million from the end of '22.

Consistent with what we told you in November, we intend to fully repay the \$197 million of outstanding 2024 converts when they come due in March. We plan to utilize available cash on hand and funds available under the revolver, which remains fully undrawn to cover any difference. And as I previously stated, we initiated the process to refinance our 2018 Term Loan

A and revolving credit facility, which matures in March of 2025. We aren't going to go into the details of the proposed refinancing on today's call. We will update you in due course.

Looking at our capital spend for the year, there are two pieces to consider. Pure capital expenditures was \$135 million. And as we strategically pivoted in 2023 to more SaaS-based arrangements, we've also capitalized SaaS implementation costs of approximately \$35 million that are recognized in other assets and then amortized to the P&L over time. So in total, for 2023, our total capital spend was approximately \$170 million, whereas in 2022, it was approximately \$165 million, including the capitalized SaaS implementation costs. For 2024, we expect CapEx in a range of \$145 million to \$195 million, with capitalized SaaS implementation cost to be relatively comparable with 2023.

As of December, we have incurred approximately half of the approximate \$400 million of expected implementation costs related to Herbalife One. Based on the costs incurred as of December 31 for both CapEx and the capitalized SaaS implementation costs, we expect to recognize an incremental \$30 million of noncash amortization expenses in the P&L for 2024. This concludes our prepared remarks. Operator, please open the line for questions.

QUESTIONS AND ANSWERS

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

Chasen Bender^ I'd like to start on 4Q results and specifically on the SG&A line. Alex, can you help explain why SG&A dollars were up almost 7% in the quarter and why we haven't seen those \$27 million of cost savings show up in the P&L? And just related to that, for the increased cost savings target of \$115 million next year, when will that show up in the P&L? And do you expect that to get dropped to the bottom line or is your thinking here that, that will need to get reinvested?

Alexander Amezcuita^ Chasen, great question. So, the savings are showing up in SG&A. It's being offset, as I mentioned, by the investments we're making in our digital technology, in our events, in our people and other things to modernize Herbalife. That has been a big initiative in 2023 and we continue to be in investment period as we move through 2024. The benefit of the transformation program has been allowing us to continue to make those investments.

And so there has been a significant increase in our technology spend and a significant spend in areas that are going to strategically move the company forward. So, while you are correct in that the overall SG&A spend is higher in '23 versus 2022, it is being offset by all of those savings initiatives that we've mentioned.

Chasen Bender^ Got it. And then just changing gears, could you maybe expand on your expectations for flat sales in '24 and specifically comment on what you're expecting from regions and on a price versus volume basis? And related to that, do you expect constant currency sales to be positive year-over-year? And similarly, do you expect EPS to be up year-over-year in 2024?

Alexander Amezcuita^ That's a lot of questions, so we'll break that down piece by piece. So, our expectation for net sales growth being flat does not include -- from a currency standpoint, we do expect there to be some headwind to currency in 2024. So that net sales expectation of flat includes currency rates as they are, which would bake in some level of a headwind in 2024.

By the way, that FX currency does not only impact top line but there is an impact across the P&L from top line all the way down to EPS. So that generally covers the currency question.

What is in our expectations for 2024, we're not going to go region by region, but the big factor that I can point out is India has been a large contributor to our overall buoyancy in our top line. So in 2022, India provided almost 30% of net sales growth. In 2023, it was 18% of net sales growth. So, as we go to 2024, just thinking law of large numbers, we have a much more modest expectation for the overall contribution of growth from India. So as India's expectation of growth moderates and other markets are in recovery, it yields more of a flat growth expectation for 2024.

Chasen Bender^ Got it. And then did you -- do you have any expectation for EPS in 2024?

Alexander Amezcuita^ So, from a margin perspective, we have flat top line so there's not an operating leverage expectation for 2024. Gross profit level will largely stay where it is, although as I mentioned, we had some input cost inflation stabilizing over CPI level price increases that we're able to take in 2024, so gross profit margin remaining relatively flat. And as I mentioned, we continue to be in an investment period for the modernization of Herbalife. So overall, I do see margin levels being probably a bit below where they are in 2023 as we continue to invest for future growth.

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

Robert Rigby^ This is Rob Rigby on for Bill. So, I guess can we just dive a little bit deeper into your expected uses of free cash flow in 2024? You mentioned repaying some more debt, but if you could just provide some more color around that, that would be appreciated.

