

**HERBALIFE INTERNATIONAL OF AMERICA, INC.**

**Moderator: Amy Greene**  
**April 29, 2014**  
**8:00 a.m. PT**

Operator: Good morning and thank you for joining the first quarter 2014 earnings conference call for Herbalife Ltd. On the call today is Michael Johnson, the company's Chairman and CEO, the company's President, Des Walsh, John DeSimone, the company's CFO, and Brett Chapman, the company's Chief Legal Officer. I would now like to turn the call over to Brett Chapman to read the company's Safe Harbor language.

Brett Chapman,: Before we begin, as a reminder, during this conference call comments may be made that include some forward-looking statements. These statements involve risks and uncertainty and as you know, actual results may differ materially from those discussed or anticipated. We encourage you to refer to yesterday's earnings release and our SEC filings for a complete discussion of risks associated with these forward-looking statements and our business.

In addition, during this call certain financial performance measures may be discussed that differ from comparable measures contained in our financial statements, prepared in accordance with U.S. Generally Accepted Accounting Principles, referred to by the Securities and Exchange Commission as non-GAAP financial measures. We believe these non-GAAP financial measures assist Management and investors in evaluating and preparing period-to-period results of operations in a more meaningful and consistent manner. Please refer to the Investor Relations section of our Web site, Herbalife.com, to find our press release for this quarter which contains a reconciliation of these measures.

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

Michael Johnson: Thank you, Brett. Good morning everyone and welcome to our first quarter 2014 earnings call. As these record results show, Herbalife's business is stronger than ever which reflects broad consumer demand for our weight loss and nutrition products.

Some notable results in the quarter include net sales of \$1.3 billion, which were 12 percent above last year's first quarter on a volume increase of 9 percent. Net sales of our U.S. business increased 8 percent this quarter with March being the largest sales month in U.S. history.

In fact, in the U.S. alone, a record 83,000 new members joined the company in the first quarter. Additionally, the activity level of our 72,000 U.S. sales leaders as measured by average sales leaders with volume increased 11 percent in the quarter.

Our adjusted first quarter EPS of \$1.50 increased 18 percent compared to the prior year period. Our first quarter global results reflected an 11 percent increase in the average active sales leaders and a 24 percent increase in the number of new members.

We generated \$190 million in cash from operations and invested almost \$50 million in capital expenditures to support the growth in our business and our seed to feed program, the highlight of which is our Herbalife innovation and manufacturing facility in Winston Salem, North Carolina. Where we will create more than 500 new jobs and ultimately ship American made products to over 50 countries.

We have also increased our adjusted 2014 EPS guidance to a range of \$6.10 to \$6.30, which reflects our expectations that we will continue our positive momentum and continued share buyback through 2014. With our 18th consecutive record quarter and 85,000 new members in the United States this

last quarter alone, what is the recipe for this wonderful success?

First, it's our outstanding product. We are a consumption driven company with real products, real demand and our members achieve real results.

In the U.S. there were 7.9 million purchasers of Herbalife product in a three month period, of which 87 percent were not sales leaders. Nearly three-quarters of our members joined primarily for the discount on product they intend to consume themselves.

Second, we have highly engaged and committed members and sales leaders. We offer a low investment opportunity.

It's a low cost, low risk entry and exit. The entry cost ranges from \$58 to \$90 in the U.S. with 100 percent refund guarantee and no monthly purchase requirement.

Finally, the social component of our business is our secret sauce. Members get the support they need to achieve the results they want.

It's undeniable that people lose weight better in social support settings and equally important such a setting helps people better maintain their weight loss and good daily nutrition once they reach their healthy weight. Whether it's an Herbalife fit club, a weight loss challenge or nutrition club, the model our members are employing improve the lives and well-being of our customers through sustainable behavioral change. This is a concept that Dr. Richard Carmona, the 17th U.S. Surgeon General recognized when performing his due diligence of the company prior to joining our Board last October.

Now, moving on to the regulatory compliance of our model I would like to take a few minutes to provide you with some facts and figures that give us continued and complete confidence. Our products are consumed and the consumption is genuine, backed by real demand.

In the U.S. there were 7.9 million purchasers of Herbalife product in the three

month period of which 87 percent were not members. More than 90 percent of current purchasers, those purchasing in the past three months, say they intend to purchase products again. Few members that join the business in the U.S. spend substantial time in the Herbalife business.

