

Herbalife International of America, Inc.

**Moderator: Eric Monroe
October 30, 2018
2:30 p.m. PT**

OPERATOR: This is Conference #4484316

Operator: Good afternoon and thank you for joining the Third Quarter 2018 Earning Conference Call for Herbalife Nutrition Ltd.

On the call today is Rich Goudis, the company's CEO, John DeSimone, the company's Co-President and Chief Strategic Officer, Dr. John Agwunobi, the company's Co-President and Chief Health & Nutrition Officer, and Eric Monroe, the company's Director, Investor Relations. I would now like to turn the call over to Eric Monroe to read the company's Safe Harbor language.

Eric Monroe: Before we begin, as a reminder, during this conference call, comments maybe made that include some forward-looking statements. These statements involve risk and uncertainty, and as you know, actual results may differ materially from those discussed or anticipated.

We encourage you to refer to today's earnings release and our SEC filings for a complete discussion of risks associated with these forward-looking statements in our business.

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

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 that these non-GAAP financial measures assist management and investors in evaluating our performance and preparing period-to-period results of operations in a more meaningful and consistent manner as discussed in greater detail in the supplemental schedules to our earnings release.

Please refer to the Investor Relations section of our website, herbalife.com, for additional supplemental information and to find our press release for this quarter, which contains a reconciliation of these measures.

Additionally, when management makes reference to volumes during this conference call, they are referring to volume points. I will now turn the call over to our CEO, Rich Goudis.

Richard Goudis: Good afternoon, everyone. Thank you for joining our call today. I believe there's never been a better time to be part of Herbalife Nutrition.

Our company's leadership, distributors and employees are all working together to execute against our core growth strategies and as a result, as you read in our press release today, our strong positive momentum continued in the third quarter.

We're looking forward to our Investor Day tomorrow, where we will share with you some of our key growth strategies that we believe will continue to create shareholder value. But for now, let's get right into our third quarter results.

This quarter, in terms of volume points, it was our largest third quarter in the company's history, with 15 percent year-over-year growth and the second largest quarter overall, following the record that was set in the second quarter this year.

This is evidence that our strategies for growth, cultivating an innovation culture, accelerating product launches, leveraging technology and strengthening our distributor difference are delivering results.

In addition, to our strong operating results in the quarter, we also continue to focus on our capital structure as a means to increase value to shareholders. For example, in August, we closed 2 debt deals totaling \$1.65 billion, consisting of \$1.25 billion credit facility and a \$400 million senior note.

And today, we announced a new \$1.5 billion buyback authorization to be completed over the next 5 years providing us the opportunity to continue our buyback program, which has so far, resulted in over \$4.5 billion of capital being returned to shareholders since 2007.

John will review financials in more detail along with our updated guidance, which now includes full year 2019 in just a few minutes.

At our Investor Day tomorrow, we will share several of our growth strategies with you. One key area is our product strategy and how we're helping our distributors provide personalized experiences for their customers, giving them more product choices than ever before and leveraging trends in food and nutrition to help them attract new customers.

These strategies are coming to life through exciting, innovative products like those we've recently launched. All in all, this quarter, we launched a total of 58 products in 51 countries as well as a few in the past couple of weeks that I want to share with you now.

Just a few weeks ago, in the U.S., we entered the \$38 billion U.S. coffee category with our differentiated, high-protein iced coffee, which we believe is a healthier option than what's currently in the market.

This innovative coffee drink contains 15 grams of protein, only 2 grams of sugar and 80 milligrams of caffeine. It's made from real coffee and contains no artificial flavors or added colors and best of all, it's only 100 calories.

Providing nutrition and energy so many consumers are looking for as a snack or on the go. This is a great example of our strategy to help our distributors attract new customers to Herbalife Nutrition by expanding into new categories and by meeting the nutrition needs of a broad range of consumers throughout the day.

Also in the U.S., we're taking advantage of the fall and holiday seasons with the launch of a limited-edition Caramel Apple flavor Formula 1. Additionally, we reintroduced our popular seasonal 10 serving size holiday trial pack. This year, it includes pumpkin spice, pralines and cream and banana caramel flavors.

This offering gives our distributors increased flexibility to sell the product individually to those consumers who are price-sensitive or to sell them together offering more flavor variety at a comparable price to our normal 30 serving size individual flavors.

