FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning. Thank you for joining the first quarter 2009 earnings call for Herbalife Limited. On the call today is Michael Johnson, the Company's Chairman and CEO, the Company's Executive Vice President, Des Walsh, Rich Goudis, the Company's CFO, and Brett Chapman, the Company's General Counsel.

I would now like to turn the call over to Brett Chapman to read the Company's Safe Harbor language.

Brett Chapman - *Herbalife Ltd. - General Counsel*

Thank you. Before we begin, and as a reminder, during this conference call comments may be made that include some forward-looking statements. These statements involve risk and uncertainty and, as you may know, actual results may differ 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 US 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 comparing period to period results of operations in a more meaningful and consistent manner. Please refer to the Investor Relations section of our website, www.herbalife. com, to find our first quarter press release containing 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 - *Herbalife Ltd. - Chairman, CEO*

Thanks, Brett. Good morning, everyone and welcome to our earnings call. We had a stronger than expected first quarter, led by higher volume in several key markets. Higher gross profit, lower SG&A expenses, partially offset by a higher effective tax rate. This led to a higher than expected EPS, $0.68 versus the guidance range of $0.58 to $0.62, despite absorbing further negative impacts from foreign exchange fluctuations.

More importantly, our net debt improved, meaning it decreased by $50 million to $150 million, reflecting first quarter net income along with improvements in working capital. Herbalife, well, we have an envious business model. We have a long standing history of financial success, including strong free cash flow generation, a clean balance sheet and variable, scalable cost structure. This is an improvement. Also, we've seen an improvement in brand recognition and an attractive value proposition operating in 70 countries throughout the world.

We strongly believe our stock is undervalued, and being valued as though we have some type of business that may be broken. Our shares are trading at the lowest multiple since we went public in 2004. With a key -- free cash -- excuse me. With a free cash flow yield of over 15% and earnings growth at three times since we went public in 2004, our P/E remains discounted between 30% and 50% below our peers. I think we have to ask ourselves why.

Some investors have told us we need to communicate more effectively, especially in the area of the impact from FX volatility, and apparently we've also lost some credibility when we lowered our 2009 full-year guidance in February. We appreciate the investor feedback on how can we can better communicate the investment opportunity in Herbalife. Continuous improvement is name of the game here. You may already have seen some of the new schedules we've posted on our website last night, including one that will help provide more clarity into the impact from FX volatility. As you will see from these schedules up through 2008, foreign exchange had not been material to our growth rates and overall financial performance.

Our business is performing better than most during these tough economic times. While some of our peers are working hard to get back to their 2005 or even their 2006 level of earnings, with our expectations for 2009 EPS to be in the range of 290 to 310 ,we will be nearly 20% above our 2007 results. Usually, the market is very efficient. In the case of Herbalife, even though I believe we are the most transparent company in our space, the market does not fully understand the strength of our distributor-led business nor its ability to create additional shareholder value.

Without the unprecedented FX fluctuations since mid-2008, we would once again be in a position to post record financial performance this year. Absorbing the impact from FX, we believe 2009 will be our second-most profitable year in the history of our company. That's not bad considering we are dealing with the most difficult economic environment since the Great Depression. Obviously, we can't control the FX rates. So let me share with you what we're doing to continually improve our business.

During these tough times, my role is to provide strong leadership that creates confidence among our distributors, employees and you, our investors. Herbalife is at the intersection of health and wealth. We are in a unique and enviable position. Our products help provide solutions to the global obesity epidemic. More than 84% of our sales are in weight management and daily nutrition categories. And our business opportunity can provide additional income to those underemployed or out of work. And today, our brand is better known globally than at any time in our 29-year history.

Together with our distributors, we have a tremendous opportunity to help change lives of people around the world. For the past several months, my team and I have been on the road, meeting with and speaking to tens of thousands of distributors and employees. Our message? It's consistent, have confidence in yourself, our company, our products, our Herbalife business opportunity and our brand. I believe our performance is directly correlated to the level of confidence that our distributors and employees have in our company, and the speed at which we transition to more daily consumption business methods.

Given the uncertainties related to the global economic softness, we continue to focus on areas of the business that we can control. To stimulate recruiting ,which is a major catalyst for increasing volume, this quarter we hosted numerous distributor meetings, leadership weekends, tours, and along with three extravaganzas in our annual honors event. In total, we saw more than 60,000 distributors and their guests. These corporate sponsored meetings spawned hundreds of distributor-led Herbalife opportunity meetings and training sessions throughout the world.