Of those surveyed, approximately half worked five hours or less in a month and they made an average of \$158 in that month. This is consistent with both industry and Herbalife specific surveys that suggest most who intend to work do so part-time to make extra income.

Current members are overwhelmingly satisfied with their experience, 91 percent say that they will definitely or probably continue. 63 percent of former distributors would recommend their experience to others and that number increases to 94 percent for those who operated nutrition clubs.

With regard to the Federal Trade Commission, as we have said publicly, Herbalife welcomes the inquiry. Given the tremendous amount of misinformation in the marketplace and we are cooperating fully.

We are confident that Herbalife is in compliance with all applicable laws and regulations. Across the board, the facts bear on our side.

For example, during the past two years in the U.S., when we have enhanced our refund and buyback policy and required new members to acknowledge such policies, it is telling that in the face of nearly daily negative headlines by a short seller our product refund and return rate has continued to decline with 2013 rates being the lowest in history at 0.2 percent. This trend is in direct contradiction to what one might expect if the short seller's thesis is even close to accurate.

Herbalife is proud to have the industry's Gold Standard in consumer protection. The company provides complete 100 percent money back guarantee including shipping costs for any unsold product purchased within the past 12 months should a member choose to leave the business.

We require all new members to acknowledge that they are aware of our buyback policy. We enclose a brochure in every order in the U.S. that communicates our buyback policy. In fact nearly 1 million brochures were distributed during the past two and a half months alone.

We provide clear, accurate and timely disclosures to prospective members regarding potential income in our statement of average gross compensation. The reality backed by statistics and studies that is the overwhelming majority of members have realistic expectations.

Regarding rumored investigations, let me be clear. Herbalife takes it's disclosure obligations seriously. We do not intend to make any additional comments regarding any of these matters unless and until there are material developments.

I also want to discuss the steps the Board has taken to accelerate cash returns to shareholders. It is the belief of Management and the Board that we have the opportunity to create long-term value for shareholders by repurchasing our stock now while the overhang of the short selling campaign has contracted our multiple.

To help maximize this opportunity we are redirecting the cash that would have otherwise been used for dividends over the next two years through a share repurchase to be completed in May and June. This decision demonstrates the Board's continued confidence in the current strength of our business and our future cash flow generation.

Our strong financial position and current market valuation make this repurchase an attractive use of our capital. We continue to be grateful to our loyal shareholders, our outstanding sales leaders, our passionate members and our dedicated employees.

Now let's turn it over to Des for a more detailed update on our performance in our key regions.

Des Walsh: Thank you, Michael. By all measures we have demonstrated solid performance in the first quarter of 2014. Our results mark our 18th consecutive quarter of double-digit top line growth with 12 percent growth over the same period in 2013.

We expect our strong business momentum in the first quarter of 2014 to continue throughout the year and it is being driven by our members' engagement with their customers and their ongoing dedication to Herbalife's Mission for Nutrition. Five of our six regions posted volume point growth and local net sales growth while average active sales leaders with volume points increased in every region over last year's first quarter.

This exceptional growth exemplifies the unstoppable dedication of our sales leaders to provide their customers with the advice, support, and nutrition products they need to achieve their health and wellness goals. The adoption of regionalization and city-by-city initiatives over the last few years have helped build a firm foundation for united leadership, systemized training and the sharing of daily consumption best business practices among members.

The strong momentum we see at the start of 2014 proves the sustainable nature of this strategy and thereby the significant potential ahead of us. Our members are off to a strong start in 2014. Despite media noise, they are focused on what they do best, executing on their mission to make low calorie, effective nutrition available to consumers every day.

Now let me provide some regional highlights and color on our key regions. The North American region had another impressive quarter. It posted 12 percent in net sales growth and 9 percent volume point growth, each compared to the same period prior year. Average active sales leaders with volume points increased 9 percent and new members increased 20 percent compared to the first quarter of last year.

During the quarter, the region held several large scale training events around the country where attendance was up 112 percent, compared to similar events in the prior year period. These results include a 76 percent increase in

attendance at the January spectacular events compared to the prior year and an 8 percent increase in the February FSL event.