Globally, we continue to offer our most popular products in more flavors that appeal to customers and local markets, a strategy that is proving to be successful. This quarter, we launched the first flavor expansion of our top-selling, personalized protein powder in a flavor called mixed fruit in Mexico.

It was developed to provide a healthy alternative to the sugary yogurts that some of our distributors and their customers currently use in the market. With the goal to drive incremental sales for our distributors and provide a healthier option for their customers.

And in Brazil, we introduced a red fruits flavor of our collagen beauty booster and it was met with a lot of excitement when we announced it at our sales event in September.

For example, the Formula 1 red bean and seed flavor launched in China was the #1 item during this past year's Lunar New Year and the coffee flavor we launched in India last quarter was also tremendously successful, selling out even sooner than we expected.

These new product launches advanced our strategy of creating local flavors, providing our distributors the ability to offer more choice to their customers. To expand our product offering to the larger wellness consumer category, we continue the expansion of our premium select line during the quarter.

In Australia and New Zealand, we introduced our first ever Formula 1 select product. Our select line features alternative proteins, has no artificial flavors, colors, sweeteners, soy or dairy and is lower in overall grams of sugar. This higher end line is part of our strategy to appeal to the more discerning wellness consumer.

Our research suggests that this consumer group is growing, spends more on nutrition products and wants ingredients that are natural and easy to recognize. We're excited about our premium select line of products and our expansion plans in 2019.

Most of these products were launched at a regional sales events, which wrapped up this quarter with large events in Houston, São Paulo, Guadalajara, Mexico City, Paris and 4 cities in China, with a total attendance of more than 100,000 enthusiastic Herbalife Nutrition independent distributors.

I know I state on these calls, but the excitement, the pride and the confidence we feel growing at these events get stronger each time, which leads me to believe that our future is brighter than ever.

And while these events are incredibly motivating as a whole, it's the individual stories we hear that inspire us and confirm we're living our purpose, to make this world healthier and happier.

Tomorrow, you'll have the opportunity to hear more about our plans to grow the company, including management presentations, panel discussions featuring some of our distributors and executives and an opportunity for Q&A, focusing on 3 growth strategies: products, technology and of course, our distributor difference.

We believe with our growth strategies along with an effective allocation policy will allow us to create incremental long-term value for our

shareholders. We're looking forward to seeing many of you tomorrow. Now we'll turn it over to John.

John DeSimone: Thank you, Rich. Let me start by discussing the company's third quarter 2018 reported and adjusted results, which will also include key market highlights.

I will then review our fourth quarter and full year 2018 guidance, as well as our initial full year 2019 guidance and conclude by providing a brief update on our capital structure and the recently approved buyback authorization.

Third quarter reported net sales of \$1.2 billion represented an increase of 15 percent compared to the prior year. Q3 volume points of \$1.5 billion grew 15 percent and benefited by approximately 70 basis points from a number of tests we've been implementing this year related to product and volume point values.

The net growth in volume points in Q3 was the largest in a single quarter since 2012 and the second highest volume point quarter in total in the company's history. The volume point growth was again, very broad-based, including double-digit growth in 4 of our Top 5 markets for the second quarter in a row.

We reported net income of \$71.2 million or \$0.49 per diluted share for the third quarter of 2018 compared to a reported net income of \$54.5 million or \$0.33 per diluted share for the third quarter of 2017.

Adjusted earnings per adjusted diluted share was \$0.74 compared to \$0.41 per share for the third quarter last year. Note that our results include expenses related to the China Growth and Impact Investment Program, for \$4.4 million or \$0.02 per share.

These expenses were not included in our guidance for the quarter and are not included in our future guidance, however, we will continue to identify them so that you can model them appropriately.

As a reminder, these costs are being funded by our China Growth and Impact Investment Program, which was built by grants from the Chinese government.

These grants were excluded from our adjusted results and we expect that the funds expensed are not expected to be part of our run rate of our China business when the funds are exhausted.

The adjusted diluted EPS figures continue to exclude items we consider to be outside of normal company operations or that we believe will be useful to investors when analyzing period-over-period comparisons of our results. Please refer to our third quarter 2018 press release for additional details on these adjustments.