During the first quarter we experienced a 10% sequential improvement in volume points from fourth quarter, which was ahead of our expectations. As a result, our volume points in the quarter were 699 million, done just 1% from 2008. Eight of our top ten markets reported growth in the first quarter, led by a return to growth in the US, which was up over 5%. We welcomed over 40,000 new supervisors, which reflects a slight decrease of 2008 of 17.5% but it reflects a sequential improvement from the year-over-year decline of 19.5% that we reported in the fourth quarter.

We are seeing less of a correlation between new supervisor growth and volume point growth as a result of deeper penetration of daily consumption business models. Des will elaborate more on this in just a few minutes about this wonderful paradigm shift. Our annual supervisory requalification completed in January resulted in a retention of 40.3%, which reflects a slight decline from the 41% in 2008. Removing the negative effect from the ongoing retrenchment in the Venezuelan market, retention was essentially flat with 2008. We believe these results are among the highest in our industry.

Last fall we initiated a detailed profit improvement plan, beyond the announced restructuring program, to help us improve our margin and our EPS. To date, we have identified more than $20 million in annualized savings, some of which will favorably impact the P&L in 2009, and are included within our EPS guidance. As a result of some of these initiatives, we expect gross profit margins will show sequential improvement as we move through 2009, even while absorbing the expected unfavorable impact from FX fluctuations. SG&A, excluding China sales employee expense, was down 4%, reflecting a combination of the favorable impact of currency translation, the timing of sales events and lower labor expense, partially offset by an increase in depreciation expense, resulting from our ongoing Oracle roll-off.

We've improved our focus on our supply chain and inventory planning which led to an $18 million reduction in inventory levels from December and a sequential improvement in inventory turns from 2.4 to 2.9. We continue to create efficiencies by rolling out Oracle and other distributor facing investments. As a result ,we generated $71.7 million in free cash flow for the quarter, which is up $33.5 million versus Q1, 2008.

And finally, reflecting our confidence in our ability to continue to generate free cash above and beyond our investment needs, last Thursday our Board approved a new $300 million share repurchase program. As in the past, we may use excess cash from time to time to repurchase shares, thereby accelerating returns to all shareholders. In addition to confidence in our product, the business opportunity and our brand, innovation will play a key role in accelerating growth in our business.

Let me review with you our focus on innovation in the areas of product, channel and global expansion. Our product innovation is focused on major product categories, supporting distributor DMO's and entering high growth product categories. Within weight management and daily nutrition, which is 84% of our business, we are planning on launching a new satiety product this fall in the US backed by recent clinical trials from the University of Ulm in Germany.

We also launched a meal replacement bar in EMEA this summer. Like our Formula 1 which is at the core of our weight management category, the meal replacement bar will qualify as a healthy meal under EU regulations, providing a good balance of protein, carbohydrates and other nutrients. It will provide a convenient alternative to Formula 1 for our customers committed to a balanced nutrition as part of a healthy, active lifestyle.

Packaging and single size serving is important to us as we support the daily consumption models of our distributors in developing markets such as Indonesia, Brazil, India and the Philippines. Our goal is to make single serving sizes of our top-selling products more accessible to our distributors and their customers to help drive deeper penetration into these key markets. Personal care is a segment of our business we intend to expand. We are having success in Brazil with our Soft Green line, and we are currently developing plans to expand that line within and outside of Brazil.

With many SKU's under $5 each, this product line enables distributors to upsell their club customers. Drinks -- while I don't want to say too much for obvious competitive reasons, but let me just say that the gentleman sitting at my right, our chief scientific officer, Steve Hemming, brings tremendous knowledge at wonderful Ocean Spray in ConAgra. We are developing plans to enter the high antioxidant drink category in 2009.

Channel innovation -- our single biggest focus is to expand the use of business methods that support daily consumption. In the early part of this decade, we experienced dramatic growth in Mexico, where our nutrition club DMO was created. As a result, Mexico's volume points increased six times and per capita volume points increased to 5.4. Over the past three years the US experienced tremendous growth as the Latin segment of the business adopted the club concept. As a result, the US business increased 62% and per capita volume points increased 2.1.

During the past two years, we've experienced growth in Taiwan, Korea and most recently in Brazil, as the distributors in these markets embrace, train, localize and replicate the club concept in their home markets. As a result we've seen per capita buying points increase to 6.7 in Taiwan, 1.7 in Korea and almost 1 point in Brazil.

