

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): October 26, 2022

Herbalife Nutrition Ltd.
(Exact Name of Registrant as Specified in Charter)

**Cayman Islands
(State or Other Jurisdiction
of Incorporation)**

**1-32381
(Commission
File Number)**

**98-0377871
(IRS Employer
Identification No.)**

**P.O. Box 309, Ugland House
Grand Cayman
Cayman Islands
(Address of Principal Executive Offices)**

**KY1-1104
(Zip Code)**

Registrant's telephone number, including area code: c/o (213) 745-0500

**Not Applicable
(Former Name or Former Address, if Changed Since Last Report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value \$0.0005 per share	HLF	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On October 31, 2022, Herbalife Nutrition Ltd. (the “Company”) issued a press release announcing its financial results for its third fiscal quarter ended September 30, 2022. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information contained in this Item 2.02 and Exhibit 99.1 attached to this report shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Chairman and CEO Transition

On October 27, 2022, Dr. John Agwunobi stepped down as the Company’s Chairman and Chief Executive Officer and as a member of the Board of Directors of the Company (the “Board”), effective October 27, 2022 (the “Effective Date”). Dr. Agwunobi’s transition was not due to any disagreements with the Company.

On October 29, 2022, the Board adopted resolutions to reduce the size of the Board from eleven to ten members, and, as of the Effective Date, appointed Michael O. Johnson as the Company’s Chairman and interim Chief Executive Officer.

Mr. Johnson, 68, is a current member of the Board since April 2022, and from April 2003 to April 2020. He also was the Chairman of the Board from 2007 to April 2020, and the Company’s Executive Chairman from June 2017 until January 2019. Additionally, Mr. Johnson previously served as the Company’s Chief Executive Officer from April 2003 until May 2017, and then from January 2019 to March 2020. Mr. Johnson is not a party to any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K. The Company will disclose Mr. Johnson’s compensation as interim Chief Executive Officer, once determined, in a Current Report on Form 8-K.

A copy of the press release issued by the Company on October 31, 2022 regarding this transition is attached as Exhibit 99.2 to this current report.

In connection with this transition, Herbalife International of America, Inc., a wholly-owned subsidiary of the Company, entered into a Separation Agreement and General Release with Dr. Agwunobi, dated October 31, 2022 (the “Agreement”). Pursuant to the terms of the Agreement, Dr. Agwunobi: (i) will not solicit any of the Company’s employees, distributors or customers between October 31, 2022 and December 31, 2023; (ii) will not disparage, defame or make any negative or derogatory statements about the Company or any of its affiliates, past or current officers, directors, employees or members; and (iii) will cooperate with the Company in connection with any internal or external investigations and legal matters. Additionally, the Agreement includes a customary general release by Dr. Agwunobi of all waivable claims against the Company and its affiliates and reinforces Dr. Agwunobi’s obligation to not disclose any confidential information. The foregoing items are collectively referred to as the “Consideration Requirements.” In exchange for the foregoing, the Company shall pay Dr. Agwunobi remuneration in the amount of \$2,261,538, which represents: (i) the portion of Dr. Agwunobi’s base salary that he would have earned if he had remained employed by the Company through December 31, 2022; and (ii) an amount equal to two years of Dr. Agwunobi’s base salary as of October 31, 2022. Dr. Agwunobi’s unvested Performance Stock Units granted in 2020 will remain effective following October 31, 2022 and will be settled on the dates and in the amounts that they would have been settled as if he had remained employed by the Company through the applicable vesting dates. Breach of any of the Consideration Requirements will allow the Company to terminate any payment or consideration, and recoup any previously paid amounts, under the Agreement.

NEO Departure

Further, on October 26, 2022, Alan Hoffman, the Company’s Executive Vice President of Global Corporate Affairs, and a named executive officer of the Company, notified the Company of his intent to resign from the Company, effective November 4, 2022, to pursue another opportunity.

Item 7.01. Regulation FD Disclosure.

Earnings Call Investor Slides

The Company intends to reference investor slides during the Company’s earnings conference call to discuss its financial results for its third fiscal quarter ended September 30, 2022. A copy of the presentation can be accessed in the “News and Events” section on the investor relations section of the Company’s website at <http://ir.herbalife.com> under the heading “IR Calendar”.