That strength has continued into April where we have seen a 47 percent increase in attendance at the North American leadership weekend, the development weekend for the general market. We believe that increased participation in these events is pivotal for long-term success of our members and the proper execution of our Gold Standard practices which I will soon discuss in further detail.

Within the North American region, the strength of the U.S. market is demonstrated in net sales growth of 8 percent and volume point growth of 9 percent, each versus the same quarter last year. Compared to the prior year quarter, average active sales leaders with volume points grew 9 percent and new members increased 20 percent.

We are pleased with the following developments in the U.S. market over the year. First quarter 2014 marked the largest collective entrance of new members in Herbalife U.S.'s history with approximately 85,000 new members. The substantial increase in new members is credited to our robust momentum from the prior year and I believe demonstrates the strong public confidence and interest in our company, our products, and our business model.

Furthermore, 22 of the top 25 metro U.S. markets posted significant growth in the first quarter, another indication of the continued strength in our most established market. While we are extremely proud of our progress in the U.S., there is still momentous white space opportunities for our members and we expect to see increased growth in this region for the full year 2014 and beyond.

Now let's turn to Mexico where local currency net sales for the quarter increased 12 percent, and volume points increased 7 percent, each as compared to the prior year period. For the first quarter, average sales leaders with volume increased 6 percent compared to the prior year.

Unlike many other consumer goods companies, the growth in the quarter occurred despite an increase in taxes during the quarter, which speaks to the depth of the customer and member demand for our products. Mexico's business fundamentals continue to strengthen as member's transition their daily consumption business practices from operating residential nutrition clubs to commercial clubs.

Commercial clubs are typically held in larger venues and operate longer hours which allow more customers to partake in the social activities, classes and services offered by members. Our feedback from members in regards to this transition has been extremely positive. To further advance business fundamentals in the region, an important initiative we remain focused on is our commitment to bring products closer to members in order to better support daily consumption business through improved product access.

Several years ago, we launched a partnership with a retailer in Mexico, Waldo, to serve as pick-up or fulfillment centers for key Herbalife products. We have added new Herbalife and additional third party relationships which have allowed us to increase the number of pick-up locations by more than 50 percent by the end of 2013, and we will continue to add additionally through 2014.

Looking ahead, we will continue to add pick-up and fulfillment centers to better serve our members in this region. We expect this to contribute to further increase in sales and volume points in the region.

Let's move on now to China where local currency net sales increased 95 percent and volume points grew 91 percent in the first quarter, each as compared to the prior year period. Average active sales leaders increased 40 percent over the same period last year.

The strength of our business in China continues to grow and we are of confident in our ability to operate in this region. As we have always stated, the rules related to the direct selling industry are unique in China.

We continue to be transparent with our operations and remain comfortable with our structure and business model in the market. The progressive adoption and acculturation of daily consumption business methods as well as the implementation of first order thresholds and 5K sales leader qualifications have been meaningful drivers of the growth in this market and also further strengthened the foundation of it's base.

Our focus in China has been and will continue to be building a sustainable business foundation for long-term customers and we remain committed to moving slowly and methodically to achieve these desired results. Last year China piloted a preferred customer program that identified and provided further benefits to repeat customers. We currently have over 200,000 preferred customers in China and we look forward to continuing to expand this concept to some additional markets over the next couple of quarters.

Next, the Asia-Pacific region. In the first quarter local currency net sales decreased 5 percent and volume points decreased 6 percent, each as compared to the prior year period as we continued to focus on improving sales leader retention in this key region. As a reflection of this focus, the percentage of average active sales leaders with volume increased another 4 percent compared to the prior year.

Also, new members grew 4 percent over the same quarter last year. As a result of our build it better focus and the active engagement of member leadership and improving underlying metrics in key markets such as Korea, we believe that Asia-Pacific will likely return to positive volume growth over the course of 2014.

Speaking of Korea, this market accounts for approximately one-third of Asia-Pacific's volume and in Q1 local currency net sales for the quarter declined 10 percent as compared to the prior year period. Leadership continued to engage and educate new members and customers as well as guide the market through a healthy transition to daily consumption DMO practices. We believe that increased focus on sales leader activity and retention, together with education on the benefits of daily consumption, will result in further improvement to net

sales and volume point growth.