Our company would be six times larger if we were able to globally achieve the volume point penetration rates of Taiwan, a market that we've been in for over 13 years. We're continuing to support distributor training globally on this and other business methods, and support daily consumption and recruiting, such as the weight loss challenge in the US. And I know that Rich is going to have some results of the weight loss challenge done in the analyst community later on in the call.

We're doing it with road shows in Malaysia, premium Herbalife opportunity meetings in Korea, and breakfast clubs in Russia. Emerging markets should be the next countries to benefit from our focus on daily consumption DMO, such as India, where volume points were up 90% in the quarter, Malaysia where volume points were up 59%, along with Indonesia, up 39% in the quarter, the Philippines, up 26% in the quarter, several South American markets and several eastern European markets.

We are also having initial success with the introduction of clubs in China. We are encouraging our sales employees to become sole proprietors, an accepted model within China, which allows us to train more rapidly and roll out this innovative selling method in licensed and unlicensed provinces. As we experienced in Brazil when our distributors began rolling out the clubs, we are seeing volume points slowing in China as our sales employees transition their methods to begin to open clubs.

Geographic expansion - we anticipate in opening two new high potential markets in fourth quarter, Vietnam and Paraguay. With the completion of the Oracle roll-out in 2009 and the recent creation of a dedicated senior executive whose responsibility will be to direct new country openings, our goal is to continually expand into markets where we believe our products and business model will provide the opportunity for our Herbalife distributors and the Company to achieve continued financial success.

Before I turn the call over to Des, let me reemphasize that in the midst of these historically unsettling economic times, our company continues and our distributors continue to succeed. Our distributors are motivated and engaged in their business, confident in their futures with Herbalife. We will continue to focus on the areas of the business that we can control - improving the distributor experience and the business opportunity, introducing innovative products and packaging, strengthening our brand and image, improving our cost structure and prudently allocating our free cash flow to improve returns to investors. As a result of current business trends and our outlook for the balance of year, we believe that volume points will grow slightly over 2008.

We believe that if it were weren't for the unfavorable impact of FX, our EPS would in fact exceed our 2008 record performance. We continue to be very excited about our future. Our theme for this year -- it says it all, "We're proven, we're powerful and now is the time." And with that set up, let me turn it over to my road warrior partner, Des, for specific market information. Des Walsh.

Desmond Walsh - *Herbalife Ltd. - EVP*

Thank you, Michael. So I will now review the first quarter results for our top four and other key markets, focusing on volume and distributor statistics. For those of you looking for net sales data by top market, we posted that information on our website. Our number one market, the United States, accounted for approximately 25.8% of the Company's volume for the quarter. This represents a 5% increase in volume versus the same quarter last year, and a significant sequential improvement over the fourth quarter, when volume was down 3.7%.

New supervisors were down in the quarter by 12.6%. Traditionally, prior to the Company's focus on daily consumption, new supervisors were a much stronger indicator of future volume. However, we are seeing less of a correlation now that more of the business has transitioned to daily consumption. As a result, a number of other metrics are important in understanding the momentum of the business.

For example, in the United States the average number of supervisors ordering each month during the first quarter increased by 5.1% versus the prior year quarter. Additionally, new distributors decreased by 3%, which is only a quarter of the decrease of new supervisors. Why?

More and more distributors are being introduced into the business through a daily consumption model that promotes a steady build of volume. This offers a lower cost entry point for new distributors wishing to participate in our business opportunity. I will talk more about this shortly when I speak of Brazil's performance in the quarter ,which is also a perfect example of this changing trend.

As you know, we have two markets in the United States - the Latin business and the general market business. The Latin business represents 63% of the region's volume and was up 8.1% versus the prior year, and returned to growth after being down by 3% in the fourth quarter. New supervisors for the Latin business were down 13.6%, but the average number of monthly supervisors ordering increased by 12.4%.

General market volume increased by just under 1% versus Q1 last year, and reflects a sequential improvement from the fourth quarter 2008. New supervisors were down 10.9%, and the average number of supervisors ordering during the quarter decreased by 5.7%. First quarter volume for the top 25 metro areas in the US was up 14.9% year over year. The top 25 metro areas for the Latin market also experienced volume growth of 15.2% versus a year ago, while the general markets top 25 metro areas experienced a year-over-year volume growth of 13.5%.