Our Q3 adjusted diluted EPS of \$0.74 was above the high end of our guidance range of \$0.58 to \$0.68. This EPS beat was primarily driven by higher-than-expected sales in the quarter. Reported gross margin for the third quarter of 82.5 percent increased by approximately 230 basis points compared to the prior-year period.

The increase was primarily driven by the favorable impact of retail price increases and favorable cost changes related to self manufacturing and strategic sourcing. Partially offset by the negative impact of foreign currency fluctuations.

Third quarter 2018 reported and adjusted SG&A as a percentage of net sales were 40.2 percent and 40.0 percent respectively. Excluding China member payments, adjusted SG&A as a percentage of net sales was 29.1 percent, approximately 200 basis points lower than the third quarter of 2017.

This decrease was primarily driven by the timing of events pending where a large distributor event, which was held in Q3 of 2017 will be held in the fourth quarter of 2018 as well as lower advertising and promotional expenses.

Our third quarter reported and adjusted effective tax rate was 38.9 percent and 32.2 percent respectively. This was in line with our expectations for the quarter.

Now let me shift to a review of our regional and market highlights. The strength of the U.S. business continued in the third quarter, with volume

increasing 19 percent compared to the third quarter of 2017, building on the positive trends we experienced during the first half of the year.

This quarter, we started testing a small volume point value change in a few products of some of our Barrs that benefited the comparison in the quarter by approximately 120 basis points.

In China, the volume point growth of 20 percent with positive results in the quarter from the future star promotion, which, as we discussed last quarter, provides more economic opportunity to new providers. We also continued to execute on the now approximately \$110 million China Growth and Impact Investment Program.

As part of the spending against this fund, this quarter we launched a nationwide pop-up experiment center in 10 Chinese cities covering over 330,000 visitors amongst other initiatives. As a reminder, our current guidance excludes any future spending from this program.

Turning to Mexico, volume points grew 9 percent. The volume point value changes we discussed last quarter benefited the comparison in the quarter by approximately 190 basis points.

The Asia-Pacific region reported a 24 percent year-over-year increase, which was an all-time record-high volume performance in the quarter. 12 of 15 countries grew in the quarter, led by India, which also had a record high quarter for the market.

The record high was fueled by performance at product line extensions introduced earlier in the year as well as expanded product access points. Regional growth in the quarter was also driven in part by certain factors not expected to continue in Vietnam and Malaysia.

The EMEA region grew 17 percent with volume point growth in 10 of the Top 12 countries, taking the number of consecutive quarters of growth in EMEA to 34. The volume point growth was led by Russia, Spain and Turkey.

Now let me move ahead to guidance. Worldwide volume point guidance for the full year 2018 has been increased to a range of 8.6 percent to 9.6 percent, reflecting the performance in the third quarter of the year plus an increase in the expectations for the fourth quarter. For the fourth quarter of 2018, we estimate volume points to grow in a range of 8 percent to 12 percent.

We expect full year 2018 net sales to grow between 9.9 percent and 10.9 percent over 2017, which includes a currency headwind of approximately 70 basis points compared to the approximately 0 currency impact that was included in our previous guidance estimate.

For the fourth quarter of 2018, we estimate net sales to be within a range of 6.5 percent to 10.5 percent growth, which includes approximately 500 basis points currency headwind versus the prior year.

Our currency impact for full year and fourth quarter both exclude Venezuela, given the hyper inflationary impact of currency rate changes and associated price increases.

Full year reported diluted EPS is estimated to be in a range of \$1.99 to \$2.09 and adjusted diluted EPS guidance to be in the range of \$2.74 to \$2.84, updated from the previous ranges of \$1.95 to \$2.15 and \$2.60 to \$2.80, respectively.

Currency headwinds have worsened since the guidance provided a quarter ago and are projected to negatively impact our full year adjusted EPS guidance by approximately \$0.07 versus 2017.

Fourth quarter reported diluted EPS is estimated to be in a range of \$0.35 to \$0.45 and adjusted diluted EPS guidance to be in a range of \$0.50 to \$0.60. Fourth quarter reported and adjusted diluted EPS included projected currency headwind of \$0.08 compared to fourth quarter of 2017.

We're also lowering our capital expenditures expectations for the full year to a range of \$85 million to \$95 million, primarily a result of timing changes, pushing spend previously planned for 2018 and into 2019. Fourth quarter

capital expenditures are expected to be in a range of \$30 million to \$40 million.