In India, local currency net sales increased 12 percent and average active sales leaders with volume increased 16 percent over the same quarter of prior year. Factors that promoted sales leader activity included improved access to products and the successful localization and implementation of nutrition clubs.

Furthermore, the first order threshold introduced earlier in the year favorably contributed to the market's development. We will continue to implement first order thresholds in several other Asia-Pacific countries over the course of 2014.

Turning now to the South and Central American region, local currency net sales in the first quarter increased 24 percent and volume points in the region were up 4 percent, each as compared to the prior year quarter. Average sales leaders with volume points in the region increased 19 percent and new members increased 46 percent over last year's first quarter.

In Venezuela, volume points decreased 56 percent and average active sales leaders decreased 11 percent, each as compared to the first quarter of the previous year. The strict currency restrictions in Venezuela have made repatriations very difficult and impacted product supply in the market.

Herbalife Venezuela will begin to develop relationships with local manufacturers over the next two years and in doing so we will be able to better serve local members. We believe that this process will fortify the company's long-term strategy of protecting profit and sustainability as well as promoting market self-sufficiency.

In Brazil, local currency net sales grew 26 percent, volume points increased 16 percent, and average active sales leaders grew 21 percent in the first quarter, each as compared to the same period last year. The expansion of traditional and daily consumption business methods, as well as popular product launches have supported the increase in market momentum.

Moving on to EMEA. Local currency net sales increased 26 percent and volume points grew 25 percent, each as compared to the first quarter in 2013. Average sales leaders with volume points in the region was up 17 percent and new members improved 56 percent over the prior year period.

Members in this region continued to develop and utilize the complementary business methods at weight loss challenges, fit clubs and nutrition clubs which supported new customer outreach and improved service customization based on client needs. We are encouraged by the consistent execution and successful localization of daily consumption business methods exhibited in both Western and Eastern Europe throughout the quarter.

In Russia, local currency net sales grew 39 percent and average active sales leaders increased 23 percent, each over the first quarter of 2013. We believe that city-by-city initiatives, ongoing adoption of the promotional and nutrition clubs and strong branding efforts by the company and members including our sponsorship of FC Spartak Moscow have increased market recognition and consumer confidence. New members increased 68 percent over the first quarter in 2013.

Throughout the quarter, the U.K. market consistently executed its TDMO strategies, and as a result has continued to experience notable growth. Local currency net sales in the U.K. increased 64 percent and volume points grew 64 percent, each as compared to the first quarter of 2013.

The numerous weight loss challenges held during the year, paired with the consistent client support exhibited in nutrition clubs enable customers to experience the efficacy of our nutritious products and the dedicated service of Herbalife members. Over the last few quarters nearby markets have observed the U.K.'s growth and have strategized to adopt similar business practices. Markets such as Germany, France and Spain have found success localizing and implementing their daily consumption business practices and consequently experienced 16 percent, 11 percent and 43 percent volume point growth in Q1 respectively over the prior year.

Before I turn it over to John, I want to highlight a new initiative and pledge by our company which is referred to as the Herbalife Gold Standard in consumer protection and which we introduced in February. The Gold Standard includes the following guarantees.

Clear and consistent communication of potential income before becoming a member. Low start-up costs for those interested in membership.

Full refund of the entry kit within 90 days of enrollment if a member resigns for any reason. And 100 percent money back promise for unsold product purchased within 12 months of membership termination.

Furthermore, the Gold Standard highlights that our members' pledge to abide by strict product claim guidelines and avoid misrepresenting Herbalife products as medical, therapeutic or curative. Since all members must acknowledge the Gold Standard in writing before becoming a member, we eliminate any question that members are unaware of the promised consumer protection practices or the facts surrounding Herbalife's business opportunity.

In the U.S., we have already had over 100,000 new members acknowledge the protections before they even began the member application process. In addition, we have already distributed approximately 1 million pamphlets promoting the Gold Standard in orders shipped to U.S. members in the past 60 days.

If there are any existing members who have been misled by misrepresentations about excessive income or product claims, or wish to leave the business and would like to return excess inventory, we want to know about it. To date, despite these 1 million pamphlets and other member communication regarding Gold Standards, we have seen no increase in our product returns.

