Herbalife 2nd Quarter 2026 Earnings Conference Call
August 5, 2026

Corporate Speakers:

- Stephan Gratziani; Herbalife Ltd; Chief Executive Officer
- John DeSimone; Herbalife Ltd; Chief Financial Officer
- Samantha Holway; Herbalife Ltd; Vice President, Head of Investor Relations

Participants:

- Nicholas Sherwood, Maxim Group, Analyst
- Hale Holden, Barclays Capital, Analyst
- Carla Casella, JP Morgan Securities, Analyst
- Doug Lane, Water Tower Research, Analyst

PRESENTATION

Operator^ Welcome, and thank you for joining the Second Quarter 2026 Earnings Conference Call for Herbalife Limited. During the company's opening remarks, all participants will be in a listen-only mode. Following the opening remarks, we will conduct a question-and-answer session. As a reminder, today's conference call is being recorded.

I would now like to turn the call over to Samantha Holway, Vice President and Head of Investor Relations to begin today's call. You may begin.

Samantha Holway^ 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 and earnings release include a discussion of some of the more important factors that could cause results to differ from those expressed in any forward-looking statements within the meaning of 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 non-recurring 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, Sam, and thank you all for joining us today. Before we begin, I'd like to welcome Samantha Holway, our new Vice President of Investor Relations. Sam brings more than a decade of experience across finance, strategy, and most recently as the Head of Sales of North America at Herbalife, and we're excited to have her in this role.

Over the past year, we've made strategic investments to build capabilities that will drive Herbalife's next phase of growth. This quarter marks an important milestone as those investments began translating into tangible execution, bringing new innovations to market, expanding our addressable audience and creating new opportunities for our distributors. Today, I'd like to share how those investments are beginning to take shape across our business. But first, let's review some financial highlights.

We delivered net sales of $1.3 billion, up 5.4% year-over-year and at the top end of our guidance range. On a constant currency basis, net sales were up 5.8%, which exceeded guidance. This was our fourth consecutive quarter of year-over-year net sales growth on both a reported and constant currency basis, demonstrating the resilience of our business. Net sales in North America were up 0.2%, and while nominal, this marks the second quarter of growth in the last four quarters. Adjusted EBITDA was $167 million and near the top end of our guidance range.

We entered 2026 with momentum and a clear set of priorities. Throughout the second quarter, we focused on translating our growing capabilities into execution across the business, expanding how we take personalized nutrition to market. Personalized nutrition has evolved into one of the fastest growing segments in health and wellness. According to Grand View Research, the category extends well beyond supplements to include personalized recommendations, digital technology, health data, individualized formulations and ongoing engagement. Today, it represents a $34 billion growing global market.

But while the category is being defined and given a name, personalization isn't new to Herbalife. And while many companies are focused on individual segments, we believe our unique opportunity comes from combining technology, science and human connection. For more than 45 years, Herbalife has been at the forefront of personalized nutrition, supported by decades of experience, global scale and the strength of our distributor community. Every day, our distributors personalize the customer experience, helping them understand what to measure, what to take, what to do, and who to do it with. These four Ws have always been at the heart of our business.

What's evolving is how technology is helping to amplify that experience for both customers and distributors. We are working to bring together AI-assisted technology, biomarker insights and individualized formulations, while strengthening the human connection that has always set Herbalife apart. It's the reason we believe Herbalife is uniquely positioned to lead the next generation of personalized nutrition, beginning with our most recent launch.

Bioniq GO is the first product we've brought to market following our acquisition of Bioniq in April. It is a personalized daily supplement that provides a simple, consumer-friendly entry point into personalized nutrition. Customers complete a digital wellness assessment and are matched to one of 40 personalized supplement formulas based on their individual profile and wellness goals. Supplements are the largest segment of the personalized nutrition market, accounting for nearly half of the category, and Bioniq GO represents the next generation of personalized nutrition for Herbalife.