The information included in this Item 7.01 shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section and shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

[99.1 Press Release issued by Herbalife Nutrition Ltd. on October 31, 2022.](#)

[99.2 Press Release issued by Herbalife Nutrition Ltd. on October 31, 2022.](#)

104 Cover Page Interactive Data File – The cover page from the Company’s Current Report on Form 8-K filed on October 31, 2022 is formatted in Inline XBRL (included as Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Herbalife Nutrition Ltd.

October 31, 2022

By: /s/ Henry C. Wang

Name: Henry C. Wang

Title: EVP, General Counsel and Corporate Secretary

Herbalife Nutrition Reports Third Quarter 2022 Results, Withdraws Full Year 2022 Guidance and Announces CEO Transition

LOS ANGELES--(BUSINESS WIRE)--October 31, 2022--Herbalife Nutrition Ltd. (NYSE: HLF) today reported financial results for the third quarter ended September 30, 2022:

“Building momentum will be my top focus as I continue to work with this talented management team.” - Michael O. Johnson, Chairman and Interim CEO of Herbalife Nutrition

Highlights

- Third quarter 2022 net sales of \$1.3 billion, a 9.5% decrease compared to the third quarter 2021. On a constant currency basis¹, net sales declined 3.5% compared to the prior year period.
- Third quarter 2022 reported diluted EPS of \$0.83 and adjusted² diluted EPS of \$0.91, compared to third quarter 2021 reported and adjusted² diluted EPS of \$1.09 and \$1.21, respectively.
- Third quarter 2022 reported net income of \$82.2 million and adjusted² EBITDA of \$182.8 million.
- During the third quarter, the Company reduced its debt levels by paying down \$50 million of its revolving credit facility.
- Given the rapidly shifting macroeconomic sentiment and backdrop, as well as increased volatility in the marketplace, the Company is withdrawing FY 2022 guidance. The Company will periodically reassess its ability to provide guidance when we believe future performance can be reasonably estimated.
- Michael O. Johnson announced as Chairman and interim CEO. Please refer to separate press release for more information related to the CEO transition.

¹ Growth/decline in net sales excluding the effects of foreign exchange is based on “net sales in local currency,” a non-GAAP financial measure. See Schedule A – “Reconciliation of Non-GAAP Financial Measures” for a discussion of why we believe adjusting for the effects of foreign exchange is useful.

² Adjusted diluted EPS and adjusted EBITDA are non-GAAP measures. See Schedule A – “Reconciliation of Non-GAAP Financial Measures” for a detailed reconciliation of these measures to the most directly comparable GAAP measure, and a discussion of why we believe these non-GAAP measures are useful.

Management Commentary

Herbalife Nutrition reported net sales of \$1.3 billion for the third quarter of 2022, a decrease of 9.5% compared to the prior year, which was below the Company's expectations. The Company believes that macroeconomic inflationary pressures challenged Members' operations and customer demand during the quarter. Net sales were also negatively impacted due to unfavorable geographic mix of revenue as well as the strengthening of the U.S. dollar, which drove a significant currency headwind compared to net sales the prior year.

Management took decisive actions to execute on expense management initiatives that benefited net income and also contributed to an adjusted¹ EBITDA and adjusted¹ EPS that were above or near the high-end of the Company's Q3 guidance range. Additionally, during the third quarter, the Company strategically reduced \$50 million of its outstanding debt.

From a global perspective, some of the Company's underlying business trends and KPIs remained largely stabilized compared to Q2 levels. Worldwide active sales leaders, and new distributors and preferred customers, were slightly improved from Q2 levels. The global metrics were supported by significant strength in India and management is keenly focused on improving distributor metrics outside of India.

As such, the Company is rolling out a new campaign focused on driving new distributors to the Company. This collaboration with the Company's independent distributors has resulted in market-specific initiatives designed to attract additional distributors to join the company in both the short and long-term. The Company is also supporting Members with the resumption of in-person events, product line expansions, and the deployment of enhanced technology tools to support their businesses.

The sales trends that softened through the third quarter are expected to continue into the fourth quarter were impacted by the challenging macroeconomic landscape. Given the rapidly shifting macroeconomic sentiment and backdrop, as well as increased volatility in the marketplace, the Company is withdrawing FY 2022 guidance.

As the Company continues to navigate the macro backdrop, profit protection initiatives remain a focal point for management. At the same time, the Company continues to invest for future growth, including its digital transformation, the Herbalife ONE platform, in addition to the development and launch of new products around the world.