Alexander Amezcuita^ Yes. It's actually pretty simple. Our excess cash flow is going to go down to repaying our total debt levels. So, I mentioned we're in a refinancing. We have bonds that are due at the end of 2025, which become callable in the third quarter of this year. So as cash is generated, we will look down to take down our total debt levels with that excess cash.

Robert Rigby^ Okay. Great. Got it. And then just one follow-up. Your CapEx guidance is pretty wide at \$145 million to \$195 million. What are some of the pieces that could kind of move it from the lower end versus (inaudible).

Alexander Amezcuita^ There's two significant components of that CapEx spend. One is in our technology spend, and we've mentioned Herbalife One and where we are in that process. So, there is some variability on what types of applications, the prioritization of those applications and whether or not it makes sense to accelerate or defer potentially some of those programs into '25 and '26, and that will just be a business decision as we see those markets evolve. That creates

one element of variability. And the second element of variability is we've had a bunch of deferred CapEx that we haven't been able to put in place on our manufacturing facilities.

And so, we have some automation programs. We have some deferred CapEx that we have to evaluate whether or not those automation programs make sense to put into place now or does it make sense to defer those again until 2025. So, those are large components of that variability.

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

John Baumgartner^ First off, Stephan, I wanted to come back to your commentary regarding distributor training. It's really encouraging that you're ramping the resources there. You made it very clear the need to raise capabilities. But having been in the Herbalife system for quite some time, why do you think such resources are now necessary? Is this a function of the nutrition space having become more crowded over the years across channels, new competitors coming in, in bricks and mortar, where these folks need a sharper skill set versus history?

Or is it just more of a function of differences in the background of these folks coming into the system relative to five, 10 years ago?

Stephan Gratziani^ Yes. John, there's probably a couple of different things. Good to talk to you, by the way. I think if you take the overall base of people that come in, and let's just take the Nutrition Clubs in the United States just as an example because I talked about that. When people come in, they come in for a specific model, right?

So, they come in, someone says, "Look, open up your own Nutrition Club. Here's what you're going to do. You need to have this as your menu. This is how you set up your club. This is what you're going to be doing." And they had -- they might have come from any background.

They might have had zero business background, zero marketing background. They just come in. Maybe they were doing -- maybe they were a housewife. Maybe they were a college student but didn't have the experience of running a business. And so, people get into a very specific model.

They learn specific skills. But as you know, the market changes, right? So, there's different aspects that start to be aspects that potentially. For example, they're using social media, and they post, and the algorithms actually are working quite well. And what happens is the algorithm changes.

But they're not social media experts so they don't know how to deal with the advertising or social media marketing. So, the skills that are needed as you progress in a business and as new models come, what ends up happening is that people have gaps. And so really having the DMO training specific and allowing them just for example, to bring in the WeDo as a Nutrition Club owner, they're not used to offering these different services. So, there is a level of that. So, the training, I would say overall, it does change over time.

There is a need for it but there's also, from an industry standpoint. So for example, you've been to Events Extravaganza. It brings a certain value. There's the bigger picture. There's recognition.

People have an understanding of product training and things like that, but it's not specific to the skills that they're going to need to run their clubs, for example. So really, what we're doing is identifying gaps in the training. And on the DMO side, that's one of it but also why we're so excited about Eric Worre is because it really is about the leadership training. Someone that starts as a distributor, simply getting their customers to building a team, managing a team, innovating through their different models, working with different people at different levels. So, it's the gaps that we're trying to close right now, and it's just part of, I think, just the natural progression of business in the world that we live in today.

John Baumgartner^ Okay. And then as a follow-up, your comments on the preferred conversion rates in the U.S. Nutrition Clubs, I think I heard the spread was like 1% to 10%. And I'm curious, I know it's very early days and it's a pretty wide network, but I guess how do you think about where that spread should be? Is 10% at the high end too low?

Can it be 20%, 30%? I'm just sort of curious like what you would think is sort of achievable going forward as you implement these sort of resources.

Stephan Gratziani^ Yes, so it's really kind of model-based, right? By the way, we give 10%. There's over 10%, okay? It's not the majority of people. Obviously, it's a small subset of people.

But when we actually break it down, it could be their demographics, where they're living. It could be, and most of the time is, the models that they're doing and the services that they're offering. So, if it's just foodservice, for example, the conversion, we know is much lower, they're more focused. There are maybe higher-volume clubs where they have more customers coming in and out, and they are just doing everything that they can to make sure the customers get the service that they need to buy the food item that they're trying to purchase and be on their way. Other clubs, they have better conversion.