We launched Bioniq GO at our Europe and Africa Extravaganza in June across 11 markets, followed by the U.S. launch at our North America Extravaganza in July. Additional market launches are planned for the second half of the year. In conjunction with the Bioniq GO launch in the European markets, we introduced new digital commerce and subscription capabilities like those recently made available in the U.S. These capabilities make it even easier for distributors to do business and for customers to incorporate products into their daily routines and maintain consistency.

While we're excited about the opportunities Bioniq GO creates today, we're also looking ahead. Our acquisition agreement includes a call option for Bioniq LAB, a peptide distribution business, giving us the flexibility to evaluate that category over time. As always, we'll take a disciplined approach, continuing to assess the science, regulatory landscape and long-term opportunity before determining the right path for Herbalife.

Bioniq GO advances the what-to-take element of our personalized nutrition strategy. At the center of that strategy is Pro2col, our personalized health operating system. Through AI-assisted recommendations and connected digital tools, it brings every element of our personalized nutrition approach together in one experience for distributors and customers. AI is one of the most powerful forces transforming personalized nutrition and consumer engagement.

According to Grand View Research, the AI-powered personalization nutrition market includes AI-enabled nutrition apps and test-based solutions that deliver individualized recommendations. With nutrition apps representing the largest segment, the market is projected to grow from approximately $1.9 billion in 2026 to more than $10 billion by 2033, a 27% annual growth rate.

Developed in partnership with our distributors, Pro2col is how we'll bring these capabilities together in a single, personalized health platform, combining AI-assisted support across what to measure, what to take, what to do and who to do it with. We believe our distribution model gives us a distinct advantage to extend these capabilities through already established, trusted relationships. Pro2col is currently in expanded beta as we're building it out as a platform rather than a single product launch.

Our focus during this phase is on developing capabilities that will make the platform an integral part of our distributors' daily methods of operations. We expect it to be adopted in stages as new modules and capabilities are introduced through next year, creating value incrementally and driving broader adoption over time.

At our North America Extravaganza, we introduced a significant update based on distributor feedback. The update included an overhauled user experience and enhanced features. In the second half of the year, we plan to introduce features like smart device integrations and evolved biomarker support, while also building out distributor-specific business model capabilities. We also introduced a beta program for blood testing and platform integration. At this stage, we're focused on validating the end-to-end experience from ordering and self-administering the blood test to external lab processing and delivery of results through Pro2col.

Beyond Pro2col, we're also expanding our personalized health and wellness portfolio in North America through Life I/O, our healthy lifespan brand, giving our distributors the opportunity to serve a broader and growing consumer audience. According to McKinsey, longevity is one of the fastest growing wellness categories, with more than 60% of consumers globally prioritizing products and services that support long-term health and vitality.

Life I/O is focused on this growing, digitally engaged customer segment that takes a proactive approach to wellness and invest in long-term health.

The Life I/O brand portfolio includes Baseline, which was launched last year and features Niagen to increase NAD+ levels and support cellular health. Helio, a daily all-in-one super shake, combining foundational nutrition with many of the functional ingredients consumers commonly purchase separately. Each serving delivers 30 grams of protein and beneficial fats for sustained energy, 6 grams of diverse fibers to support the microbiome, 20 plus vitamins and minerals, and a range of premium wellness ingredients like adaptogens and polyphenol blends. These unique ingredients all come together in a single product designed to simplify consumer's daily routine without compromising on taste.

Helio, launched in July at our North America Extravaganza alongside Activate Energy. Activate Energy is our channel exclusive entry into the exogenous ketone category following our acquisition of Pruvit last year. It features D-BHB ketone technology as well as caffeine, B vitamins and electrolytes to support sustained energy, mental focus, hydration and metabolic health. Together, Life I/O offerings broaden our product portfolio, strengthen our position in the healthy lifespan market and extend our reach to a broader consumer audience.

Both technology and science are essential for personalized nutrition, it's our distributors who have always made it meaningful. AI-assisted technology can provide data, insights and recommendations to help customers understand what to measure, what to take, and what to do, but it's our distributors who turn those recommendations into action through encouragement, accountability and trusted relationships that foster human connection, build community and help customers stay motivated to achieve long-lasting results.