"Over our 42-year history we have overcome numerous macroeconomic challenges, and many of our distributors have developed new successful sales strategies and seen positive longer-term impacts on their organizations as a result of these times, as new individuals look to the Herbalife Nutrition business opportunity as a way to supplement their income," said CEO, Michael O. Johnson. "We remain confident that the resilience of our business model, the entrepreneurial spirit of our independent distributors, the growth profile of our product categories, and the strategic actions we are taking will help us emerge from the current environment stronger than ever."

Third Quarter 2022 Key Metrics

Regional Net Sales and Foreign Exchange (“FX”) Impact

Region	Reported Net Sales 3Q’22 (mil)	Growth/Decline including FX vs. 3Q’21	Growth/Decline excluding FX vs. 3Q’21 (a) 3
Asia Pacific	\$ 431.7	9.7%	17.3%
North America	\$ 317.5	(10.5%)	(10.4%)
EMEA	\$ 247.7	(23.1%)	(9.4%)
Latin America ^(b)	\$ 187.6	(9.2%)	(6.7%)
China	\$ 110.6	(28.2%)	(24.4%)
Worldwide Total	\$ 1,295.1	(9.5%)	(3.5%)

(a) Growth/decline in net sales excluding the effects of foreign exchange is based on “net sales in local currency,” a non-GAAP financial measure. See Schedule A – “Reconciliation of Non-GAAP Financial Measures” for a discussion of why we believe adjusting for the effects of foreign exchange is useful.

(b) During the third quarter of 2022, the Company combined its Mexico and South and Central America regions into one geographic region now named Latin America. Historical information has been reclassified to conform with the current period geographic presentation.

Regional Volume Point Metrics

Region	Volume Points	
	3Q’22 (mil)	Yr/Yr % Chg
Asia Pacific	561.9	14.8%
North America	335.3	(23.5%)
EMEA	307.5	(21.2%)
Latin America ^(b)	273.2	(17.9%)
China	77.8	(15.1%)
Worldwide Total	1,555.7	(10.7%)

Outlook

Given the rapidly shifting macroeconomic sentiment and backdrop, as well as increased volatility in the marketplace, the Company is withdrawing FY 2022 guidance. The Company will periodically reassess its ability to provide guidance when we believe future performance can be reasonably estimated.

Earnings Conference Call

Herbalife Nutrition senior management will host an investor conference call to discuss its recent financial results and provide an update on current business trends on Monday, October 31st, 2022, at 2:30 p.m. PT (5:30 p.m. ET).

Participants will need to register to receive dial-in information to the call, and may do so by visiting the investor relations section of the Company's website at <http://ir.herbalife.com>. Additionally, live audio of the conference call will be simultaneously webcast at <https://edge.media-server.com/mmc/p/bvzrmiar>. Senior management also plans to reference slides during the call, which will also be available on the investor relation's section of the Company's website.

An audio replay will be available following the completion of the conference call, and the webcast of the teleconference will be archived and available on the Company's investor relations site.

About Herbalife Nutrition Ltd.

Herbalife Nutrition (NYSE: HLF) is a global nutrition company that has been changing people's lives with great nutrition products and a business opportunity for its independent distributors since 1980. The Company offers science-backed products to consumers in 95 markets by entrepreneurial distributors who provide one-on-one coaching and a supportive community that inspires their customers to embrace a healthier, more active lifestyle. Through the Company's commitment to nourish people, communities and our planet, Herbalife Nutrition pledges to achieve 50 million positive impacts – tangible acts of good – by 2030, its 50th anniversary.

For more information, please visit IAMHerbalifeNutrition.com and follow us [@Herbalife](#).

Herbalife Nutrition also encourages investors to visit its investor relations website at ir.herbalife.com as financial and other information is posted.

Forward-Looking Statements

This release contains “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results or outcomes could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. Additionally, many of these risks and uncertainties are, and may continue to be, amplified by the COVID-19 pandemic. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in or implied by our forward-looking statements include the following:

- *the potential impacts of the COVID-19 pandemic and current global economic conditions, including inflation, on us; our Members, customers, and supply chain; and the world economy;*
- *our ability to attract and retain Members;*
- *our relationship with, and our ability to influence the actions of, our Members;*
- *our noncompliance with, or improper action by our employees or Members in violation of, applicable U.S. and foreign laws, rules, and regulations;*
- *adverse publicity associated with our Company or the direct-selling industry, including our ability to comfort the marketplace and regulators regarding our compliance with applicable laws;*
- *changing consumer preferences and demands and evolving industry standards, including with respect to climate change, sustainability, and other environmental, social, and governance, or ESG, matters;*
- *the competitive nature of our business and industry;*
- *legal and regulatory matters, including regulatory actions concerning, or legal challenges to, our products or network marketing program and product liability claims;*
- *the Consent Order entered into with the FTC, the effects thereof and any failure to comply therewith;*
- *risks associated with operating internationally and in China;*
- *our ability to execute our growth and other strategic initiatives, including implementation of our transformation program and increased penetration of our existing markets;*
- *any material disruption to our business caused by natural disasters, other catastrophic events, acts of war or terrorism, including the war in Ukraine, cybersecurity incidents, pandemics, and/or other acts by third parties;*
- *our ability to adequately source ingredients, packaging materials, and other raw materials and manufacture and distribute our products;*
- *our reliance on our information technology infrastructure;*
- *noncompliance by us or our Members with any privacy laws, rules, or regulations or any security breach involving the misappropriation, loss, or other unauthorized use or disclosure of confidential information;*
- *contractual limitations on our ability to expand or change our direct-selling business model;*
- *the sufficiency of our trademarks and other intellectual property;*
- *product concentration;*
- *our reliance upon, or the loss or departure of any member of, our senior management team;*
- *restrictions imposed by covenants in the agreements governing our indebtedness;*
- *risks related to our convertible notes;*
- *changes in, and uncertainties relating to, the application of transfer pricing, income tax, customs duties, value added taxes, and other tax laws, treaties, and regulations, or their interpretation;*
- *our incorporation under the laws of the Cayman Islands; and*
- *share price volatility related to, among other things, speculative trading and certain traders shorting our common shares.*

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

Results of Operations

Herbalife Nutrition Ltd. and Subsidiaries
Condensed Consolidated Statements of Income
(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
	(unaudited)			
North America	\$ 317.5	\$ 354.8	\$ 987.2	\$ 1,126.6
EMEA	247.7	321.9	831.7	1,043.8
Asia Pacific	431.7	393.5	1,290.1	1,188.8
Latin America	187.6	206.7	594.7	626.5
China	110.6	154.0	319.9	499.1
Worldwide Net Sales	1,295.1	1,430.9	4,023.6	4,484.8
Cost of Sales	285.1	305.2	908.0	942.7
Gross Profit	1,010.0	1,125.7	3,115.6	3,542.1
Royalty Overrides	414.4	450.0	1,301.1	1,409.8
Selling, General, and Administrative Expenses	448.2	486.3	1,373.1	1,498.9
Other Operating Income ⁽¹⁾	-	-	(14.9)	(16.4)
Operating Income	147.4	189.4	456.3	649.8
Interest Expense, net	34.5	37.7	95.9	112.0
Other expense, net ⁽²⁾	-	-	-	24.6
Income Before Income Taxes	112.9	151.7	360.4	513.2
Income Taxes	30.7	34.3	93.5	104.2
Net Income	\$ 82.2	\$ 117.4	\$ 266.9	\$ 409.0
Weighted-Average Shares Outstanding:				
Basic	98.0	105.5	98.7	107.3
Diluted	98.8	107.8	99.7	109.8
Earnings Per Share:				
Basic	\$ 0.84	\$ 1.11	\$ 2.70	\$ 3.81
Diluted	\$ 0.83	\$ 1.09	\$ 2.68	\$ 3.73

⁽¹⁾ Other Operating Income for the nine months ended September 30, 2022 and September 30, 2021 relates to certain China government grant income.

⁽²⁾ Other Expense, net for the nine months ended September 30, 2021 relates to loss on the extinguishment of the 2026 Notes.

Herbalife Nutrition Ltd. and Subsidiaries
Condensed Consolidated Balance Sheets
(In millions)