People are coming in. What they're coming in for could be a variety of things. They might be coming in, some of these clubs have workouts that are happening a couple of times a week. Some of the clubs, people are doing wellness evaluations. Some of the clubs, they're running challenges where they'll have weekly meetings, and they'll have groups of people that are coming in.

Those types of clubs have higher conversion. So, we believe long term that the more people focus on multi-services, the higher the conversion is going to go. Now by the way, I don't want to talk about the tech stack because this is the bigger picture of things for the future. But having technology that allows someone to, for example, simply scan a QR code on a shake, and it says maybe would you like to have more information about what's in the shake? This brings them to a platform that says, "Hi, here's what's in the shake?"

And would you like to join a platform where you can get recipes, where you can learn about nutrition, where you can track your daily steps on a day, how you slept last night?" Everything that's wearable, everything that's connected today that it actually is a place for them to live on a platform, that add value to them, that's connected to their distributor, that's connected to the

company, that's connected to the club that they're connected to. And so this is the opportunity for us in the future. Part of it's tech-based and part of it is really upskilling and allowing our distributors to have access to the information they need to be able to go out and add these additional services into their businesses to be able to get the conversion up.

John Baumgartner^ And that scan that you're referencing, is that -- is the idea to be on a product label or elsewhere, like advertising? Like where would that scan actually be for consumers?

Stephan Gratziani^ The sky is the limit, John, right? I mean, in today's world of marketing, I mean, it is so wide and so large. So, it could be on a shake. When someone buys a shake at a club, it could print out based on the ingredients that are in there. Scan this, you're good to know.

By the way, you could have something that someone walks up to a club, and it says, take our questionnaire, right, answer five questions and be able to refer a friend or be able to win something as a prize. Marketing today, social media marketing, it's so vast and it's so broad and it's -- there's so much opportunity there. So, what's beautiful about this is if the technology is there, it's unlimited what you can do. And our distributors are amazing. They are creative, they are always pushing the envelope.

And as a company, it's our job to make sure that we're supporting them and everything that they need to be able to take their businesses wherever they want to go.

Operator^ Our next question comes from the line of Linda Bolton-Weiser with D.A. Davidson.

Linda Bolton-Weiser^ So I was wondering, Stephan, when you were talking about the account management operating model, I'm just curious about like those people that will be doing that. Are those -- will those be corporate employees? And if so, does that kind of add overtime, like something to your cost structure to implement that type of model?

Stephan Gratziani^ Yes. So Linda, we have already corporate employees that do interface with distributors. And so, it's part of what's already happening there. As we add and we're actually going to be having more and more of them, it's really about how we're designing and we're going to reallocate resources to this area. Quite honestly, the distributors that are out there, we look at any market, right?

There's different ways that they have access to information. We are finding actually that having company employees that are on the ground, that are visiting the clubs or visiting distributor leaders and that are sharing information with them that's relevant because, again, going back to John's question, why do we need the training? Why do we need this type of connectivity, is because some people come into the business. They get a result on the products, they're inspired, but they don't have a background in business. They don't know how to read the numbers.

Well, they don't know how to specifically sometimes plan, and they just don't have the background. So, this is something that we are going to be formatting, developing with our leadership to be able to understand where can we give the most value to the distributors. We already have, in some regions, what we would call regionals that are actually on the ground, in

the field, meeting distributor leadership. It's part of what they're doing is what they're going to be doing in the future, but we're really going to standardize and format this. And by the way, then if we think about AI and the information and the data and how things can be automated, and we can take a program and know what's delivering the value is, but then we can also automate the program to deliver the value to more people.

So, this is just the beginning of something that's going to be very, very big for us in the future and that we're very excited about, and as mentioned, we'll reallocate, and we'll automate.

Linda Bolton-Weiser^ Great. And then I was wondering if you could talk a little bit more about China. And what exactly was done there to kind of bring about this turnaround? I'm wondering how much of it is just the general market there becoming more open and -- or is it specific actions that you took? And just remind us, too, is China less of a Nutrition Club market?

I don't think that was as much the focus there. Is that the case?

Stephan Gratziani^ Well, it's quite interesting. So, to answer your question, it's kind of both. It's obviously coming out of the pandemic, they were the last ones. They were the longest in the lockdowns. They were the last ones to come out.

