

Herbalife (Q4 2025 Earnings)

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Corporate Speakers:

- Stephan Gratziani; Herbalife; Chief Executive Officer
- John DeSimone; Herbalife; Chief Financial Officer
- Erin Banyas; Herbalife; Vice President and Head of Investor Relations

Participants:

- Chasen Bender; Citi; Analyst
- Nicholas Sherwood; Maxim Group; Analyst
- William Reuter; Bank of America; Analyst
- John Baumgartner; Mizuho Securities; Analyst
- Carolyn Popelka; Barclays; Analyst
- Douglas Lane; Water Tower Research; Analyst

PRESENTATION

Operator^ Welcome. And thank you for joining the Fourth Quarter and Full Year 2025 Earnings Conference Call for Herbalife Limited. (Operator Instructions) As a reminder, today's conference call is being recorded. I would now like to turn the call over to Erin Banyas, Vice President and Head of Investor Relations, to begin today's call.

Erin Banyas^ Thank you. And welcome to everyone joining us. With us today are Stephan Gratziani, our Chief Executive Officer; and John DeSimone, our Chief Financial Officer.

Before we begin today's call I would like to direct you to the cautionary statement regarding forward-looking statements on Page 2 of our presentation and in our earnings release issued earlier today, which are both available under the Investor Relations section of our website.

The presentation earnings release include a discussion of some of the more important factors that could cause results to differ from those expressed in any forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. As is customary, the content of today's call and presentation will be governed by this language.

In addition, during today's call we will be discussing certain non-GAAP financial measures. These non-GAAP financial measures exclude certain unusual or nonrecurring items that management believes impact the comparability of the periods referenced.

Please refer to our earnings release and presentation materials for additional information regarding these non-GAAP financial measures and the reconciliations to the most directly

comparable GAAP measure. And with that, I will now turn the call over to our CEO, Stephan Gratziani.

Stephan Gratziani^ Thank you, Erin. And thank you all for joining us today. As we look back on 2025, I want to take a moment to reflect on what we have accomplished and, more importantly, discuss where Herbalife is headed and how we are positioning the company for long-term growth.

Our vision is clear: to be the world's premier health and wellness company, community and platform. And in 2025, we took deliberate steps to ensure our vision is supported by a strong and resilient financial foundation.

We executed with discipline, reducing our total leverage ratio to 2.8x. This meaningful step down from 3.9x at the end of 2023 underscores the strength of our business, our strong sustainable cash generation.

We also sharpened how we operate, how we engage, and how we create value for our community, the company and our shareholders, and we are advancing innovation, modernizing our digital ecosystem and deepening engagement across our distributor network.

With the momentum generated in 2025, we enter 2026 in a position of strength, advancing our strategy to build a more innovative and digitally enabled Herbalife.

Let's turn briefly to our fourth quarter and full year financial performance. Q4 marked our second consecutive quarter of year-over-year net sales growth with net sales of \$1.3 billion, up 6.3%.

India delivered its highest quarterly net sales in Q4. And even without India's outperformance, our Q4 net sales would have still come in above the midpoint of our guidance range.

Adjusted EBITDA for the quarter was \$156 million, for the full year, net sales were up nearly 1% to just over \$5 billion. And excluding FX, net sales were up 2.5% compared to 2024. Full year adjusted EBITDA was \$658 million, with margin at 13.1%, marking our second consecutive year of adjusted EBITDA and margin expansion, and we exceeded guidance for both the fourth quarter and full year on each of these metrics.

For the year, we generated \$333 million in operating cash flows, and we continued strengthening the balance sheet, repaying \$283 million of debt in 2025.

It was a strong close to the year. And behind these positive financial outcomes is a growing engaged distributor network. Equipping them for success is one of our top priorities. This commitment is reflected in the continued strengthening of our distributor network.

In Q4, North America delivered its second consecutive quarter of double-digit year-over-year growth in new distributors, up 19%. Latin America continued its positive trend, achieving its seventh consecutive quarter of year-over-year growth. And while new distributors joining worldwide was down 5% versus a very strong prior year, the 2-year stack provides a more meaningful view.

On a two-year basis, new distributors are up 16%, with four of our five regions reporting increases, reflecting sustained multi-year momentum.

These results underscore the foundational work we have done to support our distributors with enhanced training, improved digital tools and comprehensive resources, all tailored to the needs of each region and designed to position them for success.

We will continue to provide them with innovative products and effective tools and training to help them generate interest, drive stronger engagement, increase repeat purchases and maximize long-term customer value.

Innovative products are a key part to that equation, providing our distributors with products that excite existing customers, attract new customers and support increased sales remains central to our strategy. Driven by this commitment, 2025 was a strong year for product innovation as we continue to broaden and strengthen our portfolio across key categories. In July, we advanced our weight management offering with the successful launch of MultiBurn.

In September, we broadened our skin care portfolio with HL/Skin in EMEA which is based on cutting-edge K-Beauty formulations and supported by an AI-powered facial analysis tool. And in December, we expanded into the high-growth healthy lifespan category with Life I/O baseline.