Moving ahead to guidance for the full year 2019. Worldwide volume points are estimated to grow between 4 percent and 8 percent with worldwide net sales growth of 2.8 percent to 6.8 percent on a reported basis, which includes an approximate 220 basis point headwind due to currency.

Constant currency net sales are expected to be in a range of 5 percent to 9 percent growth. Full year 2019 guidance for reported diluted EPS is in the range of \$2.34 to \$2.74, with adjusted diluted EPS guidance in a range of \$2.70 to \$3.10.

Reported and adjusted diluted EPS include a projected currency headwind of \$0.25 compared to 2018. Our adjusted EPS guidance on a constant currency basis would be in a range of \$2.95 to \$3.35.

Adjusted diluted EPS guidance excludes the impact of any future share repurchases. Our 2019 guidance also excludes any excess tax benefit from equity exercises, which contributed approximately \$0.10 to adjusted EPS in 2018.

Lastly, I'd like to make a few comments in regard to cash, debt and our share repurchase activity. Earlier this quarter, we announced the closing of a new \$1.25 billion senior secured credit facility and \$400 million of senior notes.

This facility consists of a \$250 million revolving credit facility maturing August 2023, a \$250 million Term Loan A maturing August of 2023. And a \$750 million Term Loan B maturing August 2025. Our \$400 million senior notes are due in 2026.

The net proceeds from the offerings were used to refinance our prior senior secured credit facilities at more favorable rates and more favorable terms. This refinancing allowed us to take an incremental debt of approximately \$250 million while still delivering a net interest rate savings.

At the end of the quarter, we had approximately \$1.1 billion in cash, \$2.4 billion in total debt and approximately \$1.3 billion in net debt. With sufficient cash on the balance sheet to address the \$675 million of 2019 converts that are due in August of next year.

Earlier today, we also announced that the board has approved a new 5-year \$1.5 billion share repurchase program. Lastly, we look forward to hosting many of you tomorrow at our Investor Day in New York and sharing our strategy to create long-term shareholder value. This concludes our prepared remarks. Operator, please open the line for questions.

Operator: (Operator Instructions). Our first question comes from the line of Doug Lane with Lane Research.

Douglas Lane: Starting with the fourth quarter outlook or the full year outlook. The increase in volume points, is that just basically flowing through the third quarter upside? And your fourth quarter outlook of 8 percent to 12 percent is largely unchanged?

Richard Goudis: Yes, it's plainly up from what was implied in the prior quarter guidance. So you do the math, I don't if you have time, but you'll see it's up a little bit.

Douglas Lane: OK. Good. And then the EPS number, that's a quick math obviously a lot of numbers here but it looks like the \$0.50 to \$0.60 adjusted EPS isn't too far off. What was implied before, is that about right? Even with the more...

Richard Goudis: Yes, that's correct. We've got slightly higher volume that rolls in. But we also have more currency headwind than what was expected last time we spoke.

Obviously, the dollar strengthened ago we talked a lot historically about our the impact can have in the results into. So we have a headwind from currency and slight headwinds from tax rate.

Douglas Lane: Right. Right, I was going to ask that because your tax rate went up a little bit from the previous outlook. What changed there?

John DeSimone: It was country mix.

Douglas Lane: OK. One thing that stuck out in the numbers was the gross margins. You mentioned that you're up 82.5 percent. That's really looking at the last few years, the biggest quarter that I can see from gross margin standpoint.

And again, china gross margins continue to be improving and at a higher for a while. This is a new sustainable level? Or is this something going on your term that has had that pop and we should look to go back to an 80 percent raise going forward?

Richard Goudis: Well, I think it's an opportunity above 80 percent but I do think there's some unusual things this quarter. This quarter's unusually high and we talked a little bit about this on the last quarter's earnings call that the gross margin is a timing difference between currency.

When currency strengthens, the net sales gets translated to current month exchange rate, which we know is worse than the exchange rate 6-months ago.

But inventory gets translated at the rate the month and inventory was made and think of 5 months ago maybe as when the inventory was translated so you actually get a benefit sequentially from -- in the short-term, from the spending of dollar.

Douglas Lane: Right. But in your prepared remarks, I think you cited retail price increases and the benefit of self manufacturing that there's actually a slight negative impact from currency.