	Sep 30, <u>2022</u>	Dec 31, <u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 532.5	\$ 601.5
Receivables, net	85.0	66.9
Inventories	537.0	575.7
Prepaid expenses and other current assets	229.2	187.7
Total Current Assets	<u>1,383.7</u>	<u>1,431.8</u>
Property, plant and equipment, net	467.8	442.1
Operating lease right-of-use assets	200.7	220.0
Marketing-related intangibles and other intangible assets, net	316.1	317.3
Goodwill	87.6	95.4
Other assets	269.2	313.2
Total Assets	<u>\$ 2,725.1</u>	<u>\$ 2,819.8</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 84.5	\$ 92.0
Royalty overrides	329.0	363.2
Current portion of long-term debt	29.5	29.4
Other current liabilities	542.5	595.8
Total Current Liabilities	<u>985.5</u>	<u>1,080.4</u>
Non-current liabilities:		
Long-term debt, net of current portion	2,725.0	2,733.2
Non-current operating lease liabilities	187.8	201.2
Other non-current liabilities	188.7	196.5
Total Liabilities	<u>4,087.0</u>	<u>4,211.3</u>
Commitments and Contingencies		
Shareholders' deficit:		
Common shares	0.1	0.1
Paid-in capital in excess of par value	181.0	318.1
Accumulated other comprehensive loss	(284.3)	(211.8)
Accumulated deficit	(1,258.7)	(1,169.0)
Treasury stock	-	(328.9)
Total Shareholders' Deficit	<u>(1,361.9)</u>	<u>(1,391.5)</u>
Total Liabilities and Shareholders' Deficit	<u>\$ 2,725.1</u>	<u>\$ 2,819.8</u>

Herbalife Nutrition Ltd. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In millions)

	Nine Months Ended	
	9/30/2022	9/30/2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 266.9	\$ 409.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	87.2	80.1
Share-based compensation expenses	37.5	42.3
Non-cash interest expense	5.0	22.4
Deferred income taxes	(11.5)	2.9
Inventory write-downs	29.2	16.9
Foreign exchange transaction (gain) loss	10.0	10.5
Loss on extinguishment of debt	-	24.6
Other	(15.1)	1.0
Changes in operating assets and liabilities:		
Receivables	(23.9)	(6.7)
Inventories	(37.4)	(92.2)
Prepaid expenses and other current assets	(26.1)	(68.1)
Accounts payable	(3.7)	11.8
Royalty overrides	(16.8)	(1.7)
Other current liabilities	(21.8)	(86.2)
Other	19.4	8.3
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>298.9</u>	<u>374.9</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(113.6)	(104.5)
Other	0.2	(4.4)
NET CASH USED IN INVESTING ACTIVITIES	<u>(113.4)</u>	<u>(108.9)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings from senior secured credit facility, net of discount	433.0	531.1
Principal payments on senior secured credit facility and other debt	(505.0)	(416.0)
Proceeds from senior notes	-	600.0
Repayment of senior notes	-	(420.7)
Debt issuance costs	-	(8.4)
Share repurchases	(146.6)	(909.2)
Other	3.4	3.2
NET CASH USED IN FINANCING ACTIVITIES	<u>(215.2)</u>	<u>(620.0)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(40.0)	(13.0)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(69.7)</u>	<u>(367.0)</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF PERIOD	<u>610.4</u>	<u>1,054.0</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	<u>\$ 540.7</u>	<u>\$ 687.0</u>

Supplemental Information

SCHEDULE A: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited and unreviewed), (All tables provide Dollars in millions, except per Share Data)

Adjusted Net Income, Adjusted Diluted EPS and Adjusted EBITDA

In addition to its reported results calculated in accordance with GAAP, the Company has included in this release adjusted net income, adjusted diluted EPS and adjusted EBITDA, performance measures that the Securities and Exchange Commission defines as “non-GAAP financial measures.” Adjusted net income, adjusted diluted EPS and adjusted EBITDA exclude the impact of certain unusual or non-recurring items such as non-cash interest expense and amortization associated with the Company’s convertible notes, expenses related to regulatory inquiries and legal accruals, debt issuance costs and losses on extinguishment of debt, expenses related to COVID-19 pandemic, non-income tax items, expenses related to transformation program, and expenses related to digital technology program, as further detailed in the reconciliations below.

Management believes that such non-GAAP financial measures, when read in conjunction with the Company’s reported results, calculated in accordance with GAAP, can provide useful supplemental information for investors because they facilitate a period to period comparative assessment of the Company’s operating performance relative to its performance based on reported results under GAAP, while isolating the effects of some items that vary from period to period without any correlation to core operating performance and eliminate certain charges that management believes do not reflect the Company’s operations and underlying operational performance. The Company’s definition and calculation as set forth in the tables below of adjusted net income, adjusted diluted EPS and adjusted EBITDA may not be comparable to similarly titled measures used by other companies because other companies may not calculate them in the same manner as the Company does and should not be viewed in isolation from nor as alternatives to net income or diluted EPS calculated in accordance with GAAP.