And so, the distributors or the service providers that we have there, quite honestly, they had a very difficult time. And in terms of clubs, they actually started to adopt and implement Nutrition Clubs right before the pandemic. And so, I don't know if you just kind of visualize and imagine, imagine thousands of service providers that opened up clubs, took locations just before the pandemic and then all of a sudden, they didn't even have a chance to get off the ground. So, it was really disruptive. And I would say what is kind of leading the turnaround, a couple of things.

One, number one, getting closer to the leadership there and supporting the service provider leaders and then actually understanding after a couple of years that the company is there to support them. And so this started early last year with Michael and myself meeting with them in March. We went together also in April. I went another 2x there and met personally with distributors or service provider leaders and local staff. And I would say that everything is coming together.

They also had a back-to-growth plan that's really kind of lined up and organize things for the year. So, we have positive numbers. Things are looking very good there. Again, they're coming off a two-year very strong disruption. It's going to take a bit of time to build momentum there, but we do have positive momentum happening.

And so, again, we're feeling very, very good about this.

Linda Bolton-Weiser^ Great. And I was just wondering, why was the price mix all of a sudden seemingly in China, it looks like it was down about 11% or so. It looked a bit like an anomaly. Was there something that caused that in the numbers?

Alexander Amezcuita^ Say that -- the price mix, say that again, Linda.

Linda Bolton-Weiser^ Yes, sorry. For China, I saw it looked like the price/mix, like it looked like the volume point growth was really strong, but the price/mix was -- I saw volume [switch was 28%] and price/mix was down 11%. Is that wrong or...

Alexander Amezcuita^ I have -- I'll have to come back to you on that, Linda.

Linda Bolton-Weiser^ Okay. Yes. We can do that offline. And then just another, I guess, an one for you, Alex. On the free cash flow for 2024, I guess I'd be picturing it to be maybe down somewhat because -- what would be the working capital benefits? Are you expecting some more of those in 2024?

Alexander Amezcuita^ So, the working capital benefit in 2023, which largely rightsizing the inventory, that isn't a benefit that we're expecting to see in 2024 because we're now at the rightsized level. So, we're not going to have that contributor, which was a significant contribution to our 2023. We do expect one thing that we did do in 2023 is we had our cash flow conversion get back to our stronger levels where it was above 1x. You might notice that in 2022 is below 1x. So, we expect that cash flow conversion still to be strong in 2024.

However, the working capital piece is not going to be a contributor to that 2024 benefit.

Linda Bolton-Weiser^ You mean conversion of EBITDA to cash flow or net -- adjusted net income to cash flow?

Alexander Amezcuita^ We typically look at it from a net income basis.

Linda Bolton-Weiser^ Okay, okay. And then just in terms of the GLP-1 stuff that you talked about, that's very clever that they're reaching out to prescription providers to look for clients. I'm just wondering if you're in the works for doing something more formalized, some sort of partnership where you can actually partner with a GLP-1 provider to get a funnel of kind of customers? Is that something you're thinking about?

Michael Johnson^ Linda, it's Michael. I've been waiting for that question from you. So, we have studied this really carefully. And we've looked at health care providers, telehealth. We've gone back and forth on it.

We think the best method to the marketplace for this is to work locally, is to work with the opportunity for our distributors to work with longevity clinics, work with doctors, work with different areas in their local marketplaces to provide a product that's complementary. We don't see ourselves in the near future offering a GLP-1 product. We believe that our strength is in the behavioral modification, giving product to people that complements a GLP-1 user on their journey. As you know, you're on that personal journey. And so, that opportunity for us is -- the beauty of this is to build a long-term customer who will use the GLP-1s on a temporary basis and to work with local opportunities, whether it's a health care provider, whether it is a telehealth company on a local basis, through our distributors and not on a corporate relationship.

We just think it works better that way. It fits our model perfectly. We've got some distributors who are employing some very engaging ideas. I don't want to talk too much further about that right now because they're in kind of the early phases of talking to folks in ways that they can help the GLP customer get on that long-term journey and just off that short-term journey that they're on now.

Operator^ Our next question comes from the line of Jeff Van Sinderen with B. Riley.

Jeff Van Sinderen^ Just thinking about the considerable CapEx investments you've made and are going to continue to make, so far, where are the benefits from those showing up in the metrics you track?

Michael Johnson^ So, I'm going to -- Alex and I are going to double team this one. So, the initial investments in our digital were to rebuild our infrastructure. And those don't show up immediately in the benefits to the business that you can see in numbers. What we had to do because we had an antique and we had to rebuild this thing completely from the ground up. So, some of those investments, some of those early investments that we spent in the digital world, we're about rebuilding that infrastructure to get it right.