Beyond these innovative launches, we continue to optimize our global product portfolio to align with the evolving consumer trends and preferences, while tailoring our offerings to resonate with local markets.

In 2026, we are building on this momentum with exciting new product launches that further modernize and expand our portfolio, supported by new digital capabilities that enhance human connection.

The human connection has always been at the heart of Herbalife. As a distributor-led nutrition company, our strength lies in the one-to-one relationships our distributors build with their customers.

Our distributors take the time to understand a person's individual needs and support them throughout their health and wellness journey. These fundamentals remain unchanged. What is changing is how we deliver them because we see a future of health and wellness that is even more personalized, data-driven, proactive and accessible.

We are modernizing the experience to make it more connected and more effective. We will continue to provide curated product recommendations while laying the groundwork to deliver personally formulated nutritional supplements.

Over time this personalization will leverage data and insights from multiple inputs such as blood biomarkers and connected devices. Central to this strategy is Pro2col, our health and wellness operating system.

Since acquiring the Pro2col technology in April of 2025, our focus has been on building a digital experience that supports the strength of our business, leveraging digital tools to enhance, not replace the human connection at the core of our go-to-market strategy.

We've implemented a strategic phased beta rollout designed to integrate in-market insights from distributors and customers enabling us to enhance capabilities and introduce new features in a way that drives the greatest impact.

In December, we advanced to the second phase of our beta program with the release of Pro2col beta 2.0. Which included enhancements to the recently launched distributor marketing pages and Coach dashboard.

We believe our phase strategy is working. The beta group is engaged, providing feedback that is helping us refine the digital experience to ensure it integrates into distributors' daily methods of operation and meet real-world needs.

We have expanded the availability of beta access to distributors and customers in the U.S. Canada and Puerto Rico and will begin extending it to select EMEA markets this year. Pro2col is more than a digital tool. It's a key strategic component of our platform vision.

It adds a connective digital layer that enhances distributor engagement, supports customers in building sustainable nutrition and healthy lifestyle habits and generates data that helps our distributors support customers more effectively. Over time we believe this approach will broaden our reach, making Herbalife more attractive to a wider audience of future customers and distributors.

By combining Pro2col's data and technology with our recently acquired proprietary manufacturing capabilities, we are set to deliver precision made nutritional supplements tailored to an individual's needs and goals at scale. U.S. distributors in the initial Pro2col beta group will have first access to these personalized nutritional supplements by the end of the first half of 2026.

Before I close, I want to highlight the exciting announcement we made earlier today. Global Sports icon, Cristiano Ronaldo has acquired a 10% equity stake in HBL Pro2col Software which is the Herbalife subsidiary that holds the Pro2col technology. Cristiano invested \$7.5 million, along with the commitment to provide services and sponsorship rights to Pro2col.

It reflects Cristiano's deep personal commitment to nutrition and performance and our shared vision to scale personalized nutrition and wellness around the world, bringing together science, data, AI, innovation and community to improve the lives of millions.

We believe Cristiano's involvement will elevate the visibility of Herbalife and Pro2col, expanding awareness and supporting broader engagement and adoption. After 12 years as Cristiano's Global Nutrition partner, we are thrilled to welcome him as a strategic investor and business partner. Over the past 45 years, we have built an incredible company with a strong foundation.

As the largest publicly traded direct selling company with a global network of more than 2 million independent distributors across 95 markets and over 60,000 nutrition clubs worldwide, we are uniquely positioned to extend our leadership in global health and wellness in ways we believe no other company in the world can replicate.

We will continue to build on this solid foundation while also forming strategic partnerships like the one we announced today with Cristiano Ronaldo.

We will also continue to identify opportunities that bring differentiated products, services and capabilities that are aligned with our platform vision and add value to our customers, distributors, company and shareholders.

As we move into 2026 we are carrying forward the momentum of 2025 with confidence in our strategy, our leadership team, our distributor community and our ability to execute with discipline. Now I'll turn it over to John DeSimone for a detailed review of our results.

John DeSimone^ Thank you, Stephan. Turning to our fourth quarter financial highlights on Slide 8. Our remarks today focus on the quarter with a summary of full year results in the appendix.

As Stephan just described, we delivered a strong finish to 2025. Net sales for the fourth quarter were \$1.3 billion, with 6.3% growth versus Q4 of 2024, and exceeding the high end of our guidance of 1.5% to 5.5% year-over-year growth.

Q4 marked our second consecutive quarter of growth and our strongest year-over-year increase since the second quarter of 2021. On a constant currency basis, net sales increased 5.5% year-over-year, also exceeding guidance.

We have now delivered year-over-year constant currency growth in seven of the last nine quarters. While FX rates moved slightly against us versus our Q4 guidance assumptions, we still realized an 80 basis point tailwind.

Our Q4 net sales outperformance was driven by a record quarter in India with net sales of \$250 million, up nearly 15% year-over-year and exceeding our expectations. We believe

this was fueled by stronger demand following the reduction of the goods and services tax rate on the majority of our products in late September 2025.