Similar to last quarter we are continuing to see growth in our largest US markets, which is encouraging. These results support the belief that our company can succeed during economically challenging times, even in our oldest market.

Moving onto Mexico, our second largest market, volume for the quarter decreased by 18.7%. And while new supervisors were down 41% during the quarter, the average number of supervisors ordering during the quarter was only down 11%. Similar to the comments I made a few moments ago regarding the United States, these statistics are indicative of a daily consumption model where new supervisors are less of an indicator than the model more heavily reliant on traditional recruiting methods.

The influences impacting Mexico's volume continue to be a general economic slowdown that has negatively impacted the amount of US dollars flowing back into Mexico, and a 15% VAT that we began collecting in the third quarter of 2008. However, despite these negative influences, we are beginning to see improvements in the market as volume trends have improved compared with the fourth quarter, when volume points decreased by 23%.

At the current monthly run rate of volume points, we will return to growth in the third or fourth quarter after we anniversary the implementation of the VAT. To remind everyone of what occurred with the VAT, in August of 2008 approximately 60% of our products became subject to a 15% VAT. This effectively became a significant price increase to our distributors right around the time when the economy weakened dramatically. These combined events had an immediate negative impact on our volume in Mexico from which we are still recovering. Also as a result of the VAT, we are seeing a shift in distributor product purchases to the products that are non-VATable.

To help combat the situation going forward, we are developing new product formulations that we believe are not subject to VAT and will allow a further shift to non-VATable volume.

Before moving on to the next market, I would also like to comment regarding the recent H1N1 flu situation in Mexico. While we are closely monitoring the impact to our business, so far we have not seen a material change in demand or a drop in service levels as we've been able to seamlessly route calls from our Mexico distributors to our US call center. If the flu situation deteriorates further or if it has prolonged impact on the local Mexican economy our future results may be below our current expectations.

Taiwan, our third largest market, had a volume increase of 61.2% in the quarter. Growth in Taiwan has primarily been driven by the expansion of nutrition clubs. Since the introduction of these clubs, the volume point per capita ratio for this market has increased to nearly seven and growing. While results during the quarter were helped by a promotion that will not be repeatable in subsequent quarters, we believe the volume in Taiwan is built on the strong fundamentals of daily consumption. For example, new supervisors are up 29.2%, the average number of supervisors ordering increased by 21.9% and new distributors increased by 17.1%.

The fourth largest market during the quarter was Brazil, another market that validates the benefits of a daily consumption model. Brazil, which was traditionally a market that relied heavily on recruiting new supervisors, peaked in 2006. Over the past two years, the market has transitioned to more of a daily consumption model. As a result, volume during the quarter increased by 13.7%. Just as important, Brazil's distributor statistics are strong and illustrate the benefits of daily consumption. While new supervisors are up 11.8%, new distributors are up nearly three times that amount.

These statistics demonstrate how daily consumption models have the potential to attract a larger number of the population by allowing a smaller initial investment.

There are two other markets that I will comment on. The first is China, which ,similar to Brazil a couple of years ago, is in the initial stages of transition to a daily consumption model. Also similar to Brazil, this transition causes a short-term slowdown while the stronger foundation of daily consumption is being built. Accordingly, China's volume during the quarter increased 1%, and we expect volume to be slightly down to flat for the next two quarters compared to 2008, although we expect sequential growth in each of the next three quarters this year.

During the fourth quarter of last year, the Company applied for five additional direct selling licenses, which we hope will be approved later this year. And as Michael mentioned earlier, we are encouraging our China sales employees to become sole proprietors. This will allow sales employees to open their own businesses and operate nutrition clubs in licensed and unlicensed provinces. As we have seen in Taiwan, we believe the clubs will be very successful in shifting the focus of the market to one which is more daily consumption oriented.

Lastly, I would like to make a few comments on Venezuela, one of the most challenging markets in which we operate. Venezuela has a dual currency system, the official rate that is backed by the Venezuela government and curb or parallel rate ,which represents the free market rate. As many investors are aware, it is becoming more difficult to obtain dollars at the official rate.

This limited availability of official rate dollars has begun to force the Company to make changes to its business model in Venezuela that has impacted volume. Accordingly, volume for the quarter decreased by 40.8% versus last year. The volume in Venezuela could be further impacted by additional price increases that will be necessary if the Company continues to be unable to import products at the official exchange rate.