In addition to the written acknowledgement of the Gold Standard required of all new members, we will promote the Gold Standard in other new member materials and training materials for all levels of members. We are proud to

offer this industry-leading standard in consumer protection and believe that this is another important milestone in our build it better initiative.

In closing, let me thank all our members and sales leaders for another great year. We are inspired by their passion, dedication and entrepreneurial spirit.

Our collaboration improves public health around the world. By providing support, education, and access to affordable, excellent nutrition, our members empower consumers on a daily basis to truly achieve a healthy, active lifestyle.

John DeSimone: Thank you, Des. First, I'll review the company's first quarter 2014 reported and adjusted results. Then I'll provide updated information on the second quarter and full year 2014 guidance. Finally, I'll discuss our share repurchase strategy.

For the first quarter, the company reported record net sales of \$1.3 billion, representing an increase of 12.4 percent compared to the first quarter 2013. Local currency net sales for the period increased 16.9 percent, with an unfavorable FX impact of 4.5 percent as compared to the same period last year.

Since Des has already provided significant regional detail around our volume point and net sales results, I'll now turn to margins. Our gross profit margins for the first quarter improved by approximately 20 basis points versus the first quarter of 2013. Primarily a result of price increases and foreign currency fluctuations, partially offset by the unfavorable impact of higher inventory write-downs and other costs. On a sequential basis, gross profit margins were essentially flat compared to the fourth quarter.

Before moving to SG&A and operating margin, we note that our first quarter reported results include four specific items that we consider to be outside the normal range of operations or we believe will be useful to investors when analyzing period-to-period comparisons of our results. We have therefore excluded these expenses from our adjusted non-GAAP first quarter financials.

They are as follows. Expenses related to the impact of a new Venezuelan exchange rate. As of March 31, 2014, the company has changed the remeasurement rate for its business in Venezuela. From the official rate of 6.3 Bolivars to \$1, to the new SICAD I rate of 10.7.

This change is consistent with what we believe is done by many U.S. companies with businesses in Venezuela and resulted in a pretax charge of \$89.3 million, \$86.1 million of which is recorded in SG&A, while \$3.2 million is recorded in the other expense line below operating income. The EPS impact of this write-down is \$0.66.

During the first quarter of 2013, the company recorded a pretax charge of \$15.1 million or \$0.10 per share from changing the Venezuela exchange rate from 5.3 to \$1, to 6.3 to \$1. The impact in both periods are excluded from our normalized non-GAAP operating results. As of March 31, 2014, our cash balance in Venezuela at a rate of 10.7 to \$1 is at \$137.5 million.

Also excluded from normalized non-GAAP operating results are expenses incurred in response to a tax on the company's business model. For the first quarter, they were \$4.3 million of pretax expenses or \$0.003 cents impact on EPS this year, down from \$90.5 million or \$0.07 per share during the first quarter of 2013.

Also excluded are expenses incurred related to the FTC inquiry. For the first quarter, they were \$0.9 million of pretax expenses or \$0.01 per share of EPS.

Also excluded are non-cash interest costs of \$5.8 million or a \$0.06 impact to EPS associated with the convertible bond offering in February. Through valuation analysis, it was determined that the annual effective interest rate on the convert is approximately 6.2 percent while the actual cash interest rate is only 2 percent. The difference will be normalized as a non-GAAP adjustment throughout the life of the bond, consistent with how many other companies handle this non-cash cost of the convertibles.

On a reported basis, SG&A and royalties combined as a percentage of sales for the first quarter was approximately 515 basis points higher than last year as a result of the devaluation of the Venezuelan Bolivar. Excluding the devaluation for both periods, SG&A and royalties combined was approximately 33 basis points lower than a year ago. SG&A excluding royalties before non-GAAP items previously noted and China sales representative and service provider costs was essentially flat as a percentage of sales compared to the first quarter of a year ago.

Adjusted operating margins of 17.3 percent, increased approximately 10 basis points compared to the adjusted margins during the comparable period last year. The entire benefit was realized in the gross margin line previously discussed.

Moving on to our effective tax rate. Our first quarter adjusted effective tax rate was approximately 100 basis points higher than our effective tax rate for Q1 2013 but in line with expectations provided in our previous guidance. The increase versus the prior year was a result of the net benefits from discrete events in Q1 2013 that did not repeat.