Importantly, while India outperformed our expectations, even without this upside, Q4 net sales growth would have been above midpoint of our guidance range. Adjusted EBITDA was \$156 million, exceeding the high end of our guidance range of \$144 million to \$154 million.

Adjusted EBITDA margin was 12.2%, down 20 basis points year-over-year driven primarily by FX headwinds of 100 basis points and an approximately 90 basis point headwind from employee bonus accruals which we previously communicated as a meaningful and expected headwind given the 2024 annual employee bonus was fully accrued by the end of Q3 of 2024, and therefore we had no bonus expense in last year's fourth quarter. These pressures were partially offset by pricing benefits.

Adjusted EBITDA excludes an approximately \$11 million transition charge related to the September 2025 India GST amendments as the company no longer expects to fully utilize certain input GST credits generated before the law changed.

CapEx for the fourth quarter was \$19 million at the low end of our guidance range of \$18 million to \$28 million. Capitalized SaaS implementation costs were approximately \$9 million in the quarter. Gross profit margin was 77.5% for the quarter, down 30 basis points year-over-year.

Gross margin was pressured by approximately 100 basis points of FX headwinds, 30 basis points of unfavorable sales mix and 30 basis points of input cost inflation. These were partially offset by 80 basis points of pricing benefits, 10 basis points from lower outbound freight costs and 30 basis points from other favorable cost changes.

Fourth quarter net income attributable to Herbalife of \$85 million includes \$54 million of noncash deferred tax benefits related to the release of valuation allowances in certain of our European subsidiaries which were established in the fourth quarter of 2024, following changes to our corporate entity structure. Adjusted net income for the quarter was \$48 million. Adjusted diluted EPS of \$0.45 includes \$0.07 FX headwinds versus the fourth quarter of 2024.

Our adjusted effective tax rate was 34.7% down from 40.6% for the Q4 of 2024 which drove an approximately \$0.04 favorable impact to adjusted diluted EPS. The lower effective tax rate in 2025 was driven primarily by the geographic mix of income, partially offset by noncash updates to our assessment of uncertain tax positions.

For the full year 2025, our adjusted effective tax rate was 29.1% and slightly above our expectations of 27% to 28% due to discrete items in the quarter, but still below last year's tax rate of 30.2%. For full year 2026, we expect our adjusted effective tax rate to be approximately 30%, in line with 2025.

Operating cash flow was another highlight this quarter at \$98 million, up 41% year-over-year. For the full year, operating cash flow totaled \$333 million, up 17% versus 2024, and underscoring the durability of our cash generation.

Credit Agreement EBITDA for the fourth quarter was \$173 million. We also repaid \$30 million of debt in the quarter, maintaining a total leverage ratio of 2.8x, while also increasing our cash balance by approximately \$50 million.

For additional details regarding the adjustments between adjusted EBITDA and Credit Agreement EBITDA as well as the calculation of our total leverage ratio, please refer to the presentation appendix and the earnings press release.

Turning to Slide 9. Reported net sales for the quarter increased 6.3% year-over-year, while constant currency net sales were up 5.5%. We achieved year-over-year volume growth on a worldwide basis for the second consecutive quarter up 3.1%.

Pricing benefits were approximately \$40 million in the quarter and country mix represent approximately \$10 million headwind to net sales. FX had a favorable impact of approximately \$9 million in the fourth quarter, representing a year-over-year tailwind of 80 basis points I mentioned earlier. Moving to Slide 10.

We have the regional net sales results for the fourth quarter. Three of our five regions delivered year-over-year net sales growth in the fourth quarter on both a reported and local currency basis. On a sequential basis, the same regions showed sequential improvement on both the reported and local currency basis.

Latin America delivered its second consecutive quarter of double-digit year-over-year growth. Reported net sales increased 18% with local currency results up 11%. Results reflected favorable year-over-year pricing and sales mix, approximately 3% volume growth and a 660 basis point FX tailwind.

Within the Latin America region, Mexico posted another solid quarter with reported net sales up 19% year-over-year and local currency net sales up 9%, driven primarily by favorable year-over-year pricing, approximately 3% volume growth and significant FX tailwinds.

EMEA reported net sales growth for the third consecutive quarter with reported net sales up 9% and local currency net sales up 5%. Higher year-over-year pricing, favorable sales mix and FX tailwinds were partially offset by less than a 2% decline in volume.

In Asia Pacific, Reported net sales increased 5% year-over-year, while local currency net sales were up 9%, driven by approximately 9% volume growth and favorable pricing partially offset by unfavorable sales mix and FX movements.

As I mentioned earlier, India delivered its highest quarterly net sales in the fourth quarter with reported net sales up 15% year-over-year and 21% up in local currency. Top line

growth was driven primarily by an approximately 18% increase in volume, along with a favorable year-over-year pricing and sales mix, partially offset by FX headwinds.

In North America, sales declined by less than 1% year-over-year on volumes that were down less than 2%. This is consistent with the expectations we've previously communicated. Execution remains strong and momentum continues to build as we enter 2026.