That same philosophy guides how we train, educate and support our distributors through Extravaganza events around the world. So far this year, more than 110,000 distributors have come together at Extravaganza events in India, Uzbekistan, China, Panama, Singapore, Poland and the United States to learn, connect and share best practices. That level of engagement is a powerful reminder that our distributors are deeply invested in Herbalife, committing their time and resources to develop their skills and build relationships that help them strengthen their businesses and better serve their customers.

Our greatest competitive advantage is our distributor network, and investing in the Herbalife brand they bring to life is an investment in their success. Through global campaigns and strategic partnerships, we increase brand awareness, reinforce our nutrition expertise and strengthen Herbalife's relevance with consumers around the world. One example is our Fuel Like Ronaldo campaign, which builds on our long-standing relationship with our global nutrition partner, Cristiano Ronaldo. Centered around the daily personalized nutrition habits that fuel his performance, the campaign took place around one of the year's biggest global sporting events. It brought our personalized nutrition story to life across 45 markets through social, digital, traditional media and immersive fan experiences, helping deepen engagement with existing audiences, while introducing Herbalife to new consumers around the world.

Personalized nutrition is transforming our industry, and it's creating an opportunity that plays directly to our strengths. What makes us different is that we're bringing every element of personalized nutrition together in one ecosystem, science-backed products, digital technology, AI-assisted insights, health data and personal recommendations. We're building on our vast network of entrepreneurs and customers to deliver the next generation of personalization, and we're just getting started.

Everything I've talked about today is possible because we've built a strong company, one with a clear strategy, a solid financial foundation, and a long-term vision of where we're headed. That foundation has been strengthened by John DeSimone's leadership of nearly two decades at Herbalife. As we announced today, John will begin his well-earned retirement at the end of the year. Through his role as President, Chief Strategic Officer and Chief Financial Officer, John has helped navigate a number of transformational periods for the company, all while maintaining a disciplined focus on our financial strength. His leadership has had lasting impact on Herbalife and helped position the company for its next chapter. I look forward to continuing to work alongside him through the remainder of this year.

Scott Schaefer, our Senior Vice President of Finance and Transformation, will succeed John as Chief Financial Officer at the start of 2027. Scott joined Herbalife in 2025 after 16 years at Zappos, where he most recently served as President and CEO. Among other accomplishments over his tenure, he spearheaded a digital-first growth agenda that enhanced customer engagement, optimized and scaled operations, and delivered significant bottom-line improvements. Since joining Herbalife last year, he has become an important member of our leadership team, and I'm confident he'll provide the financial leadership and strategic perspective to help guide our next chapter. Over the next five months, John and Scott will continue to work closely together to ensure a seamless transition.

Now, I'd like to turn it over to John.

John DeSimone^ Thank you, Stephan. Turning to our second quarter financial highlights on Slide 11, we delivered another strong quarter. Second quarter net sales were $1.3 billion, up 5.4% versus the second quarter of 2025 and at the high end of our guidance range of up 1.5% to 5.5%. This is our fourth consecutive quarter of year-over-year growth. On a constant currency basis, net sales increased 5.8% year-over-year. We've now delivered year-over-year constant currency growth in nine of the last 11 quarters. This quarter's constant currency growth of 5.8% was approximately 80 basis points above the high end of our guidance.

FX rates moved unfavorably during the quarter versus the assumptions included in guidance. Our Q2 guidance had included a 50-basis point tailwind, but we experienced a 40-basis point year-over-year headwind in the quarter. Our second quarter net sales outperformance was led by India, but even without the outperformance of India, our Q2 net sales would have been above the midpoint of guidance. I'll provide more details on our regional performance later in the call.

Adjusted EBITDA was $167 million, also at the high end of our guidance range of $150 million to $170 million. CapEx was $11 million for the quarter, below our guidance range of $15 million to $25 million, primarily due to timing. Capitalized SaaS implementation costs were $8 million. Gross profit margin was 77.7% for the quarter, down 30 basis points year-over-year. This reflected approximately 50 basis points of country mix, 20 basis points of higher other costs, and 20 basis points from higher inventory reserves, and 10 basis points from changes related to self-manufacturing and sourcing. These were partially offset by 60 basis points of pricing benefits.