First quarter adjusted earnings per share of \$1.50 was \$0.23 or 18 percent higher than our earnings per share for the same period in 2013. The improvements were primarily driven by growth in the top line and a lower share base due to our share buyback activity. These items were partially offset by higher effective tax rates and approximately \$0.11 of unfavorable impact from foreign currency.

Comparing first quarter adjusted EPS to the previous guidance provided in February, adjusted EPS of \$1.50 was \$0.21 higher than the high end of the guidance range. This beat was primarily driven by higher revenue and lower expenses. The lower expenses include approximately \$0.08 of delayed expenses that have been refiled into the rest of the year.

In the first quarter 2014, Herbalife generated cash flow from operations of \$191 million, an increase of 39 percent compared to 2013. Net of about \$50

million in capital expenditures for the three-month period. The company's free cash flow for the quarter was approximately \$140 million.

Before moving on to new guidance for the second quarter and full year 2014 provided in yesterday's release, I want to note a couple of items. With respect to Venezuela, our guidance assumes the GAAP rate of 10.7 Bolivars to \$1 for the balance of the year and excludes the potential impact of any future devaluation of the Venezuelan Bolivar and any future repatriation of its existing cash balances in the country.

The guidance also excludes any ongoing expenses incurred responding to attacks on the company's business model and the FTC inquiry as well as the impact of non-cash interest costs associated with the company's convertible notes. For all currency assumptions we have used the average closing exchange rates during the first two weeks of April with the exception of the Venezuelan exchange rate previously noted. This is consistent with our historical practice. Overall the currency rates assumed in our current guidance are neutral to the balance of the year as compared to the previous guidance.

Let's now turn to second quarter and full year 2014 guidance expectations. From a volume point perspective, we expect volume growth of 7 percent to 9 percent for the second quarter.

Additionally, we are raising our full year 2014 volume growth expectations by 150 basis points, compared to previous guidance. And now expect volume point growth of 8 percent to 10 percent for the full year.

We are initiating our adjusted EPS guidance for the second quarter to be in the range of \$1.51 to \$1.55 per share, representing an improvement over 2013 adjusted EPS of between 7.1 percent and 9.9 percent. This guidance range includes an unfavorable foreign currency impact of approximately \$0.17 per share.

For the full year, we are also raising our adjusted EPS guidance by \$0.25 per share for both the low and high end of our guidance range. We now expect

adjusted EPS to be in the range of \$6.10 to \$6.30 per share, representing an improvement over 2013 adjusted EPS of between 13.6 percent and 17.3 percent.

This improvement to the full year EPS guidance includes the absorption of the previously mentioned \$0.08 of delayed Q1 expenses into the balance of the year. This improvement also includes a \$0.13 benefit from today's announcement to accelerate the cash returned to shareholders by repurchasing an incremental \$216 million of stock in the second quarter, above what was included in our previous guidance.

In yesterday's press release the company's Board of Directors approved an incremental share repurchase of \$216 million to be completed by the end of the second quarter. In order to facilitate this program we are terminating the quarterly dividend and accelerating the cash returned to shareholders.

The company now expects to repurchase a total of \$581 million of its common stock during the second quarter of 2014 as part of its previously announced \$1.5 billion share repurchase program. The \$581 million is comprised of approximately \$315 million expected to be purchased in April as part of a 10B51 trading plan plus the \$50 million previously included in guidance and the \$216 million that otherwise was expected to be returned to shareholders in the form of a quarterly dividend over the next eight quarters.

The company plans to repurchase the stock over the months of May and June, possibly through a contractual arrangement once the trading window opens on Wednesday. Additionally, our guidance continues to include \$50 million in repurchases per quarter for both Q3 and Q4. And we expect to continue to repurchase stock on a routine basis.

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

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question please press star then the number one key on your touchtone telephone. If your

question is answered or you wish to remove yourself from the queue you may press the pound key and we will wait just a moment for anyone to queue.

Our first question comes from the line of Rommel Dionisio with Wedbush Securities.

Rommel Dionisio: Just a couple of follow-up questions on China. You obviously are posting some very strong growth there. Could you just give us an update first of all in terms of how many regions you've got regional approvals for, what the addressable market is, I think you've got most of the country by now. And second, given the strong growth that you've posted in that market if there's going to be some requirement to boost your production capacity there as well. Thanks.