We expect the North American region to deliver full year net sales growth in 2026. China net sales were down 4% year-over-year on a reported basis and 6% on a local currency basis, driven primarily by an 11% year-over-year decline in volume.

This was partially offset by favorable impacts from changes in the benefits and timing of the China customer loyalty program as well as favorable FX. Turning to Slide 11.

We see the key drivers of the year-over-year improvement in fourth quarter adjusted EBITDA despite an approximately 100 basis point FX headwind and an approximately \$11 million employee bonus accrual headwind, given the 2024 bonus was fully accrued by the end of Q3 2024, as I previously mentioned.

Adjusted EBITDA for the quarter was \$156 million, with margins of 12.2%. On a constant currency basis, adjusted EBITDA was \$168 million, underscoring the continued underlying strength of our business.

Looking at the bridge, we first see the drivers of the year-over-year change in gross profit including our second consecutive quarter of volume growth, along with pricing benefits, partially offset by unfavorable sales mix and input cost inflation driven by lower absorption rates.

Salaries represented approximately \$8 million headwind, largely reflecting merit increases implemented in the first quarter of 2025. Promotional-related expenses declined by approximately \$6 million year-over-year. And lastly, unfavorable year-over-year FX movements resulted in an approximately \$12 million reduction in adjusted EBITDA.

Before moving on, I want to highlight a presentation change we made to the financial statements to simplify how we report distributor-related compensation and to better align with how we model these costs internally and have historically presented them in the segment disclosure in our 10-K and 10-Q.

In summary, we have separated selling expenses from SG&A. We've taken the service fees of our China independent service providers and combine them with distributed compensation previously reported as royalty overrides. These expenses are now presented together within selling expenses on the P&L. Similar updates were made to the balance sheet and cash flow presentation.

Importantly, this had no impact on prior period results or key financial metrics. This was simply a presentation change that combined distributor and service provider related payments within our financial statements.

For those looking for continued visibility into China independent service provider fees, that information remains available in our segment reporting disclosures in both the 10-K and 10-Q.

For additional details, please refer to the presentation appendix, earnings press release and Form 10-K. Moving to Slide 12, I'll provide an update on the capital structure. We ended the quarter with \$353 million of cash up nearly \$50 million from the end of the third quarter of this year.

During the quarter, we made the scheduled \$5 million amortization payment on the Term Loan B and repaid the \$25 million outstanding under the revolving credit facility as of September 30. As of December 31, the revolver was undrawn.

Over the last two years, we have paid down over \$530 million of debt and reduced our leverage ratio from 3.9x to 2.8x. Our financial profile today is much stronger than it was two years ago. And depending on market conditions, we may consider refinancing portions of our existing debt.

While there can be no assurances regarding timing or outcomes, a successful transaction could meaningfully lower our borrowing costs. Regardless of whether or not we pursue any capital structure initiatives, we remain committed to reducing our gross debt to \$1.4 billion by the end of 2028.

Turning to Slide 13. I will walk through our outlook for the first quarter and full year 2026. We are continuing to provide net sales and adjusted EBITDA guidance on both a reported and constant currency basis.

For guidance on a reported basis, we used the average daily exchange rates for the first three weeks of January 2026. For the first quarter, we expect foreign exchange to have an approximately \$31 million positive impact on net sales.

While currency is expected to be a meaningful benefit to the top line in the quarter, it's expected to be neutral to EBITDA for the quarter due to timing. On a reported basis, we expect first quarter net sales growth of 3% to 7% year-over-year including an approximately 250 basis point tailwind from currency.

On a constant currency basis, we expect net sales growth of 0.5% to 4.5% year-over-year. Adjusted EBITDA for the first quarter is expected to be in the range of \$155 million to \$175 million on both a reported and constant currency basis. Planned capital expenditures for the first quarter are expected to be \$10 million to \$20 million.

Moving to our full year guidance. For the full year, we expect reported net sales growth of 1% to 6% year-over-year including an approximately 100 basis point tailwind from currency.

On a constant currency basis, net sales are expected to be flat to up 5% year-over-year. Adjusted EBITDA are expected to be in the range of \$670 million to \$710 million or \$665 million to \$705 million on a constant currency basis.

With respect to tariffs, our 2026 guidance includes a preliminary estimate of the impact of tariffs enacted through yesterday which we are currently expecting to be immaterial. For 2026, we expect capital expenditures to be in the range of \$50 million to \$80 million.

Separately, we anticipate capitalized SaaS implementation costs of \$40 million to \$60 million which are incremental to CapEx. Lastly, for the full year 2026, we expect an adjusted effective tax rate to be approximately 30%.

Before moving to Q&A, I want to close my opening remarks with one final comment. The financial performance of this business has transformed significantly over the past two years. Our sales trajectory looks much different now than it did two years ago as we carry a lot of momentum into 2026.