Currency Fluctuation

Our international operations have provided and will continue to provide a significant portion of our total net sales. As a result, total net sales will continue to be affected by fluctuations in the U.S. dollar against foreign currencies. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, in addition to comparing the percent change in net sales from one period to another in U.S. dollars, we also compare the percent change in net sales from one period to another period using “net sales in local currency.” Net sales in local currency is not a measure presented in accordance with U.S. GAAP. Net sales in local currency removes from net sales in U.S. dollars the impact of changes in exchange rates between the U.S. dollar and the local currencies of our foreign subsidiaries, by translating the current period net sales into U.S. dollars using the same foreign currency exchange rates that were used to translate the net sales for the previous comparable period. We believe presenting net sales in local currency is useful to investors because it allows a meaningful comparison of net sales of our foreign operations from period to period. However, net sales in local currency should not be considered in isolation or as an alternative to net sales in U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP.

The following is a reconciliation of net income, presented and reported in accordance with U.S. generally accepted accounting principles, to net income adjusted for certain items:

	Three Months Ended		Nine Months Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
	(in millions)			
Net income, as reported	\$ 82.2	\$ 117.4	\$ 266.9	\$ 409.0
Non-cash interest expense and amortization of non-cash issuance costs (1) (2) (3)	-	6.0	-	17.6
Debt issuance costs related to the senior secured credit facility amendment (1) (2) (4)	-	0.6	-	1.7
Net expenses related to COVID-19 pandemic (1) (2)	0.5	2.5	3.8	11.8
Expenses related to transformation program (1) (2)	2.9	3.9	7.7	7.6
Russia-Ukraine conflict charges (1) (2)	0.1	-	5.5	-
Loss on extinguishment of debt (1) (2) (5)	-	-	-	24.6
Non-income tax items, net (1) (2) (6)	-	-	-	(7.4)
Digital technology program costs (1) (2)	3.3	-	3.3	-
Income tax adjustments for above items (1) (2)	1.0	(0.2)	(1.4)	(6.2)
Net income, as adjusted (7)	<u>\$ 90.0</u>	<u>\$ 130.2</u>	<u>\$ 285.8</u>	<u>\$ 458.7</u>

The following is a reconciliation of diluted earnings per share, presented and reported in accordance with U.S. generally accepted accounting principles, to diluted earnings per share adjusted for certain items:

	Three Months Ended		Nine Months Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
	(per share)			
Diluted earnings per share, as reported	\$ 0.83	\$ 1.09	\$ 2.68	\$ 3.73
Non-cash interest expense and amortization of non-cash issuance costs (1) (2) (3)	-	0.06	-	0.16
Debt issuance costs related to the senior secured credit facility amendment (1) (2) (4)	-	0.01	-	0.02
Net expenses related to COVID-19 pandemic (1) (2)	0.01	0.02	0.04	0.11
Expenses related to transformation program (1) (2)	0.03	0.04	0.08	0.07
Russia-Ukraine conflict charges (1) (2)	-	-	0.06	-
Loss on extinguishment of debt (1) (2) (5)	-	-	-	0.22
Non-income tax items, net (1) (2) (6)	-	-	-	(0.07)
Digital technology program costs (1) (2)	0.03	-	0.03	-
Income tax adjustments for above items (1) (2)	0.01	-	(0.01)	(0.06)
Adjusted diluted earnings per share (7)	<u>\$ 0.91</u>	<u>\$ 1.21</u>	<u>\$ 2.87</u>	<u>\$ 4.18</u>

The following is a reconciliation of net income, presented and reported in accordance with U.S. generally accepted accounting principles, to EBITDA and adjusted EBITDA:

	Three Months Ended		Nine Months Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
	(in millions)			
Net income, as reported	\$ 82.2	\$ 117.4	\$ 266.9	\$ 409.0
Interest Expense, net	34.5	37.7	95.9	112.0
Income Taxes	30.7	34.3	93.5	104.2
Depreciation and amortization	28.6	26.6	87.2	80.1
EBITDA	<u>\$ 176.0</u>	<u>\$ 216.0</u>	<u>\$ 543.5</u>	<u>\$ 705.3</u>
Net expenses related to COVID-19 pandemic (1) (2)	0.5	2.5	3.8	11.8
Expenses related to transformation program (1) (2)	2.9	3.9	7.7	7.6
Russia-Ukraine conflict charges (1) (2)	0.1	-	5.5	-
Loss on extinguishment of debt (1) (2) (5)	-	-	-	24.6
Non-income tax items, net (1) (2) (6)	-	-	-	(7.4)
Digital technology program costs (1) (2)	3.3	-	3.3	-
Adjusted EBITDA	<u>\$ 182.8</u>	<u>\$ 222.4</u>	<u>\$ 563.8</u>	<u>\$ 741.9</u>

(1) Based on interim income tax reporting rules, these expenses are not considered discrete items. The tax effect of the adjustments between our GAAP and non-GAAP results takes into account the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s).