So now, we can add componentry to build a platform, to bring in some great providers of products for both the MLM marketplace, the direct selling marketplace, for sales acquisition, for customer acquisition, all of the different tools that our distributors are going to be able to employ in the marketplace and that's coming in very short order. Alex?

Alexander Amezcuita^ Yes. That's correct. And just to emphasize that we're about halfway through the program, particularly on the technology spend. We'll continue to invest in 2024. Our brand sites did in 70% of markets that represent 70% of our net sales, they went live at the end of the year, and the initial metrics that we're seeing are incredible. So, significant improvement on all of the metrics that you look at in terms of engagement, in terms of all the things that you would want from someone to engage with your brand site.

So, we're seeing that. That is obviously just the first step of something external that sits on top of the internal platform that Michael just mentioned, and there is more to come as 2024 rolls out. And when I mentioned earlier around the breadth of CapEx, I think we got a question on what was the spread of CapEx related to, that's related to the prioritization of what capability externally now will we roll out? Where does that prioritization roll out? How will it affect the markets best?

And those will be business decisions as the year progresses.

Jeff Van Sinderen^ Okay, that's helpful. And then I understand you guided to flat revenues for the year. But considering that you grew in Q4, what sort of quarterly progression might we anticipate this year? And then I guess to clarify, I think you said margins would be down for '24. So, should we anticipate EBITDA dollars down for the year?

Alexander Amezcuita^ So, we're not giving quarterly guidance. We have a relatively flat for the year. There could be some choppiness on a quarter-by-quarter basis, but we have relative flat growth for 2024. I think that's probably as granular as we can get at this point.

Jeff Van Sinderen^ Okay. And then I'm sorry, on EBITDA, any color there on what we might expect with margins down?

Alexander Amezcuita^ So on EBITDA, I think I mentioned before, relatively flat top line, no operating leverage obviously from that top line. Gross profit margins relatively flat. And then this is going to continue to be an investment year for us as we position Herbalife One, strategic initiatives to gain growth as we look for 2024 and beyond.

Jeff Van Sinderen^ Okay. All right. So from that, I'm thinking EBITDA down a little bit. And then I just had one other question on the Nutrition Clubs overall because I think Stephan gave some metrics around those. I didn't catch them all. I think you said \$9 million.

I wasn't sure what that was for. But in the U.S., and I don't know if you have these metrics, if you want to provide them or not. But what are the revenues from the U.S. clubs? Is that the \$9 million?

And then also, do we have a number for average revenue per club? I'm just curious about that and then maybe margins that the club owners are making on those, if there's a way to look at that, there may not be, but curious there.

Alexander Amezcuita^ Yes, Jeff, let me -- so there was no 9. There was \$900 million in sales but let me just repeat them for you. So 4.4 million Nutrition Club customers in 2023. 55 million transactions. Average transaction, \$16.50.

That makes up actually right around \$910 million retail club sales, okay? So those are the retail prices that customers pay to our club owners in their clubs. And so, it's -- to average it out doesn't really do it justice because you've got clubs that are in a small city of 5,000 people that they are operating. They have -- how many ever customers they have, their cost basis is whatever it is compared to other clubs that are operating and much bigger cities have higher costs. And some of the clubs there, they do quite well.

They're small, it's low cost. All they've got to do is a few thousand in revenue. Other clubs we have that are doing \$10,000, \$15,000 in revenue monthly. So it's really, really hard. And of course, we don't have their costs, right?

We have what they purchased from the company. We've got the transactional data from what they're selling things for, but we don't track what their rents are, what they're paying electricity and everything. So hard for us to come up with that number.

Operator^ Our next question comes from the line of Anna Lizzul with Bank of America.

Anna Lizzul^ In general, we get a lot of questions in our coverage these days on Argentina, just given the hyperinflationary environment. Just wondering how exposed are you to Argentina. Are you able to take significant pricing to offset inflation in that market? And separately on China, just any early expectations on results from Lunar New Year this quarter and how things are tracking in that region?

Alexander Amezquita^ Sure. Thanks for the questions, Anna. So regarding Argentina, we obviously have a business in Argentina. The hyperinflation is something that we keep up. We have regular price increases to keep up with that.

There is still risk with that as you're trying to get cash and Argentina pays out, but our exposure is relatively limited as we continue to price with the hyperinflation of that market. As it relates to how 2024 is going, we'll update you in April or actually in May, rather. We're not going to give any commentary about 2024 at this point.