Our adjusted EBITDA margin continues to expand and has improved by 180 basis points over the 2-year period, and we've generated substantial cash over the prior two years, despite meaningfully higher interest costs, and we have used that cash to pay down over \$530 million of debt while lowering our leverage ratio from 3.9x to 2.8x.

And while our performance over the last two years has improved substantially, more importantly, we believe we have a strong foundation, both strategically and financially, to further generate shareholder value over the long term. This concludes our opening remarks. Operator, please open the call for questions.

QUESTIONS AND ANSWERS

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

Chasen Bender^ So I know you guys don't traditionally give guidance by region. But I was hoping you could do a little bit of around the world and give some more color on how you're thinking about sales for the different geographic segments in 2026, I know you called out you're expecting growth in the U.S.

But if you could kind of flesh out the comments with your other geographies, especially given the really strong India results and how the GST impact should kind of flow through until we lap those changes, that would be great.

John DeSimone^ Yes. So we don't guide by region. I do want to give maybe a little bit of commentary. It will be a very high level.

I will say that we're expecting net sales growth in every region with the exception of China. China is expected more of a 2027 event. And that's about, I think all really feel comfortable giving out.

Chasen Bender^ Okay. Got it. And then as it relates to Pro2col, obviously there's a lot of excitement building around the organization on that.

I was hoping you could kind of frame your expectations in terms of the sales contribution you're expecting from that program and kind of what you've assumed in 2026 guidance? And then I guess to kind of stay in the realm of guidance, just on the EBITDA side, too.

You've exceeded your quarterly guidance in each of the last eight quarters. And if my math is right, you're only guiding to 20 to 30 bps of margin expansion in 2026. It seems like you've built in a lot of flexibility there. So I'm just curious to understand kind of what your assumptions are and what's driving that degree of expansion?

John DeSimone^ So Chasen, that's a lot of questions. So let me see if I can hit them all.

Chasen Bender^ I'm sorry.

John DeSimone^ No. That's okay. It's great. On the Pro2col side, there's very little from a top line building. At this point, there's a lot more upside from vertical than risk, you know we're in beta phase right now. We launched commercially in the U.S. in July, and there will be a build from there, of course. So we haven't built a time in.

We have a view of the beta test we'll launch this year in some other markets. But again, beta doesn't drive a ton of volume. It's more of an acclimation process and a build. So again, more upside than downside there. On SG&A, there's one complexity which is -- it's GST in India.

So one of the drivers of sales in India is the government lowered it's GST rate which is a goods and services tax. So I think of it as a sales tax from 18% to 5% of a lot of our products. That's a big price decrease for the consumers, and it's been very beneficial.

However, on services which is what our distributors provide to us and what we pay to them and are in the company services that rate did not get lower. It's still 18%. We used to be able to offset those, the input in the output credit and now we don't.

So one of the things that's happening next year with GST is there's a net about \$16 million incremental cost between G&A and member comp, net-net \$16 million on negative impact on the bottom line. So our margins ex GST would be about 30 basis points higher than what you're seeing in guidance.

So I know guidance -- by the way, we're getting margin enhancement and improvement next year anyway, and I think that's an important point. But there's also a slight drag on the percentage from the GST in India. However, the GST is great for our business because it's driving a lot more volume.

Chasen Bender^ Got it. That's helpful color. Thank you for indulging my multipart question, and I try to sneak it into two total questions.

Operator^ (Operator Instructions) Our next question comes from the line of Nicholas Sherwood from Maxim Group.

Nicholas Sherwood^ Good afternoon. Thank you for taking my question. Kind of looking at the product categories, Energy, Sports & Fitness was the fastest grower in 2025. Can you kind of talk about where that momentum came from? And how do you expect to continue that in 2026?

John DeSimone^ Well, if you look historically, over the last few years, matter of fact, I don't even know exactly how many years, but it goes back quite a ways, we've been seeing that category outpace our overall performance as a company.

So you see a slight decrease in the percent of our sales coming from weight management and a slight increase coming from targeted nutrition and from sports. And it comes from a various number of regions. But I also think we launched Sports in India had some growth this year in the sports products. I don't have a breakdown by market for each one of those categories. So that's just the general picture of what's happening in the business.

Stephan Gratziani^ There was also a little bit of an uplift with Nutrition Clubs with Liftoff which is a very popular product that specifically was designed in the H24 product brand. So that's helped a little bit of the growth here as well.

Nicholas Sherwood^ Okay thank you. And kind of talking about Nutrition Clubs, I noticed in the 10-K there is wording about doing training in Europe, Middle East and Africa on Nutrition Clubs for the distributors there. Can you kind of go into any more detail on sort of expanding that Nutrition Club infrastructure in that market or other markets?

Stephan Gratziani^ Yes. Nick, I think you're referring to the Breakfast Budget clubs which is a particular model that started in the U.K. which there's a lot of interest and we do kind of biannual master classes where we'll have thousands of people actually that will come either virtually or physically to learn about this particular model that started in the United Kingdom which now is starting to take root in other markets as well.