(2) Excludes tax (benefit)/expense as follows:

	Three Months Ended		Nine Months Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
	(in millions)			
Non-cash interest expense and amortization of non-cash issuance costs	\$ -	\$ 0.5	\$ -	\$ 0.7
Debt issuance costs related to the senior secured credit facility amendment	-	(0.1)	-	(0.3)
Net expenses related to COVID-19 pandemic	-	(0.2)	(0.7)	(2.1)
Expenses related to transformation program	0.1	(0.2)	(0.4)	(0.7)
Russia-Ukraine conflict charges	-	-	(1.2)	-
Loss on extinguishment of debt	-	(0.2)	-	(5.5)
Non-income tax items, net	-	0.1	-	1.8
Digital technology program costs	0.9	-	0.9	-
Total income tax adjustments ⁽⁷⁾	<u>\$ 1.0</u>	<u>\$ (0.2)</u>	<u>\$ (1.4)</u>	<u>\$ (6.2)</u>

	Three Months Ended		Nine Months Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
	(per share)			
Non-cash interest expense and amortization of non-cash issuance costs	- \$	-	-	0.01
Debt issuance costs related to the senior secured credit facility amendment	-	-	-	-
Net expenses related to COVID-19 pandemic	-	-	(0.01)	(0.02)
Expenses related to transformation program	-	-	-	(0.01)
Russia-Ukraine conflict charges	-	-	(0.01)	-
Loss on extinguishment of debt	-	-	-	(0.05)
Non-income tax items, net	-	-	-	0.02
Digital technology program costs	0.01	-	0.01	-
Total income tax adjustments ⁽⁷⁾	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>

(3) Relates to non-cash expense on the Company's 2.625% convertible senior notes due 2024.

(4) Relates to costs incurred in the amendment of the senior secured credit facility as described in the Company's Form 10-Q for the three months ended September 30, 2022.

(5) Relates to the loss on the extinguishment of the senior notes due 2026

(6) Relates to certain non-income tax assessments, recoveries and credits

(7) Amounts may not total due to rounding.

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Herbalife Nutrition Announces Leadership Change

Longtime Herbalife Nutrition Executive Michael O. Johnson Named Chairman of the Board and Interim Chief Executive Officer

LOS ANGELES--(BUSINESS WIRE)--October 31, 2022--The Board of Directors of Herbalife Nutrition (“Board”) announced that Michael O. Johnson, current member of the Board and the former Chairman and CEO of Herbalife Nutrition (“Company”), has been named Chairman and interim Chief Executive Officer, succeeding Dr. John Agwunobi, who is departing the company.

The Company expects to name a new CEO in 2023.

Mr. Johnson brings more than 40 years of experience leading multi-national corporations, including close to two decades of leading Herbalife Nutrition. Known for his deep expertise in building brands, Mr. Johnson has a proven track record in innovation, motivation, and growth.

“Michael’s vision, intellect and passion for Herbalife Nutrition make him uniquely qualified to lead Herbalife at this time,” said Alan LeFevre, lead independent director of Herbalife Nutrition’s Board of Directors. “His past success of growing the business, combined with his relationships with the Company’s independent distributors, experienced management team, employees and investors, will help the Company accelerate growth and unlock additional opportunities.”

“I have been fortunate to be a part of this iconic brand for close to two decades and I am excited for the opportunities ahead. For more than 40 years, Herbalife Nutrition has been transforming people’s lives by providing them with personalized nutrition and an economic opportunity that is the best in the industry. This commitment to improving communities around the globe is needed now more than ever and while we are proud of our past, we are even more excited about our future,” said Mr. Johnson. “We have hard work ahead of us, but our entrepreneurial and successful business model is resilient, our independent distributors are a powerful engine for continued growth and our dedicated employees are motivated and committed.”

Mr. LeFevre continued, “On behalf of all of us at Herbalife Nutrition, we thank Dr. Agwunobi for his service and commitment to the Company over the past seven years and wish him success in his personal and professional endeavors.”

In a separate press release, today the Company also is announcing third quarter 2022 earnings results. That press release can be found at <https://ir.herbalife.com/>.