So I'm just wondering that with currency, again, moving against you and with the anniversary of the retail price increase coming up, is not going to drive any kind of meaningful change in gross margins back the other way.

Richard Goudis: I said there'd be a little bit of the other was of the comment on the call was ex-Venezuela. So from a currency standpoint but as I said, I think there's some opportunity above the historical rate of 80 percent. One of the things, if you go back over time, we have had meaningful strengthening of the dollar.

And I'm not just talking at 6 months. You can go back 6 years. And during that timeframe, we do not take as much price increase to compensate for the lost value to the company from the currency because we take price increases with inflation.

But over time, inflation and local market, many times, lags, the look relationship currency to the dollar it's not 1-to-1 but it will allow future price increases. And a catch-up in margin. So we do anticipate higher than 80 percent, given country mix issues, there's always a risk behind the 80 percent margins going forward we have this quarter.

Douglas Lane: Right, you're pointing, you still have room for additional price increases to catch up.

Richard Goudis: Correct.

Douglas Lane: OK, got it. And last, I don't want to overlook the fact that the top line numbers were very impressive and I'm sure you'll talk about that a lot and we'll talk about that a lot with your business a lot tomorrow.

The only other thing I saw that had a question about was in your adjusted EPS numbers, you included the antidilution from the catcalls and I just wanted to know what the rationale was there. Because obviously, that's going to increase the comparison for next year if that's the new way you're going to look at the adjusted EPS.

Richard Goudis: So when you say we include -- so from a reported standpoint, we are forced to include the institution from the converts, okay? So what we do is give you an adjusted number. That's also has an adjusted share base.

You can assume what happens next year when those catcalls actually deliver the shares to us. So you've got to use the adjusted number because I think it's like 3.5 million shares, 3.1 million shares that are built into the share base that you need to exclude for adjusted purposes because they actually be limited to next year.

But the timing actually looks 2 different transactions, the dilutive and the impact dilution. Dilutive, we have to include the anti- different can't. So we give you an adjusted basis.

Operator: Your next question comes from the line of Tim Ramey with Pivotal Research Group.

Timothy Ramey: Couple of clarifications, please. There was I think you mentioned something like 70 basis points of volume growth coming from test markets and you kind of went through that quickly. I wasn't sure that I really understood what that related to.

Richard Goudis: Yes, sure, Tim. I think we've talked in the past about the relationship of volume point to net sales and in certain markets, we're testing changing the volume point value for different reasons.

Out there of different they, we use volume points for different collocations in different markets in different products, we want to test the ability to change those collocation levels to ultimately make it easier for certain users to qualify, to match the social economic climate or in the U.S., for example, we launched the new bar in the relationship in the new bar line unfortunately sales was different than the older bar so we adjust the deals.

So the key point is there was no relationship -- there's no financial relationship -- direct financial relationship volumes because when we report volume, whenever make it this change, we will be transparent with you so that you can understand what it is and (inaudible) for it. But we are running different tests in different markets, globally.

Timothy Ramey: Got it. I'm sorry, I was thinking test products and this is your different approach to volume points. I understand.

Richard Goudis: Yes, yes, these are not just products, these are testing different some changes to volume.

Timothy Ramey: Understood. In the future star program in China, can you talk at all about what that looks like on the ground. How -- I mean officially, the growth is terrific in China, but what are the things we should be looking for there?

Richard Goudis: Well, the future star promotion is intended to give some economics to newer distributors in China. I think it's something that the model was likely missing earlier.

We hope that it can be permanent, we don't know. There's so many consequences so we're testing on a promotional basis, does the future stock promotion drive engagement?

And not just engagement in markets with other Tea of 2 of 3 markets were not that strong today. And so we're looking at it, will follow it. Hopefully, at some point in time, we make the future stars promotion either permanent or some version of it permanent.

Timothy Ramey: And relative to CapEx, on your cash flow and EBITDA margins were incredible this quarter. It looks like you're pushing some CapEx out, lower this year, higher next year. Is there anything in particular you would point to in terms of why the change in timing?

Richard Goudis: Just one of the key areas of investments for us in the capital side is front end distributor-oriented technology. And it wasn't planned it just turned out to be a resource timing difference not our capital resource.

So some of that will work into next year. And we'll talk a little bit what that technology is, after we'll talk in depth with that is (inaudible) tomorrow.