It's a really powerful small club, grassroots, where people are literally coming to the club every single day. They're interacting with distributors. They're weighing themselves. They're talking about what kind of food they're eating. They're taking products. And it's really a community-driven one. We actually have a little bit of an uptake as well here in

the United States with some of the distributors that have gone to the U.K. and understanding the model. So that's part of the strategy that we have in terms of master classes and making sure that our distributors understand what's happening in different markets so they can see how it relates to their own and to be able to kind of import it into models and areas and geographies that make sense for them.

Nicholas Sherwood^ Thank you. And then my last question is positive sales leader retention rates, especially in North America and Latin America in 2025. How much is that attributed to some of these training programs that have been going on for almost two years now, such as the Mastermind program? And kind of what -- where are you seeing is why some getting more sales leaders were retained in 2025 compared to 2024?

Stephan Gratziani^ Yes. I think you see an incremental improvement. We have a very strong sales leader base. And so all of these programs that are designed to support them better, better education, better support, the key account management program which has key account managers that are working with certain levels of leadership and going through their business metrics, I think everything helps.

I just revert back to my experience as a distributor leader of an organization. And the more educated people are, the more understanding, the better strategy they have towards their business, it all makes a difference.

So I think it's hard to point to one thing. I think it's really the totality of the things that we've been doing over the last couple of years, but it definitely all the pieces make a difference.

Operator^ (Operator Instructions) Our next question comes from the line of William Reuter from Bank of America.

William Reuter^ So my first question is around products and how much they may have contributed to expanded sales in fiscal year '25 versus previous years. Was there an increase in that percentage of what you offer that was part of the contribution.

Stephan Gratziani^ Well, Bill just to talk to kind of North America, we had a very successful launch of MultiBurn that was launched at Extravaganza, just previous to -- prior to Extravaganza, which really helped us to have the performance that we had in Q3.

Overall, I think we're doing a good job. In EMEA, we had the launch of the skin, which really HL/Skin, which was again a successful launch. And I think we have been launching successfully products probably the most that's ever happened in the history of the company. It's two very successful launches.

So we continue -- I think there's learnings that are taking place. And as we roll out more products, we're just getting more effective at how we're rolling out product lines and products.

William Reuter^ Got it. And then just secondarily for me, you have been increasing your number of distributor events over the last two years really, what is your expectation for fiscal year '26 in terms of are you going to be doing more events? Are you going to be doing fewer larger events? And what the total spending on those may be on a year-over-year basis?

Stephan Gratziani^ Yes. I'll let J.D. hit the total spend. Overall, we really go by the markets and regions. India had increased to more Extravaganzas which are the big one based on the needs. Asia Pacific last went to two Extravaganzas instead of one. So it really depends.

I think overall, we try to stay in line with what the spending is based on the region. But I would say, in general, we try to do more events, more attendance. We've been tracking increases on an annual basis. Obviously coming out of COVID, where we didn't have events, there's been a ramp up. But I'll let J.D. -- refer to J.D. on the costs overall.

John DeSimone^ Yes. There's multiple lines we look at when we think of supporting our distributors and events is just one of those lines and event costs are expected to go up next year. A little more than sales is going to go up.

But we're funding it both from sales and from some other lines in the advertising promotion area. So it's not a material change overall.

Operator^ (Operator Instructions) Our next question comes from the line of John Baumgartner from Mizuho Securities.

John Baumgartner^ I'd like to ask Stephan, I'd like to ask, as you're making these investments in the personalized technology and more specialized new products, the MultiBurn, the Life I/O, it really feels like a new Herbalife that's much more geared to where the health and wellness market is going.

And as you move down this path with an evolving product portfolio, how do you think about product customer fit, is there a need to maybe also augment your legacy customer base with maybe higher income households or consumers who are more intense users of supplements. Just how do you think about complementing an evolving product offering with also evolving and expanding your consumer base to maximize the revenue opportunity.

Stephan Gratziani^ Yes. It's a great question, John. I think the strength of our business, when you look across the geographic regions is you have different levels of people using the products through different models for different reasons.

Number one, we believe there is a more sophisticated customer that has higher expectations in certain markets. The United States, for example, Europe is another example. There's other markets that lag a little bit just in terms of what they're seeing and what the competition is doing.

Overall, as a company, we believe that the world will come to a place where everyone wants a more personalized solution. And for some, that means a bespoke personalized formulation in a product in certain markets.

In others, it means just the best data that leads for the certain individual, the best product for them. And so we're expanding the breadth of what we're offering to attract more people, and I appreciate, by the way, the comment just on kind of a new Herbalife, that's the goal that we can go out and attract customers like you've seen with MultiBurn with baseline we believe, ultimately, with a personally formulated product which actually there is -- I don't want to say 0 competition, but very small competition for.

We want to own that category. And so we believe that it's going to attract customers that we never would have had. At the same time we want to double down and be more strategic on the current business that we have because it's an existing \$5 billion business across 95 markets.

And so we -- our strategy is across everything actually. We want to expand. We want to attract more, but we actually want to engage more of our current customer and go deeper in the product lines that we have.