Before I pass the call over to Rich to comment on our financial performance during the quarter, I would like to add that we continue to believe that the Company is positioned well to succeed during this time of economic instability. This is best illustrated by the fact that eight of our top ten markets reported volume growth during the first quarter.

Our message of Why Herbalife, Why Now resonates well with our current distributors and new potential distributors. In addition we provide a business opportunity that offers people independence, and the chance to earn part time and full-time income during one of the most uncertain economic times in recent history. And now over to you, Rich.

Richard Goudis - *Herbalife Ltd. - CFO*

Thanks, Des. I'll assume you've all had the opportunity to review our earnings release ,so I'll start by giving you some of highlights of our first quarter results compared to the guidance we provided to you back in February. Most importantly from a volume point perspective, we finished the quarter down 1.4% versus prior year, which represents an improvement from the guidance we provided of negative 5% to negative 7%.

This improvement was primarily driven better than expected results in our Asia Pacific region and, in particular, Taiwan. The favorable results in Taiwan were fueled by a government stimulus program which ran during the February and March time frame. We believe this promotion was responsible for an incremental 12 to 15 million volume points above our guidance.

In addition we continued to see strong growth in markets such as South Korea, Malaysia, and Indonesia. And as Michael said, India which recently began the transition to nutrition club DMO, also finished above our expectations. The USA, up 5.2% compared to prior year, also contributed to the favorable results compared to our guidance. These favorable results were offset by shortfalls in our China region, which finished 1% above prior year, and various markets in south and Central America regions, including Argentina, Peru and Bolivia. Overall, volume related growth contributed approximately $0.10 towards our favorable EPS results versus our guidance.

From a net sales country mix, principally China, and unfavorable currency fluctuations, primarily the Mexican peso, negatively impacted our EPS results by approximately $0.07 compared to our guidance. Our effective tax rate for the quarter was 31.4%, which was higher than our guidance of 28% to 29%. The unfavorable variance was primarily a result of country mix.

In summary for the quarter, we beat the mid-point of our first quarter EPS guidance range by $0.08, reflecting higher volume points, $0.10, higher operating profit, $0.08, a lower share base reflecting the lower stock price during the quarter of $0.01, offset by a higher effective tax rate, $0.03, further negative FX and country mix on net sales, $0.07, and higher interest expense of $0.01.

In the first quarter, our company produced cash flow from operations of $86 million, paid a quarterly dividend of $12.3 million, and invested $14.4 million in capital expenditures, primarily reflecting the roll-out of our Oracle ERP system. We now have 19% of our worldwide business transacted on the Internet, up from 15% in the first quarter of 2008. And in the US we now transact 37% of our business through the Internet, up from 31% in the first quarter of 2008.

We also made improvements in our supply chain, reducing inventory by $18 million and improving our turns to 2.9. As a result, the Company's net debt improved $50 million to $150 million in the quarter. We remain conservatively capitalized during these difficult economic times at 0.8 times debt to EBITDA.

Please don't annualize the first quarter cash flow, as some investors already have, as we don't anticipate reductions in inventory to the degree we did in the first quarter. As in the past, net income is usually a pretty good proxy for our free cash.

Turning to guidance for the second quarter, we expect volume points to be 7% to 9% below prior year. We have a difficult comparison this quarter compared to prior year, primarily due to a hugely successful promotion we ran in April 2008, which kicked off our 30th anniversary promotion announcement. We have no such promotions scheduled for this quarter.

From a net sales perspective, we expect continuing headwinds from foreign country fluctuations, and are projecting declines of 14% to 16% compared to prior year, using spot FX rates as of April 20. We expect our effective tax rate to remain in the 31% to 32% range, comparable to the first quarter. Our EPS guidance for the second quarter is in the range of $0.69 to $0.73.

For the full-year guidance, we are increasing our volume guidance due to the performance in the first quarter and current business trends, and therefore we expect volume points to be flat to 1% above our record 2008 performance. This is a slight improvement over the previous guidance we issued in February.

While we are pleased with our first quarter volume results, we remain cautious in several markets as we watch the global economic situation unfold. We are not expecting any macro improvements in the global economy for the remainder of 2009, and since we just moved our 2009 EPS guidance down in February, we are a bit cautious to move our full-year guidance up, based solely on the beat in the first quarter until we get further into the year and have better visibility into our business and key markets and most importantly, FX rates.