Timothy Ramey: I assume this is the HN-connect program?

Richard Goudis: Yes, HN-connect is a big component of it, which we will demo tomorrow. So you can see how it works. But it's not the only part of our distributor facing technology investment.

But it is -- we are also investing the POS to from a mission clubs. We have first one launched in the U.S. and now we're going to upgrade to version 2 and

so that's part of the technology investment. Again, you'll hear more of that information on that tomorrow.

Operator: Our next question comes from the line of Akshay Jagdale with Jefferies.

Akshay Jagdale: I wanted to ask about China first. The China and India, actually. So those are 2 geographies where you have some really solid right now but the timing there is in many different ways. So can you talk about the momentum there? And sort of what you think it sustainable even in light of all the economics, the headlines that you hear from there?

Richard Goudis: Sure, so let me address the sustainability part first. So growth, in our industry can be spiky. Especially in some of the emerging markets. And so India growth of 42 percent this quarter. That's not the sustainable rate. We think there's lots of opportunity in India this quarter.

We launched some new local flavors, we'll watch to a new bunch of access points that helped drive engagement that really spiked things up this quarter. So I don't want you to think there are quarter is the sustainable rate but we think there's lots of opportunity to in India.

And then with China, we've got lots of momentum and good engagement in China. I think future stars is one of the reasons for it. I don't expect that 20 percent is also sustainable but I think long-term, this big opportunity is in China.

Again, just the -- based on the way how it works any follow directionally, it has its peaks and valleys inspection it but the trend over the long term, we expect to be really positive in both of those emerging markets to us.

Akshay Jagdale: Got it. And then just one housekeeping item on interest expense? What are you assuming specifically in your guidance for interest expense next year? I'm trying to get a fence for what kind of EBIT you're expecting in your guidance next year. So just wondering what the interest expense number is.

Richard Goudis: That's -- so let me just kind of give you some of the core assumptions for part gap next year. So we have \$675 million worth of converts in August. Our forecast, our guidance should say, assumes that we just pay that off.

And at the same time, we, aboard authorized to \$1.5 billion buyback. If we decide to buyback stock and refinance the \$675 million that should be upside.

So we have to by (inaudible) accretive. But right now, you can just take the \$675 million and assume it gets paid out in August, that interest will go away and honest. And that's how the way the model works so it will be (inaudible) interest next year the way it's been profiled out.

Akshay Jagdale: Got it. And then just related to that somewhat, the FX impact obviously is pretty significant next year. I'm just trying to get a sense of for, one, the visibility that you have and to that number? And two, if any offsets that you modeled in that you assuming some price actions?

Are there any other cost savings actions that you're taking that might offset that better already included in your guidance on effects? Or are you just simply flowing it through right now and you're going to work to offset some of it and if you do, now the upside?

Richard Goudis: So just by way of history, for your benefit, the way that we forecast the FX is we use the average rate for the 2 weeks, post quarter and. That be the first 2 weeks of September. And we rolled that into our system for next year.

So we, from a visibility standpoint, we're not making any prediction on currency, right? We're using the average rate for the 2 weeks after quarter ended. If those 2 -- if those rates are we've got great visibility. As just to calculate them very accurately and so that \$0.25 impact year-over-year.

It's real based on the rates as of a couple of weeks ago. As far as anything that we do to offset it, we have not implemented any particular strategy, we have not changed our pricing approach next year.

Also by way of history, we don't price based off currency, we price based on inflation and what the consumer seeing locally on similar products. I think

pricing also currency is a long-term mistake and creates a lot of volatility with our consumer.

Akshay Jagdale: Got it. And just one last one. Maybe I won't steal your thunder from tomorrow but you've been -- I think you're one of the few consumer companies that actually has access to direct consumer level data and the significant amount of it.

What is some of the high-level learnings that when I thought about it, I felt like the biggest impact on your bottle would be sort of for a sales leader.

So the number of volume points that go through a particular sales leader over time is where I think you could leverage technology the best, right? But that is a good way to think about it, longer term? Or what are some of the high level learnings where the technology and the date of that you're gathering?

Richard Goudis: So I think you're pretty close to on track as to what the goal is. It's a productivity. As far as productivity, scalability and lot of other different elements that we'll talk about tomorrow's Investor Day. But that productivity ends up being productivity per customer. That's a real way to look at it.