One of the things -- no one's mentioned it yet, so I'll just make mention of it right now. The other announcement that we made today around Cristiano Ronaldo, so number one, you have an athlete that is probably number one has the most following in the world in terms of any athlete.

Number two, he's now 40 years old, but is still competing at the highest level in terms of performance, and it's someone that has his entire career has been built around measuring and having inputs into his own health and wellness and performance and then personally, customizing by formulation and by curation what to take in terms of supplementation.

That's how we got together 12 years ago in terms of a partnership. And so then his lifestyle, right, in terms of how much sleep does you get, the recovery, all of the things that he does to recover to be at the top of this performance.

This is the philosophy around Pro2col. This is where the company we are going, and this is why we have this alignment and this partnership because we believe the future of health and wellness.

And this is what Pro2col and Herbalife is really about is data in and the more data and the precise data that you have that leads to your health and wellness and where you are on your goals with the output of what your precise nutrition should be which is where personally formulated comes in and curation comes in, then the lifestyle aspect of it which is making sure that everything else you're doing besides your data and what you're taking, you're doing the best that you can for your lifestyle because that's where real long-term change comes and results come.

And then we believe with our community which is our super power, the 2 million distributors that they are in the best place to do what they've been doing for 45 years which has helped people get the best results possible. So again, I know it was a question around the products, it was probably a little bit more than you asked for, but we will go broader.

We're going to go and get more different types of customers, and we're going to support the existing and go deeper in the current markets and portfolios that we have. So we're super excited about where we're going in the future.

John Baumgartner^ That was great. And then my follow-up on India. Volume growth there has decelerated going back to, I think, around mid-2024, but you saw a really nice bounce back in Q4 '25. And John, you mentioned the GST benefit.

And I'm curious to the extent to which you saw any sort of related one-off benefits supporting volume this quarter relative to the extent to which this reduced GST, you can ride it as a tailwind until it's lapped late in 2026.

John DeSimone^ Yes. So it is -- we expect it to be a tailwind until we lap it in late September of 2026. It may be a declining tailwind. I mean the GST is not going to change from this reduced rate, at least that's not our expectations, right? But maybe the excitement around it will get reduced a little bit, but it will definitely -- our expectation is, it will definitely be a tailwind for the next nine months.

Operator^ (Operator Instructions) Our next question comes from the line of Carolyn Popelka from Barclays.

Carolyn Popelka^ This is Carolyn Popelka on for Hale Holden. My question relates to the distributor to member model. We've seen pretty outsized distributor growth, especially on a 2-year stack. So I was wondering if you could expand on the relationship between distributor growth and members growth.

I think intuitively, with the current market, you might think more people want to be distributors looking for extra income. But on the other side, people might have less discretionary income for health and wellness. So is there a mismatch there?

Stephan Gratziani^ Carolyn, thanks for the question. I think I just want to make sure, but you're talking about preferred members, I think which is more of the customer type that you're talking about?

Carolyn Popelka^ Yes.

Stephan Gratziani^ Okay. Good. Yes. Well look, it's both, right? The opportunity that people are looking for to have a financial opportunity.

I think we're all clear that remains and will continue to remain something that there's a large attraction and interest and need for. At the same time you said it, health and wellness and people taking care of themselves and reaching their goals and what's important to them is also a major factor.

But the one thing that you might see just in terms of the distributor recruiting numbers versus the preferred member numbers is that we did launch two years ago, something that we call Herbalife Premier League which put a bit of a focus on distributor recruiting. And when we did that, there was a little bit of a focus on distributors more than preferred customers.

For the first year that we ran the program, it ended up having more of a focus on the distributors. We made an adjustment in 2025 to actually account for preferred customers because a lot of markets in their models and flows they really kind of led with preferred customers.

So I think as you see those numbers, there might be some level of fluctuation. All in all, it really depends on the distributor models we could have more preferred cuts. So for example, preferred customers in India, it drives a lot of growth for us.

It's not direct distributor recruiting it drives because it's really attuned to their model and the way that they actually build the business there. So I would say both remain highly interested and attractive, and our distributors are focused on both.

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

Douglas Lane^ I just want to follow up on the Pro2col here. You made the small IP acquisitions last year, and I don't remember Herbalife making a lot of acquisitions in the past. And now you have Ronaldo with an equity partnership in one of your parts of your business, I don't remember you're doing a lot of equity partnerships in the past. So is this just one-off opportunistic? Or is this part of a new strategy going forward?

John DeSimone^ Doug, this is John.

I think most of that question is going to go to Stephan, but let me see if I can set it up financially anyway for this audience.

So our superpower, our strength is our distribution reach, right? We're in 95 countries, tens of thousands of communities, great reach into the consumer base around the world. We are interested from an acquisition standpoint in companies that are relatively small that have great content that don't have that distribution.

And so we can buy the content and leverage that strength of ours. And for investors, what I think is important to understand is it augments the core business, it's not in set up.

Second is it's not a huge use of cash. We're still looking to do small acquisitions, but still get our total debt down to \$1.4 billion by the end of 2028. And that content can be technology content, it can be product content.