From a net sales perspective, we've revised our guidance downward to a range of negative 7% to negative 9% compared to the previous guidance of negative 5% to negative 7%. The downward revision reflects the foreign exchange rate assumptions we are currently using, which are the spot rates of April 20, which have worsened since our previous guidance, primarily the peso and the Euro. We expect our effective tax rate to be in the 31% to 32% range for the full year , excluding any one-time items, up from the 28% to 29% in our previous guidance, reflecting the current sales mix in our business, consistent with our first quarter results.

We expect that the negative impact from foreign currencies and higher tax rates will be offset by higher volume and operational cost savings. As such, we are reiterating our previously announced full-year EPS guidance of $2.90 to $3.10. And finally, we believe our capital spending for 2009 will be in the range of $55 million to $60 million.

Before we open it up for your questions, over the last 12 weeks, similar to what you've heard us doing and our distributors doing, we ran a weight loss challenge with our sell side analysts. It was a 12-week program and I'm happy to report that the winner is from Jefferies. No, Doug, it is not you. It's Per. Per lost 10.2% of his beginning weight, and for that Jefferies gets a marketing day with Michael

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Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Which was news to me today.

Richard Goudis - *Herbalife Ltd. - CFO*

So let us open up to your questions at this point.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Our first question comes from Olivia Tong with Banc of America.

Olivia Tong - *Banc of America - Analyst*

Hi, good morning. Just wanted to get a little bit more detail on the timing of your volume assumptions because it looks like, despite the fact that -- and I know that you want to stay on the conservative side, but it looks like Q1 came in quite a bit better, yet you are still looking for a down seven to nine in Q2. Is there something that makes you think that -- is this just a flow through of your previous assumptions and not changing them despite the Q1 beat, or is there something that you see that suggests such a big deceleration versus Q1?

Richard Goudis - *Herbalife Ltd. - CFO*

No, Olivia. I think the primary reason we gave was the tough comparison. April last year, April of 2008 was our highest month due to the kickoff of our 30th anniversary promotion, and we expect, given the run rates of the business today that, again, if you just project those run rates, we're going to have difficult comps in the second quarter.

Olivia Tong - *Banc of America - Analyst*

Got it, okay. And then can you give a little bit more breakdown and color on gross margin, SG&A, impact of FX, pricing, any of those things?

Richard Goudis - *Herbalife Ltd. - CFO*

Yes. Just in general, you're talking about the first quarter?

Olivia Tong - *Banc of America - Analyst*

Correct.

Richard Goudis - *Herbalife Ltd. - CFO*

In the first quarter we had about 150 basis point negative impact from FX, which was almost completely offset by improvements in our supply chain and cost savings, and also the timing of our transfer pricing profit rolling through the P&L.

We do expect going through the course of the year, that from where we reported third quarter gross profit, that we would expect to see upwards of a 20 basis point improvement as we go from here through the end of the year.

Olivia Tong - *Banc of America - Analyst*

On gross margin, you're saying?

Richard Goudis - *Herbalife Ltd. - CFO*

That's correct.

Olivia Tong - *Banc of America - Analyst*

Okay, got it. Thanks very much.

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Richard Goudis - *Herbalife Ltd. - CFO*

You're welcome.

Operator

Our next question comes from Karen Howland with Barclays Capital.

Karen Howland - *Barclays Capital - Analyst*

Good morning. I was wondering if you could talk a little bit -- I know Mike and Des have been on a worldwide marketing blitz, going out, meeting with as many potential and current distributors as you can. I was a little surprised to see that that did not equate to higher supervisor growth, volume points obviously very strong and I understand the move towards the daily consumption model, that's obviously positive. But I was surprised that there wasn't any real improvement in new supervisor growth.

I was wondering if you could comment on if you are going to change that strategy, if you think that it was successful as far as limiting the decline, how you are going to go forward with that to try to -- I know it has always been a 3 "R" model.

Desmond Walsh - *Herbalife Ltd. - EVP*

Yes, hi, Karen, this is Des. So you are right, Karen, I think we were calculating how many cities and countries we visited, and obviously it was very significant. But here is what we believe. You are right that we did not see an immediate correlation between those tours in the US and Mexico and new supervisor growth.

But here is where we did see the impact. We saw it in two areas, one is in terms of distributor engagement, because what it provided was our distributors the opportunity to come out, get together and, frankly, to leave those meetings with renewed confidence and renewed commitment regarding their own activity levels. The other thing, Karen, that you saw is although our new supervisors were down, our new distributor numbers were down much less.