Now we don't have visibility on the customers globally U.S. and we're working on how -- on the technology to include that productivity. It's something that we call it HN-connect, you know the Salesforce.

If there's a beta form, I won't say probably 7,000 users, we haven't launched it but formally to everybody in the U.S., but it's been scaling up, with the objective of when we launched everybody, we know it works well. We don't want to -- I think the worst thing we can do with the new tool is drive trial to that tool until we know the functions that way it use to function.

So with scaling up, kind of 200 distributors, now we went 1,000 or 2,000, now we're 7,000. And then early next year or Late this year, we'll go to the whole market. And that will give us a lot more information but that is a huge opportunity for the future for which we will discuss tomorrow.

Akshay Jagdale: And one last one. As it relates to FX, more strategically, given the volatility and sort of the strengthening of the dollar over a long period of time to be seen, have you thought about changing the way you think about pricing?

Is that something that you might change going forward where you'll be pricing more along FX as opposed to waiting for sort of the inflation to catch up?

Richard Goudis: So I think that would be a big mistake for a lot of reasons, okay? First of all, currency can be volatile, right. So the last thing we do is have pricing as volatile. And as currency move meaningfully in one way, take a price increase and then take us back the brood.

Second is what we don't want to consumer to see something happening different with the (inaudible) product pricing that would be seeing in his lower market-based. I think that's going to drive that behavior and be really volatile for the consumer.

That's on something we want to do. So we're going to -- our strategy has been and right now, will continue to be based on inflation. And the only way to handle currency is either moving costs around, facing more natural hedges and we have some opportunity there.

We've created some shared services in some of the markets where we have high sales that creates natural hedges. Manufacturing is mostly in the U.S., there's limited opportunity to move back when we create some hedges to kind of smooth out over time.

Operator: Your next question comes from the line of Mike Swartz with SunTrust.

Michael Swartz: John, just wanted to touch on Asia-Pacific in the quarter. That was the 1 region that really stood out from a volume perspective.

And I think in your prepared remarks, you mentioned, obviously, India had nice growth this quarter but I think you're also, as an aside, mentioned Thailand and Malaysia where you had some near-term items that were impacting that. Could you just go through what exactly that was? And maybe how much of an impact that had?

John DeSimone: Yes, I can tell you what the issues are, how much on the top of my head but I was talking about Vietnam and Malaysia because of Vietnam is a new set of regulations going in for direct sellers that require want to take a whole day of in-person training for people who sign off and that goes into effect, I think early next year. And so in advance of that, a lot of people are signing up now.

So the signing up for that change, that's an industry change in Vietnam. And then in Malaysia, it's a tax change. So basically, it's economics for the driving some advance purchasing in Malaysia.

Michael Swartz: OK. And then also on the -- I think you mentioned a shift in timing of a distributor event from the third quarter to the fourth quarter. One, was that embedded when you gave third quarter guidance in July? And then too, how much of a shift was that?

John DeSimone: Well, embedded in guidance, a ship is a ship comparing 2017 to 2018. So we have a very large event that last year was in August. This year, it's in -- it's actually next week. And so into Q4, (inaudible) I don't exactly (inaudible) but it's in the millions.

Michael Swartz: OK. And then just finally, on the input costs raw material front, anything to think about there? I know there's been some talk that soybean prices are going higher and you obviously, have exposure to that. I mean anyway to look at what that could mean as we think about 2019 and beyond?

John DeSimone: No, we haven't seen that. At least with the source that we buy, we have not seen any meaningful movement to price.

Operator: Our next question comes from the line of Beth Kite with Citi.

Beth Kite: If I may, I'm just going to stick on Asia-Pacific with one more quick question and it's around Indonesia, which also is another country that had great performance in the quarter.

Given some of the weather events of sort of the end of the third quarter and some of the fourth, what kind of level of growth are you looking for? Are you

concerned about that country kind of like Mexico a year ago when it sustained earthquakes?

Richard Goudis: Yes, so definitely, we are definitely looking for last growth in Indonesia this quarter than last quarter. So it will have an impact.

It's not uncommon when a major natural disaster has to happen in a country that can impact us in the short term. I think it is and change our long-term perspective on the business. But certainly, it will have an impact in Q4.