Second quarter net loss attributable to Herbalife was $26 million. This GAAP net loss was expected and was primarily driven by a nearly $95 million pre-tax loss on the extinguishment of debt related to our successful April debt refinancing. On an adjusted basis, net income was approximately $53 million.

Second quarter diluted loss per share was $0.25. As I just stated, the loss was due to the debt extinguishment from April's refinancing. Adjusted diluted EPS was $0.51, which included a $0.04 FX headwind versus the second quarter of 2025. Our adjusted effective tax rate was 43.2%, up from 27.7% for Q2 of last year, which drove an approximately $0.14 unfavorable impact to adjusted diluted EPS. The higher adjusted tax rate was driven primarily by country mix and certain discrete items in the quarter. For full year 2026, we expect our adjusted effective tax rate to be approximately 35%, primarily due to these items.

Our operating cash flow this quarter is best viewed on a year-to-date basis due to the timing of employee bonus payments, which were moved to Q2 this year versus Q1 in 2025. Operating cash for the first half of 2026 was $147 million, up 52% year-over-year, demonstrating the continued strength of our cash generation. Credit agreement EBITDA for the second quarter was $191 million and our total leverage ratio remained 2.7 at June 30, while our net leverage ratio was 2.2 times. For additional details regarding the adjustments between adjusted EBITDA and credit agreement EBITDA as well as the calculation of net debt, total leverage ratio and net leverage ratio, please refer to the presentation appendix in the earnings press release.

Turning to Slide 12. Reported net sales increased nearly $70 million in the quarter or 5.4%, while constant currency net sales increased 5.8%. Volume increased 5.8% worldwide, marking our fourth consecutive quarter of year-over-year volume growth. Pricing provided an approximately $37 million benefit in the quarter, while country mix was an approximately $38 million headwind to net sales. FX was an approximately $5 million of 40-basis point headwind.

Turning to Slide 13, we have the regional net sales results for the second quarter. Three of our five regions delivered year-over-year net sales growth this quarter on both a reported and constant currency basis. On a sequential basis, these same regions showed improvements on a year-over-year constant currency basis. As Stephan mentioned, North America returned to slight growth this quarter. Results reflected higher year-over-year pricing, partially offset by a 2% decline in volume.

Latin America delivered its fourth consecutive quarter of double-digit year-over-year growth. Reported net sales increased 17%, with constant currency results up 8%. Results reflected favorable year-over-year pricing and sales mix, approximately 2% volume growth and an 840-basis point FX tailwind.

Within the Latin American region, Mexico posted reported net sales up 17% year-over-year and local currency net sales increase of 5%. The reported net sales increase was driven primarily by favorable year-over-year pricing and significant FX tailwinds.

In Asia-Pacific, reported net sales increased 15% year-over-year, while constant currency net sales increased 23%, driven by approximately 26% volume growth and favorable year-over-year pricing, partially offset by unfavorable country mix and FX movements. Within APAC, India delivered another strong quarter with reported net sales up 33% year-over-year and constant currency net sales up 47%. Growth was driven by a 45% increase in volume and favorable sales mix. Pricing was neutral, and FX was a meaningful headwind.

In EMEA, reported and constant currency net sales declined 3.5% and 5.6%, respectively. This reflects a 12% volume decline that offset the higher pricing, favorable sales mix and FX tailwinds.

In China, our smallest region, at less than 5% of our worldwide net sales, reported net sales decline of 25% year-over-year, while constant currency net sales declined 29%, reflecting a partial benefit from foreign exchange. The decline was driven primarily by a 29% decrease in volume.