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

Hale Holden^ I was just watching videos of Eric Worre. I think we may hire him for our sales desk if you guys don't.

Stephan Gratziani^ He's going to be busy, so I don't think probably he's going to have much time. He's all ours.

Hale Holden^ He looks very high energy so I'm sure he can handle the business. The only question I had was Alex, when you think about cash balances that you want to have on hand to run the company, I know a lot of it is international. But as you start thinking about what debt you would pay down through the course of this year, can you sort of tell us how much cash you would sort of keep on hand as a minimum amount or we should think about you're not going below?

Alexander Amezquita^ So it cycles, depending on where we are in expansion or contraction. Obviously, the past couple of years, we've been in a bit of contraction. So typically, that's around \$500 million is, I would call it, a safe average in terms of working capital cash or, I would say, cash in the system. We have a couple of initiatives about establishing an in-house bank and other cash management efficiency. So, we're looking to see to get the net number down.

But I would think for today, a placeholder of \$500 million is sufficient.

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

Douglas Lane^ I know it's getting late here, so I just wanted to follow up on the conversations about debt paydown and the capital allocation here. So, have you articulated a target leverage ratio that you're shooting for? And then is there some point where a stock buyback makes sense?

Alexander Amezquita^ So, our policy around 3x total debt is still our target. That is an investment-grade target. We are -- our excess cash flow right now, we ended 2023 at 3.9x. So,

our excess cash flow is going to continue to pay that debt down until at least we get to the 3x target. And we have plans to get there with the continual paydown of the free cash flow generation.

So, we expect strong cash flow generation in 2024 following up 2023 and that's where we're going to put it.

Douglas Lane^ And stock buyback, is that on the table?

Alexander Amezquita^ Well, we need to get the 3x target before we can ever consider that. But again, Doug, our focus right now is getting our debt levels significantly lower than where they are today.

Douglas Lane^ Okay, I understand. Just one last thing on guidance. Is there a reason why you haven't started back up with guidance on your balance sheet is getting deleveraged? Sales have turned positive. It just seems like things are starting to shift in a favorable direction, so I think we'd be anxious to see formal guidance reinstated.

Alexander Amezquita^ Thanks, Doug. Thanks for that feedback. Obviously, we've given you a top line, some top line guidance. We've given you some profitability guidance and a bit of a different format than we have historically, but hopefully, that gives you enough to kind of pencil out a forecast for Herbalife.

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

I would now like to turn the call back over to Michael Johnson for closing remarks.

Michael Johnson^ Let's get you all home for Valentine's Day, that's pretty important. Our company is metric focused as we should be. There's no doubt about it. We need to improve on some of our metrics. We've got a lot of energy behind what we are doing.

But it wouldn't be me if I didn't tell you a little personal story to close our call today because, frankly, that's what I do. High tech is vital in today's business, and the reality is we're in a high-touch business. And recently, I had the opportunity to follow my team all the way to the national championship. We chased Michigan from Ann Arbor to Houston. And I did it with a childhood friend of mine, one of my best friends and still today, someone who I ski race with and raise spikes with.

And he was an incredible athlete in his youth. But like many of us, not me necessarily, but he gained too much weight. And when he was young, he was this incredible athlete, but he let himself go. He purchased Herbalife products years ago and he never really met the success that he wanted to meet. And he did not modify his lifestyle.

So, he found a Herbalife distributor in our small town in Southern Michigan where we grew up, a world team member who within our home town. And like many, he thought about GLP-1s because he wanted to have a quick transformation in this body. But the real transformation came

when he started to work with a distributor at a Nutrition Club at our hometown. He lost weight by being held accountable. Early in this journey, that weight started to come off.

By this, in this wonderful Herbalife distributor through weekly visits, he was held accountable to be measured, to discuss calorie intake, nutrition training, proper use of Herbalife product. His distributor is what we call a transformational distributor. For 13 years in southern Michigan, he helped people get active and healthy and he's built a successful business doing it. This is what makes us so special and unique and opportunistic. This is why all of us sitting around this table here today and all the distributors listening in from around the world know that Herbalife is an incredibly unique company.

Weight loss, it's back in the discussion. Our vision of being the world's premier health and wellness company, community and platform has never ever been more relevant. We're excited about 2024, I hope that came across today. Our challenges are overshadowed by our opportunity. So, as we say to everybody at Herbalife, All GH.

Let's go, Herbalife. Thank you, guys.

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

You may now disconnect.