Des Walsh: Hi, Rommel, good morning. This is Des. On the currency we have licenses in 26 provinces and that covers obviously all the major metropolitan areas, the vast majority of the country. We obviously are very pleased with the growth we're seeing in China and we certainly have an aggressive program in place to identify additional manufacturing opportunities in order to cope with the growth that we see ahead.

Michael Johnson: It's actually a very topical subject, very intuitive of you to recognize that we are going to need to do capacity enhancement in China in the near future.

Rommel Dionisio: Can you share with us the capacity utilization rate at the moment? Are you roughly up close to 100 percent or do you still have a couple of quarters to go until you get there?

Michael Johnson: We're about 66 percent of our capacity within China on a monthly basis. So sometime over the next 18 months we'll need to make sure we have new capacity ready to go.

Rommel Dionisio: OK. Perfect. Thanks again and congratulations on the quarter.

Des Walsh: Thanks, Rommel.

Operator: And our next question in the queue comes from the line of Michael Schwartz with SunTrust.

Michael Schwartz: Just wanted to touch on the U.S. business. I know you don't break it out anymore on the conference call but just in terms of how at least historically we've looked at the market in terms of the Latino and general market, do you have any more information about how they're growing?

Michael Johnson: Well, we stopped breaking it out a few years ago because they somewhat blended together. When it was originally broken out separately, it was broken out because the Latino community was operating a nutrition club model though much of the general market community was not. That has changed really around 2010.

In addition, the only way we broke out Latino distributors was based on their language of choice. If they chose a Spanish speaking application, we considered them Latino. If they did not, we considered them general market.

We did not ask for any background on them at that point. And over time more of our Latino distributors are choose – they're bilingual, it's a new generation and they're choosing English speaking applications.

From a just looking at the number of distributors that are Spanish speaking versus non-Spanish speaking it's around 50/50. But the implications there are that the general market includes now some Latino distributors or members.

Michael Schwartz: OK. So the lines have blurred a little bit then.

Michael Johnson: The lines have been blurred now for the last three years, correct.

Michael Schwartz: OK, then just in terms of the new facility in North Carolina, maybe you could give us an update where you stand, when we should expect production to kind of ramp up and any potential cost savings from that in 2014 or 2015,

or how you're looking at it.

Michael Johnson: Sure. So the first live production run will happen in May which is slightly ahead of schedule. We are on budget. We expect to ramp up beginning the end of May this year, really it's 18 month ramp-up.

From an accretion, dilution standpoint the operations will be about \$0.03 dilutive this year, which is included in our guidance. And accretive next year. We have not given any specific numbers around how accretive but we will as we move closer to the end of the year.

Michael Schwartz: OK. Great. Thanks for the color.

Operator: And just a reminder, to ask a question or make the comment please press star then the number one key on your touchtone telephone.

And our next question in the queue comes from the line of Scott Van Winkle with Canaccord Genuity.

Scott Van Winkle: Sticking on the U.S. as a topic, I know you can't talk anymore about the regulatory comments, beginning of the call, but can you talk about your public relations efforts? It seems like it's stepped up a little bit and you became more responsive over the last month. Has there been any change in PR and as well as your outreach efforts to distributors?

John DeSimone: Hi, Scott. This is John. I'll take that. Our efforts are what they are in response to the situation we're in.

We are in a campaign. That campaign is something that we think is beneficial to the long-term value creation of our stock and for the benefit of our shareholders and we'll do whatever it is we feel we need to do.

You sense that it's stepped up. Maybe that's the case. But at the end of the day, this is a proactive and a reactive piece and I think you'll sense that both have stepped up and will continue to step up.

Scott Van Winkle: And on the distributor side, is there any change in communication to present your point of view?

Des Walsh: Yes, Scott, this is Des. No, our communication with distributors has remained consistent throughout and I think you see the impact of that. Obviously tremendous distributor confidence.

You see it reflected in distributor engagement. You see it reflected in those numbers that we shared in terms of meeting attendance, 112 percent increase compared to same period prior year. You see it reflected in activity rates in terms of average active sales leaders, and you see it also in terms of new members.