Turning to Slide 14, we see the drivers of the second quarter year-over-year change in our adjusted EBITDA. Adjusted EBITDA was $166.6 million. On a constant currency basis, adjusted EBITDA increased to $174.4 million, up slightly year-over-year. Looking at the bridge, we first see the drivers of the year-over-year change in gross profit, including our fourth consecutive quarter of volume growth along with pricing benefits, partially offset by unfavorable sales mix.

Other changes included the expected timing of the Chinese government grant income and the timing of certain distributor events. The China grant received in Q1 this year compared with Q2 last year, while there were certain other distributor events that occurred in Q2 this year that were in Q3 last year. Additionally, there was an unfavorable net impact from India GST. Foreign exchange was approximately $8 million headwind to adjusted EBITDA and a 53-basis point headwind to adjusted EBITDA margin.

Moving to Slide 15, I'll provide an update on our capital structure. We ended the quarter with $370 million of cash. At quarter end, $135 million was outstanding under the revolving credit facility. Our total leverage ratio was 2.7 times, and net leverage ratio was 2.2 times at the end of the quarter.

We are still targeting a net leverage ratio below 2 times by the end of the year. This is the first quarter reflecting our April's refinancing, and we are already seeing the positive impact on our net interest expense, which was $37 million, down from $54 million in the second quarter of 2025.

Turning to Slide 16, I'll review our outlook for the third quarter and full year. We are continuing to provide net sales and adjusted EBITDA guidance on both a reported and constant currency basis, with reported guidance based on average daily exchange rates from the first two weeks of July. For the third quarter, we expect foreign exchange to be a modest headwind to net sales and adjusted EBITDA.

On a reported basis, we expect net sales to increase 0.5% to 4.5% year-over-year, including a 100-basis point currency headwind. On a constant currency basis, we expect net sales to increase 1.5% to 5.5% year-over-year. We expect third quarter adjusted EBITDA to be in the range of $160 million to $180 million on a reported basis and in the range of $165 million to $185 million on a constant currency basis.

Third quarter capital expenditures are expected to be in the range of $15 million to $25 million. For the full year, we have narrowed our net sales guidance ranges and raised the midpoints on both a reported and constant currency basis. We expect reported and constant currency net sales to increase 2.5% to 5.5% year-over-year. For full year adjusted EBITDA, we have narrowed the ranges on both a reported and constant currency basis.

We have raised the midpoint of adjusted EBITDA on a constant currency basis. However, changes in foreign exchange rates have resulted in us slightly lowering the midpoint of guidance on a reported basis. We expect full year adjusted EBITDA to be in the range of $670 million to $690 million on a reported basis, and in the range of $690 million to $710 million on a constant currency basis. We expect 2026 capital expenditures to be $50 million to $70 million, narrowed from previous guidance. Additionally, we continue to expect capitalized SaaS implementation costs of $35 million to $55 million, which are incremental to CapEx.

Before we move to Q&A, I'd like to close with two brief comments. First, on our capital allocation priorities. Herbalife is a resilient business that generates significant free cash flow, and relative to our current market capitalization, this cash generation is especially meaningful. On a trailing 12-month basis, our free cash flow yield is just over 23%, which we calculate as free cash flow or cash flow from operations less capital expenditures, divided by our market capitalization at the close of the quarter.

We believe a yield at this level speaks to the underlying value of the business, and we continue to believe the best use of that cash is to keep reducing debt. Our commitment to repay more than $600 million by the end of 2028 remains a core priority. And all else equal, we believe delivering on it will create meaningful long-term value for our shareholders. My second comment is to acknowledge the leadership transition we announced this afternoon.

I returned to the CFO role more than two years ago to help strengthen our financial foundation and position the company for its next chapter, and I believe we have accomplished those objectives. Together, we've returned the business to growth and improved EBITDA margins.

We have meaningfully reduced both our total debt and our leverage ratios. We have strengthened our balance sheet through our refinancing and significantly reduced our borrowing cost. And we reintroduced quarterly guidance in the financial discipline that supports greater predictability. We accomplished all of this while continuing to invest in the initiatives that we believe will drive the company's long-term growth.