Beth Kite: OK. Very good. And switching up to segments, I noticed that the separate some of the geographics but the energies scores and fitness had pretty strong year-over-year growth, stronger than the company. So I was wondering if there was particular innovation?

Was it the achieved bar we saw in the U.S. for instance that launched here in the third quarter? Was there organic underlying drivers from existing products? And/or was it the far issue that you talked about in your prepared remarks? Not this year but I think you said something about like a shift in the way the bars were calculated.

Richard Goudis: Well, the bars that was calculated were not sports bars that were calculated, it was sports bar. In that relationship is (inaudible) in those hills before we change the nonsports bar also to match that relationship.

So it wasn't sports, we did launch some Barrs and it helped but I think most importantly is the sports nutrition category offers us a lot of opportunity. I think it's something where our brand plays well, we built a lot of credibility. And that's a portfolio gap for which we can expand and we're going to talk about that tomorrow.

Beth Kite: OK. Perfect. We'll wait for tomorrow. My next one will be might be for tomorrow as well, could you give us any more context around iced coffee launch in the U.S.?

Just in terms of how the -- I know it's just 1 month and not even a full month probably in certain markets in the U.S. but how did it perform versus

expectations? Are you marketing that product differently than other launches?
Are you spending different investment dollars to support that launch?

Richard Goudis: So we're not spending any -- anything incremental with the launch that we do.
The launch with the same way.

I do think it's outperforming our expectations but it's early, look, I don't want
to set expectations based on how things sales in Week 1 or Month 1. Any
time you launch a new product, especially something like coffee that's a new
category, it's easy to drive trial.

I think what's important is the repeat business. By the way, I'm super
confident in the product. I'm not trying to set low expectations. I'm just
saying it's too early for us to judge or too early certainly for you, the judge on
what that can drive.

Beth Kite: OK. Got it. Fair enough. And then lastly, on the perform member concept,
that having been in the U.S. now over the year-ago, are you at this point able
to share any other markets from the fourth quarter?

Or in 2019? I think was with you in Paris, you talked about Italy adopting the
numbers. Can you talk about stock markets any other markets kind of in the
next 6 or 12 months next time frame is going to adopt the market?

Richard Goudis: So Brazil and based on the (inaudible) in the tribute us in Brazil, they want to
launch it. So be doing the programming now.

It will be early next year and as you know, Brazil has been more of a weaker
point for us as a company. And I think it can be a catalyst. And most
importantly, if they came in as a request from our distributors to launch this.
So I think we're excited about I don't exactly it might be launch we're excited.

Operator: We have a follow-up from Tim Ramey with Pivotal Research Group.

Timothy Ramey: Just wanted to go a little bit deeper on the Formula 1 Select. I think I heard
you say that was just launched in Australia. Is that right?

And if so, how quickly can that roll to rest of the world? Do you have the capability to manufacture it here in the U.S.? I assume it's not particularly a limiting factor but like I have 1 more.

Richard Goudis: This is Rich. Actually, the select line is our premium line really going after the wellness consumer, a more discerning consumers we talked about in the prepared remarks.

We started with the launch actually earlier this year with a version of the select line. It was called Pro20 that launched in EMEA. And it has been received really well.

The markets I just launched recently was both Australia and New Zealand, that's the launch this quarter and again, it's allowing our distributors to talk to a broader range of customers. Our plans are to bring them to other markets next year.

I think North America is scheduled to bring out a version, maybe even in the first or second quarter next year. We'll talk more about it tomorrow and give you a little bit more visibility but clearly, we believe that this consumer demand for this kind of products.

And our research suggests that these people in this category, because they're living the lifestyle, they stay with us longer and they spend more money. So it's very attractive opportunity.

Operator: There are no more questions. We will go back to Rich Goudis for closing remarks.

Richard Goudis: OK, thank you. Listen, we are thrilled to report the third quarter results with you today. But we're really excited to host you tomorrow at our Investor Day, our first in over 5 years.

In addition to a lot of prepared comments that we have, what's most exciting is that you're going to have the opportunity to interact with almost 20 different executives and distributors on panel discussions that are interactive with Q&A, giving the opportunity to get a little bit deeper to some of our strategies

but more importantly, to actually hear first-hand from our distributors and some of our regional executives how they do what they do and how we make this world healthier and happier. So we look forward to seeing all of you tomorrow. Have a good evening.

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

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