And what that indicates to us is that our distributors out there are bringing people into the business, but obviously with the focus on daily consumption now, we have got more people coming into the business at the distributor level and then qualifying to become supervisors. And we believe that that's a very healthy trend as we look towards the future of the business.

Karen Howland - *Barclays Capital - Analyst*

Okay. Thank you very much.

Desmond Walsh - *Herbalife Ltd. - EVP*

You are welcome.

Operator

Our next question comes from Doug Lane with Jefferies and Company.

Doug Lane - *Jefferies and Company - Analyst*

Yes, hi, good morning everybody. And Per stepped out to make himself a shake so I'll ask the question.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Hey, Doug, follow the lead.

Doug Lane - *Jefferies and Company - Analyst*

Can you step back a little bit, Michael, and catch us up on what your China strategy is these days. You've got a number of initiatives going on there, including continuing the license process for the direct selling. Can you just sort of give us the 30,000-foot view on what your outlook is for China?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Well, step back -- stepping back, Doug, there were phases to this. Phase 1 was let's get this business built and let's hire in a team here that can get us relationships with the government, work closely with getting our product going, making sure we have our manufacturing underfoot, and get our supply chain completely figured out there. And all those were major projects. As you know we had a management change in that country.

Kind of Phase II, we we're following more towards a retail model that we're seeing in the marketplaces, especially in Taiwan, where we've seen the success there of the clubs that have been so phenomenal. And the Taiwanese and Chinese can travel pretty clearly and cleanly with one another, although the Taiwanese cannot participate in the China business plan unless they declare themselves only as China nationals there. So what we see now in the future of us is that we believe that the retail model has got a much better opportunity long-term.

Recruiting is vital in any marketplace, no matter what business you are in. You've got to bring people to the opportunity. But then giving them -- especially giving someone who is finding their way up a marketing spend an operating method that allows them to achieve the financial opportunity at the pace at which they feel comfortable with is very, very important.

I think we're a little too recruiting heavy in our early phases, and now we're starting to see this shift to retail daily consumption, the nutrition clubs and obviously, we've got to be careful with our excitement about China because I do not want to lead you guys too far, too fast or lead us too far, too fast. But based on the current run rate, we expect to see a sequential improvement in China throughout 2009, and basically something to hold out a lot of promise if nutrition clubs take hold.

Doug Lane - *Jefferies and Company - Analyst*

If you are going down the path of the daily consumption model, which I understand, how does that true up with you still pursuing these direct selling licenses?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Oh, absolutely. Because that gives us an opportunity to get a footprint in each of the different provinces.

Doug Lane - *Jefferies and Company - Analyst*

Do you need a direct selling license to operate a nutrition club?

THOMSON REUTERS

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

No, we don't. But it's important, I think, for government relations to work closely with the government on what we're doing to legitimize, justify what we're doing and focus on good Company practices there. It is really important.

Doug Lane - *Jefferies and Company - Analyst*

Okay. No, go ahead.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

No. I was just going to say, no, you don't need them, but I think it is very necessary for us to continue along that process.

Richard Goudis - *Herbalife Ltd. - CFO*

Doug, I think what is exciting for us is the sole proprietor designation that other companies are using in the market allow us to more rapidly roll out the club concepts. And I think you'll see that in the sequential increase in clubs from fourth quarter to first quarter was up about 70%. So we're starting to see that training gain hold, and now we're not limited by the provincial licensing pathway.

Doug Lane - *Jefferies and Company - Analyst*

But they're two separate, distinct paths. In other words you can -- okay, okay.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Live together, Doug, absolutely.

Doug Lane - *Jefferies and Company - Analyst*

Okay. I got it. And then lastly, Des, can you try to make clear for me why the -- what the issue is with the supervisors not being a good leading indicator for the daily consumption model as it is for more traditional direct selling?

Desmond Walsh - *Herbalife Ltd. - EVP*

Sure. So traditionally, Doug, when you looked at volume growth, a significant percentage of that volume growth was driven by new supervisors coming into the business because, obviously, each new supervisor represented on average, say, a 4,000 volume point order, which is our typical method of qualifying as a supervisor.

Doug Lane - *Jefferies and Company - Analyst*

Okay.