In addition, of course, if we can partner with somebody that can help expand our business in a way that makes economic sense, we're looking to do that too. So it all has to fit our vision. And so I'm going to pass it to Stephan. He can maybe talk more a little bit about the vision and how things fit.

Stephan Gratziani^ Yes, Doug, thanks for the question. I think it comes down to, when you think about the four things that we've done historically for 45 years, it's been the what to measure, right, the inputs for health and wellness, by the way, I'll just kind of my experience when I came in at 1991, we were primarily weight loss.

If I had a customer, the question would be, how much do you want to lose? And the measurements would be how much did you weigh this morning? And then let me take a tape measure and let's measure your hips, your waste, your thighs, your arms. And let's start with those measurements. And then let's track. So we've always been measuring.

It's just today, in the world of health and wellness, what people measure has grown exponentially. And so we believe that there's a lot of value in what people are looking at that are insights into their health and their wellness.

In terms of acquisitions and partnerships and things building on what John mentioned, in the what to measure space, there could be some interesting opportunities. That's all I'll say in that area.

On the what to take space, because for 45 years, we've been telling people what to take which is our Herbalife products, right? We believe also that in that space, if there are opportunities of products that we believe are beneficial or technologies like personally formulation of product technologies, these could be things that could be interesting because, like John said, it aligns with our platform.

On the What to do space, it's the same thing, right? So telling someone, and I used to sit down with the customer and write on a piece of paper, this is how you're going to -- going to take two shakes a day, three times your tablets, have one normal meal, here's some protein intakes that you should have. We don't do things on paper anymore. It all happens through a digital layer.

So when you think of Pro2col and you think of actually helping people know what to do. And by the way, where their measurements are going to come into and then telling them what to take or personally formulating something for them, you need a digital application layer. And so not just to be able to tell them what to do, but to help them do it. Like a reminder, are you drinking enough water? Are you taking in enough protein? Are you eating within the eating window?

So those four buckets, what to measure, the what to take, the what to do and support in doing it and then who to do it with, which is the distributor that we want to connect closer to their customers. And so that they can support their customers better to create more value for the customers and gain more value, a longer customer, someone that refers more, someone that buys more and longer.

And so ultimately, someone that says, I love what you do, I love what you're about, and I want to be a part of this, and I want to help other people. So acquisitions, as we look at this, it's really about what really fits in our platform vision and in terms of partnerships.

This is what Cristiano Ronaldo, this is why we are partners. This is why he's invested because he leaves in this vision. The one thing that I will say that this is not a diversification of business for us.

We don't make these acquisitions because we think that our direct sales model, we need to diversify and move into other channels. This is an acquisition strategy to support our super power which are the 2 million distributors in 95 markets that the business that we have today is because of them.

And our whole goal is to give them more interested products opportunities to talk to people, bring more people into their business, their ecosystem, our ecosystem and deliver more value.

And so I think John said it, small, products and services, capabilities that can deliver more value to our vision and to our platform and to our distributors and to our customers. That's really how we're looking at this.

Douglas Lane^ Well, that makes sense. Thanks, Stephan.

Operator^ Thank you. At this time I would now like to turn the conference back over to Stephan Gratziani for closing remarks.

Stephan Gratziani^ Well thank you, everyone. I'm going to keep this brief. But I think we can say that we've returned to growth. We delivered growth in Q3, Q4 and for the full year of 2025. We're guiding growth in Q1 and for the full year of 2026. I think the performance is reflected in the team that's really disciplined. We're being fiscally responsible.

We strengthened the foundation, expanded margins, generating strong cash flows, fortified the balance sheet, reduced total leverage down to 2.8x from 3.9x positioning the company for sustainable and profitable growth.

And we're looking at things differently. Number one, we understand that our superpower is our distributors and this base and this foundation that was built over 45 years.

So now we announced today a partnership with Cristiano Ronaldo which is going to give Herbalife Pro2col and what we can deliver to the world more visibility than ever before.

We recently made some acquisitions that we believe are giving us an expansion and will give us the possibility of leading in terms of where we believe nutrition is going for the future. And we're focused, we have not -- and by the way, this is not a departure for who we are.

The results that we have today is really about what we've been doing for the last two years. It's the culmination of so many things that we've implemented.

Market optimization efforts, the Diamond Development mastermind, key account management programs, the Premier League, bringing in Eric Worre to support our distributor leadership. Product launches, master classes and DMO and so many different things.

So doubling down on our existing business, doubling down on the fact that we believe that the direct sales channel and our distributors and Herbalife in the 45 years and the 60,000 nutrition clubs around the world, puts us in a position to do something that no other company can do.

And so we thank you for being with us, and it's kind of a little bit of an inside joke because I think I'm ending every quarter by saying stay tuned next quarter, and you've been doing that. So I thank you for that. And I'll just end with saying stay tuned until next quarter. Thank you, everyone.

Operator^ This concludes today's conference call. Thank you for participating. You may now disconnect.