Last year, we hired Scott, and since he joined, I've had the benefit of working side by side with him. He has earned my confidence as a financial leader, a trusted business partner for Stephan, and the right person to lead our financial organization in the years ahead. For these reasons, I believe this is the right time to begin an orderly transition. Over the next five months, Scott and I will continue to work side by side to ensure a seamless transition.

And with that, this concludes our opening remarks. Operator, please open the line for questions.

QUESTIONS AND ANSWERS

Operator^ Thank you. [Operator Instructions] Our first question comes from the line of William Reuter with Bank of America. Your line is open.

John DeSimone^ Hey, Bill.

Operator^ Check to see if you're on mute. Check to see if your line is on mute.

John DeSimone^ We can come back to Bill

Operator^ All right. Please stand by for our next question. Our next question comes from the line of Nicholas Sherwood with Maxim Group. Your line is open.

Nicholas Sherwood ^ Hi. Good evening. Thank you for taking my question. So, there's been substantial distributor growth in Asia-Pacific, and I'm sure in part driven by the growth in India. How do you ensure to have stronger distributor retention during and after this rapid growth phase in that region?

Stephan Gratziani^ Yeah, Nick, thanks. Well, I'll take this one. First of all, I think what you're seeing in terms of the growth is really driven by strong business models, strong customer support, and systems that the distributor have actually -- distributors have put in place, the leadership. And so this is really a tremendous amount of growth, which is partially driven by what would be a correction in price, not correction, but just an adjustment in price, making the products more accessible to a greater number of customers. And then the knock-on effect of the distributors and their systems and being able to take the influx of customers and duplicate. And so systems are in place.

We've never experienced this type of growth over a period of time like this. But everything that we're seeing in terms of the way the distributors are actually through their systems, their clubs, both virtual and physical, they were able to actually increase the amount of customer flow in ways that we've not quite seen in the past. So we're confident that that leads to the growth and that'll also support the growth as well.

John DeSimone^ Yeah. And if I could add maybe just a little bit of history to kind of give some confidence in India's ability to manage growth. I mean, I know this is a very unique situation with the GST and the type of growth. But India's had 18 straight years of growth. And so they were able to accomplish that because they've been able to build in the discipline underneath that growth. So that also gives us confidence.

Nicholas Sherwood ^ Okay. Yeah. Thank you for the color. And then looking at North America, I know it's not direct one-to-one, but net sales per distributor is up year-over-year. And then also, you have active sales leaders growing from the first quarter to the second quarter, where looking historically, usually that number goes down from the first quarter to the second quarter. Are we looking at just sort of individual distributors are kind of doing better in North America, and is there any reason behind that?

John DeSimone^ I can speak to the productivity. So we are seeing increased productivity with distributors in North America, and even a greater change in productivity of new people than more of a traditional run rate within North America. So I think your takeaway is accurate. I don't quite look at it the same way you look at it, but I look at it from a productivity standpoint, and we look at it productivity by class, like when an individual came in. And I will tell you and maybe this is an important takeaway, Nutrition Club productivity is up.

Nicholas Sherwood ^ Okay. Yeah, that's really helpful. I know it's only been -- it's only been one month, but what have you seen from your distributors since the launch of the new Life I/O products and how they've been able to reach what is to be considered a more sophisticated consumer with those products?

John DeSimone^ We said we launched it in July, which is a Q3 event. We barely just closed July. I think it's really better to hold this question till next quarter, not ask it about the Q2 results. It's really -- look, I mean, I think you were at the event, lots of excitement, but before we start giving figures out, I think we should get through Q3 and do it on the next call.

Operator^ Thank you. Please stand by for our next question. Our next question comes from the line of Hale Holden with Barclays. Your line is open.

Hale Holden^ Hey, good afternoon. I have two quick questions. The first is the narrowing of the CapEx range for the year, or it looks like actually a modest reduction. Is there something that's slipping into 2027 or something that you're not doing? I just was wondering what the driver was.