As we announced another record for the United States despite all the noise, approximately 84,000, 85,000 new members came to us just in the first quarter of 2014. So certainly our distributor communication strategy has proved very effective for the last 15 months and that same strategy is going to continue.

Michael Johnson: I'll reiterate something Des said on the call earlier, which is that the month of March was the largest sales month in the history of the U.S..

Scott Van Winkle: And then Des, I think you made a comment about April having good attendance as well at events. Is there any other metric as far as new member growth or something of that nature in the month of April where the news flow seemed to turn a little more negative.

Des Walsh: I think you see it reflected in our Q2 guidance, Scott. We have tremendous momentum going to the second quarter. You see it reflected in the guidance and that gives you the answer you're looking for.

Scott Van Winkle: Great. Thanks. A couple of markets, following up on Rommel's questions about China, you posted 90 percent volume growth, and about 40 percent growth in sales leader activity. Is that – what's the driver of the productivity

improvement we're seeing in that number?

Des Walsh: I think what you're seeing reflected there is just increased focus on daily consumption. We have more customers, the preferred customer program has been hugely successful.

This is a pilot program in China but we have 200,000 people now signed up as preferred customers. We're seeing that drive productivity rates and activity rates in the clubs. So really a whole combination of factors, but all product consumption based.

Scott Van Winkle: Yes, Des, how does the preferred customer model there differ from maybe just being a member in other markets?

Des Walsh: So it requires a modest fee to participate, probably the equivalent of about \$2 or \$3, and return for that, essentially think of it as a loyalty program, Scott. What it gives is it gives our individual members there the opportunity to provide various incentives to those who have signed up to preferred members.

It could be for attendance at the club. It could be referring other members to the club. Just a variety of different local activities.

So it's a way of creating loyalty, creating a relationship. And in addition, those preferred customers have the ability to order directly from the company. So a variety of different benefits.

We're obviously tracking it very carefully. We're excited about it. It creates additional focus and we're now looking at expanding an adapted version of that pilot into other markets in the Asia-Pacific region.

Scott Van Winkle: And then moving on to Venezuela, I think Venezuela's 4 percent of sales in the quarter. Do you have a number, excluding the revaluation cost, do you have a number as what kind of percentage Venezuela is of operating profit? Is it a profitable market given the scenario there?

John DeSimone: So that's an interesting question. So it ultimately will depend on whether we can repatriate the cash or not.

If we can repatriate the cash, it's profitable. If not, it's about a breakeven market for us.

Our objective long term is to partner with a local manufacturer who has access to dollars. So we're not concerned with repatriating currency to pay for product. So I think worst case our expectations are it would be breakeven, best case it could be a long-term profitable market.

Scott Van Winkle: Great. And then John, on the share repurchase, just to kind of help with the numbers, do you have an ending diluted share count for Q1, trying to work the averages and roll in the incremental buyback makes it a little bit of challenge.

John DeSimone: The ending for – I have on the top of my head the ending on a basic basis for the end of the year, which is about 86, 85 million shares, somewhere in that range. You can back – I don't know what the end of Q1 was. You can easily backed into it based on our assumptions on future buyback, right.

There's a \$50 million assumed in Q4, \$50 million assumed in Q3, \$581 million assumed in Q2. We had our share price that we assume. You can do your own math and determine what it was at the end of Q1.

But we'll get back to you also to confirm it. But it's something you can calculate.

Scott Van Winkle: Great. Thank you very much.

Operator: There are no further questions. I will now turn the call back to the company for closing comments.

Michael Johnson: We want to thank everybody for the ongoing support. We are extremely proud at Herbalife of who we are and what we do to create opportunity in the

lives of our customers, our members and of course we are proud of our employees and what they're doing every day.

We promote a healthy active lifestyle. Our members help their customers find healthy solutions and a social support system that creates an incredibly strong bond to our product and to our people.

With the incredible amount of money and energy being thrown against us to try to distort who we really are, we are always and we always have been confident in the integrity of our long-standing business and the company's compliance with applicable laws and regulations. This has led to another record quarter.

We look forward to seeing you again next quarter and to repeat what we've repeated today. So thank you all very much for being with us.

Operator: That concludes today's conference. Thank you for your participation. You may now disconnect.

**END**