About Michael O. Johnson

Michael O. Johnson is an accomplished business leader with extensive experience expanding companies globally and spearheading successful business transformations. He served as CEO of Herbalife Nutrition from 2003 to 2017, Chairman from 2007 to early 2020, and CEO from 2019 to early 2020. During Mr. Johnson’s tenure as CEO of Herbalife Nutrition, the Company quadrupled sales and expanded its operations around the world from 58 to 95 markets. Under Mr. Johnson’s leadership, Herbalife Nutrition’s product portfolio and R&D function significantly increased, including the development and introduction of the Herbalife24 line of sports nutrition products. Additionally, he drove many of the Company’s key marketing initiatives, including the sponsorship of more than 200 athletes and teams around the globe.

As a member of the Board of Directors, his deep understanding of Herbalife Nutrition, independent distributors, and customers is invaluable for the future growth and development of the Company. Mr. Johnson brings decades of experience in corporate leadership and governance, as well as expertise in product innovation and marketing.

Prior to Herbalife Nutrition, Mr. Johnson led multiple departments of Walt Disney as president of those divisions, including Walt Disney International, Walt Disney Asia, and the Worldwide Home Entertainment division of Walt Disney Studios. Before joining Disney, Mr. Johnson gained extensive experience in the publishing industry including a management position at Time Inc. in the early 1980s.

About Herbalife Nutrition Ltd.

Herbalife Nutrition (NYSE: HLF) is a global company that has been changing people’s lives with great nutrition products and a business opportunity for its independent distributors since 1980. The Company offers science-backed products to consumers in 95 markets through entrepreneurial distributors who provide one-on-one coaching and a supportive community that inspires their customers to embrace a healthier, more active lifestyle. Through the Company’s commitment to nourish people, communities and planet, Herbalife Nutrition pledges to achieve 50 million positive impacts – tangible acts of good – by 2030, its 50th anniversary.

For more information, please visit IAMHerbalifeNutrition.com.

Forward-Looking Statements

This release contains “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results or outcomes could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. Additionally, many of these risks and uncertainties are, and may continue to be, amplified by the COVID-19 pandemic. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in or implied by our forward-looking statements include the following:

- *the potential impacts of the COVID-19 pandemic and current global economic conditions, including inflation, on us; our Members, customers, and supply chain; and the world economy;*
 - *our ability to attract and retain Members;*
 - *our relationship with, and our ability to influence the actions of, our Members;*
 - *our noncompliance with, or improper action by our employees or Members in violation of, applicable U.S. and foreign laws, rules, and regulations;*
 - *adverse publicity associated with our Company or the direct-selling industry, including our ability to comfort the marketplace and regulators regarding our compliance with applicable laws;*
 - *changing consumer preferences and demands and evolving industry standards, including with respect to climate change, sustainability, and other environmental, social, and governance, or ESG, matters;*
 - *the competitive nature of our business and industry;*
 - *legal and regulatory matters, including regulatory actions concerning, or legal challenges to, our products or network marketing program and product liability claims;*
 - *the Consent Order entered into with the FTC, the effects thereof and any failure to comply therewith;*
 - *risks associated with operating internationally and in China;*
 - *our ability to execute our growth and other strategic initiatives, including implementation of our transformation program and increased penetration of our existing markets;*
 - *any material disruption to our business caused by natural disasters, other catastrophic events, acts of war or terrorism, including the war in Ukraine, cybersecurity incidents, pandemics, and/or other acts by third parties;*
 - *our ability to adequately source ingredients, packaging materials, and other raw materials and manufacture and distribute our products;*
 - *our reliance on our information technology infrastructure;*
 - *noncompliance by us or our Members with any privacy laws, rules, or regulations or any security breach involving the misappropriation, loss, or other unauthorized use or disclosure of confidential information;*
 - *contractual limitations on our ability to expand or change our direct-selling business model;*
 - *the sufficiency of our trademarks and other intellectual property;*
 - *product concentration;*
 - *our reliance upon, or the loss or departure of any member of, our senior management team;*
 - *restrictions imposed by covenants in the agreements governing our indebtedness;*
 - *risks related to our convertible notes;*
 - *changes in, and uncertainties relating to, the application of transfer pricing, income tax, customs duties, value added taxes, and other tax laws, treaties, and regulations, or their interpretation;*
 - *our incorporation under the laws of the Cayman Islands; and*
 - *share price volatility related to, among other things, speculative trading and certain traders shorting our common shares.*
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We do not undertake any obligation to update or release any revisions to any forward-looking statement or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Contacts

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