John DeSimone^ We've had -- so we have a very disciplined approach to reviewing capital expenditure projects, and so we have a forecast, but then before every individual project is approved, we do the ROI analysis, and we've had a history over the last couple of years of maybe delaying a few or reprioritizing and saving a little bit of money. I think it's important to know we're investing in those things that we think can add value. So this is not a financial constraint. This is more of just good practices that we put in place, and so we've been underspending a little bit from what we've expected. So I think it's more of an underspend than it is a pushing out till next year.

Hale Holden^ Got it. I actually viewed it as a positive, John, not a negative, but that's fine.

John DeSimone^ Yeah, I just want to -- the important thing I want to make sure people take away is when we underspend in capital expenditures, it's because we are prioritizing projects in a way that can add value, not because of cash constraints, right? I mean, we generate plenty of cash.

Hale Holden^ Great. And then Stephan, I had like a sort of a more of a thought question for you. It does feel like we're, if not hitting, at least on the road to maximum protein, with Pop-Tarts launching a protein Pop-Tart covered in sugar. And that's always been Herbalife's kind of wheelhouse and go-to in their consumer, and it was nice to see the North America growth up in the quarter. But I was wondering, does this help your distributors? Does it hurt them? How does having protein in every single piece of food that's out there in the grocery aisle affect you?

Stephan Gratziani^ I think number one, it's a good thing that what we've been doing for over 45 years and how we've been approaching it and meal replacements and finding our place as a leader, it definitely leads the market. What you mentioned, just kind of thoughts around it. One of the things is are we taking advantage of it to the extent that we can? And so I don't want to talk a lot about it, but we are looking very close at everything that we're doing in the area of protein and just being able to look at it through the lens of how can we go and grab more market share and extend that lead. So you're right. It's showing everywhere.

I think we've led in the fact that it's been vital to health and wellbeing and reaching goals, and now the market also is catching on, and it's just expanding the market. So we're going to be taking advantages of that. But you know it's -- a lot of good things coming. More consumer awareness is always a positive thing.

Hale Holden^ Okay, great. Thank you very much.

Operator^ Thank you. Our next question comes from the line of Carla Casella with JPMorgan. Your line is open.

Carla Casella^ Hi, thanks. Thank you for the question. Two things. One, can you talk about what you expect the cost or inflation to be for next year? I may have missed it in the prepared remarks. And if you have any issues with given the whey shortages or costs that we're hearing about.

John DeSimone^ Yeah. So, you're talking input costs. We're seeing some pressure. It's manageable for us. Whey is one of the bigger increases that we're seeing, but we have lots of different kinds of protein. Whey is not the dominant type of protein that we sell. But there is an impact. And then packaging, and on freight because of the oil prices, we're seeing some pressure there too. I think it's a lot less on us than maybe some other companies. But what we're seeing, like I said, I think it's manageable. I think we probably will be able to recover those costs with our normal price increase structure next year. We'll know more as we start projecting next year, that's the feel we have right now.

Carla Casella^ Okay, great. And then just with new CFO coming in, any potential changes to your leverage target or thoughts of capital allocation?

John DeSimone^ No, not at this time. I mean, Scott's been here for about a year. He joined last year. He and I share similar thinking on that. And I reiterated what our policy -- not policy, but what our priorities are with capital allocation on the earnings call, and I did that so that investors would know. As of right now, it hasn't changed. I can't tell you that as a company, that priority won't change over time, but that's not where we are now, and I don't believe that Scott is going to be a driver of the change unless the circumstance is changing, the board will do it. When we think of capital allocation, it's a board-level decision. So I want to make that clear. So it's not going to be just we have a new CFO and things are going to change.

Carla Casella^ Okay, great. Thank you.

Operator^ Thank you. [Operator Instructions] Our next question comes from the line of Doug Lane with Water Tower Research. Your line is open.

Doug Lane^ Yeah. Thank you. Good afternoon, everybody. Also in the competitive environment, there was some M&A news this week with P&G buying a premium supplement company, Thorne. Does that change any of your thinking in how to go to market? Or what does that really say about the competitive environment in premium nutritional supplements?

Stephan Gratziani^ Doug, it's...