Desmond Walsh - *Herbalife Ltd. - EVP*

What we're seeing now is that with more and more focus on our distributors building strong, long-term customers, and they're doing that through the clubs, they're doing it through weight loss challenges, they're doing it through a variety of different methods, when you have long term customers, basically your volume points primarily are coming from the consumption by those customers. So you have less of a need to bring in new supervisors into the business and achieve that 4,000 volume point. So that's clearly borne out by the numbers where you see that we had a very strong volume point growth in the first quarter of -- in the United States, and yet we saw a decline in terms of new supervisors. So that's why no longer I think do you see a direct correlation between the two.

Having said that by the way, Doug, new supervisor growth is very important to us; and we want to see, frankly, both numbers go up. And so we're strongly focused on working with our distributors to promote the message that there's never been a better time to bring people into the business, and we're also looking at some changes in our marketing plan that, frankly, will facilitate that as well.

Doug Lane - *Jefferies and Company - Analyst*

Okay. So simplistically now, same-store sales growth matters in a fashion as opposed to just pure recruiting.

Desmond Walsh - *Herbalife Ltd. - EVP*

That's exactly right.

Doug Lane - *Jefferies and Company - Analyst*

Okay, thank you.

Operator

Your next question comes from Rommel Dionisio with WedbushMorgan.

Rommel Dionisio - *Wedbush Morgan - Analyst*

Good morning, just a question for you guys on the sort of strategic implications of seeing a fall-off in new supervisor growth. Does this concern you from a long-term perspective in terms of training new recruits in the organization when you have sort of fewer sort of veteran, established people in the organization? Can you just address that point, Michael?

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Well, I think Des hit the key points but, no, we're not concerned by it at all. I think that this is just providing a better balance. In the last three or four years one of biggest strategic thrusts has been a balance of the 3 R's - retailing, recruiting, and retention. And what we're seeing in the more mature markets that are using these nutrition clubs and other daily consumption methods is that there is less of a direct correlation between new supervisor growth and volume point growth. And I think that's actually a healthy indication, as we just had the discussion with Doug.

From a leadership standpoint, the retention is extremely high. We won't give out those metrics, once you get above the Mill team and above. And I think what we're seeing more and more is that that leadership group is starting to train more on these new innovative methods to drive deeper penetration in the markets.

Richard Goudis - *Herbalife Ltd. - CFO*

And I would just add real quick that a new supervisor, as ambitious and as motivated as they are from reaching that high discount level, they are not the best trainers. They haven't had enough time in the business yet. So your training really takes place at levels above them.

Rommel Dionisio - *Wedbush Morgan - Analyst*

Okay, fair enough. Thanks.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Why don't we just take two more questions?

Operator

(Operator Instructions). Our next question comes from Christopher [Pettit] with Shapenet.

Christopher Pettit - *Shapenet - Analyst*

Wondering if the current information from the Obama administration that they are looking into Cayman island-based companies would have any impact on our company, Herbalife?

Richard Goudis - *Herbalife Ltd. - CFO*

Obviously we're watching this situation very closely. But let me reiterate that while we are a Cayman company, nearly 80% of our sales and profits are derived outside the US, and I believe that these facts alone separate us from the political agenda currently moving through Washington. Obviously, we're going to continue to watch very closely what may or may not unfold over the next several months.

Operator

And there are actually no further questions at this time.

Richard Goudis - *Herbalife Ltd. - CFO*

Great. Then Michael is going to have closing comments here.

Michael Johnson - *Herbalife Ltd. - Chairman, CEO*

Thank you, everybody. Good to be with you today. And I am going to reiterate something that I said on our last call. Our goal for 2009 is to have a better year than we did in 2008. I think I'm pretty alone in a lot of CEO's who are saying they want to make 2009 better than 2008. A lot just want to hold on. As you heard today with our performance in the first quarter, we're beginning to feel a touch more optimistic that we'll have volume point growth in 2009. But given the current economic environment, including the highly volatile FX markets, it is prudent for us to remain cautious as it relates to our outlook for you and on our

EPS. The new $300 million share repurchase authorization is a vote of confidence from our Board in our ability to generate free cash in excess of what is required to grow the Company. As in the past, we'll use this authorization prudently.

We've got a tremendous business, led by entrepreneurial distributors in 70 countries around the world. As we move through 2009, we'll continue to focus on areas of the business that we can favorably impact, improving our products, our business opportunity, our brand and our image. I want to thank you all for participating in the earnings call today. We'll see you again soon.

Operator

Ladies and gentlemen, this concludes today's presentation. You may now disconnect.