John DeSimone^ Tells me it's undervalued.

Stephan Gratziani^ Right. $3.8 billion, right?

John DeSimone^ There were six times this year's projected revenue.

Stephan Gratziani^ Yeah. So again, back to the awareness, right? So this is talking to this $34 billion global personalized nutrition market, and it's just validation that the strategy of the company and the capabilities that we're bringing to market is sound. And it's a natural progression for us as a company, so definitely see that as validation. And when you think about the Life I/O brand, it's exactly to start targeting that audience. So this is the direction, and it's great to see. Obviously, I'm with JD on that in terms of valuation, though.

Doug Lane^ That's understandable. At the Extravaganza last month, there was a lot made of the beta test of the blood biomarker diagnostics. So I'm just curious how the reaction has been among the distributors to the beta test and what have you seen over the last three or four weeks with that?

Stephan Gratziani^ Yeah, it's interesting. I mean, if you're speaking of news, I think Function Health current, recent, I think it's $450 million that they raised blood diagnostics. And so here we go again into the market of the personalized nutrition market, which the blood-based testing and biomarkers is a part of that. So again, launching in beta in North America, an at-home test that allows an affordable, simple, easy way to have biomarkers and then do it at home, send it in, have all of the results put into Pro2col, and make it accessible for people to educate and to support people on their health journey, it's an opportunity.

So we are -- this is, again, beta. This is new capabilities. So we are every step of the way from the ordering to the administration at home, to the sending in of it, to how it shows up in the API into Pro2col. So, it's the beginning of a process for us. And again, uniquely positioned for ourselves. And that's part of the what to measure, right? This is -- we've been doing it 45 years. It's just the evolution.

Doug Lane^ No, that makes sense. And then on the personalized nutrition, there is big news with Bioniq rolling out in Europe in June and North America in July. So what's next in the personalized nutrition space?

Stephan Gratziani^ Yeah, continuing evolution. So additional markets in the end of the year and Bioniq GO being the first in the line in the category, and there will be more to come. So we're not really ready to talk about it right now.

Doug Lane^ Okay. Fair enough. Thank you.

Stephan Gratziani^ Thank you.

John DeSimone^ Thanks, Doug.

Operator^ Thank you. Ladies and gentlemen, I am showing no further questions in the queue. I would now like to turn the call back over to Stephan Gratziani for closing remarks.

Stephan Gratziani^ Thank you, and thank you, everyone, for joining today. I want to leave you with three thoughts. One is Herbalife is 45 years of a proven strength in our business model. We have just reported our fourth consecutive quarter of reported net sales. As John mentioned, we have delivered constant currency net sales growth in nine of the 11 last quarters. And we have just talked about how the consumer health and the personalized nutrition market is evolving and the opportunity that it is creating.

The important thing to understand is that Herbalife has been here for over 46 years, and we have been a personalization company. Our distributors, that has been the key of personalization, taking an individual based on what they are looking for, who they are, and personalizing their nutrition through our products and supporting them on their journey. So we are uniquely positioned to lead in this.

The personalization in the nutrition industry, it is a lot of segments. We just talked about a couple of them. Herbalife brings them all together. We are in the process of building out so that we can actually partake in the growth of these segments, all while driving our primary segment, which is the nutrition piece. And our distributors are the superpower.

A lot of the companies that you see in this space, they do not have a superpower of millions of distributors across 95 markets that are the voice and the spirit and the heart of helping people on their journey to better health and wellness. This creates a unique opportunity for us, and so we are building on that foundation. And lastly, this opportunity and what we are building is built on a position of strength because of the company that we are and the foundation that we have.

We generate strong cash flow that allows us to invest in the future, and at the same time reducing debt, strengthening the balance sheet, and creating long-term value for our shareholders. So this is the three things, or these are the three things I want to leave you with. And then the last is just thanks. Thank you to all of our employees, our distributors, and shareholders. Your continued commitment and support is very important for us, and we thank you for participating today, and we look forward to updating you next quarter.

Operator^ That concludes today's conference call. You may now disconnect.